DOMINION HOLDINGS, INC.

(Formerly BDO LEASING AND FINANCE, INC.)

(a corporation duly authorized and existing under Philippine laws)

IMPORTANT: THE SECURITIES AND EXCHANGE COMMISSION HAS NOT DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

THIS PROSPECTUS HAS BEEN PREPARED SOLELY FOR THE PURPOSE OF SUPPLEMENTING THE AMENDED REGISTRATION STATEMENT OF DOMINION HOLDINGS, INC. WITH AND IN COMPLIANCE WITH THE REQUIREMENTS OF THE SECURITIES AND EXCHANGE COMMISSION.

THE COMPANY IS NOT REGISTERING OR OFFERING ANY SECURITIES NOR DOES IT HAVE ANY ONGOING OFFER OF SECURITIES TO THE PUBLIC.

THIS PROSPECTUS SHALL NOT BE REPRODUCED IN ANY FORM, IN WHOLE OR IN PART, FOR ANY PURPOSE WHATSOEVER NOR SHALL IT BE TRANSMITTED TO ANY OTHER PERSON.

The date of this Prospectus is 17 April 2024.

TABLE OF CONTENTS

GLOSSARY

In this Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

"BAP"	…………………	The Bankers Association of the Philippines
"BDO"	…………………	BDO Unibank, Inc., the parent company
"BDO Finance"	…………………	BDO Finance Corporation
"BDO Unibank Group"	…………………	BDO and its Subsidiaries
"Board"	…………………	Board of Directors of the Company
"BSP"	…………………	Bangko Sentral ng Pilipinas, the Philippines' central monetary authority
"Common Shares" or "Shares"	…………………	The common shares of par value ₱1.00 each in the capital of the Company
"Company"	…………………	Dominion Holdings, Inc., formerly BDO Leasing and Finance, Inc.
"DHI"	…………………	Dominion Holdings, Inc.
"Directors"	…………………	The directors of the Company holding office as of the date of this Prospectus and as listed in the section of this Prospectus headed "Directors and Senior Management"
"financing company"	…………………	A company organized under the Financing Company Act (Republic Act No. 5980), and primarily engaged in the extension of lease and financing
"Gross Income"	…………………	Refers to the Company's gross income or revenues

"Philippine Stock Exchange" or "PSE"	…………………	Philippine Stock Exchange, Inc.
PFRS 16, Leases	…………………	PFRS which took effect on January 1, 2019, requiring leases to be recognized on balance sheet similar to a loan facility.
"Republic Act No. 5980", as amended by RA No. 8556, or the "Financing Company Act"	…………………	The primary law regulating the organization and operation of financing companies
"SEC"	…………………	The Securities and Exchange Commission of the Philippines
"universal bank"	…………………	Banking institutions with expanded commercial banking authorities
"UITF"	…………………	Unit Investment Trust Fund

SUMMARY INFORMATION

DOMINION HOLDINGS, INC., *formerly* BDO LEASING AND FINANCE, INC. (**DHI** or the **Company**) is a domestic corporation incorporated in 1981. Its shares were listed on the Philippine Stock Exchange (**PSE**) on January 6, 1997. The Company's principal office is located at 39th Floor BDO Corporate Center Ortigas in #12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Company is a subsidiary of BDO Unibank, Inc. (**BDO**), a universal bank incorporated and doing business in the Philippines. BDO offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

The Company was previously a financing company duly licensed by the Securities and Exchange Commission (**SEC**) and supervised by the Bangko Sentral ng Pilipinas (**BSP**). On May 25, 2019, the Board of Directors of BDO approved the restructuring of the leasing business of the BDO Unibank Group. The restructuring of BDO Unibank Group's leasing business was undertaken to optimize the financial needs of clients in light of new accounting standards covering lease transactions which took effect on January 1, 2019, requiring leases to be recognized on balance sheet similar to a loan facility. As a result, this made lease transactions a less attractive financing option to corporate borrowers. The volume of leasing is expected to be affected going forward, thus, no longer appropriate for a listed company.

In view of these changes, the Board of Directors approved the amendment of the Company's primary and secondary purpose from operating as a leasing and financing entity to operating as a listed holding company that invests in, purchases, acquires or owns, holds, uses, sells, assigns, transfer, mortgages, pledges, exchanges, or disposes real and personal property of every kind. On July 21, 2020, the stockholders approved the amendments.

Subsequently, on March 1, 2022, the Board of Directors approved the change in corporate name of the Company and the consequent amendment of its Articles of Incorporation and By-laws to reflect the new name "Dominion Holdings, Inc.". On April 20, 2022, the stockholders approved this change in corporate name at the 2022 Annual Stockholders' Meeting of the Company.

On 5 July 2022, the Company filed with the SEC a letter surrendering the Company's Certificate of Authority (**COA**) to operate as a financing company in accordance with the Financing Company Act of 1998. The surrender of the COA was filed simultaneously with the filing of the application for the amendment of the Articles of Incorporation and By-Laws to reflect the change in name, and primary and secondary purposes of the Company, as required by SEC.

On July 21, 2022, the SEC released its approval dated July 18, 2022 of the change in corporate name of the Company to “Dominion Holdings, Inc.”, the change in the Company’s primary and secondary purposes from a leasing and financing company to that of a holding company, and the corresponding amendments to the Company’s Articles of Incorporation and By-laws.

As an investment holding company, the Company now has more flexibility in pursuing business opportunities which will enhance shareholder value for all stockholders

SUMMARY FINANCIAL INFORMATION

The following tables present the Company's selected financial information and should be read in conjunction with the Company's audited financial statements and notes thereto contained in this Prospectus and the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Prospectus.

The selected financial information presented below were derived from the audited financial statements of the Company as of and for the years ended 31 December 2023, 2022, and 2021 prepared in accordance with PFRS and audited by Punongbayan & Araullo in accordance with Philippine Standards on Auditing and are qualified in their entirety by reference to those financial statements and the related notes thereto. The selected financial information set out below does not purport to project the results of operations or financial condition for any future period or date.

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31
(Amounts in Philippine Peso)

	2023	2022	2021
INCOME			
Interests and discounts	342,674,559	63,246,030	30,666
Gain on redemption of unit investment trust fund (UITF)	1,048,999	62,625,034	-
Unrealized fair value gain on UITF	-	-	54,997,429
Other income - net	-	954,650	2,069,009
	343,723,558	126,825,714	57,097,104
OPERATING COSTS AND EXPENSES			
Impairment and credit losses	6,135,361	2,799,676	-
Trust fees	3,591,034	-	-
Director's fees	2,182,222	2,933,333	3,011,111
Taxes and licenses	1,630,124	7,665,995	11,388,962
Professional fees	1,068,673	245,456	164,682
Litigation/assets acquired expenses	294,100	-	422,292
Interest expense	-	3,608,580	-
Occupancy and equipment-related expenses	-	794,204	68,000
Other expenses	3,211,638	14,331,494	4,200,567
	18,113,152	32,378,738	19,255,614
PROFIT BEFORE TAX	325,610,406	94,446,976	37,841,490
TAX INCOME (EXPENSE)	(48,329,174)	(25,183,760)	5,699,928
NET PROFIT	277,281,232	69,263,216	43,541,418
OTHER COMPREHENSIVE INCOME			
Item that will be reclassified subsequently to profit or loss			
Net unrealized fair value gains on debt investments at FVOCI	10,123,209	-	-
Impairment losses on debt investments at FVOCI	3,630,406	-	-
Tax expense	(2,530,802)	-	-
	11,222,813	-	-
TOTAL COMPREHENSIVE INCOME	**288,504,045**	**69,263,216**	**43,541,418**

STATEMENTS OF FINANCIAL POSITION

As of December 31
(Amounts in Philippine Peso)

	2023	2022	2021
ASSETS			
Cash and cash equivalents	7,785,645	14,733,014	15,204,057
Money market placements - net	3,941,346,704	5,955,382,215	-
Financial assets at fair value through other comprehensive income (FVOCI)	2,306,560,507	-	-
Financial assets at fair value through profit or loss	-	-	5,877,689,641
Other assets - net	127,392,572	127,386,647	127,396,187
TOTAL ASSETS	**6,383,085,428**	**6,097,501,876**	**6,020,289,885**
LIABILITIES AND EQUITY			
Accounts payable and other liabilities	10,655,103	16,106,398	8,157,623
Deferred tax liabilities - net	2,530,802	-	-
Total liabilities	13,185,905	16,106,398	8,157,623
Capital stock	2,225,169,030	2,225,169,030	2,225,169,030
Additional paid-in capital	571,095,676	571,095,676	571,095,676
Treasury shares	(81,776,628)	(81,776,628)	(81,776,628)
Net unrealized fair value gains on financial assets at FVOCI	11,222,813	-	-
Retained earnings	3,644,188,632	3,366,907,400	3,297,644,184
Total Equity	6,369,899,523	6,081,395,478	6,012,132,262
TOTAL LIABILITIES AND EQUITY	**6,383,085,428**	**6,097,501,876**	**6,020,289,885**

STATEMENTS OF CASH FLOWS

For the years ended December 31
(Amounts in Philippine Peso)

	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	325,610,406	94,446,976	37,841,490
Adjustments for:			
Interests and discounts	(342,674,559)	(63,246,030)	(30,666)
Impairment and credit losses	6,135,361	2,799,676	-
Operating loss before changes in operating assets and liabilities	(10,928,792)	34,000,622	37,810,824
Decrease (increase) in financial assets at fair value through profit or loss	-	5,877,689,641	(124,997,429)
Decrease (increase) in other assets	(56,045)	(7)	5,727,784
Increase (decrease) in accounts payable and other liabilities	(5,451,295)	7,948,775	(19,347,128)
Cash generated from (used in) operations	(16,436,132)	5,919,639,031	(100,805,949)
Interest received	250,098,951	12,728,422	30,666
Cash paid for final taxes	(48,329,174)	(25,174,213)	(5,574)
Net Cash From (Used in) Operating Activities	185,333,645	5,907,193,240	(100,780,857)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through other comprehensive income (FVOCI)	(6,006,005,297)	-	-
Maturities of short-term placements	5,907,664,283	-	-
Placement in short-term placements	(3,915,550,000)	(5,907,664,283)	-
Proceeds from redemption of financial assets at FVOCI	3,821,610,000	-	-
Net Cash Used in Investing Activities	(192,281,014)	(5,907,664,283)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(6,947,369)	(471,043)	(100,780,857)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	14,733,014	15,204,057	115,984,914
CASH AND CASH EQUIVALENTS AT END OF YEAR	**7,785,645**	**14,733,014**	**15,204,057**

RISK FACTORS

Financial risk exposure of the Company particularly on currency, interest, credit, market and liquidity risks are assessed regularly. There were no changes that would materially affect the financial condition and results of the Company.

Risk management of the Company's credit risks, market risks, liquidity risks and operational risks is an essential part of the Company's organization structure and philosophy. The risk management process is essentially a top-down process that emanates from the Board. The Board approves the overall institutional tolerance for risk, including risk policies and risk philosophy of the Company.

BUSINESS

The Company is a domestic corporation incorporated in 1981. Its shares were listed on the PSE on January 6, 1997. The Company's principal office is located at 39th Floor BDO Corporate Center Ortigas in #12 ADB Avenue, Ortigas Center, Mandaluyong City.

The Company is a subsidiary of BDO, a universal bank incorporated and doing business in the Philippines. BDO offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

The Company was previously a financing company duly licensed by the SEC and supervised by the BSP. On May 25, 2019, the Board of Directors of BDO approved the restructuring of the leasing business of the BDO Group. The restructuring of BDO Group's leasing business was undertaken to optimize the financial needs of clients in light of new accounting standards covering lease transactions, which took effect on January 1, 2019, requiring leases to be recognized on balance sheet similar to a loan facility. As a result, this made lease transactions a less attractive financing option to corporate borrowers. The volume of leasing is expected to be affected going forward, thus, no longer appropriate for a listed company.

On January 31, 2020, the Board approved the amendment of the Company's primary and secondary purpose from operating as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases to operate as a listed holding company that invest in, purchase, acquire or own, hold, use, sell, assign, transfer mortgage, pledge, exchange, or dispose real and personal property of every kind. On July 21, 2020, the stockholders approved the amendments.

Under the restructuring process, BDO Finance Corporation (BDO Finance) assumed the lease transactions booked in the Company to provide business continuity to existing clients under arm's length terms. Furthermore, the Company sold substantially all its assets to BDO, BDO Finance and other subsidiaries as part of the restructuring.

In various dates in 2020, the Company's core loans and receivables and investments were disposed of to related parties on an arm's length basis as part of the Company's action to address the widening liquidity gap as it winds down its operations during the first months of community quarantine brought by the COVID-19 pandemic. The Company also assigned irrevocably and absolutely to BDO Finance the Company's residual assets and liabilities, including its ownership of 250,000,000 common shares held in its subsidiary, BDO Rental, becoming a wholly owned subsidiary of BDO Finance. The Company closed its five branches effective October 31, 2020.

The Company ceased to operate as a leasing and financing company.

On March 1, 2022, the Board approved the change in corporate name of the Company and the consequent amendment of its Articles of Incorporation and By-laws to reflect the new name “Dominion Holdings, Inc.”, in line with the strategic direction of its principal shareholder to convert the Company into an investment holding company as previously approved by the Board and the stockholders. On April 20, 2022, the stockholders approved this change in corporate name at the 2022 Annual Stockholders’ Meeting of the Company.

On July 5, 2022, the Company filed with SEC a letter surrendering the COA to operate as a financing company in accordance with the Financing Company Act of 1998. The Company requested SEC approval for the revocation of the COA in line with the restructuring of the Company into a holding company as approved by its Board of Directors and stockholders.

The surrender of the COA was filed simultaneously with the filing of the application for the amendment of the Articles of Incorporation and By-Laws to reflect the change in name and primary and secondary purposes of the Company, as required by the SEC.

On July 21, 2022, the SEC released its approval dated July 18, 2022 of the change in corporate name of the Company to “Dominion Holdings, Inc.”, the change in the Company’s primary and secondary purposes from a leasing and financing company to that of a holding company, and the corresponding amendments to the Company’s Articles of Incorporation and By-laws.

Principal Products/Services

The Company’s primary purpose is to hold/own real estate properties, securities/shares of stocks, and other assets of other companies, and engage in investment and business activities involving these assets. As an investment holding company, the Company will have more flexibility in pursuing business opportunities which will enhance shareholder value for all shareholders.

Sales Contracts

The Company has no existing sales contracts in 2023.

Government Approval

The change in corporate name from “BDO Leasing and Finance, Inc.” to “Dominion Holdings, Inc.” and the amendment of its Articles of Incorporation and By-Laws were approved by the SEC on July 18, 2022, and are in line with the strategic direction of its principal shareholder, BDO, to convert the Company into a Holding Company.

Intellectual Property

As of December 31, 2023, the Company has no existing or expiring patents, copyrights, licenses, franchises, concessions, and royalty agreements.

Government Regulation

On February 13, 2020, the Market and Securities Regulation Department (**MSRD**) of the SEC issued an Order of Suspension against DHI, suspending its Registration Statement (and Permit to Sell primary securities), the lifting of which is subject to the submission of an amended Registration Statement (the **Order**). The MSRD issued the Order in light of the agreement entered into by BDO in 2020 to sell its controlling stake in DHI to third parties and the subsequent amendment of DHI's primary business to a holding company. The SEC ruled that DHI's Registration Statement as a leasing and financing company was no longer true and accurate. Hence, the SEC ordered the suspension and required the filing of an Amended Registration Statement. The SEC furnished the PSE a copy of the Order, and on this basis, the PSE imposed a trading suspension on DHI on February 14, 2020. As of December 31, 2023, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC.

As previously disclosed, DHI filed its request for reconsideration of the Order and has sought guidance from the SEC on the requirement to amend its Registration Statement, if so required and appropriate under applicable laws and regulations, considering that it has no ongoing offering.

In order to comply with requirement of the MSRD for the lifting of the Order, the Company will file an Amended Registration Statement, and as annex thereof, this Prospectus.

With the SEC's approval of the Company's conversion to a Holding Company, changes or amendments to the Financing Company Act should not affect the Company.

Employees

With the cessation of the leasing and financing business of the Company and the full transition of the leasing operations to BDO Finance in October 2020, the Company's manpower complement as of December 2023, remains at five (5) personnel who are its Corporate Officers, namely: President, Treasurer, Corporate Secretary, Assistant Corporate Secretary and Compliance Officer.

The Board of Directors and Corporate Officers

The Board is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Company. The members of the Board are elected annually by the stockholders to hold office for a term of one (1) year, and shall serve until their respective successors have been duly elected and qualified.

Below is the list of the incumbent members of the Board and all persons nominated to be part of the Board, and the corporate officers and their business experience during the past five (5) years:

ATTY. ELMER B. SERRANO
Chairman
56 years old, Filipino

Atty. Serrano was elected as Chairman of the Board of Directors of the Company on 20 April 2022. He is also the Corporate Information Officer of BDO Unibank, Inc. and serves as the corporate secretary of bank's subsidiaries and affiliates.

He also sits as an Independent Director of Benguet Corporation and Philippine Telegraph and Telephone Corporation, and a director of EEI Corporation. He is also the Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Premium Leisure Corporation, Atlas Consolidated Mining and Development Corporation and DFNN, Inc.

Atty. Serrano is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW. He has been awarded "Asia Best Lawyer" 3 years in a row by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in all three practice areas in the Philippines.

He is also Corporate Secretary and counsel of the prominent financial industry organizations, such as the Bankers Association of the Philippines, Philippines Payments Management, Inc. and the PDS Group.

Atty. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Atty. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

JOHN EMMANUEL M. LIZARES
Director & President
60 years old, Filipino

Mr. Lizares was elected to the Board of Directors of the Company on August 1, 2023. He is concurrently the President/Director of BDO Finance Corporation and BDO

Rental, Inc. He is Senior Vice President and was previously the Unit Head of Institutional Banking Group-Commercial Banking East C since July 2016. Prior to joining BDO in July 2001, Mr. Lizares was with the Retail Banking of Far East Bank & Trust Company and later joined the Corporate Banking Division of the Bank of the Philippine Islands after the merger. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines.

LUIS S. REYES, JR.
Director & Treasurer
66 years old, Filipino

Mr. Reyes was first elected to the Board of Directors of the Company on April 18, 2012, and was appointed as Treasurer on April 23, 2014. He is concurrently the Executive Vice President for Investor Relations and Corporate Planning of BDO Unibank, Inc. He is also the Treasurer of BDO Finance Corporation, Director and Treasurer of BDO Rental, Inc., Director of BDO Strategic Holdings, Inc. and BDORO Europe Ltd., and Chairman of Nashville Holdings, Inc. Before joining BDO, Mr. Reyes was a First Vice President of Far East Bank & Trust Company, Trust Banking Group. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines.

LAZARO JEROME C. GUEVARRA
Director
57 years old, Filipino

Mr. Guevarra was elected to the Board of Directors of the Company on April 20, 2022. He is concurrently Senior Vice President of BDO Unibank. He is the Chief of Staff for the Office of the President and concurrently the Head for the Governance Group, administratively overseeing the Legal Services & Corporate Secretary, Compliance, Internal Audit, and Information & Cyber Security Office. He holds the following positions in the BDO Group: Chairman of BDO Remit (Canada), Ltd., BDO Remit (Japan), Ltd., BDO Remit (USA), Inc. and BDO Insurance Brokers, Inc.; Director of BDO Strategic Holdings, Inc., BDORO Europe Ltd., Averon Holdings Corporation, SM Keppel Land, Inc., NorthPine Land, Inc. and Nashville Holdings, Inc.; Trustee of BDO Foundation; and Advisor to the Board of BDO Securities Corporation. He was previously the Head of Advisory, Mergers & Acquisition of BDO Capital & Investment Corporation and President of BDO Securities Corporation. He holds a Bachelor's degree in Economics from the University of the Philippines. He has more than thirty (30) years of experience in banking, mergers & acquisitions.

MELANIE S. BELEN
Director
63 years old, Filipino

Ms. Belen was elected to the Board of Directors of the Company on April 20, 2022. She is currently Senior Vice President / Head of Credit Risk Operations & Asset Recovery Management of BDO Unibank, Inc. She is concurrently President/Director of BDO Strategic Holdings, Inc. and Ivory Homes, Inc. She is also Director of Taal Land, Inc. and Chairperson/Director Equimark-NFC Development Corporation. Before joining BDO, she was a Country Vice President of Scholastic Inc. (Grolier International), and Chief Financial Consultant of Healthy Options. Ms. Belen is a Certified Public Accountant (CPA) and holds a Bachelor of Science degree in Commerce from the University of Sto. Tomas, and a Master's degree in Business Management from the Asian Institute of Management.

GENEVA T. GLORIA
Director
59 years old, Filipino

Ms. Gloria was elected to the Board of Directors of the Company on April 20, 2022. She is the Senior Vice President and Head of BDO Remittance-Transaction Banking Group of BDO Unibank, Inc. She is also the concurrent director of BDO Network Bank, Inc., BDO Remit International Holdings B.V., BDO Remit (UK) Ltd., BDO Remit (Canada) Ltd., BDO Remit (Japan) Ltd., BDO Remit Limited, BDO Remit (USA), inc. and BDO Remit (Macau) Limited. Ms. Gloria's banking career spans more than three decades, with 25 years of experience in the remittance business. Her expertise encompasses business development, operations, project management, marketing, as well as both local and foreign remittance. Ms. Gloria gained a deep understanding of the overseas Filipino market during her five-year tenure as an expatriate, where she operated remittance subsidiaries. Under Ms. Gloria's leadership, BDO Unibank, Inc. consistently received the BSP's "Commercial Bank that Generated the Largest Overseas Filipino Remittances" Award from 2008-2010 and 2013-2019. She also supported various government projects for the overseas Filipinos. In 2014, Ms. Gloria and her team launched a grassroots marketing campaign across the country, alongside financial literacy programs for clients overseas. The on-ground activities and digital outreach strengthened the bank's commitment to financial inclusion. Ms. Gloria received her Bachelor of Science degree in Business Administration from the University of the Philippines.

REBECCA S. TORRES
Director
71 years old, Filipino

Ms. Torres was elected to the Board of Directors of the Company on July 13, 2022. She is an incumbent Consultant of BDO Unibank and Director of BDO Rental, Inc. She is concurrently the Treasurer of BDO Life Assurance Company, Inc. and BDO Insurance Brokers, Inc. She was formerly Senior Vice President & Chief Compliance Officer of BDO Unibank, Inc. and Assistant Corporate Secretary of BDO Leasing and

Finance, Inc., BDO Private Bank, Inc., BDO Rental, Inc., Armstrong Securities, Inc., and Equimark-NFC Development Corp. She likewise served as Assistant Corporate Secretary and Trustee of BDO Foundation, Inc. She was the Corporate Secretary of PCIB Securities, Inc., BDO Strategic Holdings Inc., and the Sign of the Anvil, Inc. She was formerly the Chief of Staff of the President involved in project management for the bank's merger activities. She was a Director and currently an Adviser to the Board of the Association of Bank Compliance Officers of the Philippines. She is a CPA and a graduate of St. Theresa's College, Quezon City with a degree of Bachelor of Science Major in Accounting and she has completed the Advanced Bank Management Program of the AIM.

LUIS MA. G. URANZA
Lead Independent Director
65 years old, Filipino

Atty. Uranza was elected as Independent Director of the Company on April 20, 2022. He is concurrently an Independent Director of BDO Private Bank, BDO Finance Corporation, BDO Capital & Investment Corporation and BDO Insurance Brokers, Inc. He has previously served as the Corporate Secretary of various banks, financial institutions, and listed companies. His professional experience in the field of litigation is also extensive due to his engagement as trial counsel in notable civil, criminal and administrative cases.

Atty. Uranza is currently the Rehabilitation Receiver, appointed by the Securities and Exchange Commission, to oversee the financial recovery of Victorias Milling Co., Inc. which is one of the major sugar millers and refiners in the country whose shares are listed and traded in the Philippine Stock Exchange. Atty. Uranza has also been given similar appointments by the commercial courts of Makati City and the City of Cagayan de Oro to oversee the financial rehabilitation of several other companies.

In the course of his law practice, Atty. Uranza gained proficiency in oil and gas exploration laws and regulations as a result of his membership in the Board of Directors of PNOC-Exploration Corporation which is a government owned and controlled corporation created for the primary purpose of exploring and developing the fossil fuel and natural gas resources of the country. Moreover, the Philippine Government (through its various agencies) has also engaged the professional services of Atty. Uranza as: (a) Special Legal Counsel of the Presidential Commission on Good Government, (b) Legal Consultant to the Special Presidential Task Force created by Executive Order No. 156 to investigate the tax credit scam at the Department of Finance, and (c) Legal Consultant to the Office of the General Manager of the Manila International Airport Authority.

Atty. Uranza is a member of the Philippine Bar who has been engaged in the practice of law for more than thirty-five (35) years. He earned both his academic degrees in business (B.S.B.A.) and in law (Ll.B.) from the University of the Philippines.

ISMAEL G. ESTELA, JR.
Independent Director
67 years old, Filipino

Mr. Estela was elected as Independent Director of the Company on April 20, 2022. He is presently an Independent Trustee of BDO Foundation, Inc., and Independent Director of BDO Finance Corporation and Country Builders Bank. He serves as Chairman of the Board of Directors of Blue Plate Exalt Foods Corp. He was formerly Senior Vice President and Corporate Governance Officer of BDO Unibank, Inc., assigned to Corporate Compliance and Legal Services & Internal Audit Group, and held various directorship positions in BDO Group: BDO Remit (Canada) Ltd., BDO Remit (Japan) Ltd., BDORO Europe Ltd., and Express Padala International, Inc. He was also Head of Transaction Banking doing cash management, electronic banking, and remittance services. He is a Certified Public Accountant ("CPA") and holds a Bachelor of Science degree in Accounting from the University of San Carlos.

JOSEPH JASON M. NATIVIDAD
Corporate Secretary
51 years old, Filipino

Atty. Natividad was appointed Corporate Secretary of the Company on May 31, 2010. He concurrently holds the position of Corporate Secretary of BDO Network Bank Inc., the DSV/Agility Group of Companies in the Philippines, and serves as a member of the Board of Directors and Corporate Secretary of Gaia South, Inc. He is also the Assistant Corporate Secretary of BDO Insurance Brokers, Inc. He served as Assistant Corporate Secretary of Equitable PCI Bank from September 2006 to June 2007, prior to its merger with Banco de Oro; BDO Capital & Investment Corporation, BDO Securities Corporation, and BDO Rental, Inc. He is also Board Secretary of the Private Education Retirement Annuity Association (PERAA), a retirement fund administrator of private schools. Atty. Natividad is currently a Partner of the Factoran & Natividad Law Offices. He has been in law practice for more than 25 years, mainly in the fields of corporate law and environmental law. He has a Bachelor's degree in Management, major in Legal Management, from the Ateneo de Manila University, and obtained his Juris Doctor degree from the Ateneo de Manila University School of Law.

ATTY. MA. CECILIA SALAZAR-SANTOS
Assistant Corporate Secretary
58 years old, Filipino

Atty. Santos was appointed as Assistant Corporate Secretary and Alternate Corporate Information Officer of the Company since October 1, 2015. She is concurrently the First Vice President and Alternate Corporate Information Officer of BDO Unibank. She is the Corporate Secretary of BDO Finance Corporation, BDO Foundation, Inc. BDO Strategic Holdings, Inc., BDO Rental, Inc., Averon Holdings Corporation, Nashville Holdings, Inc., Ivory Homes, Inc., and Equimark-NFC Development Corporation Further, she is also the Assistant Corporate Secretary of BDO Private Bank, Inc. and BDO Network Bank, Inc. She was formerly the Corporate Secretary of Armstrong Securities, Inc., BDO Nomura Securities, Inc., and Director and Corporate Secretary of PCI Insurance Brokers, Inc., PCI Management Consultants, Inc., PCI Travel Corporation, The Executive Banclounge, Inc., and The Sign of the Anvil, Inc.

In addition, she is currently assigned at BDO Unibank Legal Services and Corporate Secretary Group as Head of two (2) Teams, to wit: IP/Legal Support Team providing legal assistance to BDO Unibank's Support Groups and Subsidiaries and in managing the BDO Group's Intellectual Property (BDO and BDO-related trademarks and domain names), and Corporate Secretariat Team providing corporate secretariat services to BDO Unibank and its Subsidiaries. In 2017, 2018, 2019, and 2020, she was featured in the World Trademark Review 300 as among the World's Top 300 Leading Trademark Professionals. In 2023, she was included in the GC Powerlist Philippines 2023–Legal 500. She holds a Bachelor of Arts degree major in Economics from University of Sto. Tomas and finished law at San Beda College of Law (Dean's Lister).

COSME S. TRINIDAD, JR.
Compliance and Corporate Governance Officer
59 years old, Filipino

Mr. Trinidad was appointed as Compliance and Corporate Governance Officer of the Company on February 1, 2024. He is concurrently the Risk and Compliance Officer, Data Protection Officer, Corporate Governance and Information Security Officer of BDO Finance Corp. and BDO Rental, Inc. He is First Vice President and was the Team Head of Institutional Banking Group-Commercial Banking Central Luzon since August 2020. He was formerly Unit Head of Marketing-Luzon in BDO Leasing and Finance, Inc. for 8 years. He joined BDO Risk Management Group in 2008 handling credit policy and portfolio review. He holds a Masters Degree in Business Administration from De La Salle University and graduated Magna Cum Laude with a degree in Bachelor of Science in Fisheries major in Business Management from the University of the Philippines.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2023 Compared to 2022

In 2023, the Company registered a net income of P277.3 Million mainly derived from interest earnings on time deposits and debt securities. The shift of the investment portfolio from unit investment trust fund in 2022 to time deposits and debt securities resulted in the significant increase in net income from P69.3 Million recorded in 2022.

As of December 31, 2023, total assets grew by 4.7% to P6.4 Billion of which P3.9 Billion is invested in time deposits and P2.3 Billion is invested in debt securities. The balance mainly pertains to creditable withholding taxes of P127.4 Million.

Total liabilities amounted to P13.2 Million.

Stockholders' equity rose from P6.1 Billion in 2022 to P6.4 Billion in 2023 as earnings from investments are plowed back to the Company.

The Company's five (5) key performance indicators are as follows:

	December 31, 2023	December 31, 2022
Current Ratio	599.06:1	378.58:1
Quick asset ratio	599.06:1	378.58:1
Debt to Equity Ratio	0.00:1	0.00:1
Net Profit Margin	80.67%	54.61%
Return on Equity	4.45%	1.15%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) increased from last year's 378.58:1. Debt to equity ratio (computed as total liabilities divided by total equity) remained almost nil for two years. Net Profit Margin (computed as net income over gross revenue) rose to 80.67%. Return on Equity (net income over average equity) increased to 4.45% in 2023.

For the next twelve (12) months, DHI will continue investing its financial assets in money market placements, debt securities, and other short-term but high-yielding instruments. Other investments opportunities aligned with the objectives of the Company will be carefully analyzed and considered. The company does not expect any product research and development, purchase or sale of plant and equipment, nor any significant change in the number of employees for the term of the plan.

2022 Compared to 2021

In 2022, the Company's gross income amounted to P126.8 million, an increase of P69.7 million or 122.12% from last year's P57.1 million. The company redeemed its investment in Unit Investment Trust Fund (UITF) of P5.9 billion during the last quarter of 2022, thereby realizing a gain on redemption of UITF amounting to P62.6 million. The proceeds of the investment were placed in higher yielding short-term time deposits which resulted in additional interest earning of P63.2 million. After considering total expenses of P32.4 million, the company registered a net income of P69.3 million, an increase of P59% from P43.5 million in 2021.

As of December 31, 2022, total assets remained at P6.1 billion, of which P6.0 billion was placed in short-term time deposits.

Accounts Payables and Other Liabilities amounted to P16.1 million.

Stockholders' equity stood at P6.1 billion.

The Company's five (5) key performance indicators are as follows:

	December 2022	December 2021
Current Ratio	378.58:1	738.0:1
Quick asset ratio	378.58:1	738.0:1
Debt to Equity Ratio	0.00:1	0.00:1
Net Profit Margin	54.61%	76.25%
Return on Equity	1.15%	0.73%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) decreased from last year's 738.0:1. Debt to equity ratio (computed as total liabilities divided by total equity) remained almost nil for two years. Net Profit Margin (computed as net income over gross revenue) rose to 54.61%. Return on Equity (net income over average equity) increased to 1.15% in 2022.

2021 Compared to 2020

The Company registered a net income of P43.6 million for the year ended December 31, 2021. Compared to 2020, net income dropped by 83% from P252.4 million, as the previous year's result was still based on a balance sheet prior to the full implementation of the Company's restructuring of its leasing business. After discontinuing its leasing and financing business and sale of substantially all assets in October 2020, the income generated by the Company was earned solely from the fair value gain of its investment in Unit Investment Trust Funds (UITFs) which amounted to P55.0 million. Total expenses, on the other hand, stood at P19.3 million.

As of December 31, 2021, total assets practically remain the same at P6.0 billion, of which P5.8 billion was invested in UITFs.

The Company also assigned irrevocably and absolutely to BDO Finance certain accounts payable and other liabilities. The remaining balance of Accounts Payable and Other Liabilities account amounting to P8.1 million includes, among others, accounts payable and withholding taxes payable.

Stockholders' equity stood at P6.0 billion. The Company's five (5) key performance indicators are as follows:

	December 2021	December 2020
Current Ratio	738.0:1	218.0:1
Quick asset ratio	738.0:1	218.0:1
Debt to Equity Ratio	0.00:1	0.00:1
Net Profit Margin	76.29%	10.66%
Return on Equity	0.73%	4.36%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) increased from last year's 218.01:1. Debt to equity ratio (computed as total liabilities divided by total equity) remained almost nil for two years. Net Profit Margin (computed as net income over gross revenue) rose to 76.29%. Return on Equity (net income over average equity) dropped to 0.73% in 2021.

Policy on Revenue Recognition – Other Income

Income that are one off are recognized as Other Income. These are recognized as they are earned.

Key Variable and Other Qualitative and Quantitative Factors

With approvals from its Board of Directors and stockholders, Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.) already voluntarily surrendered its secondary license as a financing company to the Securities and Exchange Commission.

On July 21, 2022, the SEC released its approval dated July 18, 2022 of the change in corporate name of BDO Leasing and Finance Inc. to "Dominion Holdings, Inc.", the change in the Company's primary and secondary purposes from a leasing and financing company to that of a holding company, and the corresponding amendments to the Company's Articles of Incorporation and By-laws.

As an investment holding company, Dominion Holdings, Inc. will have more flexibility in pursuing business opportunities which will enhance shareholder value for all shareholders.

None of the following are present:

a. known trends, events or uncertainties that will have any material impact on the Company's liquidity;
b. events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation;
c. material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period;
d. material commitments for capital expenditures during the year;
e. known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
f. significant elements of income or loss that did not arise from the Company's continuing operations; and
g. seasonal aspects that had a material effect on the financial condition or results of operations.

The causes for any material changes from 2022-2023 are explained in Item 11.e. Management's Discussion and Analysis or Plan of Operation.

MARKET FOR THE COMPANY'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The total treasury shares of the Company as of December 31, 2023 is 62,693,718 shares.

Market Information

The principal market for the Company's common equity is the PSE. At its meeting held on October 26, 2022, the Board of Directors of the Company approved the change of the Company's stock symbol in the PSE from "BLFI" to "DHI" in view of the Company's change in corporate name.

The market prices of the Company's shares are as follows:

2020	**High**	**Low**	**2019**	**High**	**Low**
January 24, 2020 (Last trading date)	3.35	3.00	1st quarter	2.29	2.22
			2nd quarter	2.42	2.32
			3rd quarter	2.02	2.00
			4th quarter	2.02	1.84
2018	**High**	**Low**	**2017**	**High**	**Low**
1st quarter	3.21	2.23	1st quarter	3.96	3.95
2nd quarter	2.84	2.83	2nd quarter	4.05	3.90
3rd quarter	2.58	2.57	3rd quarter	4.08	4.05
4th quarter	2.20	2.19	4th quarter	3.89	3.78

As of January 24, 2020 and December 27, 2019, the closing prices of the Company's shares was at P3.16 and P1.87, respectively.

On February 13, 2020, the SEC issued an Order of Suspension against DHI, suspending its Registration Statement (and Permit to Sell primary securities), the lifting of which is subject to the submission of an Amended Registration Statement (the Order).

The Order was issued by the SEC in light of the change of the Company's primary business from a leasing to a holding company, as the SEC ruled that the Company's Registration Statement as a leasing and financing company was no longer true and accurate. The SEC ordered the suspension and required the filing of an Amended Registration Statement. The Company filed a request for reconsideration of the Order on 25 February 2020, primarily on the basis that the conversion of the Company is not yet approved by the SEC and hence not yet effective, noting also that it has been transparent and timely with reporting material transactions.

While the Company's request for reconsideration remains pending resolution by the SEC, the Company decided to comply with the directive of the SEC and took the opportunity upon approval by the SEC of its conversion to a holding company on 18 July 2022. Subject to review and approval of the SEC, DHI filed an amended Registration Statement last 29 June 2023 in compliance with the requirements of the SEC for the lifting of its Order of Suspension against the Company dated 13 February 2020 (Order).

As of December 31, 2023, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Company's registration statement. The Company has since engaged the SEC on its requirements to lift the suspension order and the matter is still pending resolution.

The total number of stockholders of the Company as of December 31, 2023 is at One Thousand One Hundred (1,100). Common shares outstanding in turn, totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings as of December 31, 2023 are as follows:

Name	**No. of Shares Held**	**% to Total**
BDO Unibank, Inc.[1]	1,914,711,807	88.542597%
Various Stockholders (Public)	247,763,505	11.457403%
	2,162,475,312	**100.00000%**

The top 20 stockholders of the Company as of December 31, 2023, are as follows:

Name of Stockholders	***Securities***	***Shares Held***	***Total Outstanding***
BDO Unibank, Inc./Banco De Oro Unibank Inc.*	Common	1,914,711,807	88.542597%
PCD Nominee Corporation (Filipino)	Common	247,859,686	11.139%

[1]Includes shares of affiliate, BDO Capital & Investment Corporation. Number of shares reflects both direct and indirect shareholdings

Samuel Uy Chua	Common	21,000,000	0.944%
Equitable Computer Services, Inc. A/C Cequit11	Common	12,320,000	0.554%
Marylen Castro Mateo	Common	3,795,000	0.171%
Jesselen Castro Verzosa	Common	3,795,000	0.171%
Samuel Uy Chua	Common	3,011,150	0.135%
Constantino Chua	Common	2,497,200	0.112%
Equitable Computer Services, Inc.	Common	2,070,200	0.093%
Mercury Group of Companies, Inc.	Common	1,089,165	0.049%
Constantino Chua &/or Willington Chua &/or George W. Chua	Common	1,020,000	0.046%
Nardo R. Leviste	Common	759,000	0.034%
PCD Nominee Corporation (Foreign)	Common	587,821	0.026%
Willington/Constantino Chua	Common	584,430	0.026%
Willington Chua	Common	508,530	0.023%
Pablo Son Keng Go	Common	455,400	0.02%
Wilson Go	Common	438,625	0.02%
Lim Chin Ben	Common	425,040	0.019%
Sysmart Corporation	Common	358,835	0.016%
Abacus Capital & Investment Corp.	Common	303,000	0.014%

Includes shares of affiliate, BDO Capital & Investment Corporation. Number of shares reflects both direct and indirect shareholdings.

Dividends

In the last two (2) years, the Company did not declare any dividends. No restriction exists that limits the payment of dividend on common shares.

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

There were no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

PROPERTIES

With the discontinuance of its operations as a leasing and finance company, the Company pre-terminated all its lease contracts for its head office premises and all branch offices with BDO.

Further, the Company has sold on an arm's length basis its facilities, office furniture, fixtures and equipment to BDO Finance.

LEGAL PROCEEDINGS

The Company is party to various legal proceedings which arise in the ordinary course of its past operations as a leasing and financing company. No such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Company or its consolidated financial condition.

As of December 31, 2023, the Company has no knowledge of:

- Any litigation not being contested by the Company or litigation in which the Company has admitted liability.
- Any investigation concerning the Company that has been or is being conducted by any government agency having regulatory jurisdiction over Company.
- Any failure of the Company to act in accordance with applicable local law which could result in a material liability.
- Unpaid legal fees

CORPORATE GOVERNANCE

Corporate governance in the Company is about effective oversight, strict compliance with regulations, and sustainable value creation to promote the best interest of its various stakeholders.

The Company affirms its deep commitment to the highest standards of corporate governance practice firmly anchored on the principles of accountability, fairness, integrity, transparency and performance consistently applied throughout the institution. The Company's good reputation has been built on the solid foundation of an ethical corporate culture and responsible business conduct, underpinned by a well-structured and effective system of governance.

The Company complies, where appropriate, with the SEC Code of Corporate Governance for Publicly-Listed Companies and with the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. It follows relevant international best practices of corporate governance issued by globally recognized standards-setting bodies such as the Organization for Economic Cooperation and Development and the ASEAN Corporate Governance Scorecard which serve as essential points of reference.

BDO Leasing

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **BDO Leasing and Finance, Inc.** (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, 2021 and 2020, 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 members 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: ______________________
MANUEL Z. LOCSIN JR.
Officer-in-Charge

Signature: ______________________
LUIS S. REYES JR.
Treasurer

Signed this 28th day of February 2022

BDO Leasing and Finance, Inc.
39/F BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City 1554
Tel +632 8688-1288 loc. 65819/ 65175/ 45303

MAR 07 2022

SUBSCRIBED and SWORN to me before this ______ day of ____________, 2022 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	**SSS NUMBER**
Teresita T. Sy	[redacted]
Manuel Z. Locsin Jr.	[redacted]
Luis S. Reyes Jr.	[redacted]

DOC. NO. 65
PAGE NO. 14
BOOK NO. VIII
SERIES OF 2022

KIM BRIGUERA-DACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 0204-20
UNTIL JUNE 30, 2022 (B.M. 3795)
IBP LIFETIME ROLL NO. 1010007
PTR NO. 4867544 / 1-3-22 / MANDALUYONG
MCLE NO. VI-0004637
29TH FLR., BDO CORPORATE CENTER ORTIGAS
18 ADB AVE., MANDALUYONG

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CONTINUING OPERATIONS				
Income				
Unrealized fair value gain on unit investment trust fund (UITF) - net	7	P 54,997,429	P 5,692,212	P -
Interest and discounts	6, 14	30,666	-	-
Gain on redemption of UITF	7	-	123,808	-
Other income	12	2,069,009	-	-
		57,097,104	5,816,020	-
Operating costs and expenses				
Taxes and licenses	15	11,388,962	-	-
Directors' fees		3,011,111	-	-
Litigation/assets acquired expenses		422,292	-	-
Occupancy and equipment-related expenses		68,000	-	-
Other expenses	14	4,365,249	-	-
		19,255,614	-	-
Profit before tax		37,841,490	5,816,020	-
Tax income	15	5,699,928	-	-
Net profit from continuing operations		43,541,418	5,816,020	-
DISCONTINUED OPERATIONS				
Income				
Interest and discounts	6, 8, 14	-	1,122,305,523	1,984,197,637
Gain on sale of loans and receivables	8, 14	-	509,971,258	2,736,443
Other income - net	7, 12	-	140,421,331	139,854,955
		-	1,772,698,112	2,126,789,035
Operating costs and expenses				
Interest and financing charges		-	465,867,521	1,276,576,934
Impairment and credit losses - net	8 ,9	-	398,845,747	63,121,104
Employee benefits	13	-	210,453,680	238,589,906
Taxes and licenses	15	-	185,097,953	286,403,561
Occupancy and equipment-related expenses		-	35,485,971	53,423,253
Litigation/assets acquired expenses		-	7,965,922	12,423,503
Director's fees		-	4,411,111	5,633,333
Other expenses	14	-	70,528,672	110,697,178
		-	1,378,656,577	2,046,868,772
Profit before tax		-	394,041,535	79,920,263
Tax expense	15	-	(147,408,072)	(33,190,029)
Net profit from discontinued operations		-	246,633,463	46,730,234
NET PROFIT		P 43,541,418	P 252,449,483	P 46,730,234
Basic and Diluted Earnings Per Share for Continuing Operations	16	P 0.02	P 0.01	P -
Basic and Diluted Earnings Per Share for Discontinued Operations	16	-	0.11	0.02
Basic and Diluted Earnings Per Share	16	P 0.02	P 0.12	P 0.02

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CONTINUING OPERATIONS				
Net profit from continuing operations		**P 43,541,418**	P 5,816,020	P -
Other comprehensive income		**-**	-	-
Total comprehensive income from continuing operations		**43,541,418**	5,816,020	-
DISCONTINUED OPERATIONS				
Net profit from discontinued operations		**-**	246,633,463	46,730,234
Other comprehensive income (loss)				
Items that will not be reclassified subsequently to profit or loss				
Fair valuation of equity investments at fair value through other comprehensive income (FVOCI):				
Fair value gains during the year	7	**-**	40,808,298	194,831,568
Fair value losses on redemption/disposal of financial assets at FVOCI	7	**-**	(71,036,187)	(3,822,951)
Remeasurements of post-employment defined benefit plan		**-**	102,696,179	(15,694,116)
Share in other comprehensive loss of an associate accounted for under equity method		**-**	-	(413,403)
		-	72,468,290	174,901,098
Tax income (expense)	15	**-**	(27,103,605)	7,202,944
		-	45,364,685	182,104,042
Items that will be reclassified subsequently to profit or loss				
Fair value gains on disposal of debt instruments at FVOCI	7	**-**	(8,862,126)	-
Fair value losses (gains) of debt instruments during the year		**-**	(5,725,850)	42,464,563
		-	(14,587,976)	42,464,563
Other Comprehensive Income - net of tax		**-**	30,776,709	224,568,605
Total comprehensive income from discontinued operations		**-**	277,410,172	271,298,839
TOTAL COMPREHENSIVE INCOME		**P 43,541,418**	P 283,226,192	P 271,298,839

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Net Accumulated Actuarial Losses	Net Unrealized Fair Value Gains (Losses) on Financial Assets at Other Comprehensive Income	Accumulated Share in Other Comprehensive Income of Associate	Retained Earnings Reserves	Retained Earnings Free	Retained Earnings Total	Total Equity
Balance at January 1, 2021		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P -	P 3,254,102,766	P 3,254,102,766	P 5,968,590,844
Total comprehensive income from continuing operations		-	-	-	-	-	-	-	43,541,418	43,541,418	43,541,418
Balance at December 31, 2021		**P 2,225,169,030**	**P 571,095,676**	**(P 81,776,628)**	**P -**	**P -**	**P -**	**P -**	**P 3,297,644,184**	**P 3,297,644,184**	**P 6,012,132,262**
Balance at January 1, 2020		P 2,225,169,030	P 571,095,676	(P 81,776,628)	(P 71,887,325)	P 41,110,617	P -	P 141,740,833	P 2,788,876,263	P 2,930,617,096	P 5,614,328,466
Total comprehensive income from continuing operations	7	-	-	-	-	-	-	-	5,816,020	5,816,020	5,816,020
From discontinued operations:											
Total comprehensive income (loss)		-	-	-	71,887,325	(41,110,617)	-	-	246,633,463	246,633,463	277,410,171
Gain on sale of equity securities classified under FVOCI	7	-	-	-	-	-	-	-	71,036,187	71,036,187	71,036,187
Reversal of appropriation	11	-	-	-	-	-	-	(141,740,833)	141,740,833	-	-
Balance at December 31, 2020		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P -	P 3,254,102,766	P 3,254,102,766	P 5,968,590,844
Balance at January 1, 2019		P 2,225,169,030	P 571,095,676	(P 81,776,628)	(P 60,901,444)	(P 194,857,272)	P 413,403	P 146,923,871	P 2,736,962,991	P 2,883,886,862	P 5,343,029,627
From discontinued operations:											
Total comprehensive income (loss)		-	-	-	(10,985,881)	235,967,889	(413,403)	-	46,730,234	46,730,234	271,298,839
Reversal of appropriation	11	-	-	-	-	-	-	(5,183,038)	5,183,038	-	-
Balance at December 31, 2019		P 2,225,169,030	P 571,095,676	(P 81,776,628)	(P 71,887,325)	P 41,110,617	P -	P 141,740,833	P 2,788,876,263	P 2,930,617,096	P 5,614,328,466

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2021	2020	2019
CONTINUING OPERATIONS				
Cash flows from operating activities				
Profit before tax		**P 37,841,490**	P 5,816,020	P -
Adjustments for unrealized fair value gain on unit investment trust fund (UITF) - net	7	**(54,997,429)**	(5,692,212)	-
Gain on redemption of UITF	7	**-**	(123,808)	-
Operating loss before changes in operating assets and liabilities		**(17,155,939)**	-	-
Decrease in loans and other receivables		**5,718,129**	-	-
Decrease in other assets		**9,655**		-
Decrease in accounts payable and other liabilities		**(19,347,128)**	-	-
Cash used in operations		**(30,775,283)**	-	-
Cash paid for final tax		**(5,574)**	-	-
Net Cash Used in Operating Activities		**(30,780,857)**	-	-
Cash flows from investing activities				
Placement in UITF	7	**(70,000,000)**	(5,847,000,000)	-
Redemption of UITF	7	**-**	100,123,808	-
Net Cash Used in Investing Activities		**(70,000,000)**	(5,746,876,192)	-
Decrease in cash and cash equivalents from continuing operations		**(100,780,857)**	(5,746,876,192)	-
DISCONTINUED OPERATIONS				
Cash flows from operating activities				
Profit before tax		**-**	394,041,535	79,920,263
Adjustments for:				
Interest and discounts	8, 14	**-**	(1,122,305,523)	(1,984,197,637)
Interest received		**-**	1,178,675,357	2,104,428,344
Gain on sale of loans and receivables	8	**-**	(509,971,258)	(2,736,443)
Interest and financing charges paid		**-**	(491,012,764)	(1,367,663,604)
Interest and financing charges		**-**	465,867,521	1,276,576,934
Impairment and credit losses	7, 8	**-**	398,845,747	63,121,104
Dividend income	7, 12	**-**	(80,727,007)	(159,434,753)
Depreciation and amortization		**-**	22,308,328	36,026,615
Equity share in net loss (gain) of a subsidiary and an associate		**-**	(21,253,147)	40,605,481
Gain on sale of investment in a subsidiary		**-**	(9,496,552)	-
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	7	**-**	(8,862,126)	-
Gain or loss on sale of property and equipment and investment properties		**-**	(6,771,162)	(4,664,216)
Day-one gains - net	12	**-**	22,039	88,721
Loss on sale of investment in an associate		**-**	-	27,636,973
Reversal of impairment losses		**-**	-	(1,308,934)
Operating profit before changes in operating assets and liabilities		**-**	209,360,988	108,398,848
Decrease in loans and other receivables		**-**	24,652,064,711	9,221,933,511
Decrease in other assets		**-**	138,854,958	5,224,907
Decrease in accounts payable and other liabilities		**-**	(272,029,465)	(31,288,504)
Decrease in lease deposits		**-**	(4,627,531,463)	(1,918,227,239)
Cash generated from operations		**-**	20,100,719,729	7,386,041,523
Cash paid for final taxes		**-**	(14,172,235)	(14,379,250)
Net Cash From Operating Activities		**-**	20,086,547,494	7,371,662,273
Cash flows from investing activities				
Proceeds from sale and redemption of financial assets at FVOCI	7	**-**	3,215,413,313	637,158,480
Proceeds from disposal of investment in a subsidiary		**-**	317,500,000	-
Receipt of cash dividends	7, 14	**-**	297,266,103	174,985,575
Proceeds from disposal of property and equipment and investment properties		**-**	220,249,284	5,891,115
Addition in investment properties		**-**	(46,021,902)	(44,337,534)
Acquisitions of property and equipment		**-**	(2,980,969)	(2,203,575)
Proceeds from disposal of investment in an associate		**-**	-	165,630,000
Net Cash From Investing Activities		**-**	4,001,425,829	937,124,061
Cash flows from financing activities				
Payments of bills payable		**-**	(121,897,018,002)	(157,200,602,791)
Availments of bills payable		**-**	103,592,542,469	148,781,189,911
Payments on lease liabilities		**-**	(27,800,465)	(10,702,593)
Net Cash Used in Financing Activities		**-**	(18,332,275,998)	(8,430,115,473)
Net increase (decrease) in cash and cash equivalent from discontinued operations		**-**	5,755,697,325	(121,329,139)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(100,780,857)**	8,821,133	(121,329,139)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**115,984,914**	107,163,781	228,492,920
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 15,204,057**	P 115,984,914	P 107,163,781

Supplemental Information on Non-cash Investing Activities from Discontinued Operations:

1. In 2019, the Company recognized Right of use assets as part of Property and Equipment, and Lease liabilities as part of Accounts Payable and Other Liabilities in accordance with PFRS 16,*Leases*, amounting to P26,958,366 and P27,800,465, respectively. In 2020, all Right of Use assets and Lease liabilities were reversed due to pre-termination of leases.

2. In 2019, the Company reclassified certain items of Investment Property account to Non-current assets held for sale under Other Assets - net account amounting to P657,236.

See Notes to Financial Statements.

Furthermore, the Company sold substantially all its assets to BDO Unibank, BDO Finance and other subsidiaries as part of the restructuring as approved by the Company's BOD on January 31, 2020 and its shareholders on July 21, 2020.

In various dates in 2020, the Company's core loans and receivables and investments were disposed of to related parties as part of the Company's action to address the widening liquidity gap as it winds down its operations during the first months of community quarantine brought by COVID-19 pandemic (see Notes 7 and 8).

On October 16, 2020, the Company assigned irrevocably and absolutely to BDO Finance the Company's residual assets and liabilities, including its ownership of 250,000,000 common shares held in its subsidiary, BDO Rental becoming a wholly owned subsidiary of BDO Finance (see Note 14).

The Company will be re-purposed into a listed holding company of the BDO Unibank Group. The Company has sufficient liquid assets (in the form of cash and investment in unit investment trust fund) to fund future investments after the approval of regulators for its application for a license as a holding company. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Management has determined that no material uncertainty on the Company exists.

1.3 Approval of Financial Statements

The accompanying financial statements of the Company for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's BOD on February 23, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements.* The Company presents the statement of comprehensive income separately from the statement of income.

In relation to the effective transfer in 2020 of BDO Rental to BDO Finance, the Company has ceased to consolidate the balances from financial statements and has no longer presented consolidated financial statements and the segment reporting in the notes to the financial statements. The amounts presented and the discussion in the succeeding notes pertain only to the financial condition and results of operations of the Company alone.

In relation to the transition of the Company's leasing and financing operations to BDO Finance, separate analyses of continuing operations and discontinued operations were presented in the financial statements particularly for statement of income, statement of comprehensive income and statement of cash flows. Moreover, all notes to the financial statements indicating 2021 balances pertain to continuing operations while the remaining amounts relate to discontinued operations (see also Note 2.7). Further, in 2021 as discussed in the preceding paragraph, the Company has no longer presented consolidated financial statements given that its only subsidiary was already disposed in 2020.

(c) *Functional and Presentation Currency*

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

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

2.2 Adoption of Amended PFRS

The Company did not adopt amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021, as it is not applicable to the Company. Discussed below and in the succeeding page are the relevant information about amendments to existing standards subsequent to 2021 which were not adopted early.

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

(b) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities* which are effective from January 1, 2022, is relevant to the Company

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

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

(e) PAS 8 (*Amendments*), *Accounting Estimates – Definition of Accounting Estimates* (January 1, 2023)

2.3 Financial Instruments

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

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the profit or loss.

(a) Classification, Measurement and Reclassification 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. The classification and measurement of financial assets are described below.

(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 Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (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 Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company 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(b)].

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVTPL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents and Loans and Other Receivables. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Company's accounts for financial assets at fair value through other comprehensive income (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 Company 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 Company for trading or as mandatorily required to be classified as FVTPL. The Company has designated all its unit investment trust funds (UITF) as financial assets at FVTPL.

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 Net Unrealized Gains (Losses) (NUGL) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in NUGL on Financial Assets at FVOCI 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 changes are reclassified to profit or loss.

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

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL, if any. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in the statement of income, if any. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Effective Interest Rate Method and Interest Income

Interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and interest-bearing financial instruments at FVOCI. The EIR 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 EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company 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 loan. 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 (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statement of income.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(c)], 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, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR 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 improves.

(c) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. No impairment loss is recognized on equity investments. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). When there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall also be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

The Company's definition of credit risk and information on how credit risk is mitigated by the Company are disclosed in Note 4.3.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – it is an estimate of likelihood of a borrower defaulting on its financial obligation (see Note 4.3) over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- *Loss given default (LGD)* – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD, or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at default (EAD)* – it represents the gross carrying amount of the financial instruments subject to the impairment calculation; hence, this is the amount that the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur, unless the drawdown after default will be mitigated by the normal credit risk management actions and policies of the Company.

  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 Company's detailed ECL measurement, as determined by the management, is disclosed in Note 4.3.

(d) Derecognition of Financial Assets

(i) Modification of Loans

When the Company derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Company assesses whether or not the new terms are substantially different to the original terms. The Company 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 Company derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculate 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 Company 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 recognized 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 EIR of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognize 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 EIR (or credit-adjusted EIR for POCI 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(e) Classification and Measurement of Financial Liabilities

Financial liabilities pertain to accounts payable and other liabilities (except tax-related payables).

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

- *Accounts Payable and Other Liabilities* are initially recognized at their fair values and subsequently measured at amortized cost less settlement payments.

- *Dividend Distributions to Shareholders* are recognized as financial liabilities upon declaration by the Company.

(f) Derecognition of Financial Liabilities

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.

2.4 Offsetting 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 Company 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 a 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 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 commitment 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 Company that does 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 Company 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.

2.6 Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares.

Net accumulated actuarial losses arise from the remeasurement of post-employment defined benefit plan.

NUGL losses on financial assets at FVOCI pertain to cumulative mark-to-market valuation.
Accumulated share in other comprehensive income of an associate pertains to changes resulting from the Company's share in other comprehensive income of associate or items recognized directly in the associates' equity.

Retained earnings reserves pertain to the appropriation of the Retained Earnings – Free account, brought about by cases when the ECL on 'Stage 1' loan accounts computed under the requirements of PFRS 9, *Financial Instruments* is less than the 1% General Loan Loss Provision (GLLP) required by the BSP. This is in pursuant to BSP Circular No. 1011, *Guidelines on the Adoption of PFRS 9,* which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on the statement of financial position. As at December 31, 2020, the Company appropriately reversed such appropriation since all of its loans and receivables subject to 1% GLLP were already sold (see Note 11.5).

Retained earnings free represents all current and prior period results as reported in the statement of income, reduced by the amounts of dividends declared.

2.7 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Company satisfy 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 Company's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Company first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply 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.

Before the restructuring, the Company also earns service fees related to the Company's factoring receivables which are supported by contracts and approved by the parties involved. These revenues are accounted for by the Company in accordance with PFRS 15.

For revenues arising from various financing 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 and the related revenue recognition policies:

(a) *Service fees* – Service fees related to the factoring of receivables are recognized as revenue at the point when services are rendered, i.e., when performance obligation is satisfied. This account is included under Other Income account in the statement of income.

(b) *Income from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the control and title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This account is included under Other Income account in the statement of income.

2.8 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.9 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, defined contribution plan and other employee benefits which are recognized as follows:

(a) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the 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 reporting period are discounted to their present value.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of reporting period. They are included in the Account Payable and Other Liabilities account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement. Compensated absences convertible to monetary consideration accruing to employees qualified under the retirement plan are now funded by the Company through its post-employment retirement fund. Accordingly, the related Accounts Payable and Other Liabilities account previously set-up for the compensated absences is reversed upon contribution to the retirement fund.

(c) *Employee Stock Option Plan*

BDO Unibank Group grants stock option plan to its senior officers (from vice president up), including the officers of the Company, for their contribution to the Company's performance and attainment of team goals. The stock option plan gives qualified employees the right to purchase BDO Unibank's shares at an agreed strike price. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management and is determined based on the Company's performance in the preceding year and amortized over five years (vesting period) starting from date of approval of the BOD. The number of officers qualified at the grant date is regularly evaluated (at least annually) during the vesting period and the amount of stock option is decreased in case there are changes in the number of qualified employees arising from resignation or disqualification.

Liability recognized on the stock option plan for the amount charged by the BDO Unibank Group attributable to the qualified officers of the Company is included in Accrued taxes and other expenses under Accounts Payable and Other Liabilities account in the statement of financial position and the related expense is presented in Employee Benefits account under Operating Costs and Expenses in the statement of income (see Notes 10 and 13).

2.10 Income Taxes

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

Current tax assets or 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 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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 liabilities and assets reflects the tax consequences that would follow from the manner in which the Company 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 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 Company 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.

2.11 Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to equity holders of the Company by the weighted average number of common shares subscribed and issued during the year, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period. The Company does not have dilutive common shares.

2.12 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless of 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 Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and (d) the Company's retirement plan.

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

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.13 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company'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 JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. Judgements 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 differ from these estimates.

3.1 Critical Management Judgements in Applying Accounting Policies

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

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

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company'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 Company) 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 under PFRS 9, the Company evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

If more than an infrequent sale is made from a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company 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 necessarily inconsistent with the HTC business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

In relation to the BDO Unibank Group's leasing business, in various dates in 2020, the Company disposed of all core loans and receivables as it wound down its operations (see Note 1.2). Such disposal is not consistent with the HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2020, further evaluation of the Company's HTC business model is no longer done (see Note 7). No similar transaction transpired in 2021.

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

In determining the classification of financial assets under PFRS 9, the Company 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 Company 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 Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made from portfolio of financial assets carried at amortized cost, if any, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In 2020, there were disposals made by the Company [see Notes 1.2, 3.1(a) and 7]. No similar transaction transpired in 2021.

(c) *Recognition of Provisions and Contingencies*

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.5 and disclosures on relevant provisions are presented in Note 14.

3.2 Key Sources of Estimation Uncertainty

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

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(b) *Determining Realizable Amount of Deferred Tax Assets*

The Company 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 asset to be utilized. In 2020, the management has derecognized all its deferred tax assets related to the tax bases of assets and liabilities sold and transferred as part of the restructuring of BDO Unibank Group's leasing business. As of December 31, 2021 and 2020, there were unrecognized deferred tax assets or liabilities arising from temporary differences at the end of the reporting period as it is unlikely to be recovered in the future.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the Company will pursue its strategy and business plans to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its regulators.

The Company believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the Company is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

The Company's goal is to remain a strong company that is resilient to possible adverse events. Hence, the Company ensures:

- strong financial position by maintaining adequate capital ratios
- sound management of liquidity; and,
- ability to generate sustainable earnings commensurate with the risks taken.

For credit risk, market risk, and liquidity risk, the Company ensures that these are within Board-approved operating limits. For operational risk (which includes legal, regulatory, compliance risks), and reputational risks, these are invariably managed by the development of both a strong "control culture" and an effective internal control system that constantly monitors and updates operational policies and procedures with respect to the Company's activities and transactions.

Risk management begins at the highest level of the organization. At the helm of the risk management infrastructure is the BOD who is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken.

It regularly reviews and approves the institution's tolerance for risks, as well as, its business strategy and risk philosophy.

The BOD has constituted the Risk Management Committee (RMC) as the Board-Level Committee responsible for the development and oversight of the risk management program. Considering the importance of appropriately addressing credit risk, the BOD has also constituted the Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving risk appetite levels, policies and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security and cyber-security risk, data privacy risk and social risk to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite.

Within the Company's overall risk management system is the Assets and Liabilities Committee (ALCO), which is responsible for managing the Company's statement of financial position, including its liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

The Company operates an integrated risk management system to address the risks it faces in its activities.. The Risk Management Unit (RMU), which reports to the RMC, is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Company's activities across the different risk areas (i.e., credit, market, liquidity, interest rate and operational risks, including business continuity risk, IT risk, information security, cyber-security, and data privacy risk, to optimize the risk-reward balance and maximize return on capital. RMU also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Company is exposed.

The evaluation, analysis, and control performed by the Risk Function, in conjunction with the Risk Takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified, and analyzed, in the light of its potential effect on the Company's business. The goal of the risk management process is to ensure rigorous adherence to the Company's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

4.1 Foreign Exchange Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates on financial assets arise from a portion of the Company's cash and cash equivalents which are denominated in United States (U.S.) dollars. In August 2021, the Company sold all its dollar denominated cash in bank.

The Company's foreign currency denominated financial assets and financial liabilities translated into Philippine pesos at the closing rate at December 31, 2021 and 2020 pertains only to Cash and cash equivalents amounting to nil and P38,246,601 in 2021 and 2020, respectively.

On December 31, 2020, the currency exchange rates used to translate U.S. dollar denominated financial assets and financial liabilities to the Philippine pesos is approximately P48.02.

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Company's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate. It assumes a +/-19.7% change and +/-16.0% change of the Philippine peso/U.S. dollar exchange rate as on December 31, 2021 and 2020, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months at a 99% confidence level.

The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of 2020. Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

4.2 Interest Rate Risk

On December 31, 2021 and 2020, the Company has no material exposure to changes in interest rates since there are no outstanding loans and other receivables.

4.3 Credit Risk

As of December 31, 2021, the Company's financial assets that are subject to credit risk are related only to cash and cash equivalents and other receivables, in the form of creditable withholding taxes. In general, the Company regularly monitors the credit quality of these financial assets and incorporates this information into its credit risk controls and policies.

In 2020, prior to the disposal of the Company's loans and lease receivables, the Company's financial assets subject to credit risk consisted of lease and loan portfolios, cash and cash equivalents and other receivables. Credit risk is the risk that the counterparty in a transaction may default and arises from lending, treasury, and other activities undertaken by the Company. For loans and lease receivables, the RMU undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that Company's credit policies and procedures are adequate to meet the demands of the business. The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits is secured from the Executive Committee. Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

Loan classification and credit risk rating are an integral part of the Company's management of credit risk. On an annual basis, loans are reviewed, classified as necessary, and rated based on internal and external factors that affect its performance. On a monthly basis, loan classifications of impaired accounts are assessed, and the results are used as basis for the review of loan loss provisions.

In addition to the above, credit portfolio review is another integral part of the Company's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured 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 Company using internal credit ratings.

4.3.1 Credit Quality Analysis

The following table sets out information about the credit quality of its Cash and Cash Equivalents and Loans and Other Receivables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. In 2021 and 2020, the Company has no financial instruments that are purchased or originated credit impaired assets.

The following table shows the exposure to credit risk as of December 31 for each internal risk grade and the related allowance for impairment:

	Stage 1	Stage 2	Stage 3	Total
2021				
Cash and cash equivalents				
Grades AAA to B: Current*	**P 15,204,057**	**P -**	**P -**	**P 15,204,057**
Other receivables				
Grades AAA to B: Current*	**P 127,392,155**	**P -**	**P -**	**P 127,392,155**
2020				
Cash and cash equivalents				
Grades AAA to B: Current*	P 115,984,914	P -	P -	P 115,984,914
Other receivables				
Grades AAA to B: Current*	P 124,759,367	P -	P 2,645,414	P 127,404,781

**No expected credit loss allowance*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable institutions with high quality external credit ratings.

4.3.2 Concentrations of Credit Risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (net of allowance) at the reporting date is shown below.

	2021		2020	
	Cash and Cash Equivalents	**Loans and Other Receivables**	Cash and Cash Equivalents	Loans and Other Receivables
Concentration by sector:				
Financial intermediaries	**P 15,204,057**	**P -**	P 115,984,914	P -
Other community, social and personal activities	**-**	**127,392,155**	-	127,404,781
	P 15,204,057	**P 127,392,155**	P 115,984,914	P 127,404,781

4.3.3 Amounts Arising from Expected Credit Losses

At each reporting date, the Company assesses whether Loans and Other Receivables are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Company based on changes in credit quality since initial recognition of the financial asset. A financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Company as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on the following criteria in determining whether there has been a significant increase in credit risk: (i) qualitative indicators, such as net losses, intermittent delays in payment or restructuring; and (ii) quantitative test based on movement in risk rating and PD. The borrowers can be moved to Stage 1 upon completion of the seasoning period which shall be 6 months of continuous payment with no incident of past due.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses the following criteria in determining whether there has been a significant increase in credit risk: (i) quantitative test based on movement in PD; and (ii) qualitative indicators, such as substantial decline in sales or intermittent delays in payment.

(i) Credit Risk Grading

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference in the PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

(ii) Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used. The Company employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining Whether Credit Risk has Significantly Increased

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Company. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings, and intermittent delays in payments.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

(b) Definition of Default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Company; or,

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

Inputs into the assessment of whether a financial instrument is in default as well as their significance may vary over time to reflect changes in circumstances.

(c) Forward-looking Information

The Company incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company 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 macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, gross domestic product, growth rate, unemployment rate, foreign exchange rate, stock market index, oil prices and interest rates. Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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

Management has also considered other FLIs not incorporated within the above economic scenarios, 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.

(d) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of PD, LGD and EAD.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in Note 4.3.3(a)(ii) under the heading "Generating the term structure of PD".

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

(e) Loss Allowance

In 2020, the Company performed recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the Company and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive, and reliable.

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument in 2020 (not applicable in 2021).

	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 44,467,353	P 11,404,611	P 418,366,178	P 474,238,142
Transfer to:				
Stage 1	345,251	(345,251)	-	-
Stage 2	(600,344)	1,212,754	(612,410)	-
Stage 3	(5,623,861)	(10,949,041)	16,572,902	-
Net remeasurement of loss allowance	(5,108,516)	2,945,516	253,235,908	251,072,908
New financial assets originated	6,041,601	1,513,566	7,712,735	15,267,902
Derecognition of financial assets	(39,521,484)	(5,782,155)	(675,875,785)	(721,179,424)
Write-offs	-	-	(19,399,528)	(19,399,528)
Balance at December 31	P -	P -	P -	P -

	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 21,725,851	P 4,523,626	P 65,043,023	P 91,292,500
Transfer to:				
Stage 1	1,510,692	(157,518)	(1,353,174)	-
Stage 2	(1,931,663)	1,931,663	-	-
Stage 3	(4,408,764)	(3,500,717)	7,909,481	-
Net remeasurement of loss allowance	69,041,166	56,850,097	79,616,481	205,507,744
New financial assets originated	7,004,312	3,002,261	-	10,006,573
Derecognition of financial assets	(92,941,594)	(62,649,412)	(151,215,811)	(306,806,817)
Balance at December 31	P -	P -	P -	P -
Other receivables				
Balance at January 1	(P 198,824)	P -	P 29,147,851	P 28,949,027
Derecognition of financial assets	198,824	-	(29,147,851)	(28,949,027)
Balance at December 31	P -	P -	P -	P -

As of December 31, 2020, the Company has written-off certain accounts amounting to P19,399,528 (see Note 8). No similar transaction transpired in 2021.

4.3.4 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to fulfill commitments to lend, or to meet any other liquidity commitments. The Company manages its liquidity needs by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions. The Company carefully monitors scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in its day-to-day activities.

Presented below are the financial assets and financial liabilities as of December 31, 2021 and 2020 analyzed according to when these are expected to be recovered or settled.

	One to Three Months	Three Months to One Year	One to Three Years	More Than Three Years	Total
2021					
Financial assets					
Cash and cash equivalents	**P 15,204,057**	**P -**	**P -**	**P -**	**P 15,204,057**
Financial assets at FVTPL	**5,877,689,641**	**-**	**-**	**-**	**5,877,689,641**
Loans and other receivables	**127,392,155**	**-**	**-**	**-**	**127,392,155**
	P6,020,285,853	**P -**	**P -**	**P -**	**P6,020,285,853**
Financial liabilities					
Accounts payable and other liabilities	**P 8,157,623**	**P -**	**P -**	**P -**	**P 8,157,623**

	One to Three Months	Three Months to One Year	One to Three Years	More Than Three Years	Total
2020					
Financial assets					
Cash and cash equivalents	P 115,984,914	P -	P -	P -	P 115,984,914
Financial assets at FVTPL	5,752,692,212	-	-	-	5,752,692,212
Loans and other receivables	127,404,781	-	-	-	127,404,781
	P5,996,081,907	P -	P -	P -	P5,996,081,907
Financial liabilities					
Accounts payable and other liabilities	P 27,504,751	P -	P -	P -	P 27,504,751

4.3.5 Write-offs

The Company 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 Company'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 Company still have enforceable right to receive payment even if the financial assets have been written off except in certain cases.

4.4 Price Risk

The Company is exposed to the changes in the market values of financial assets at FVTPL held as of December 31, 2021 and 2020. The Company manages its risk by identifying, analyzing, and measuring relevant or likely market price risks. To manage its price risk arising from its financial assets at FVTPL, the Company does not concentrate its investment in any single counterparty.

If the prices of financial assets at FVTPL changed by +/0.08% at December 31, 2021, then profit or loss would have increased/decreased by P4,422,221 in 2021. Moreover, if the prices of financial assets at FVTPL changed by +/0.09% at December 31, 2020, then profit or loss would have increased/decreased by P5,172,300 in 2020. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The following table summarizes by category the carrying amounts and fair values of financial assets and financial liabilities. Where fair value is presented, such fair value is determined based on valuation techniques described below.

		Carrying Amounts		Fair Values
2021				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P	15,204,057	P	15,204,057
Loans and other receivables		127,392,155		127,392,155
		142,596,212		142,596,212
Financial assets at FVTPL		5,877,689,641		5,877,689,641
	P	**6,020,285,853**	**P**	**6,020,285,853**
Financial Liabilities				
At amortized cost –				
Accounts payable and other liabilities	**P**	**8,157,623**	**P**	**8,157,623**

		Carrying Amounts		Fair Values
2020				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P	115,984,914	P	115,984,914
Loans and other receivables		127,404,781		127,404,781
		243,389,695		243,389,695
Financial assets at FVTPL		5,752,692,212		5,752,692,212
	P	5,996,081,907	P	5,996,081,907
Financial Liabilities				
At amortized cost –				
Accounts payable and other liabilities	P	27,504,751	P	27,504,751

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follow:

(i) Cash and Cash Equivalents

The fair values of cash and cash equivalents approximate carrying amounts given their short-term maturities.

(ii) Loans and Other Receivables

The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) Financial Assets at FVTPL

The fair value of financial assets at FVTPL which is related to unit investment trust fund is determined based on the net asset value per unit as published by the related bank.

(iv) Accounts Payable and Other Liabilities

Fair values approximate carrying amounts given the short-term maturities of the liabilities.

5.2 Fair Value Measurement and Disclosures

5.2.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial 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 financial 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.2.2 Financial Instrument Measured at Fair Value

The following table shows the fair value hierarchy of the Company's class of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2021 and 2020.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets at FVTPL – Unit investment trust fund	7	**P -**	**P5,877,689,641**	**P -**	**P5,877,689,641**
December 31, 2020					
Financial assets at FVTPL – Unit investment trust fund	7	P -	P5,752,692,212	P -	P5,752,692,212

The Company have no financial liabilities measured at fair value as of December 31, 2021 and 2020.

There were neither transfers made between Levels 1 and 2 nor changes in Level 3 instruments in both years.

5.2.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The following summarizes the fair value hierarchy of the Company'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.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2021					
Financial assets:					
Cash and cash equivalents	6	**P 15,204,057**	**P -**	**P -**	**P 15,204,057**
Loans and other receivables	8	**-**	**-**	**127,392,155**	**127,392,155**
		P 15,204,057	**P -**	**P 127,392,155**	**P 142,596,212**
Financial liabilities:					
Accounts payable and other liabilities	10	**P -**	**P -**	**P 8,157,623**	**P 8,157,623**
December 31, 2020					
Financial assets:					
Cash and cash equivalents	6	P 115,984,914	P -	P -	P 115,984,914
Loans and other receivables	8	-	-	127,404,781	127,404,781
		P 115,984,914	P -	P 127,404,781	P 243,389,695
Financial liabilities:					
Accounts payable and other liabilities	10	P -	P -	P 27,504,751	P 27,504,751

There have been no significant transfers among Levels 1 and 2 in the reporting periods.

Summarized below are the information on how the fair values of the Company's financial assets and financial liabilities are determined.

(a) Financial Instruments in Level 1

Cash and cash equivalents consist primarily of funds in the form of Philippine currency notes and coins held in the Company's bank. Cash is measured at face value; hence, the carrying amount approximates the fair value given their short-term maturities. Cash and cash equivalents are tagged under Level 1 since it is fungible and readily available for use.

(b) Financial Instruments in Level 2

The fair value of financial instruments not traded in an active market is determined by using valuation techniques or by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. The Company has no financial instruments measured at Level 2.

(c) Financial Instruments in Level 3

The Company classifies financial instruments such as Accounts payable and other receivables, have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is 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.

5.2.4 Fair Value Measurement for Non-Financial Assets

As of December 31, 2021 and 2020 the Company's non-financial asset pertains to Prepaid documentary stamp tax which is measured under Level 3.

5.3 Offsetting of Financial Instruments

Currently, all financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, as of December 31, 2021 and 2020, the Company has no financial assets and liabilities with offsetting arrangement.

6. CASH AND CASH EQUIVALENTS

The Company reported cash and cash equivalents amounting to P15,204,057 and P115,984,914 in 2021 and 2020, respectively.

Cash in banks earn interest at rates based on daily bank deposit rates. Cash equivalents represent a special savings account and time deposit with maturity of 90 days and annual interest rates ranging from 0.05% to 0.06% in 2021, 0.13% to 0.25% in 2020 and 0.3% to 2.0% in 2019.

7. FINANCIAL ASSETS AT FVTPL AND FINANCIAL ASSETS AT FVOCI

In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000 worth of unit investment trust fund (UITF) securities from BDO Unibank's Trust & Investment Group (BDO TIG), respectively. P100,000,000 of which was redeemed on December 29, 2020 resulting in a gain on redemption amounting to P123,808 under Income in the 2020 statement of income from continuing operations (see Note 14). No similar transaction transpired in 2021. For the years ended December 31, 2021 and 2020, such investment earned unrealized fair value gain of P54,997,429 and P5,692,212, respectively, recognized as unrealized fair value gain on UITF account under Income in the statements of income from continuing operations.

As of December 31, 2021 and 2020, the Company has no investments under FVOCI. In various dates in 2020, the Company sold its financial assets at FVOCI as follows (see also Note 14):

Date of Sale	Financial Asset at FVOCI	Counterparty	Proceeds	Carrying Value	Gain (Loss)
April 2, 2020	8990 Holdings Bonds	BDO Unibank	P 945,434,641	P 937,220,000	P 8,214,641
April 6, 2020	Sta. Lucia Bonds	BDO Unibank	200,647,485	200,000,000	647,485
July 22, 2020	Smart Notes	BDO Life	1,471,656,187	1,400,000,000	71,656,187
October 15, 2020	SMC Shares	BDO Finance	597,495,000	597,495,000	-
October 16, 2020	Others	BDO Unibank	180,000	800,000	(620,000)

In 2020, the Company realized P8,862,126 gain on sale from its debt securities (bonds) classified as FVOCI. Such is presented as part of Other income under discontinued operations (see Note 12). For equity securities classified as FVOCI, gains on sale amounting to P71,036,187 were reclassified directly to Retained Earnings account. No similar transaction transpired in 2021.

Dividend income earned from these financial assets are recorded as Dividend income account under Other Income in the statements of income (see Note 12).

The Company recognized fair value gains (losses) for FVOCI securities amounting to (P39,402,554) and P236,321,518, in 2020 and 2019, respectively (nil in 2021). The fair values of these financial assets have been determined based on quoted prices in active markets and reported in Other income under discontinued operations (see Note 5).

8. LOANS AND OTHER RECEIVABLES

As of December 31, 2021 and 2020, the Company has no outstanding loans and receivables from customers after it has sold and assigned its receivable after the complete restructuring that transpired in 2020. The loans and receivables presented in the statements of financial position amounting to P127,392,155 and P127,404,781 for 2021 and 2020, respectively, pertains mostly to accumulated creditable withholding taxes receivable of the Company.

In 2021, the Company reported interest income from Cash and cash equivalents amounting to P30,666 under Continuing operations. Interest and discounts in the statements of income under Discontinued operations consist of interest on:

	2020	2019
Loans and receivables financed	P 595,458,462	P 1,019,341,522
Finance lease receivables	505,957,993	890,983,575
Financial assets at FVOCI	18,450,224	71,451,000
Interest on defined benefit plan	918,370	1,965,727
Cash and cash equivalents	1,520,474	455,813
	P 1,122,305,523	P 1,984,197,637

Interest income recognized under Discontinued operations on impaired loans and receivables amounted to P20,907,570 in 2020 and P16,814,054 in 2019 (nil in 2021).

The changes in the allowance for impairment are summarized below.

	2020	2019
Balance at beginning of year	P 594,479,669	P 550,622,724
Impairment losses during the year	400,553,810	63,474,733
Reversal of impairment losses	(975,633,951)	-
Accounts written-off	(19,399,528)	(19,617,788)
Balance at end of year	P -	P 594,479,669

The nil amount of allowance reported by the Company is due to the reversal of impairment losses in 2020 as a result of the disposal of related loans and receivables.

As approved by the Company's Related Party Committee and BOD, in various dates in 2020, the Company disposed of its core loans and receivables to BDO Unibank, BDO Life and BDO Finance with aggregate amounts of P14,125,382,405, P1,276,081,451, and P7,669,959,699, respectively, to address the widening liquidity gap during the COVID-19 pandemic and as it winds down operations (see Note 14). Such disposal is not consistent with the Company's HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2021, further evaluation of the Company's HTC business model is no longer performed. The total resulting gain on disposal of core loans and receivables amounted to P509,971,258, which is presented as Gain on sale of loans and receivables under Discontinued operations in the 2020 statement of income (see Note 14). No similar transaction transpired in 2021.

In 2020, the BOD approved the write-off of certain loans and receivable financed and finance lease receivables with a total amount P19,399,528.

9. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment in 2020 are summarized below.

	Note	
Balance at beginning of year		
Loans and other receivables	8	P 594,479,669
Investment properties		23,626,575
Other assets		1,541,913
		619,648,157
Impairment losses-net		400,553,810
Write-offs		(19,399,528)
Reversals		(619,011,991)
Disposals		(381,790,448)
		(619,648,157)
Balance at end of year:		
Loans and other receivables	8	-
Investment properties		-
Other assets		-
		P -

There was no impairment recognized in 2021.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	2021	2020
Accounts payable	**P 8,134,698**	P 8,565,592
Accrued taxes and other expenses	**22,122**	10,605,059
Withholding taxes payable	**803**	7,552,161
Other liabilities	**-**	781,939
	P 8,157,623	P 27,504,751

On October 16, 2020, the Company agreed to assign irrevocably and absolutely to BDO Finance certain accounts payables and other liabilities with total carrying amount of P244,591,355 (see Note 14).

In 2020, Other liabilities include, among others, payroll related accounts (SSS payable, HDMF payable and Philhealth payable).

Accounts payable and other liabilities have maturities within one year. Management considers the carrying amounts of accounts payable and other liabilities recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

11. EQUITY

11.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and,
- to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure and the Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's capital and overall financing as of December 31, 2021 and 2020 are shown below.

	2021	2020
Total equity	**P 6,012,132,262**	P 5,968,590,844
Cash and cash equivalents	**(15,204,057)**	(115,984,914)
Net capital	**P 5,996,928,205**	P 5,852,605,930
Overall financing (total equity)	**P 6,012,132,262**	P 5,968,590,844
Capital-to-overall financing ratio	**1.00:1.00**	0.98:1.00

As of December 31, 2021 and 2020, the Company complies with this minimum paid-up capital requirement. All branches were already closed and ceased its leasing and financing operations as of December 31, 2020 (see Note 1.2).

11.2 Preferred Shares

The Company has 200,000 authorized preferred shares at P100 par value a share with the following features:

(a) Issued serially in blocks of not less than 100,000 shares;
(b) No pre-emptive rights to any or all issues on other disposition of preferred shares;
(c) Entitled to cumulative dividends at a rate not higher than 20% yearly;
(d) Subject to call or with rights for their redemption, either mandatory at a fixed or determinable date after issue; and,
(e) Non-voting, except in cases expressly provided for by law.

None of these authorized preferred shares have been issued as of December 31, 2021 and 2020.

11.3 Common Shares

As of December 31, 2021, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718 are issued and outstanding.

11.4 Retained Earnings – Free

The Company's retained earnings are restricted to the extent of the cost of the treasury shares amounting to P81,776,628, share in net earnings of subsidiary and an associate as of the end of the reporting periods.

11.5 Retained Earnings – Reserves

As at December 31, 2020, the Company appropriately reversed the appropriation for GLLP totaling P141,740,833 since all of its loans and receivables subject to 1% GLLP were already sold.

11.6 Track Record of Registration of Securities

On January 6, 1997, the Company was listed with the PSE with 106,100,000 additional common shares and 15,120,000 existing common shares with par value of P1.00 per share. The listing was approved by the SEC in May 1996. As of December 31, 2021, the Company's number of shares registered totaled 3,400,000,000 with par value of P1.00 per share and closed at a price of P1.87 in 2021.

On January 27, 2020, the PSE approved the request of the Company for the voluntary trading suspension of its shares. This is to allow the investing public an equal access to the information about the Share Purchase Agreement entered by BDO Unibank on January 24, 2020 for making informed decisions.

As of December 31, 2021, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Company's registration statement. The Company has contested the suspension order on the absence of grounds and has requested the lifting of such as early as February 24, 2020, immediately before the quarantines arising from the pandemic. The Company's request for lifting of the suspension or for guidance from the SEC is still pending resolution with the SEC as of date of release of the 2021 financial statements.

12. OTHER INCOME

In 2021, the Company reported the realized foreign exchange translation gain amounting to P1,550,970, realized gain on sale of dollar-denominated currency amounting to P310,681 (see Note 14), and miscellaneous income amounting to P207,358 reported as Other income under Continuing operations. Other income presented under Discontinued operations for 2020 and 2019 consists of the following:

	Notes	2020	2019
Dividend income	7	P 80,727,007	P 159,434,753
Gain on sale of investment in subsidiary		9,496,552	-
Gain on sale of financial assets	7	8,862,126	-
Gain on sale of investment properties		6,771,162	4,664,216
Day-one gains – net		22,039	88,721
Loss on sale of investment in an associate		-	(27,636,973)
Miscellaneous – net	14	34,542,445	3,304,238
		P 140,421,331	P 139,854,955

Dividend income pertains to income earned from investments in Smart Note and SMC shares.

Day-one gains – net represent the fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits), net of the day one losses on initial recognition of the residual value receivables under finance lease.

13. EMPLOYEE BENEFITS

Expenses recognized for salaries and employee benefits for the Company under discontinued operations are presented below.

	Note	2020	2019
Salaries and wages		P 123,255,227	P 134,907,121
Bonuses		42,555,095	46,237,348
Retirement – defined benefit plan		18,607,236	17,834,293
Fringe benefits		12,481,875	13,980,197
Social security costs		4,910,713	4,700,460
Employee stock option plan	14	3,491,587	14,824,728
Other benefits		5,151,947	6,105,759
		P 210,453,680	P 238,589,906

After the completion of restructuring in 2020, the Company has terminated its employees and transferred its former employees to BDO Finance. In 2021, the Company did not incur any employee benefits expense.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include BDO Unibank, related party under common ownership, key management personnel and the retirement benefit fund as described below.

The summary of the Company's transactions with its related parties in 2021, 2020 and 2019 and is shown below.

Related Party Category	Notes	Amount of Transaction 2021	2020	2019
Ultimate parent company (BDO Unibank)				
UITF placement	7, *(n)*	**P 70,000,000**	P 5,847,000,000	P -
Unrealized fair value gains	7, *(n)*	**54,997,429**	5,692,212	-
Realized gain on dollar-denominated cash deposits	*(r)*	**310,681**	-	-
Service fees	*(f)*	**124,900**	125,200	124,600
Interest income on savings and demand deposits	6, *(a)*	**30,666**	1,510,459	366,758
Interest expense on bills payable	*(b)*	**-**	11,477,345	34,420,535
Interest expense on lease liability	*(c)*	**-**	1,398,636	2,197,373
Depreciation	*(c)*	**-**	11,833,555	12,987,388
Gain on pre-termination of lease contract	*(c)*	**-**	963,423	-
Management fees	*(d)*	**-**	14,685,000	16,020,000
Sale of receivables	*(q)*	**-**	14,125,382,405	5,801,302,702
Gain on sale of receivables	*(q)*	**-**	381,866,343	-
Ultimate parent company (BDO Unibank)				
Service charges and fees	*(e)*	**-**	-	13,354,500
Sale of financial assets under FVOCI	*(q)*	**-**	1,138,020,000	-
Gain on sale of debt securities under FVOCI	*(q)*	**-**	8,862,126	-
Loss on sale of equity securities under FVOCI	*(q)*	**-**	(620,000)	-
Employee stock option plan	2.9, 13	**-**	3,491,587	14,824,728
Gain on redemption of UITF	7, *(n)*	**-**	123,808	-
Sale of foreclosed assets– net	*(q)*	**-**	212,801,131	-
Subsidiary (BDORI)*				
Dividend income	*(j)*	**-**	200,000,000	-
Management fees	*(d)*	**-**	330,000	360,000
Rent income	*(c)*	**-**	60,500	66,000
Under common ownership				
Service and charges fees	*(g)*, *(k)*	**-**	2,147,655	3,671,102
Interest expense on bills payable	*(l)*	**-**	-	203,274,566
Insurance expense	*(m)*	**-**	244,314	833,011
Sale of receivables	*(p)*, *(q)*	**-**	8,946,041,150	232,155,542
Gain on sale of receivables	*(p)*, *(q)*	**-**	128,104,914	2,736,443
Sale of financial assets under FVOCI	*(p)*, *(q)*	**-**	1,997,495,000	-
Gain on sale of equity securities under FVOCI	*(p)*, *(q)*	**-**	71,656,187	-
Other related parties				
Loans	*(o)*	**-**	40,045,801	198,710,788
Key management personnel				
Short-term benefits	*(h)*	**-**	47,221,000	57,406,000
Post-employment benefits	*(h)*	**-**	9,170,953	8,304,137
Loans to officers	*(h)*	**-**	1,909,534	3,713,735

**Only until October 16, 2020*

Below is the summary of the outstanding balances with each related party as of December 31, 2021 and 2020.

Related Party Category	Notes	Outstanding Balance 2021	2020
Ultimate parent company (BDO Unibank)			
Savings and demand deposits	6, *(a)*	**P 15,204,057**	P 115,984,914
UITF	7,*(n)*	**5,877,689,641**	5,752,692,212
Under common ownership			
Accounts payable	*(q)*	**-**	5,240,246
Retirement benefit fund			
Shares of stock	*(i)*	**-**	1,642,931

(a) The Company maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2021 and 2020, savings and demand deposit accounts maintained with BDO Unibank are reported as Cash and Cash Equivalents account in the statements of financial position. These deposits generally earn interest at annual rates of 0.06% in 2021 and 0.13% in 2020 and 2019. Interest income earned on these deposits in 2021, 2020 and 2019 is included as part of Interest and Discounts account under Revenues in the statements of income.

(b) The Company obtains short-term bills payable from BDO Unibank with annual interest rates ranging from 3.0% to 4.8% and 4.6% to 6.8% in 2020 and 2019, respectively. Total bills availments and payments amounted to P1,527,350,000 and P1,521,455,000, respectively, in 2020, and P14,004,560,540 and P14,929,473,235, respectively, in 2019. No outstanding balance as of December 31, 2020. Interest expense incurred on these bills payable in 2020 and 2019 is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income. The Company did not obtain bills payable in 2021.

(c) The Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from three to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Company and BDO Unibank. The related interest expense incurred on lease liability and depreciation of Right-of-use are included as part of Interest and financing charges and Occupancy and equipment related expenses, respectively, under Operating Costs and Expenses account in the statements of income. Before the restructuring, the Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental is presented as part of Other Income-net account in the Company's statements of income (see Note 12). In 2020, in line with the restructuring process, the Company pre-terminated all its leases with BDO Unibank which resulted in a recognition of gain on pre-termination as part of Miscellaneous income under Other Income account for the 2020 statement of income (see Note 12). There were no outstanding receivables and payables on these transactions as of the end of 2021 and 2020.

(d) In 2019, the Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Company for certain management services that the former provides to the latter. Management fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. Also, the Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income-net account in the Company's statements of income (see Note 12). There are no outstanding receivables and payables on these transactions as of the end of 2021 and 2020.

As part of the restructuring of Company's leasing business, the service level agreement of Company with BDO Unibank was terminated in 2020. Accordingly, the Company also terminated the service level agreement with BDO Rental.

(e) In 2019, the Company sold portion of its receivables to BDO Unibank. The Company charged BDO Unibank for service charges and fees which is presented as part of Other income account in the 2019 statement of income. There were no outstanding receivable and payable on these transactions as of the end of 2021 and 2020.

(f) The Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding receivable and payable on these transactions as of the end of 2021 and 2020.

(g) The Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for services related to the Company's issuance of short-term commercial papers. Service charges and fees paid by the Company to BDO Capital amounting to P94,777 for 2020 and P2,076,200 for 2019 are included as part of Other Expenses account under Operating Costs and Expenses in the statements of income. No similar transaction in 2021 and no outstanding payables on this transaction as of the end of 2021 and 2020.

(h) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of income of the Company. In 2021, the Company has no longer recognized short-term employee benefits because it has no employees after the restructuring of the Company was completed in 2020. On the other hand, the short-term employee benefits amounting to P47,221,000 in 2020 and P57,406,000 in 2019 include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. Further, retirement benefits expense amounted to P9,170,953 in 2020 and P8,304,137 in 2019 (nil in 2021).

In 2020 and 2019, the Company also granted loans to officers, which are secured by mortgage on the property, bear interest at a range a 7.0% to 9.0% per annum, with terms ranging from three to five years. There were no outstanding loans to officers as of December 31, 2021 and 2020.

(i) On October 16, 2020, the Company's retirement fund was transferred to BDO Finance [see Notes 13 and 14(q)]. The retirement fund holds, as an investment, 519,915 shares of stock of the Company as of December 31, 2021 and 2020, which has a market value of P3.16 per share.

(j) In 2020, BDO Rental declared cash dividends amounting to P200,000,000 (received in 2020).

(k) The Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred amounting to P2,052,878 in 2020 and P1,594,902 in 2019 and are included as part of Miscellaneous under Other Income account in the statements of income (see Note 12). No similar transaction in 2021 and no outstanding payables on this transaction as of the end of 2021 and 2020.

(l) The Company obtained unsecured, short-term bills payable from BDO Strategic Holdings Inc. and SM Prime Holdings, Inc with annual interest rates ranging from 4.9% to 6.4% and 3.9% to 6.3%, respectively, in 2019 (nil in 2021 and 2020). Total availments and payments amounted to P5,324,300,000 and P6,323,800,000, respectively, in 2019 (nil in 2021 and 2020) for BDO Strategic Holdings Inc. Total availments and payments amounted to P32,000,000,000 and P34,000,000,000 respectively, in 2019 (nil in 2021 and 2020) for SM Prime Holdings, Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income.

(m) In 2020, the Company paid BDO Life for group life insurance of the Company's employees. Insurance paid by the Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in the statements of income. No similar transaction transpired in 2021. There were no outstanding receivables and payables on this transaction as of the end of 2021 and 2020.

(n) In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000, worth of UITF from BDO TIG, respectively. The P100,000,000 of the securities purchased in 2020 was redeemed on December 29, 2020 (see Note 7).

(o) The Company also granted loans to other related parties, which bear interest with a range of 4.2% to 11.0% per annum in 2020 and 2019 (nil in 2021). There were no outstanding loans to other related parties as of December 31, 2021 and 2020.

(p) In 2019, the Company sold portion of its receivables to BDO Life. In various dates in 2020, in line with the restructuring of BDO Unibank Group's leasing business to optimize the financial needs of clients in line with PFRS 16, the Company sold its core loans and receivables to BDO Life, BDO Finance and BDO Unibank. The related gain on sale of loans and receivables is presented under Revenues in the 2020 statement of income [see Notes 8 and 14(q)]. There is no outstanding receivable on these transactions as of the end of 2020. No similar transaction transpired in 2021.

On various dates in 2020, the Company disposed portion of its financial assets at FVOCI to BDO Unibank and BDO Life. The related gain on sale is presented separately under Revenues in the statements of income (see Note 7) for debt securities while for equity securities gains (losses) were booked to Retained Earnings.

In October 2020, the Company agreed to assign, transfer and covey certain foreclosed assets to BDO Unibank with a total carrying value of P212,801,131 as of September 30, 2020. No gain or loss was recognized in this transaction. There is no outstanding receivable on this transaction as of December 31, 2021 and 2020.

(q) On various dates in 2020, the Company disposed portion of its core loans and receivables to BDO Finance with aggregate carrying amounts of P7,669,959,699 resulting to a recognition of gain on sale of loans and receivables totaling P89,493,034 which is presented separately under Revenues in the statements of income [see Notes 8 and 14(q)].

On October 12, 2020, the Company sold its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308,003,448 which resulted to a recognition of gain on sale of investment in subsidiary totaling P9,496,552 as part of Other income account in the statements of income (see Note 12). On October 15, 2020, the Company sold its SMC preferred shares classified as FVOCI to BDO Finance with aggregate carrying amounts of P597,495,000 (see Note 7). No gain or loss was recognized on the sale.
On October 16, 2020, the Company agreed to assign irrevocably and absolutely to BDO Finance certain other assets and other liabilities with total proceeds equal to carrying value of P39,012,330 and P244,591,355 respectively. The transaction resulted to outstanding payable to BDO Finance and is recorded as part of Accounts payable and other liabilities account in the statements of financial position.

The table below summarizes the carrying amounts of other assets and other liabilities sold to BDO Finance on October 16, 2020.

	Notes	
Other Assets:		
Accounts receivables – net	8	P 13,723,392
Prepaid expenses		3,963,200
Property and equipment – net		6,088,373
Retirement assets	13, 14(i)	14,358,936
Other intangible asset – net		773,234
Other assets		105,195
		P 39,012,330
Other Liabilities:		
Accounts payable		P 169,082,140
Accrued other expenses payable		13,648,196
Unapplied advance payments		15,301,329
Deferred income tax payable		(36,161,681)
Other liabilities		82,721,371
		P 244,591,355

Other liabilities include, among others, taxes, insurance, mortgage and other fees.

(r) In 2021, the Company sold dollar-denominated cash deposits amounting to USD796,619 at P50.36 exchange rate (Php40,117,733) to BDO Unibank. This transaction resulted in a realized gain of P310,681 and is recorded as part of Other income account under Continuing operations in the 2021 statement of income (see Note 12).

15. TAXES

15.1 Taxes and Licenses

This account is composed of the following:

	2021	2020	2019
Local taxes	**P 9,961,872**	P 13,735,853	P 13,314,156
Documentary stamp tax	**520,470**	88,463,570	173,366,260
Gross receipts tax	**29,089**	76,759,057	87,651,428
Others	**877,531**	6,139,473	12,071,717
	P 11,388,962	P 185,097,953	P 286,403,561

15.2 Current and Deferred Taxes

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

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

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, would be lower by P5,726,192 than the amount presented in the 2020 financial statements and such amount was charged to profit or loss.

The components of tax expense (income) from the discontinued operations for the years ended December 31 follow:

	2021	2020	2019
Reported in statements of income			
Current tax expense:			
MCIT at 1% in 2021; 2% in 2020 and 2019	**P 20,690**	P 22,753,979	P 18,335,362
Adjustment in 2020 income taxes due to change in income tax rate	**(5,726,192)**	-	-
Final tax at 20%	**5,574**	14,172,235	14,379,250
	(5,699,928)	36,926,214	32,714,612
Deferred tax expense relating to origination and reversal of temporary differences	**-**	110,481,858	475,417
	(P 5,699,928)	P 147,408,072	P 33,190,029

Reported in statements of comprehensive income

	2021	2020	2019
Deferred tax income (expense) on:			
Net actuarial losses	P -	(P 30,808,854)	P 4,708,235
Unrealized fair value gains on financial assets at FVOCI	-	3,705,249	2,494,709
Net deferred tax income (expense)	P -	(P 27,103,605)	P 7,202,944

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income follows:

	2021	2020	2019
Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019	**P 9,460,373**	P 119,957,266	P 23,976,079
Adjustment for income subjected to lower tax rate	**(2,092)**	5,485,246	(7,192,794)
Adjustment in 2020 income taxes due to change in income tax rate.	**(5,726,192)**	-	-
Tax effects of:			
Deductible temporary differences not recognized	**-**	(167,143,718)	(10,991)
Reversal of deferred tax liability	**-**	110,481,858	-
Unrecognized deferred tax assets on:			
Net operating loss carry-over (NOLCO)	**3,727,677**	51,297,526	-
MCIT	**20,690**	22,753,979	
Non-deductible interest expense		2,792,167	7,683,271
Non-deductible expense	**568,973**	4,272,394	34,985,015
Non-taxable income	**(13,749,357)**	(2,488,646)	(26,250,551)
	(P 5,699,928)	P 147,408,072	P 33,190,029

In 2020, all net deferred tax assets were derecognized since the management assessed that these will not be realized in the future periods.

The Company has no deferred income in profit or loss or other comprehensive income in 2021. The components of deferred tax income in profit and loss and in other comprehensive income for the years ended December 31, 2020 and 2019 follow:

	2020	2019
In profit or loss:		
Deferred tax assets:		
Allowance for impairment on:		
Loans and discounts	(P 93,882,068)	P 393,765
Accounts receivable	(8,684,708)	(382,774)
Investment properties and non-current assets held-for-sale	(7,550,547)	(394,088)
Retirement benefit obligation	-	(726,407)
	(110,117,323)	(1,109,504)
Deferred tax liability – Others	(364,535)	634,087
Net deferred tax expense	(P 110,481,858)	(P 475,417)

In other comprehensive income:

	2020	2019
Deferred tax income (expense) on:		
Net actuarial losses	(P 30,808,854)	P 4,708,235
Unrealized fair value gains on financial assets at FVOCI	3,705,249	2,494,709
Net deferred tax income (expense)	(P 27,103,605)	P 7,202,944

The Company is subject to MCIT, which is computed at 1% of gross income, as defined under tax regulations or RCIT, whichever is higher. In 2021, 2020 and 2019, the Company claimed itemized deductions in computing for its income tax due.

In 2021 and in prior years, the Company has not recognized deferred tax assets on certain temporary differences, NOLCO and other tax credits since management believes that the future income tax benefits will not be realized within the availment period, as defined under the tax regulations.

Presented below are the details of the Company's remaining NOLCO, which can be claimed as deductions from taxable income within three to five years from the year the tax loss is incurred.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2021	P 14,910,709	P -	P -	P 14,910,709	2026
2020	172,289,847	-	-	172,289,847	2025
	P187,200,556	**P -**	**P -**	**P187,200,556**	

Presented below are the details of the Company's remaining MCIT for the years 2021 and 2020.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2021	P 20,690	P -	P -	P 20,690	2024
2020	17,027,786	-	-	17,027,786	2023
	P 17,048,476	**P -**	**P -**	**P 17,048,476**	

15.3 Supplementary Information Required Under Revenue Regulation (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which required certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

16. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	2021	2020	2019
Net profit from:			
continuing operations	**P 43,541,418**	P 5,816,020	P -
discontinued operations	**-**	246,633,463	46,730,234
Net profit	**43,541,418**	252,449,483	46,730,234
Divided by the weighted average number of outstanding common shares – net*	**2,162,475,312**	2,162,475,312	2,162,475,312
Basic earnings per share	**P 0.02**	P 0.12	P 0.02

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2021 and 2020.

17. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business, the Company incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2021, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Company's financial position and results of operations.

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to contractual maturity and settlement dates.

	2021			2020		
	Within One Year	**Beyond One Year**	**Total**	Within One Year	Beyond One Year	Total
Assets:						
Cash and other cash items	P 15,204,057	P -	P 15,204,057	P 115,984,914	P -	P 115,984,914
Financial assets at FVTPL	5,877,689,641	-	5,877,689,641	5,752,692,212	-	5,752,692,212
Loans and other receivables – Other receivables	127,392,155	-	127,392,155	127,404,781	-	127,404,781
Other assets	4,032	-	4,032	13,688	-	13,688
	P 6,020,289,885	**P -**	**P 6,020,289,885**	P 5,996,095,595	P -	P 5,996,095,595
Liabilities:						
Accounts payable and other liabilities	**P 8,157,623**	**P -**	**P 8,157,623**	P 27,504,751	P -	P 27,504,751

19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP to be disclosed as part of the notes to financial statements based on BSP Circular 1075, *Amendments to Regulations on Financial Audit of Non-Bank Financial Institutions.*

(a) Selected Financial Performance Indicators

The following are some indicators of the Company's financial performance:

	2021	2020
Return on average equity:		
Net income after income tax / Average total capital accounts	**0.73%**	4.46%
Return on average assets:		
Net income after income tax / Average total assets	**0.72%**	1.29%
Net interest margin:		
Net interest income / Average interest earning assets	**0.01%**	10.66%

(b) Capital Instruments Issued

As of December 31, 2021 and 2020, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718, are issued and outstanding.

(c) Significant Credit Exposures for Loans

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

(d) Credit Status of Loans

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

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

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

(f) Information on Related Party Loans

There were no related party loans as of December 31, 2021 and 2020.

There are no assets pledged by the Company as security for liabilities in 2021 and 2020.

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

As of December 31, 2021 and 2020, there were no material commitments and contingent accounts arising from transactions not given recognition in the statements of financial position.

DOMINION HOLDINGS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Dominion Holdings, Inc. (Formerly: BDO Leasing and Finance Inc.)** (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, 2022 and 2021, 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 members 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: ______________________
ELMER B. SERRANO
Chairperson

Signature: ______________________
MANUEL Z. LOCSIN JR.
President

Signature: ______________________
LUIS S. REYES JR.
Treasurer

Signed this 22nd day of February 2023

Dominion Holdings, Inc.
39/F BDO Corporate Center Ortigas
12 ADB Avenue
Ortigas Center
Mandaluyong City 1555
Philippines
Tel +632 8688-1288 loc. 36509, 45469, 36151

DOMINION
HOLDINGS

SUBSCRIBED and SWORN to me before this ______ day of ____________, 2023 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	SSS NUMBER
Elmer B. Serrano	[redacted]-6
Manuel Z. Locsin Jr.	[redacted]-7
Luis S. ReyesJr.	[redacted]-7

DOC NO: 49
PAGE NO: 11
BOOK NO: CXXV
SERIES OF: 2023

MICHAEL ... F. RODULFO
Notary Public for Mandaluyong City
Appointment No. 046?-22 / Until December 31, 2023
Roll of Attorneys No. 60508
MCLE Compliance No. VII-0014851

Dominion Holdings, Inc.
39/F BDO Corporate Center Ortigas
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Mandaluyong City 1555
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Philippines

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Report of Independent Auditors

The Board of Directors and the Stockholders
Dominion Holdings, Inc.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dominion Holdings, Inc., (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 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.

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Notes 1 and 14(o) to the financial statements, which provides relevant information on the restructuring of BDO Unibank Group's leasing business that led to the disposal and assignment of substantially all assets and liabilities of the Company to wind down its leasing and financing operations as of October 16, 2020 and transfer it to BDO Finance Corporation. The disposal of substantially all the Company's assets and liabilities, and transfer of the leasing and financing business resulted in a material uncertainty and significant doubt on the Company's ability to continue as a going concern. However, as stated also in Note 1 to the financial statements, the Company now operates as a listed holding company of the BDO Unibank Group. The Company has sufficient liquid assets (in the form of cash and investment in unit investment trust fund) to fund future investments. In connection with our audit, we have performed audit procedures to evaluate management's plans and actions as to likelihood of the situation and as to feasibility under the circumstances. Accordingly, the Company's financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-1S (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 15 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under the 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 the financial statements. Such supplementary information required by the BIR is the responsibility of management and is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. 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.

The engagement partner in the audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 22, 2023

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2022	2021 [As Restated - see Note 2.1(c)]
A S S E T S			
CASH AND CASH EQUIVALENTS - Net	6	**P 14,733,014**	P 15,204,057
MONEY MARKET PLACEMENT - Net	6	**5,955,382,215**	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	7	**-**	5,877,689,641
OTHER ASSETS - Net	2	**127,386,647**	127,396,187
TOTAL ASSETS		**P 6,097,501,876**	P 6,020,289,885
LIABILITIES AND EQUITY			
ACCOUNTS PAYABLE AND OTHER LIABILITIES	10	**P 16,106,398**	P 8,157,623
CAPITAL STOCK	11	**2,225,169,030**	2,225,169,030
ADDITIONAL PAID-IN CAPITAL		**571,095,676**	571,095,676
TREASURY SHARES	11	**(81,776,628)**	(81,776,628)
RETAINED EARNINGS	11	**3,366,907,400**	3,297,644,184
Total Equity		**6,081,395,478**	6,012,132,262
TOTAL LIABILITIES AND EQUITY		**P 6,097,501,876**	P 6,020,289,885

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CONTINUING OPERATIONS				
Income				
Interest and discounts	6, 14	P 63,246,030	P 30,666.00	P -
Gain on redemption of unit investment trust fund (UITF)	7	62,625,034	-	123,808
Unrealized fair value gain on UITF - net	7	-	54,997,429	5,692,212
Other income	12	954,650	2,069,009	-
		126,825,714	57,097,104	5,816,020
Operating costs and expenses				
Taxes and licenses	15	7,665,995	11,388,962	-
Interest and financing charges		3,608,580	-	-
Director's fee		2,933,333	3,011,111	-
Impairment losses	4	2,799,676	-	-
Occupancy and equipment-related expenses		794,204	68,000	-
Litigation/assets acquired expenses		-	422,292	-
Other expenses	14	14,576,950	4,365,249	-
		32,378,738	19,255,614	-
Profit before tax		94,446,976	37,841,490	5,816,020
Tax income (expense)	15	(25,183,760)	5,699,928	-
Net profit from continuing operations		69,263,216	43,541,418	5,816,020
DISCONTINUED OPERATIONS				
Income				
Interest and discounts	6, 8, 14	-	-	1,122,305,523
Gain on sale of loans and receivables	8, 14	-	-	509,971,258
Other income - net	7, 12	-	-	140,421,331
		-	-	1,772,698,112
Operating costs and expenses				
Interest and financing charges		-	-	465,867,521
Impairment and credit losses - net	8 ,9	-	-	398,845,747
Employee benefits	13	-	-	210,453,680
Taxes and licenses	15	-	-	185,097,953
Occupancy and equipment-related expenses		-	-	35,485,971
Litigation/assets acquired expenses		-	-	7,965,922
Director's fees		-	-	4,411,111
Other expenses	14	-	-	70,528,672
		-	-	1,378,656,577
Profit before tax		-	-	394,041,535
Tax expense	15	-	-	(147,408,072)
Net profit from discontinued operations		-	-	246,633,463
NET PROFIT		P 69,263,216	P 43,541,418	P 252,449,483
Basic and Diluted Earnings Per Share for Continuing Operations	16	P 0.03	P 0.02	P 0.01
Basic and Diluted Earnings Per Share for Discontinued Operations	16	-	-	0.11
Basic and Diluted Earnings Per Share	16	P 0.03	P 0.02	P 0.12

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	2022	2021	2020
CONTINUING OPERATIONS			
Net profit from continuing operations	**P 69,263,216**	P 43,541,418	P 5,816,020
Other comprehensive income	**-**	-	-
Total comprehensive income from continuing operations	**69,263,216**	43,541,418	5,816,020
DISCONTINUED OPERATIONS			
Net profit from discontinued operations	**-**	-	246,633,463
Other comprehensive income (loss)			
Items that will not be reclassified subsequently to profit or loss			
Fair valuation of equity investments at fair value through other comprehensive income (FVOCI):			
Fair value gains during the year	**-**	-	40,808,298
Fair value losses on redemption/disposal of financial assets at FVOCI	**-**	-	(71,036,187)
Remeasurements of post-employment defined benefit plan	**-**	-	102,696,179
	-	-	72,468,290
Tax expense	**-**	-	(27,103,605)
	-	-	45,364,685
Items that will be reclassified subsequently to profit or loss			
Fair value gains on disposal of debt instruments at FVOCI	**-**	-	(8,862,126)
Fair value losses of debt instruments during the year	**-**	-	(5,725,850)
	-	-	(14,587,976)
Other Comprehensive Income - net of tax	**-**	-	30,776,709
Total comprehensive income from discontinued operations	**-**	-	277,410,172
TOTAL COMPREHENSIVE INCOME	**P 69,263,216**	P 43,541,418	P 283,226,192

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Net Accumulated Actuarial Losses	Net Unrealized Fair Value Gains (Losses) on Financial Assets at Other Comprehensive Income	Retained Earnings			Total Equity
							Reserves	Free	Total	
Balance at January 1, 2022		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P 3,297,644,184	P 3,297,644,184	P 6,012,132,262
Total comprehensive income from continuing operations		-	-	-	-	-	-	69,263,216	69,263,216	69,263,216
Balance at December 31, 2022		**P 2,225,169,030**	**P 571,095,676**	**(P 81,776,628)**	**P -**	**P -**	**P -**	**P 3,366,907,400**	**P 3,366,907,400**	**P 6,081,395,478**
Balance at January 1, 2021		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P 3,254,102,766	P 3,254,102,766	P 5,968,590,844
Total comprehensive income from continuing operations		-	-	-	-	-	-	43,541,418	43,541,418	43,541,418
Balance at December 31, 2021		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P 3,297,644,184	P 3,297,644,184	P 6,012,132,262
Balance at January 1, 2020		P 2,225,169,030	P 571,095,676	(P 81,776,628)	(P 71,887,325)	P 41,110,617	P 141,740,833	P 2,788,876,263	P 2,930,617,096	P 5,614,328,466
Total comprehensive income from continuing operations		-	-	-	-	-	-	5,816,020	5,816,020	5,816,020
From discontinued operations:										
Total comprehensive income (loss)		-	-	-	71,887,325	(41,110,617)	-	246,633,463	246,633,463	277,410,171
Gain on sale of equity securities classified under FVOCI	7	-	-	-	-	-	-	71,036,187	71,036,187	71,036,187
Reversal of appropriation	11	-	-	-	-	-	(141,740,833)	141,740,833	-	-
Balance at December 31, 2020		P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P -	P -	P 3,254,102,766	P 3,254,102,766	P 5,968,590,844

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2022	2021	2020
CONTINUING OPERATIONS				
Cash flows from operating activities				
Profit before tax		P 94,446,976	P 37,841,490	P 5,816,020
Adjustments for:				
Gain on redemption of unit investment trust fund (UITF)	7	(62,625,034)	-	(123,808)
Interest income		(63,246,030)	(30,666)	
Impairment losses		2,799,676	-	-
Unrealized fair value gain on UITF - net	7	-	(54,997,429)	(5,692,212)
Operating loss before changes in operating assets and liabilities		(28,624,412)	(17,186,605)	-
Decrease (increase) in other assets		(7)	5,727,784	
Increase (decrease) in accounts payable and other liabilities		7,948,775	(19,347,128)	-
Cash generated used in operations		(20,675,644)	(30,805,949)	-
Interest received		12,728,422	30,666	
Cash paid for final taxes		(25,174,213)	(5,574)	-
Net Cash Used in Operating Activities		(33,121,435)	(30,780,857)	-
Cash flows from investing activities				
Redemption of UITF	7	5,940,314,675	-	100,123,808
Placement in short-term time deposit	6	(5,907,664,283)	-	-
Placement in UITF	7	-	(70,000,000)	(5,847,000,000)
Net Cash From (Used in) Investing Activities		32,650,392	(70,000,000)	(5,746,876,192)
Decrease in cash and cash equivalents from continuing operations		(471,043)	(100,780,857)	(5,746,876,192)
DISCONTINUED OPERATIONS				
Cash flows from operating activities				
Profit before tax		-	-	394,041,535
Adjustments for:				
Interest and discounts	8, 14	-	-	(1,122,305,523)
Interest received		-	-	1,178,675,357
Gain on sale of loans and receivables	8	-	-	(509,971,258)
Interest and financing charges paid		-	-	(491,012,764)
Interest and financing charges		-	-	465,867,521
Impairment and credit losses	7, 8	-	-	398,845,747
Dividend income	7, 12	-	-	(80,727,007)
Depreciation and amortization		-	-	22,308,328
Equity share in net loss (gain) of a subsidiary and an associate		-	-	(21,253,147)
Gain on sale of investment in a subsidiary		-	-	(9,496,552)
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	7	-	-	(8,862,126)
Gain or loss on sale of property and equipment and investment properties		-	-	(6,771,162)
Day-one gains - net	12	-	-	22,039
Operating profit before changes in operating assets and liabilities		-	-	209,360,988
Decrease in loans and other receivables		-	-	24,652,064,711
Decrease in other assets		-	-	138,854,958
Decrease in accounts payable and other liabilities		-	-	(272,029,465)
Decrease in lease deposits		-	-	(4,627,531,463)
Cash generated from operations		-	-	20,100,719,729
Cash paid for final taxes		-	-	(14,172,235)
Net Cash From Operating Activities		-	-	20,086,547,494
Cash flows from investing activities				
Proceeds from sale and redemption of financial assets at FVOCI	7	-	-	3,215,413,313
Proceeds from disposal of investment in a subsidiary		-	-	317,500,000
Receipt of cash dividends	7, 14	-	-	297,266,103
Proceeds from disposal of property and equipment and investment properties		-	-	220,249,284
Addition in investment properties		-	-	(46,021,902)
Acquisitions of property and equipment		-	-	(2,980,969)
Net Cash From Investing Activities		-	-	4,001,425,829
Cash flows from financing activities				
Payments of bills payable		-	-	(121,897,018,002)
Availments of bills payable		-	-	103,592,542,469
Payments on lease liabilities		-	-	(27,800,465)
Net Cash Used in Financing Activities		-	-	(18,332,275,998)
Net increase in cash and cash equivalent from discontinued operations		-	-	5,755,697,325
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(471,043)	(100,780,857)	8,821,133
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		15,204,057	115,984,914	107,163,781
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 14,733,014	P 15,204,057	P 115,984,914

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Corporate Information

Dominion Holdings, Inc. (DHI or the Company), formerly BDO Leasing and Finance, Inc. (BDOLF), is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (PSE) on January 6, 1997.

On January 31, 2020, the Board of Directors (BOD) approved the amendment of the Company's primary and secondary purpose from operating as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases to operate as a listed holding company that invest in, purchase, acquire or own, hold, use, sell, assign, transfer mortgage, pledge, exchange, or dispose real and personal property of every kind. On July 21, 2020, the stockholders approved the amendments. On March 01, 2022, the Company's BOD approved the amendment of the Company's name to Dominion Holdings, Inc., the same was approved by the stockholders on April 20, 2022. On June 9, 2022, the Company filed with the Securities and Exchange Commission (SEC) its application to amend the Company's article of incorporation's first and second article, which was subsequently approved by the SEC on July 18, 2022.

The Company is a subsidiary of BDO Unibank, Inc. (BDO Unibank or Parent Company), a universal bank incorporated and doing business in the Philippines. BDO Unibank offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

As a subsidiary of BDO Unibank, Bangko Sentral ng Pilipinas (BSP) has the authority to examine the Company, when examining the Bank, as it is majority-owned by the Bank.

The Company's principal office is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

1.2 Status of Operations

As discussed in Note 1.1, the Company has changed its business purpose to a holding company after its assets and liabilities were disposed and transferred in 2020. Nonetheless, the Company has sufficient liquid assets (in the form of cash and short-term placement in time deposit) to fund future investments. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The management has determined that no material uncertainty on the Company exists.

1.3 Approval of Financial Statements

The accompanying financial statements of the Company for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Company's BOD on February 22, 2023.

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 Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, Presentation of Financial Statements. The Company presents a statement of comprehensive income separate from the statement of income.

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

(c) Reclassification of Account

In 2022, the Company reclassified the balance related to creditable withholding taxes amounting to P127,382,155 in 2021 from Loans and Other Receivables account to Other Assets account to conform with the current year presentation.

The Company did not present a third statement of financial position as the reclassification does not have any effect in the structure and presentation of the statement of financial position. The reclassification did not have an impact to the total amount of net profit in the 2022 statement of comprehensive income and therefore, did not have any effect on the Company's statement of changes in equity for the year ended December 31, 2021.

(d) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

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

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as the Company has no property, plant and equipment.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

i. PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

ii. Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework* (effective from January 1, 2022)

(ii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are not relevant to the Company:

a. PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

b. PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, none of these are expected to have significant impact on the Company's financial statements:

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

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), Presentation of Financial Statements – Disclosure of Accounting Policies (effective from January 1, 2023)

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

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

2.3 Financial Instruments

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

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the profit or loss.

(a) Classification, Measurement and Reclassification 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. The classification and measurement of financial assets are described in the succeeding page.

(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 Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (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 Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company 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(b)].

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVTPL). The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents and Money Market Placement. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash. Money market placement include short-term investment with original maturity of more than 90 days.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income

The Company's accounts for financial assets at fair value through other comprehensive income (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 Company 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 Company for trading or as mandatorily required to be classified as FVTPL.

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 Net Unrealized Gains (Losses) (NUGL) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in NUGL on Financial Assets at FVOCI 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 changes are reclassified to profit or loss.

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

(iii) Financial Assets at Fair Value Through Profit or Loss

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL, if any. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in the statement of income, if any. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

The Company has designated all its unit investment trust funds (UITF) as financial assets at FVTPL.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) Effective Interest Rate Method and Interest Income

Interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and interest-bearing financial instruments at FVOCI. The EIR 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 EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company 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 loan. 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 (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statement of income.

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(c)], 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, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR 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 improves.

(c) Impairment of Financial Assets

At the end of the reporting period, the Company assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. No impairment loss is recognized on equity investments. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,

- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). When there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall also be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

The Company's definition of credit risk and information on how credit risk is mitigated by the Company are disclosed in Note 4.2.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – it is an estimate of likelihood of a borrower defaulting on its financial obligation (see Note 4.2.3(a)(ii)) over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.

- *Loss given default (LGD)* – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD, or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at default (EAD)* – it represents the gross carrying amount of the financial instruments subject to the impairment calculation; hence, this is the amount that the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur, unless the drawdown after default will be mitigated by the normal credit risk management actions and policies of the Company.

  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 Company's detailed ECL measurement, as determined by the management, is disclosed in Note 4.2.

(d) Derecognition of Financial Assets

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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(e) Classification and Measurement of Financial Liabilities

Financial liabilities pertain to accounts payable and other liabilities (except tax-related payables).

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

- *Accounts Payable and Other Liabilities* are initially recognized at their fair values and subsequently measured at amortized cost less settlement payments.

- *Dividend Distributions to Shareholders* are recognized as financial liabilities upon declaration by the Company.

(f) Derecognition of Financial Liabilities

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.

2.4 Offsetting 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 Company 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 a 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 Other assets

Other assets consist of prepayments and creditable withholding taxes (presented as Loans and Other Receivable in the statements of financial position) which are non-financial in nature, are resources controlled by the Company as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably.

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 2.6).

2.6 Impairment of Non-financial Assets

These assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets 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, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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.

2.7 Current versus Non-current Classification

The BDO Unibank Group presents assets and liabilities in the statement of financial position based on liquidity. An asset is current when:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

2.8 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 commitment 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 Company that does 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 Company 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.

2.9 Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares.

Net accumulated actuarial losses arise from the remeasurement of post-employment defined benefit plan.

NUGL losses on financial assets at FVOCI pertain to cumulative mark-to-market valuation.

Accumulated share in other comprehensive income of an associate pertains to changes resulting from the Company's share in other comprehensive income of associate or items recognized directly in the associates' equity.

Retained earnings reserves pertain to the appropriation of the Retained Earnings – Free account, brought about by cases when the ECL on 'Stage 1' loan accounts computed under the requirements of PFRS 9, *Financial Instruments* is less than the 1% General Loan Loss Provision (GLLP) required by the BSP. This is in pursuant to BSP Circular No. 1011, *Guidelines on the Adoption of PFRS 9,* which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on the statement of financial position. As at December 31, 2020, the Company appropriately reversed such appropriation since all of its loans and receivables subject to 1% GLLP were already sold (see Note 11.5).

Retained earnings free represents all current and prior period results as reported in the statement of income, reduced by the amounts of dividends declared.

2.10 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Company satisfy 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 Company's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Company first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply 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.

Before the restructuring in 2020, the Company also earns service fees related to the Company's factoring receivables which are supported by contracts and approved by the parties involved. These revenues are accounted for by the Company in accordance with PFRS 15.

For revenues arising from various financing 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 and the related revenue recognition policies:

(a) *Service fees* – Service fees related to the factoring of receivables are recognized as revenue at the point when services are rendered, i.e., when performance obligation is satisfied. This account is included under Other Income account in the statement of income.

(b) *Income from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the control and title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This account is included under Other Income account in the statement of income.

2.11 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income. Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

2.12 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, defined contribution plan and other employee benefits which are recognized as follows:

(a) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the 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 reporting period are discounted to their present value.

(b) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of reporting period. They are included in the Account Payable and Other Liabilities account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement. Compensated absences convertible to monetary consideration accruing to employees qualified under the retirement plan are now funded by the Company through its post-employment retirement fund. Accordingly, the related Accounts Payable and Other Liabilities account previously set-up for the compensated absences is reversed upon contribution to the retirement fund.

(c) *Employee Stock Option Plan*

BDO Unibank Group grants stock option plan to its senior officers (from vice president up), including the officers of the Company, for their contribution to the Company's performance and attainment of team goals. The stock option plan gives qualified employees the right to purchase BDO Unibank's shares at an agreed strike price. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management and is determined based on the Company's performance in the preceding year and amortized over five years (vesting period) starting from date of approval of the BOD. The number of officers qualified at the grant date is regularly evaluated (at least annually) during the vesting period and the amount of stock option is decreased in case there are changes in the number of qualified employees arising from resignation or disqualification.

Liability recognized on the stock option plan for the amount charged by the BDO Unibank Group attributable to the qualified officers of the Company is included in Accrued taxes and other expenses under Accounts Payable and Other Liabilities account in the statement of financial position and the related expense is presented in Employee Benefits account under Operating Costs and Expenses in the statement of income (see Notes 10 and 13).

2.13 Income Taxes

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

Current tax assets or 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 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized, or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

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 liabilities and assets reflects the tax consequences that would follow from the manner in which the Company 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 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 Company 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.

2.14 Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to equity holders of the Company by the weighted average number of common shares subscribed and issued during the year, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period. The Company does not have dilutive common shares.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares. Currently, the Group does not have dilutive potential shares outstanding, hence, the diluted earnings per share is equal to the basic earnings per share.

2.15 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company and its related parties, regardless of 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 Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and (d) the Company's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.16 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company'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 JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. Judgements 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 differ from these estimates.

3.1 Critical Management Judgements in Applying Accounting Policies

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

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

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company'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 Company) 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 under PFRS 9, the Company evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

If more than an infrequent sale is made from a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company 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 necessarily inconsistent with the HTC business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

In relation to the BDO Unibank Group's leasing business, in various dates in 2020, the Company disposed of all core loans and receivables as it wound down its operations (see Note 1.2). Such disposal is not consistent with the HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2020, further evaluation of the Company's HTC business model is no longer done (see Note 8). No similar transaction transpired in 2022 and 2021.

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

In determining the classification of financial assets under PFRS 9, the Company 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 Company 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 Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made from portfolio of financial assets carried at amortized cost, if any, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

(c) Recognition of Provisions and Contingencies

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and disclosures on relevant provisions are presented in Note 17.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(b) *Determining Realizable Amount of Deferred Tax Assets*

The Company 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 asset to be utilized. In 2020, the management has derecognized all its deferred tax assets related to the tax bases of assets and liabilities sold and transferred as part of the restructuring of BDO Unibank Group's leasing business. As of December 31, 2022 and 2021, there were unrecognized deferred tax assets or liabilities arising from temporary differences at the end of the reporting period as it is unlikely to be recovered in the future.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the Company will pursue its strategy and business plans to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its regulators.

The Company believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the Company is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

The Company's goal is to remain a strong company that is resilient to possible adverse events. Hence, the Company ensures:

- strong financial position by maintaining adequate capital ratios;
- sound management of liquidity; and,
- ability to generate sustainable earnings commensurate with the risks taken.

For credit risk, market risk, and liquidity risk, the Company ensures that these are within Board-approved operating limits. For operational risk (which includes legal, regulatory, compliance risks), and reputational risks, these are invariably managed by the development of both a strong "control culture" and an effective internal control system that constantly monitors and updates operational policies and procedures with respect to the Company's activities and transactions.

Risk management begins at the highest level of the organization. At the helm of the risk management infrastructure is the BOD who is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the institution's tolerance for risks, as well as, its business strategy and risk philosophy.

The BOD has constituted the Risk Management Committee (RMC) as the Board-Level Committee responsible for the development and oversight of the risk management program. Considering the importance of appropriately addressing credit risk, the BOD has also constituted the Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving risk appetite levels, policies and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security and cyber-security risk, data privacy risk and social risk to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite.

Within the Company's overall risk management system is the Assets and Liabilities Committee (ALCO), which is responsible for managing the Company's statement of financial position, including its liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

The Company operates an integrated risk management system to address the risks it faces in its activities The Risk Management Unit (RMU), which reports to the RMC, is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Company's activities across the different risk areas (i.e., credit, market, liquidity, interest rate and operational risks, including business continuity risk, IT risk, information security, cyber-security, and data privacy risk, to optimize the risk-reward balance and maximize return on capital. RMU also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Company is exposed.

The evaluation, analysis, and control performed by the Risk Function, in conjunction with the Risk Takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified, and analyzed, in the light of its potential effect on the Company's business. The goal of the risk management process is to ensure rigorous adherence to the Company's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

4.1 Interest Rate Risk

On December 31, 2022 and 2021, the Company has no material exposure to changes in interest rates since there are no outstanding loans and other receivables.

4.2 Credit Risk

As of December 31, 2022, the Company's financial assets that are subject to credit risk are related only to cash and cash equivalents and short-term investment presented as Money Market Placement. In general, the Company regularly monitors the credit quality of these financial assets and incorporates this information into its credit risk controls and policies.

Loan classification and credit risk rating are an integral part of the Company's management of credit risk. On an annual basis, loans are reviewed, classified as necessary, and rated based on internal and external factors that affect its performance. On a monthly basis, loan classifications of impaired accounts are assessed, and the results are used as basis for the review of loan loss provisions.

In addition to the above, credit portfolio review is another integral part of the Company's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured 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 Company using internal credit ratings.

As of December 31, 2022 and 2021, the Company has no loans receivables.

4.2.1 Credit Quality Analysis

The following table sets out information about the credit quality of its Cash and Cash Equivalent. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. In 2022 and 2021, the Company has no financial instruments that are purchased or originated credit impaired assets.

The following table shows the exposure to credit risk as of December 31 for each internal risk grade and the related allowance for impairment:

	Stage 1	Stage 2	Stage 3	Total
2022				
Cash and cash equivalents				
Grades AAA to B: Current	P 14,740,093	P -	P -	P 14,740,093
Expected credit loss allowance	(7,079)	-	-	(7,079)
	14,733,014	-	-	14,733,014
Money market placement				
Grades AAA to B: Current	5,958,174,812	-	-	5,958,174,812
Expected credit loss allowance	(2,792,597)	-	-	(2,792,597)
	5,955,382,215	-	-	5,955,382,215
Carrying amount	**P5,970,115,229**	**P -**	**P -**	**P5,970,115,229**
2021				
Cash and cash equivalents				
Grades AAA to B: Current*	P 15,204,057	P -	P -	P 15,204,057

**No expected credit loss allowance*

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable institutions with high quality external credit ratings.

4.2.2 Concentrations of Credit Risk

The Company monitors concentrations of credit risk by sector and by geographic location. In 2022 and 2021, the Company's concentrations of credit risk (net of allowance) at the reporting date pertains to cash and cash equivalents amounting to P14,733,014 and P15,204,057, respectively, and money market placements amounting to P5,955,382,215 (net of allowance) in 2022.

4.2.3 Amounts Arising from Expected Credit Losses

At each reporting date, the Company assesses whether Loans and Other Receivables are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using PD, LGD and EAD.

(a) *Significant Increase in Credit Risk*

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Company based on changes in credit quality since initial recognition of the financial asset. A financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Company as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on the following criteria in determining whether there has been a significant increase in credit risk: qualitative indicators, such as net losses, intermittent delays in payment or restructuring; and (ii) quantitative test based on movement in risk rating and PD. The borrowers can be moved to Stage 1 upon completion of the seasoning period which shall be 6 months of continuous payment with no incident of past due.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses the following criteria in determining whether there has been a significant increase in credit risk: (i) quantitative test based on movement in PD; and (ii) qualitative indicators, such as substantial decline in sales or intermittent delays in payment.

(i) Credit Risk Grading

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference in the PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

(ii) Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used. The Company employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining Whether Credit Risk has Significantly Increased

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Company. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings, and intermittent delays in payments.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

(b) Definition of Default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held);

- the borrower is more than 90 days past due on any material credit obligation to the Company; or,

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

Inputs into the assessment of whether a financial instrument is in default as well as their significance may vary over time to reflect changes in circumstances.

(c) *Forward-looking Information*

The Company incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company 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 macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, gross domestic product, growth rate, unemployment rate, foreign exchange rate, stock market index, oil prices and interest rates. Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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

Management has also considered other FLIs not incorporated within the above economic scenarios, 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.

(d) *Measurement of ECL*

The key inputs into the measurement of ECL are the term structure of PD, LGD and EAD.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in Note 4.2.3(a)(ii) under the heading "Generating the term structure of PD".

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Group has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

4.2.4 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to fulfill commitments to lend, or to meet any other liquidity commitments. The Company manages its liquidity needs by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions. The Company carefully monitors scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in its day-to-day activities.

Presented below are the financial assets and financial liabilities as of December 31, 2022 and 2021 analyzed according to when these are expected to be recovered or settled.

	One to Three Months	Three Months to One Year	One to Three Years	More Than Three Years	Total
2022					
Financial assets					
Cash and cash equivalents	**P 14,733,014**	**P -**	**P -**	**P -**	**P 14,733,014**
Money market placement	**5,955,382,215**	**-**	**-**	**-**	**5,955,382,215**
	P5,970,115,229	**P -**	**P -**	**P -**	**P5,970,115,229**
Financial liabilities					
Accounts payable and other liabilities	**P 9,657,685**	**P -**	**P -**	**P -**	**P 9,657,685**
2021					
Financial assets					
Cash and cash equivalents	P 15,204,057	P -	P -	P -	P 15,204,057
Financial assets at FVTPL	5,877,689,641	-	-	-	5,877,689,641
	P5,892,893,698	P -	P -	P -	P5,892,893,698
Financial liabilities					
Accounts payable and other liabilities	P 8,134,698	P -	P -	P -	P 8,134,698

4.2.5 Write-offs

The Company 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 Company'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 Company still have enforceable right to receive payment even if the financial assets have been written off except in certain cases.

4.3 Price Risk

The Company is exposed to the changes in the market values of financial assets at FVTPL held as of December 31, 2021. The Company manages its risk by identifying, analyzing, and measuring relevant or likely market price risks. To manage its price risk arising from its financial assets at FVTPL, the Company does not concentrate its investment in any single counterparty.

If the prices of financial assets at FVTPL changed by +/0.08% at December 31, 2021, then profit or loss would have increased/decreased by P4,422,221 in 2021. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant.

In 2022, the Company redeemed all of its investment in UITF.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The following table summarizes by category the carrying amounts and fair values of financial assets and financial liabilities. Where fair value is presented, such fair value is determined based on valuation techniques described below.

	Carrying Amounts	Fair Values
2022		
Financial Assets		
At amortized cost:		
Cash and cash equivalents	P 14,733,014	P 14,733,014
Money market placement	5,955,382,215	5,955,382,215
	P 5,970,115,229	**P 5,970,115,229**
Financial Liabilities		
At amortized cost –		
Accounts payable and other liabilities	**P 9,657,685**	**P 9,657,685**
2021		
Financial Assets		
At amortized cost –		
Cash and cash equivalents	P 15,204,057	P 15,204,057
Financial assets at FVTPL	5,877,689,641	5,877,689,641
	P 5,892,893,698	P 5,892,893,698
Financial Liabilities		
At amortized cost –		
Accounts payable and other liabilities	P 8,134,623	P 8,134,623

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follow:

(i) Cash and Cash Equivalents and Money Market Placement

The fair values of cash and cash equivalents and money market placement approximate carrying amounts given their short-term maturities.

(ii) Financial Assets at FVTPL

The fair value of financial assets at FVTPL which is related to unit investment trust fund is determined based on the net asset value per unit as published by the related bank.

(iii) Accounts Payable and Other Liabilities

Fair values approximate carrying amounts given the short-term maturities of the liabilities.

5.2 Fair Value Measurement and Disclosures

5.2.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial 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 financial 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.2.2 Financial Instrument Measured at Fair Value

The following table shows the fair value hierarchy of the Company's class of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2021. In 2022, the Company redeemed all of its UITF.

	Note	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL –					
Unit investment trust fund	7	P -	P5,877,689,641	P -	P5,877,689,641

The Company have no financial liabilities measured at fair value as of December 31, 2022 and 2021.

There were neither transfers made between Levels 1 and 2 nor changes in Level 3 instruments in both years.

5.2.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The following summarizes the fair value hierarchy of the Company'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.

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Financial assets:					
Cash and cash equivalents	6	P 14,733,014	P -	P -	P 14,733,014
Money market placement	6	5,955,382,215	-	-	5,955,382,215
		P5,970,115,229	**P -**	**P -**	**P5,970,115,229**
Financial liabilities –					
Accounts payable and other liabilities	10	**P -**	**P -**	**P 9,657,685**	**P 9,657,685**
December 31, 2021					
Financial assets –					
Cash and cash equivalents	6	P 15,204,057	P -	P -	P 15,204,057
Financial liabilities –					
Accounts payable and other liabilities	10	P -	P -	P 8,134,698	P 8,134,698

There have been no significant transfers among Levels 1 and 2 in the reporting periods.

Summarized below and in the succeeding page are the information on how the fair values of the Company's financial assets and financial liabilities are determined.

(a) Financial Instruments in Level 1

Cash and cash equivalents consist primarily of funds in the form of Philippine currency notes and coins held in the Company's bank. Cash is measured at face value; hence, the carrying amount approximates the fair value given their short-term maturities. Cash and cash equivalents are tagged under Level 1 since it is fungible and readily available for use.

(b) *Financial Instruments in Level 2*

The fair value of financial instruments not traded in an active market is determined by using valuation techniques or by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. The Company has no financial instruments measured at Level 2.

(c) *Financial Instruments in Level 3*

The Company classifies financial instruments such as Accounts payable and other receivables, have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is 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.

5.2.4 Fair Value Measurement for Non-Financial Assets

As of December 31, 2022 and 2021, the Company's non-financial asset pertains to Prepaid documentary stamp tax which is measured under Level 3.

5.3 Offsetting of Financial Instruments

Currently, all financial assets and financial liabilities are settled on a gross basis; however, each party will have the option to settle such amount on a net basis in the event of default of the other party. As such, as of December 31, 2022 and 2021, the Company has no financial assets and liabilities with offsetting arrangement.

6. CASH AND CASH EQUIVALENTS

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

	Note	**2022**	2021
Cash in banks	14(a)	**P 4,657,774**	P 15,204,057
Short-term placements	14(a)	**10,082,319**	-
		14,740,093	15,204,057
Allowance for ECL		**(7,079)**	-
		P 14,733,014	P 15,204,057

Cash in banks earn interest at rates based on daily bank deposit rates of 0.06% in 2022, 0.05% to 0.06% in 2021, and 0.13% to 0.25% in 2020.

Short-term placements are made for varying periods of 67 days and 97 days and earn interest at annual rate of 4.75% in 2022 (see Note 14).

Interest receivables amounting to P50.56 million as of December 31, 2022 is presented as part of Money Market Placement in the 2022 statement of financial position. No similar transaction transpired in 2021.

Short-term placements in 2022 are presented in the statement of financial position as follows:

Cash and cash equivalents	P 10,082,319
Money market placements:	
Gross carrying amount	5,958,174,812
Allowance for ECL	(2,792,597)
	5,955,382,215
	P 5,965,464,534

7. FINANCIAL ASSETS AT FVTPL AND FINANCIAL ASSETS AT FVOCI

In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000 worth of unit investment trust fund (UITF) securities from BDO Unibank's Trust & Investment Group (BDO TIG), respectively. On December 29, 2020, the Company redeemed its UITF amounting to P100,000,000 which resulted in a gain on redemption amounting to P123,808 under Income in the 2020 statement of income from continuing operations (see Note 14). In 2022, the Company redeemed all its remaining UITF resulting in a gain on redemption amounting to P62,625,034, is presented under Income in the 2022 statement of income from continuing operations (see Note 14). For the years ended 2021 and 2020, such investment earned unrealized fair value gain of P54,997,429 and P5,692,212, respectively, recognized as unrealized fair value gain on UITF account under Income in the statements of income from continuing operations.

As of December 31, 2022 and 2021, the Company has no investments under FVOCI. In various dates in 2020, the Company sold its financial assets at FVOCI as follows (see also Note 14):

Date of Sale	Financial Asset at FVOCI	Counterparty	Proceeds	Carrying Value	Gain (Loss)
April 2, 2020	8990 Holdings Bonds	BDO Unibank	P 945,434,641	P 937,220,000	P 8,214,641
April 6, 2020	Sta. Lucia Bonds	BDO Unibank	200,647,485	200,000,000	647,485
July 22, 2020	Smart Notes	BDO Life	1,471,656,187	1,400,000,000	71,656,187
October 15, 2020	SMC Shares	BDO Finance	597,495,000	597,495,000	-
October 16, 2020	Others	BDO Unibank	180,000	800,000	(620,000)

In 2020, the Company realized P8,862,126 gain on sale from its debt securities (bonds) classified as FVOCI. Such is presented as part of Other income under discontinued operations (see Note 12). For equity securities classified as FVOCI, gains on sale amounting to P71,036,187 were reclassified directly to Retained Earnings account. No similar transaction transpired in 2021.

Dividend income earned from these financial assets are recorded as Dividend income account under Other Income in the 2020 statement of income (see Note 12).

The Company recognized fair value losses for FVOCI securities amounting to P39,402,554 in 2020. The fair values of these financial assets have been determined based on quoted prices in active markets and reported in Other income under discontinued operations (see Note 5).

8. LOANS AND OTHER RECEIVABLES

As of December 31, 2022 and 2021, the Company has no outstanding loans and receivables from customers after it has sold and assigned its receivable after the complete restructuring that transpired in 2020.

In 2022 and 2021, the Company reported interest income from Cash and cash equivalents amounting to P63,246,030 and P30,666, respectively, under Continuing operations. Interest and discounts in the 2020 statement of income under Discontinued operations consist of interest on:

Loans and receivables financed	P	595,458,462
Finance lease receivables		505,957,993
Financial assets at FVOCI		18,450,224
Interest on defined benefit plan		918,370
Cash and cash equivalents		1,520,474
	P	1,122,305,523

Interest income recognized under Discontinued operations on impaired loans and receivables amounted to P20,907,570 in 2020 (nil in 2022 and 2021).

The changes in the allowance for impairment in 2020 are summarized below.

Balance at beginning of year	P	594,479,669
Impairment losses during the year		400,553,810
Reversal of impairment losses	(	975,633,951)
Accounts written-off	(	19,399,528)
Balance at end of year	P	-

The nil amount of allowance reported by the Company is due to the reversal of impairment losses in 2020 as a result of the disposal of related loans and receivables.

As approved by the Company's Related Party Committee and BOD, in various dates in 2020, the Company disposed of its core loans and receivables to BDO Unibank, BDO Life and BDO Finance with aggregate amounts of P14,125,382,405, P1,276,081,451, and P7,669,959,699, respectively, to address the widening liquidity gap during the COVID-19 pandemic and as it winds down operations (see Note 14). Such disposal is not consistent with the Company's HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2022 and 2021, further evaluation of the Company's HTC business model is no longer performed. The total resulting gain on disposal of core loans and receivables amounted to P509,971,257, which is presented as Gain on sale of loans and receivables under Discontinued operations in the 2020 statement of income (see Note 14). No similar transaction transpired in 2022 and 2021.

In 2020, the BOD approved the write-off of certain loans and receivable financed and finance lease receivables with a total amount P19,399,528.

9. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment in 2020 are summarized below.

	Note	
Balance at beginning of year		
Loans and other receivables	8	P 594,479,669
Investment properties		23,626,575
Other assets		1,541,913
		619,648,157
Impairment losses-net		400,553,810
Write-offs		(19,399,528)
Reversals		(619,011,991)
Disposals		(381,790,448)
		(619,648,157)
Balance at end of year:		
Loans and other receivables	8	-
Investment properties		-
Other assets		-
		P -

In 2022, the Company recognized allowance for probable losses in its cash and cash equivalents and money market placement (see Notes 4.2.1 and 6). There was no impairment recognized in 2021.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	2022	2021
Accounts payable	**P 9,657,685**	P 8,134,698
Accrued taxes and other expenses	**6,363,351**	22,122
Withholding taxes payable	**85,362**	803
	P 16,106,398	P 8,157,623

Accounts payable and other liabilities have maturities within one year. Accrued taxes pertains to accrual of taxes on interest income earned on short-term placements. Management considers the carrying amounts of accounts payable and other liabilities recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

11. EQUITY

11.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and,
- to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure and the Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's capital and overall financing as of December 31, 2022 and 2021 are shown below.

	2022	2021
Total equity	**P 6,081,395,478**	P 6,012,132,262
Cash and cash equivalents	**(14,733,014)**	(15,204,057)
Net capital	**P 6,066,662,464**	P 5,996,928,205
Overall financing (total equity)	**P 6,081,395,478**	P 6,012,132,262
Capital-to-overall financing ratio	**1.00:1.00**	1.00:1.00

As of December 31, 2022 and 2021, the Company complies with this minimum paid-up capital requirement. All branches were already closed and ceased its leasing and financing operations as of December 31, 2020 (see Note 1.2).

11.2 Preferred Shares

The Company has 200,000 authorized preferred shares at P100 par value a share with the following features:

(a) Issued serially in blocks of not less than 100,000 shares;
(b) No pre-emptive rights to any or all issues on other disposition of preferred shares;
(c) Entitled to cumulative dividends at a rate not higher than 20% yearly;
(d) Subject to call or with rights for their redemption, either mandatory at a fixed or determinable date after issue; and,
(e) Non-voting, except in cases expressly provided for by law.

None of these authorized preferred shares have been issued as of December 31, 2022 and 2021.

11.3 Common Shares

As of December 31, 2022 and 2021, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718 are issued and outstanding.

11.4 Retained Earnings – Free

The Company's retained earnings are restricted to the extent of the cost of the treasury shares amounting to P81,776,628 as of the end of the reporting periods.

11.5 Retained Earnings – Reserves

As at December 31, 2020, the Company appropriately reversed the appropriation for GLLP totaling P141,740,833 since all of its loans and receivables subject to 1% GLLP were already sold. There were no appropriations in 2022 and 2021.

11.6 Track Record of Registration of Securities

On January 6, 1997, the Company was listed with the PSE with 106,100,000 additional common shares and 15,120,000 existing common shares with par value of P1.00 per share. The listing was approved by the SEC in May 1996. As of December 31, 2021, the Company's number of shares registered totaled 3,400,000,000 with par value of P1.00 per share and closed at a price of P1.87 in 2021.

On January 27, 2020, the PSE approved the request of the Company for the voluntary trading suspension of its shares. This is to allow the investing public an equal access to the information about the Share Purchase Agreement entered by BDO Unibank on January 24, 2020 for making informed decisions.

As of December 31, 2022, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Company's registration statement. The Company has since engaged the SEC on its requirements to lift the suspension order and the matter is still pending resolution as of date of release of the 2022 financial statements.

12. OTHER INCOME

In 2022, the Company reported bad debts recovery amounting to P950,000 and miscellaneous income amounting to P4,650. In 2021, the Company reported the realized foreign exchange translation gain amounting to P1,550,970, realized gain on sale of dollar-denominated currency amounting to P310,681 (see Note 14), and miscellaneous income amounting to P207,358 reported as Other income under Continuing operations. Other income presented under Discontinued operations for 2020 consists of the following:

	Notes	
Dividend income	7	P 80,727,007
Gain on sale of investment in subsidiary		9,496,552
Gain on sale of financial assets	7	8,862,126
Gain on sale of investment properties		6,771,162
Day-one gains – net		22,039
Miscellaneous – net	14	34,542,445
		P 140,421,331

Dividend income pertains to income earned from investments in Smart Note and SMC shares.

Day-one gains – net represent the fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits), net of the day one losses on initial recognition of the residual value receivables under finance lease.

13. EMPLOYEE BENEFITS

Expenses recognized for 2020 on salaries and employee benefits for the Company under discontinued operations are presented below.

	Note	
Salaries and wages		P 123,255,227
Bonuses		42,555,095
Retirement – defined benefit plan		18,607,236
Fringe benefits		12,481,875
Social security costs		4,910,713
Employee stock option plan	14	3,491,587
Other benefits		5,151,947
		P 210,453,680

After the completion of restructuring in 2020, the Company has terminated its employees and transferred its former employees to BDO Finance. In 2022 and 2021, the Company did not incur any employee benefits expense.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include BDO Unibank, related party under common ownership, key management personnel and the retirement benefit fund as described below.

The summary of the Company's transactions with its related parties in 2022, 2021 and 2020 and is shown below.

Related Party Category	Notes	Amount of Transaction 2022	2021	2020
Ultimate parent company (BDO Unibank)				
UITF redemption	7, *(l)*	**P5,927,789,668**	P -	P -
Realized fair value gains	7, *(l)*	**62,625,034**	-	-
Interest income on short-term placements	6, *(a)*	**63,241,061**	-	-
Interest income on savings and demand deposits	6, *(a)*	**4,969**	30,666	1,510,459
Service fees	*(e)*	**302,100**	124,900	125,200
UITF placement	7, *(l)*	**-**	70,000,000	5,847,000,000
Unrealized fair value gains	7, *(l)*	**-**	54,997,429	5,692,212
Realized gain on dollar-denominated cash deposits	12, *(p)*	**-**	310,681	-
Interest expense on bills payable	*(b)*	**-**	-	11,477,345
Interest expense on lease liability	*(c)*	**-**	-	1,398,636
Depreciation	*(c)*	**-**	-	11,833,555
Gain on pre-termination of lease contract	*(c)*	**-**	-	963,423
Management fees	*(d)*	**-**	-	14,685,000
Sale of receivables	*(n)*	**-**	-	14,125,382,405
Gain on sale of receivables	*(n)*	**-**	-	381,866,343
Sale of financial assets under FVOCI	*(n)*	**-**	-	1,138,020,000
Gain on sale of debt securities under FVOCI	*(n)*	**-**	-	8,862,126
Loss on sale of equity securities under FVOCI	*(n)*	**-**	-	(620,000)
Employee stock option plan	2.12, 13	**-**	-	3,491,587
Gain on redemption of UITF	7, *(l)*	**-**	-	123,808
Sale of foreclosed assets– net	*(n)*	**-**	-	212,801,131
Subsidiary (BDORI)*				
Dividend income	*(i)*	**-**	-	200,000,000
Management fees	*(d)*	**-**	-	330,000
Rent income	*(c)*	**-**	-	60,500
Under common ownership				
Service and charges fees	*(f), (j)*	**-**	-	2,147,655
Insurance expense	*(k)*	**-**	-	244,314
Sale of receivables	*(n), (o)*	**-**	-	8,946,041,150
Gain on sale of receivables	*(n), (o)*	**-**	-	128,104,914
Sale of financial assets under FVOCI	*(n), (o)*	**-**	-	1,997,495,000
Gain on sale of equity securities under FVOCI	*(n), (o)*	**-**	-	71,656,187
Other related parties				
Loans	*(m)*	**-**	-	40,045,801
Key management personnel				
Short-term benefits	*(g)*	**-**	-	47,221,000
Post-employment benefits	*(g)*	**-**	-	9,170,953
Loans to officers	*(g)*	**-**	-	1,909,534

**Only until October 16, 2020*

Below is the summary of the outstanding balances with each related party as of December 31, 2022 and 2021.

Related Party Category	Notes	Outstanding Balance 2022	2021
Ultimate parent company (BDO Unibank)			
Short-term placements	6, *(a)*	**P 5,917,692,616**	P -
UITF	7, *(l)*	**-**	5,877,689,641
Savings and demand deposits	6, *(a)*	**4,657,774**	15,204,057
Accrued interest receivables on short-term placements	6, *(a)*	**50,564,515**	-

(a) The Company maintains savings and demand deposit and short-term placement accounts with BDO Unibank. As of December 31, 2022 and 2021, savings and demand deposit and short-term placement accounts maintained with BDO Unibank are reported as Cash and Cash Equivalents and Money Market Placement account in the statements of financial position. The savings and demand deposits generally earn interest at annual rates ranging from 0.05% to 0.06% in 2022 and 2021 and short-term placements earn interest at an effective rate of 4.75% in 2022. Interest income earned on these deposits in 2022, 2021 and 2020 is included as part of Interest and Discounts account under Income in the statements of income.

(b) The Company obtains short-term bills payable from BDO Unibank with annual interest rates ranging from 3.0% to 4.8% in 2020. Total bills availments and payments amounted to P1,527,350,000 and P1,521,455,000, respectively, in 2020. No outstanding balance as of December 31, 2020. Interest expense incurred on these bills payable in 2020 is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the 2020 statement of income. The Company did not obtain bills payable in 2022 and 2021.

(c) The Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from three to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Company and BDO Unibank. The related interest expense incurred on lease liability and depreciation of Right-of-use are included as part of Interest and financing charges and Occupancy and equipment related expenses, respectively, under Operating Costs and Expenses account in the statements of income. Before the restructuring, the Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental is presented as part of Other Income-net account in the Company's statements of income (see Note 12). In 2020, in line with the restructuring process, the Company pre-terminated all its leases with BDO Unibank which resulted in a recognition of gain on pre-termination as part of Miscellaneous income under Other Income account for the 2020 statement of income (see Note 12). There were no outstanding receivables and payables on these transactions as of the end of 2022 and 2021.

(d) In 2019, the Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Company for certain management services that the former provides to the latter. Management fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the 2020 statement of income. Also, the Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income-net account in the Company's 2020 statement of income (see Note 12). There are no outstanding receivables and payables on these transactions as of the end of 2022 and 2021.

As part of the restructuring of Company's leasing business, the service level agreement of Company with BDO Unibank was terminated in 2020. Accordingly, the Company also terminated the service level agreement with BDO Rental.

(e) The Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding receivable and payable on these transactions as of the end of 2022 and 2021.

(f) The Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for services related to the Company's issuance of short-term commercial papers. Service charges and fees paid by the Company to BDO Capital amounting to P94,777 for 2020 and are included as part of Other Expenses account under Operating Costs and Expenses in the 2020 statement of income. No similar transaction in 2022 and 2021 and no outstanding payables on this transaction as of the end of 2022 and 2021.

(g) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of income of the Company. In 2021, the Company has no longer recognized short-term employee benefits because it has no employees after the restructuring of the Company was completed in 2020. On the other hand, the short-term employee benefits amounting to P47,221,000 in 2020 include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. Further, retirement benefits expense amounted to P9,170,953 in 2020 (nil in 2022 and 2021).

In 2020, the Company also granted loans to officers, which are secured by mortgage on the property, bear interest at a range a 7.0% to 9.0% per annum, with terms ranging from three to five years. There were no outstanding loans to officers as of December 31, 2022 and 2021.

(h) On October 16, 2020, the Company's retirement fund was transferred to BDO Finance [see Notes 13 and 14(o)]. The retirement fund holds, as an investment, 519,915 shares of stock of the Company as of December 31, 2021 and 2020, which has a market value of P3.16 per share.

(i) In 2020, BDO Rental declared cash dividends amounting to P200,000,000 (received in 2020).

(j) The Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred amounting to P2,052,878 in 2020 and are included as part of Miscellaneous under Other Income account in the 2020 statement of income (see Note 12). No similar transaction in 2022 and 2021 and no outstanding payables on this transaction as of the end of 2022 and 2021.

(k) In 2020, the Company paid BDO Life for group life insurance of the Company's employees. Insurance paid by the Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in the 2020 statement of income. No similar transaction transpired in 2022 and 2021. There were no outstanding receivables and payables on this transaction as of the end of 2022 and 2021.

(l) In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000, worth of UITF from BDO TIG, respectively. The P100,000,000 of the securities purchased in 2020 was redeemed on December 29, 2020 and the remainder of P5,817,000,000 was fully redeemed on October 11, 2022 (see Note 7).

(m) The Company also granted loans to other related parties, which bear interest with a range of 4.2% to 11.0% per annum in 2020 (nil in 2022 and 2021). There were no outstanding loans to other related parties as of December 31, 2022 and 2021.

(n) In various dates in 2020, in line with the restructuring of BDO Unibank Group's leasing business to optimize the financial needs of clients in line with PFRS 16, the Company sold its core loans and receivables to BDO Life, BDO Finance and BDO Unibank. The related gain on sale of loans and receivables is presented under Income in the 2020 statement of income [see Notes 8 and 14(o)]. There is no outstanding receivable on these transactions as of the end of 2020. No similar transaction transpired in 2022 and 2021.

On various dates in 2020, the Company disposed portion of its financial assets at FVOCI to BDO Unibank and BDO Life. The related gain on sale is presented separately under Income in the statements of income (see Note 7) for debt securities while for equity securities gains (losses) were booked to Retained Earnings.

In October 2020, the Company agreed to assign, transfer and covey certain foreclosed assets to BDO Unibank with a total carrying value of P212,801,131 as of September 30, 2020. No gain or loss was recognized in this transaction. There is no outstanding receivable on this transaction as of December 31, 2022 and 2021.

(o) On various dates in 2020, the Company disposed portion of its core loans and receivables to BDO Finance with aggregate carrying amounts of P7,669,959,699 resulting to a recognition of gain on sale of loans and receivables totaling P89,493,034 which is presented separately under Income in the 2020 statement of income [see Notes 8 and Note 14(n)].

On October 12, 2020, the Company sold its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308,003,448 which resulted to a recognition of gain on sale of investment in subsidiary totaling P9,496,552 as part of Other income account in the statements of income (see Note 12). On October 15, 2020, the Company sold its SMC preferred shares classified as FVOCI to BDO Finance with aggregate carrying amounts of P597,495,000 (see Note 7). No gain or loss was recognized on the sale. On October 16, 2020, the Company agreed to assign irrevocably and absolutely to BDO Finance certain other assets and other liabilities with total proceeds equal to carrying value of P39,012,330 and P244,591,355 respectively. The transaction resulted to outstanding payable to BDO Finance and is recorded as part of Accounts payable and other liabilities account in the statements of financial position.

The table below summarizes the carrying amounts of other assets and other liabilities sold to BDO Finance on October 16, 2020.

	Notes	
Other Assets:		
Accounts receivables – net	8	P 13,723,392
Prepaid expenses		3,963,200
Property and equipment – net		6,088,373
Retirement assets	13, 14(h)	14,358,936
Other intangible asset – net		773,234
Other assets		105,195
		P 39,012,330
Other Liabilities:		
Accounts payable		P 169,082,140
Accrued other expenses payable		13,648,196
Unapplied advance payments		15,301,329
Deferred income tax payable		(36,161,681)
Other liabilities		82,721,371
		P 244,591,355

Other liabilities include, among others, taxes, insurance, mortgage and other fees.

(p) In 2021, the Company sold dollar-denominated cash deposits amounting to USD796,619 at P50.36 exchange rate (PHP40,117,733) to BDO Unibank. This transaction resulted in a realized gain of P310,681 and is recorded as part of Other income account under Continuing operations in the 2021 statement of income (see Note 12). No similar transaction transpired in 2022.

15. TAXES

15.1 Taxes and Licenses

This account is composed of the following:

	2022	2021	2020
Gross receipt tax	**P 6,672,544**	P 29,089	P 76,759,057
Documentary stamp tax	**149,790**	540,470	88,463,570
Local tax	**3,457**	9,961,872	13,735,853
Others	**840,204**	877,531	6,139,473
	P 7,665,995	P 11,388,962	P 185,097,953

15.2 Current and Deferred Taxes

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

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

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, would be lower by P5,726,192 than the amount presented in the 2020 financial statements and such amount was charged to profit or loss.

The components of tax expense (income) from the continuing and discontinued operations for the years ended December 31 follow:

	2022	2021	2020
Reported in statements of income			
Current tax expense (income):			
Final tax at 20%	**P 25,174,213**	P 5,574	P 14,172,235
Adjustment in 2020 income taxes due to change in income tax rate	**-**	(5,726,192)	-
MCIT at 1% in 2022 and 2021; 2% in 2020	**9,547**	20,690	22,753,979
	25,183,760	(5,699,928)	36,926,214
Deferred tax expense relating to origination and reversal of temporary differences	**-**	-	110,481,858
	P 25,183,760	(P 5,699,928)	P 147,408,072
Reported in statements of comprehensive income			
Deferred tax income (expense) on:			
Net actuarial losses	**P -**	P -	(P 30,808,854)
Unrealized fair value gains on financial assets at FVOCI	**-**	-	3,705,249
Net deferred tax expense	**P -**	P -	(P 27,103,605)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income follows:

	2022	2021	2020
Tax on pretax profit at 25% in 2022 and 2021 and 30% in 2020	**P 23,611,744**	P 9,460,373	P 119,957,266
Adjustment for income subjected to lower tax rate	**(6,293,553)**	(2,092)	5,485,246
Adjustment in 2020 income taxes due to change in income tax rate.	**-**	(5,726,192)	-
Tax effects of:			
Non-deductible expense	**4,126,412**	568,973	4,272,394
Unrecognized deferred tax assets on:			
Net operating loss carry-over (NOLCO)	**3,729,610**	3,727,677	51,297,526
MCIT	**9,547**	20,690	22,753,979
Deductible temporary differences not recognized	**-**	-	(167,143,718)
Reversal of deferred tax liability	**-**	-	110,481,858
Non-deductible interest expense	**-**	-	2,792,167
Non-taxable income	**-**	(13,749,357)	(2,488,646)
	P 25,183,760	(P 5,699,928)	P 147,408,072

In 2020, all net deferred tax assets were derecognized since the management assessed that these will not be realized in the future periods.

The Company has no deferred income in profit or loss or other comprehensive income in 2022 and 2021. The components of deferred tax income in profit and loss and in other comprehensive income for the year ended December 31, 2020 follow:

In profit or loss:	
Deferred tax assets:	
Allowance for impairment on:	
Loans and discounts	(P 93,882,068)
Accounts receivable	(8,684,708)
Investment properties and non-current assets held-for-sale	(7,550,547)
	(110,117,323)
Deferred tax liability – Others	(364,535)
Net deferred tax expense	(P 110,481,858)
In other comprehensive income:	
Deferred tax income (expense) on:	
Net actuarial losses	(P 30,808,854)
Unrealized fair value gains on financial assets at FVOCI	3,705,249
Net deferred tax income (expense)	(P 27,103,605)

The Company is subject to MCIT, which is computed at 1% of gross income, as defined under tax regulations or RCIT, whichever is higher. In 2022, 2021 and 2020, the Company claimed itemized deductions in computing for its income tax due.

In 2021 and in prior years, the Company has not recognized deferred tax assets on certain temporary differences, NOLCO and other tax credits since management believes that the future income tax benefits will not be realized within the availment period, as defined under the tax regulations.

Presented below are the details of the Company's remaining NOLCO, which can be claimed as deductions from taxable income within three to five years from the year the tax loss is incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deductions from the gross income until 2025 and 2026, respectively in accordance with the R.A. No. 11494, *Bayanihan to Recover as One Act.* In 2022, the NOLCO period is reverted back to within three years from the year the tax loss was incurred.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2022	P 14,918,441	P -	P -	P 14,918,441	2025
2021	14,910,709	-	-	14,910,709	2026
2020	172,289,847	-	-	172,289,847	2025
	P 202,118,997	**P -**	**P -**	**P 202,118,997**	

Presented below are the details of the Company's remaining MCIT for the years 2022, 2021 and 2020.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2022	P 9,547	P -	P -	P 9,547	2025
2021	20,690	-	-	20,690	2024
2020	17,027,786	-	-	17,027,786	2023
	P 17,058,023	**P -**	**P -**	**P 17,058,023**	

15.3 Supplementary Information Required Under Revenue Regulation (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which required certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

16. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	2022	2021	2020
Net profit from:			
continuing operations	**P 69,263,216**	P 43,541,418	P 5,816,020
discontinued operations	**-**	-	246,633,463
Net profit	**69,263,216**	43,541,418	252,449,483
Divided by the weighted average number of outstanding common shares – net*	**2,162,475,312**	2,162,475,312	2,162,475,312
Basic earnings per share	**P 0.03**	P 0.02	P 0.12

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2022 and 2021.

17. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business, the Company incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2022, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Company's financial position and results of operations.

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

All of the Company's assets and liabilities as of December 31, 2022 and 2021 have contractual maturity and settlement dates of within one year.

DOMINION HOLDINGS

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Dominion Holdings, Inc. (Formerly: BDO Leasing and Finance Inc.)** (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 members 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: ______________________
ELMER B. SERRANO
Chairperson

Signature: ______________________
JOHN EMMANUEL M. LIZARES
President

Signature: ______________________
LUIS S. REYES JR.
Treasurer

Signed this 21st day of February 2024

Dominion Holdings, Inc.
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12 ADB Avenue
Ortigas Center
Mandaluyong City 1555
Philippines
Tel +632 8688-1288 loc. 36509, 45469, 36151

DOMINION HOLDINGS

FEB 2 1 2024

SUBSCRIBED and SWORN to me before this ______ day of ____________, 2024 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	SSS NUMBER
Elmer B. Serrano	[redacted]
John Emmanuel M. Lizares	
Luis S. ReyesJr.	[redacted]7

ATTY. MICHAEL IAN F. RODULFO
Notary Public for Mandaluyong City
Appointment No. 0468-24 / Until December 31, 2025
PTR NO. 5421887; 12-14-23; Mandaluyong City
ISP 365467; 10-31-23; Quezon City
Roll No. 60508 / MCLE Compliance No. VII 0014851

Doc No: 479
Page No: 97
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P&A Grant Thornton

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

Dominion Holdings, Inc.

December 31, 2023, 2022 and 2021

P&A Grant Thornton

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
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1200 Makati City
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Report of Independent Auditors

The Board of Directors and the Stockholders
Dominion Holdings, Inc.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Dominion Holdings, Inc., (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2023, and the notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 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.

Key Audit Matters

We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's Securities and Exchange Commission (SEC) Form 20-1S (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2023, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 12 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under the 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 the financial statements. Such supplementary information required by the BIR is the responsibility of management and is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. 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.

The engagement partner in the audit resulting in this independent auditors' report is Yusoph A. Maute.

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)

February 21, 2024

DOMINION HOLDINGS, INC.

(Formerly: BDO Leasing and Finance, Inc.)

(A Subsidiary of BDO Unibank, Inc.)

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2023 AND 2022

(Amounts in Philippine Pesos)

	Notes	2023	2022
ASSETS			
CASH AND CASH EQUIVALENTS	6	**P 7,785,645**	P 14,733,014
MONEY MARKET PLACEMENTS - Net	6	**3,941,346,704**	5,955,382,215
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	7	**2,306,560,507**	-
OTHER ASSETS - Net		**127,392,572**	127,386,647
TOTAL ASSETS		**P 6,383,085,428**	P 6,097,501,876
LIABILITIES AND EQUITY			
ACCOUNTS PAYABLE AND OTHER LIABILITIES	8	**P 10,655,103**	P 16,106,398
DEFERRED TAX LIABILITIES - Net	12	**2,530,802**	-
Total Liabilities		**13,185,905**	16,106,398
CAPITAL STOCK	9	**2,225,169,030**	2,225,169,030
ADDITIONAL PAID-IN CAPITAL		**571,095,676**	571,095,676
TREASURY SHARES	9	**(81,776,628)**	(81,776,628)
NET UNREALIZED FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVOCI		**11,222,813**	-
RETAINED EARNINGS	9	**3,644,188,632**	3,366,907,400
Total Equity		**6,369,899,523**	6,081,395,478
TOTAL LIABILITIES AND EQUITY		**P 6,383,085,428**	P 6,097,501,876

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
INCOME				
Interests and discounts	6, 7, 11	**P 342,674,559**	P 63,246,030	P 30,666
Gain on redemption of unit investment trust fund (UITF)	7	**1,048,999**	62,625,034	-
Unrealized fair value gain on UITF	7	**-**	-	54,997,429
Other income - net	10	**-**	954,650	2,069,009
		343,723,558	126,825,714	57,097,104
OPERATING COSTS AND EXPENSES				
Impairment and credit losses	6, 7	**6,135,361**	2,799,676	-
Trust fees	11	**3,591,034**	-	-
Director's fees		**2,182,222**	2,933,333	3,011,111
Taxes and licenses	12	**1,630,124**	7,665,995	11,388,962
Professional fees		**1,068,673**	245,456	164,682
Litigation/assets acquired expenses		**294,100**	-	422,292
Interest expense		**-**	3,608,580	-
Occupancy and equipment-related expenses		**-**	794,204	68,000
Other expenses	11	**3,211,638**	14,331,494	4,200,567
		18,113,152	32,378,738	19,255,614
PROFIT BEFORE TAX		**325,610,406**	94,446,976	37,841,490
TAX INCOME (EXPENSE)	12	**(48,329,174)**	(25,183,760)	5,699,928
NET PROFIT		**P 277,281,232**	P 69,263,216	P 43,541,418
Basic and Diluted Earnings Per Share	13	**P 0.13**	P 0.03	P 0.02

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
NET PROFIT		**P 277,281,232**	P 69,263,216	P 43,541,418
OTHER COMPREHENSIVE INCOME				
Item that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains on debt investments at FVOCI	7	**10,123,209**	-	-
Impairment losses on debt investments at FVOCI	7	**3,630,406**	-	-
Tax expense	12	**(2,530,802)**	-	-
		11,222,813	-	-
TOTAL COMPREHENSIVE INCOME		**P 288,504,045**	P 69,263,216	P 43,541,418

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Net Unrealized Fair Value Gains on FVOCI	Retained Earnings	Total Equity
Balance at January 1, 2023	P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P 3,366,907,400	P 6,081,395,478
Total comprehensive income	-	-	-	11,222,813	277,281,232	288,504,045
Balance at December 31, 2023	**P 2,225,169,030**	**P 571,095,676**	**(P 81,776,628)**	**P 11,222,813**	**P 3,644,188,632**	**P 6,369,899,523**
Balance at January 1, 2022	P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P 3,297,644,184	P 6,012,132,262
Total comprehensive income	-	-	-	-	69,263,216	69,263,216
Balance at December 31, 2022	P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P 3,366,907,400	P 6,081,395,478
Balance at January 1, 2021	P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P 3,254,102,766	P 5,968,590,844
Total comprehensive income	-	-	-	-	43,541,418	43,541,418
Balance at December 31, 2021	P 2,225,169,030	P 571,095,676	(P 81,776,628)	P -	P 3,297,644,184	P 6,012,132,262

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021
(Amounts in Philippine Pesos)

	Notes	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 325,610,406**	P 94,446,976	P 37,841,490
Adjustments for:				
Interests and discounts	6, 7, 11	**(342,674,559)**	(63,246,030)	(30,666)
Impairment and credit losses	6, 7	**6,135,361**	2,799,676	-
Operating loss before changes in operating assets and liabilities		**(10,928,792)**	34,000,622	37,810,824
Decrease (increase) in financial assets at fair value through profit or loss		**-**	5,877,689,641	(124,997,429)
Decrease (increase) in other assets		**(56,045)**	(7)	5,727,784
Increase (decrease) in accounts payable and other liabilities		**(5,451,295)**	7,948,775	(19,347,128)
Cash generated from (used in) operations		**(16,436,132)**	5,919,639,031	(100,805,949)
Interest received		**250,098,951**	12,728,422	30,666
Cash paid for final taxes		**(48,329,174)**	(25,174,213)	(5,574)
Net Cash From (Used in) Operating Activities		**185,333,645**	5,907,193,240	(100,780,857)
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of financial assets at fair value through other comprehensive income (FVOCI)	7	**(6,006,005,297)**	-	-
Maturities of short-term placements	6	**5,907,664,283**	-	-
Placement in short-term placements	6	**(3,915,550,000)**	(5,907,664,283)	-
Proceeds from redemption of financial assets at FVOCI	7	**3,821,610,000**	-	-
Net Cash Used in Investing Activities		**(192,281,014)**	(5,907,664,283)	-
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,947,369)**	(471,043)	(100,780,857)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**14,733,014**	15,204,057	115,984,914
CASH AND CASH EQUIVALENTS AT END OF YEAR		**P 7,785,645**	P 14,733,014	P 15,204,057

See Notes to Financial Statements.

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Corporate Information

Dominion Holdings, Inc. (DHI or the Company), formerly BDO Leasing and Finance, Inc. (BDOLF), is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (PSE) on January 6, 1997.

On January 31, 2020, the Board of Directors (BOD) approved the amendment of the Company's primary and secondary purpose from operating as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases to operate as a listed holding company that invest in, purchase, acquire or own, hold, use, sell, assign, transfer mortgage, pledge, exchange, or dispose real and personal property of every kind. On July 21, 2020, the stockholders approved the amendments. On March 01, 2022, the Company's BOD approved the amendment of the Company's name to Dominion Holdings, Inc., the same was approved by the stockholders on April 20, 2022. On June 9, 2022, the Company filed with the Securities and Exchange Commission (SEC) its application to amend the Company's article of incorporation's first and second article, which was subsequently approved by the SEC on July 18, 2022.

The Company is a subsidiary of BDO Unibank, Inc. (BDO Unibank or Parent Company), a universal bank incorporated and doing business in the Philippines. BDO Unibank offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

As a subsidiary of BDO Unibank, Bangko Sentral ng Pilipinas (BSP) has the authority to examine the Company, when examining the Bank, as it is majority-owned by the Bank. Although the Company is no longer considered a BSP-supervised financial institution, the Company aligns with BSP's regulations, where applicable, as a subsidiary of a bank and as a good corporate governance practice.

The Company's principal office is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

1.2 Approval of Financial Statements

The accompanying financial statements of the Company for the year ended December 31, 2023 (including the comparative financial statements as of December 31, 2022 and for the years ended December 31, 2022 and 2021) were authorized for issue by the Company's BOD on February 21, 2024.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resource, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents a statement of comprehensive income separate from the statement of income.

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

(c) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

(a) Effective in 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PFRS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

Discussed below are the relevant information about these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Notes 2 and 3.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) Effective in 2023 that is not Relevant to the Company

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements and PFRS 7 (Amendments), Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

2.3 Financial Instruments

(a) Classification, Measurement and Reclassification of Financial Assets

The Company's financial assets include financial assets at amortized cost and at fair value through other comprehensive income.

(i) Financial Assets at Amortized Cost

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents and Money Market Placements. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash. Money market placements include short-term investment with original maturity of more than 90 days.

(ii) Financial Assets at Fair Value Through Other Comprehensive Income (FVOCI)

At initial recognition, the Company 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 Company for trading or as mandatorily required to be classified as fair value through profit or loss (FVTPL). The Company has debt securities classified as at FVOCI as at the end of the reporting period.

(b) Effective Interest Rate Method and Interest Income

Interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and interest-bearing financial instruments at FVOCI. The Company 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 financial 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 (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (reduction) in Interest income. The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(c)], 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 EIR 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 improves.

(c) Impairment of Financial Assets

At the end of the reporting period, the Company assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,

- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default (PD) of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). When there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). A lifetime ECL shall also be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

The Company's definition of credit risk, information on how credit risk is mitigated by the Company and detailed ECL measurement, as determined by the management, are disclosed in Note 4.2.

(d) Classification and Measurement of Financial Liabilities

Financial liabilities pertain to accounts payable and other liabilities (except tax-related payables). All interest-related charges are included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

2.4 Other Income and Expense Recognition

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Company first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply 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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. Judgements 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 differ from these estimates.

3.1 Critical Management Judgements in Applying Accounting Policies

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

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

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company'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 Company) 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 under PFRS 9, the Company evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

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

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (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 Company 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 Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made from portfolio of financial assets carried at amortized cost, if any, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

3.2 Key Source of Estimation Uncertainty

The following are the key assumptions 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 assets and liabilities within the next reporting period:

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and debt instruments classified as financial assets at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(b) Fair Value Measurement for Financial Instruments

The Company holds debt securities presented as Financial Assets at FVOCI whose fair values are based on quoted market prices.

The carrying values of the Company's financial assets at FVOCI and the amounts of fair value changes recognized during the year on those assets are disclosed in Note 7.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the Company will pursue its strategy and business plans to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its regulators.

The Company believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the Company is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

The Company's goal is to remain a strong company that is resilient to possible adverse events. Hence, the Company ensures:

- strong financial position by maintaining adequate capital ratios;
- sound management of liquidity; and,
- ability to generate sustainable earnings commensurate with the risks taken.

Risk management begins at the highest level of the organization. At the helm of the risk management infrastructure is the BOD who is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the institution's tolerance for risks, as well as, its business strategy and risk philosophy.

4.1 Interest Rate Risk

On December 31, 2023 and 2022, the Company has no material exposure to changes in interest rates since all financial assets and financial liabilities have fixed rates.

4.2 Credit Risk

As of December 31, 2023, the Company's financial assets that are subject to credit risk are related only to cash and cash equivalents, short-term investments presented as Money Market Placement and debt securities presented as Financial Assets at FVOCI. In general, the Company regularly monitors the credit quality of these financial assets and incorporates this information into its credit risk controls and policies.

4.2.1 Credit Quality Analysis

In 2023 and 2022, the Company has no financial instruments that are purchased or originated credit impaired assets.

As of December 31, 2023 and 2022, the Company held Cash and cash equivalents, Money market placements and Financial assets at FVOCI which are all in Stage 1 (see Notes 6 and 7).

The credit risk for Company's financial assets are presented in Note 4.2.3(c).

4.2.2 Concentrations of Credit Risk

The Company monitors concentrations of credit risk by sector and by geographic location which are all in the financial sector in the Philippines. The Company's concentrations of credit risk (net of allowance) at the reporting date pertains to cash and cash equivalents and money market placement amounting to P7,785,645 and P3,941,346,704, respectively, in 2023, and P14,733,014 and P5,955,382,215, respectively, in 2022, and debt investment securities at FVOCI amounting to P2,306,560,507 in 2023.

4.2.3 Amounts Arising from Expected Credit Losses

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stage 1 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using PD, loss given default (LGD) and exposure at default (EAD).

(a) Significant Increase in Credit Risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime PD as at the reporting date; with

- the remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Company uses the following criteria in determining whether there has been a significant increase in credit risk: (i) quantitative test based on movement in PD; and (ii) qualitative indicators, such as substantial decline in sales or intermittent delays in payment.

(i) Credit Risk Grading

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference in the PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

The Company's financial assets at FVOCI are graded BBB+ to BBB- as of December 31, 2023.

(ii) Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used. The Company employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining Whether Credit Risk has Significantly Increased

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Company. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings, and intermittent delays in payments.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

(b) Forward-looking Information

The Company incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company 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 macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, gross domestic product growth rate, unemployment rate, inflation rate, foreign exchange rates, stock market index, oil prices and interest rates.

The significance of the selected macro-economic variables as predictors of default may change over time as historical information is added. As such, the generated macroeconomic models are updated at least on an annual basis. Management has also considered other FLIs not incorporated within the above economic scenarios, 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.

(c) Measurement of ECL

The key inputs into the measurement of ECL are the term structure of PD, LGD and EAD.

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

The methodology of estimating PDs is discussed in Note 4.2.3(a)(ii) under the heading "Generating the term structure of PD".

LGD is the magnitude of the likely loss if there is a default. The Company adopted the foundation internal ratings-based approach wherein senior claims on sovereigns, banks, securities firms and other financial institutions that are not secured by recognized collateral will be assigned a 45% LGD.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

For portfolios in respect of which the Company has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL include exposures to foreign borrowers and low default borrower segments.

The following table sets out the gross carrying amounts and allowance for ECL of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	Notes	**2023**	2022
Cash and cash equivalents	6	**P 7,796,103**	P 14,740,093
Allowance for ECL	6	**(10,458)**	(7,079)
		P 7,785,645	P 14,733,014
Money market placement	6	**P 3,946,640,877**	P 5,958,174,812
Allowance for ECL	6	**(5,294,173)**	(2,792,597)
		P 3,941,346,704	P 5,955,382,215
Debt securities at FVOCI	7	**P 2,310,190,913**	P -
Allowance for ECL (OCI)	7	**(3,630,406)**	-
		P 2,306,560,507	P -

4.2.4 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to fulfill commitments to lend, or to meet any other liquidity commitments. The Company manages its liquidity needs by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions. The Company carefully monitors scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in its day-to-day activities.

Presented below are the financial assets and financial liabilities as of December 31, 2023 and 2022 analyzed according to when these are expected to be recovered or settled.

	One to Three Months	Three Months to One Year	Total
2023			
Financial assets			
Cash and cash equivalents	**P 7,785,645**	**P -**	**P 7,785,645**
Money market placements	**2,130,892,960**	**1,810,453,744**	**3,941,346,704**
Financial assets at FVOCI	**1,206,901,967**	**1,099,658,540**	**2,306,560,507**
	P3,345,580,572	**P 2,910,112,284**	**P6,255,692,856**
Financial liabilities			
Accounts payable and other liabilities	**P 10,522,280**	**P -**	**P 10,522,280**
2022			
Financial assets			
Cash and cash equivalents	P 14,733,014	P -	P 14,733,014
Money market placements	5,955,382,215	-	5,955,382,215
	P 5,970,115,229	P -	P 5,970,115,229
Financial liabilities			
Accounts payable and other liabilities	P 9,657,685	P -	P 9,657,685

4.2.5 Write-offs

The Company 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 Company'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 Company still have enforceable right to receive payment even if the financial assets have been written off except in certain cases.

4.3 Price Risk

In 2022, the Company redeemed all of its investment in unit investment trust fund (UITF). As of December 31, 2023, the Company is not exposed to equity securities price risk since the Company holds no investments in equity securities classified as financial assets at FVTPL or financial assets at FVOCI.

The following table sets forth the sensitivity of the Company's other comprehensive income in 2023 to reasonable possible changes in quoted prices of financial assets at FVOCI with all other variables held constant:

Change in interest rates (in basis points)	+100	-100
Net unrealized fair value gains (losses) on debt securities at FVOCI	P 23,000,000	(P 23,000,000)
Total impact on other comprehensive income	P 23,000,000	(P 23,000,000)

The sensitivity is calculated by revaluing financial assets at FVOCI at the reporting date for the effects of the assumed changes in quoted prices.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

In 2023, the Company has financial assets at FVOCI which have fair values equal to its carrying amounts as at December 31, 2023. The Company has no other financial assets carried at fair value.

For the Company's financial assets and financial liabilities carried at amortized cost as at December 31, 2023 and 2022, management has determined that their carrying amounts are equal to or approximately their fair values.

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follows:

(i) Cash and Cash Equivalents and Money Market Placement

The fair values of cash and cash equivalents and money market placement approximate carrying amounts given their short-term maturities.

(ii) Financial Assets at FVOCI

The fair value of financial assets at FVOCI which is related to corporate bonds is determined by direct reference to published price quoted in the Philippine Dealing and Exchange Corporation.

(iii) Accounts Payable and Other Liabilities

Fair values approximate carrying amounts given the short-term maturities of the liabilities.

5.2 Fair Value Measurement and Disclosures

5.2.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial 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 financial 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.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Company uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

5.2.2 Financial Instrument Measured at Fair Value

The Company acquired fixed rate bonds classified as financial assets at FVOCI as of December 31, 2023 and are carried at Level 1. The fair value of financial assets at FVOCI which is related to corporate bonds is determined by direct reference to published price quoted in the Philippine Dealing and Exchange Corporation.

The Company has no financial instruments measured at fair value as of December 31, 2022.

There were neither transfers made between Levels 1 and 2 nor changes in Level 3 instruments in both years.

5.2.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The following summarizes the fair value hierarchy of the Company'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.

	Notes	Level 1	Level 3	Total
December 31, 2023				
Financial assets:				
Cash and cash equivalents	6	P 7,785,645	P -	P 7,785,645
Money market placement	6	3,941,346,704	-	3,941,346,704
		P 3,949,132,349	**P -**	**P 3,949,132,349**
Financial liabilities – Accounts payable and oher liabilities	8	**P -**	**P 10,522,280**	**P 10,522,280**
December 31, 2022				
Financial assets:				
Cash and cash equivalents	6	P 14,733,014	P -	P 14,733,014
Money market placement	6	5,955,382,215	-	5,955,382,215
		P 5,970,115,229	P -	P 5,970,115,229
Financial liabilities – Accounts payable and other liabilities	8	P -	P 9,657,685	P 9,657,685

There have been no significant transfers between Levels 1 and 2 in the reporting periods.

Summarized below are the information on how the fair values of the Company's financial assets and financial liabilities are determined.

(a) *Financial Instruments in Level 1*

Cash and cash equivalents consist primarily of funds in the form of Philippine currency notes and coins held in the Company's bank. Money market placements include short-term investments with original maturity of more than 90 days. Carrying amounts approximate the fair values given the relatively short-term maturities of these instruments.

(b) *Financial Instruments in Level 3*

The Company classifies financial instruments such as Accounts payable and other receivables, have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is 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.

5.2.4 Fair Value Measurement for Non-Financial Assets

As of December 31, 2023 and 2022, the Company's non-financial asset pertains to creditable withholding taxes which is measured under Level 3.

5.3 Offsetting of Financial Instruments

Currently, all financial assets and financial liabilities are settled on a gross basis; however, each party will have the option to settle such amount on a net basis in the event of default of the other party. As such, as of December 31, 2023 and 2022, the Company has no financial assets and liabilities with offsetting arrangement.

6. CASH AND CASH EQUIVALENTS AND MONEY MARKET PLACEMENTS

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

	Note		**2023**		2022
Cash in banks	11(a)	**P**	**1,488,858**	P	4,657,774
Short-term placements	11(a)		**6,307,245**		10,082,319
			7,796,103		14,740,093
Allowance for ECL		**(**	**10,458)**	(	7,079)
		P	**7,785,645**	P	14,733,014

Cash in banks earn interest at rates based on daily bank deposit rate of 0.06% in 2023, 2022 and 2021.

Short-term placements are made for varying periods of 31 days to 143 days in 2023, 67 days to 97 days in 2022 and nil in 2021, and earn interest at annual rate of 5.75% to 6.40% in 2023, 4.75% in 2022 and nil in 2021 (see Note 11).

Interest receivables amounting to P31,098,122 and P50,564,515 as of December 31, 2023 and 2022, respectively, is presented as part of Cash and Cash Equivalents and Money Market Placement in the statements of financial position.

The total interest income earned from cash in banks and short-term placements amounted to P117,609,860, P63,246,030 and P30,666 in 2023, 2022 and 2021, respectively, in the Company's statements of income.

The Company recognized impairment loss on cash and cash equivalents amounting to P3,379, P7,079 and nil in 2023, 2022 and 2021, respectively, which is presented as part of Impairment and credit losses account under Operating Costs and Expenses in the statements of income.

Short-term placements as of December 31, 2023 and 2022 are presented in the statements of financial position as follows:

	2023	2022
Cash and cash equivalents:		
Gross carrying amount	**P 6,307,245**	P 10,082,319
Allowance for ECL	**(8,461)**	(4,896)
	6,298,784	10,077,423
Money market placements:		
Gross carrying amount	**3,946,640,877**	5,958,174,812
Allowance for ECL	**(5,294,173)**	(2,792,597)
	3,941,346,704	5,955,382,215
	P 3,947,645,488	P 5,965,459,638

The reconciliation of the carrying amounts of the money market placements are as follows:

	2023	2022
Balance at the beginning of year	**P 5,955,382,215**	P -
Maturities	**(5,907,664,283)**	-
Placements	**3,915,550,000**	5,907,664,283
Collections of accrued interest income	**(50,510,529)**	-
Accrued interest income	**31,090,877**	50,510,529
Impairment loss	**(2,501,576)**	(2,792,597)
	P 3,941,346,704	P 5,955,382,215

The Company recognized impairment loss on money market placements amounting to P2,501,576, P2,792,597 and nil in 2023, 2022 and 2021, respectively, which is presented as part of Impairment and credit losses account under Operating Costs and Expenses in the statements of income.

7. FINANCIAL ASSETS AT FVTPL AND FVOCI

In 2021, the Company purchased P70,000,000 worth of UITF securities from BDO Unibank's Trust & Investment Group (BDO TIG) which were classified as financial assets as at FVTPL. Unrealized fair value gain on UITF amounted to P54,997,429 for the year ended 2021 and is presented under Income in the 2021 statement of income.

In 2022, the Company redeemed all its remaining UITF resulting in a gain on redemption amounting to P62,625,034, is presented under Income in the 2022 statement of income (see Note 11).

In 2023, the Company invested P6,020,004,237 in UITF with a term of one day and was redeemed resulting in a gain on redemption of P1,048,999 presented under Income in the 2023 statement of income. The proceeds were reinvested in various debt securities (bonds) at a discount amounting to P6,006,005,297 and were classified as FVOCI.

On September 30, 2023 and December 9, 2023, Rizal Commercial Banking Corporation (RCBC) and Union Bank of the Philippines Fixed Rate Bonds matured amounting to P2,021,610,000 and P1,800,000,000, respectively, at face value.

The composition of financial assets at FVOCI (debt securities) of the Company as of December 31, 2023 pertains to the following:

Security Bank Corporation fixed rate bonds	P 1,200,000,000
RCBC fixed rate bonds	1,100,000,000
	2,300,000,000
Unamortized discount	(13,405,342)
Unrealized fair value gains	10,123,209
Accrued interest receivable	9,842,640
	P 2,306,560,507

A reconciliation of the carrying amounts of financial assets at FVOCI in 2023 is as follows:

Acquisitions	P 6,006,005,297
Disposals	(3,821,610,000)
Amortization of discount	102,199,361
Unrealized fair value gains	10,123,209
Accrued interest income	9,842,640
	P 2,306,560,507

Financial assets at FVOCI earn interest at fixed rates of 2.75% to 3.74% in 2023 with an original term of 1.5 to 3 years. The total interest income earned amounted to P225,064,699 in 2023 in the Company's statement of income.

The Company recognized fair value gains on financial assets at FVOCI amounting to P10,123,209 in 2023. The fair values of these financial assets have been determined based on quoted prices in active markets (see Note 5).

In 2023, the Company recognized impairment loss on financial assets at FVOCI amounting to P3,630,406, which is presented as part of Impairment and credit losses account under Operating Costs and Expenses in the 2023 statement of income and is added to the fair value gains on debt instruments at FVOCI under items that are reclassified subsequently to profit or loss in the 2023 statement of comprehensive income.

In 2023, the Company reclassified its cash flows from placements and redemptions of UITF from investing activities to operating activities in the 2022 and 2021 statements of cash flows following the change in its business purpose to a holding company in 2022.

8. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	2023	2022
Accounts payable	**P 10,522,280**	P 9,657,685
Withholding taxes payable	**132,823**	85,362
Accrued taxes and other expenses	**-**	6,363,351
	P 10,655,103	P 16,106,398

Accrued taxes pertains to accrual of taxes on interest income earned on short-term placements.

9. EQUITY

9.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and,
- to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure and the Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's capital and overall financing as of December 31, 2023 and 2022 are shown below.

	2023	2022
Total equity	**P 6,369,899,523**	P 6,081,395,478
Cash and cash equivalents	**(7,785,645)**	(14,733,014)
Money market placements - net	**(3,941,346,704)**	(5,955,382,215)
Net capital	**P 2,420,767,174**	P 111,280,249
Overall financing (total equity)	**P 6,369,899,523**	P 6,081,395,478
Capital-to-overall financing ratio	**0.38 : 1.00**	0.02 : 1.00

As of December 31, 2023 and 2022, the Company complies with this minimum paid-up capital requirement.

9.2 Preferred Shares

The Company has 200,000 authorized preferred shares at P100 par value a share with the following features:

(a) Issued serially in blocks of not less than 100,000 shares;
(b) No pre-emptive rights to any or all issues on other disposition of preferred shares;
(c) Entitled to cumulative dividends at a rate not higher than 20% yearly;
(d) Subject to call or with rights for their redemption, either mandatory at a fixed or determinable date after issue; and,
(e) Non-voting, except in cases expressly provided for by law.

None of these authorized preferred shares have been issued as of December 31, 2023 and 2022.

9.3 Common Shares

As of December 31, 2023 and 2022, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718 are issued and outstanding.

9.4 Retained Earnings – Free

The Company's retained earnings are restricted to the extent of the cost of the treasury shares amounting to P81,776,628 as of the end of the reporting periods.

As at December 31, 2023 and 2022, the Company's unappropriated retained earnings exceeded its paid-in capital. Relative to this, the Company plans to declare dividends in 2024 subject to approval of the BOD.

9.5 Track Record of Registration of Securities

On January 6, 1997, the Company was listed with the PSE with 106,100,000 additional common shares and 15,120,000 existing common shares with par value of P1.00 per share. The listing was approved by the SEC in May 1996. As of December 31, 2023, the Company's number of shares registered totaled 3,400,000,000 with par value of P1.00 per share and closed at a price of P3.16 in 2020.

On January 27, 2020, the PSE approved the request of the Company for the voluntary trading suspension of its shares. This is to allow the investing public an equal access to the information about the Share Purchase Agreement entered by BDO Unibank on January 24, 2020 for making informed decisions.

As of December 31, 2023, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Company's registration statement. The Company has since engaged the SEC on its requirements to lift the suspension order and the matter is still pending resolution as of date of release of the 2023 financial statements.

10. OTHER INCOME

In 2022, the Company reported bad debts recovery amounting to P950,000 and miscellaneous income amounting to P4,650. In 2021, the Company reported the realized foreign exchange translation gain amounting to P1,550,970, realized gain on sale of dollar-denominated currency amounting to P310,681 (see Note 11), and miscellaneous income amounting to P207,358. There were no similar transactions in 2023.

11. RELATED PARTY TRANSACTIONS

The Company's related parties are BDO Unibank, BDO TIG and BDO Finance Corporation (BDOFC) as described below.

The summary of the Company's significant transactions with its related parties in 2023, 2022 and 2021 are as follows:

		Amount of Transaction		
Related Party Category	Notes	**2023**	2022	2021
Ultimate parent company (BDO Unibank)				
UITF redemption	*(c)*	**P6,021,053,236**	P 5,927,789,668	P -
UITF placement	*(c)*	**6,020,004,237**	-	70,000,000
Interest income on short-term placements	*(a)*	**77,869,196**	63,241,061	-
Trust fees	*(d)*	**3,591,034**	-	-
Realized fair value gains	*(c)*	**1,048,999**	62,625,034	-
Service fees	*(b)*	**360,250**	302,100	124,900
Interest income on savings and demand deposits	*(a)*	**9,385**	4,969	30,666
Unrealized fair value gains	*(c)*	**-**	-	54,997,429
Realized gain on dollar-denominated cash deposits	*(f)*	**-**	-	310,681
Related party under common Ownership (BDOFC)				
Management fees	*(e)*	**336,000**	-	-

Below is the summary of the outstanding balances with each related party as of December 31, 2023 and 2022.

		Outstanding Balance	
Related Party Category	Notes	**2023**	2022
Ultimate parent company (BDO Unibank)			
Short-term placements	*(a)*	**P 6,300,000**	P 5,917,692,616
Savings and demand deposits	*(a)*	**1,488,858**	4,657,774
Accrued interest receivables on short-term placements	*(a)*	**7,245**	50,564,515

(a) The Company maintains savings and demand deposit and short-term placement accounts with BDO Unibank. As of December 31, 2023 and 2022, savings and demand deposit and short-term placements accounts maintained with BDO Unibank are included under Cash and Cash Equivalents and Money Market Placement account in the statements of financial position (see Note 6). The savings and demand deposits generally earn interest at annual rate of 0.06% in 2023, 2022 and 2021 and short-term placements earn interest at an effective rate of 5.75% in 2023 and 4.75% in 2022. Interest income earned on these deposits is reported as Interests and discounts account in the statements of income.

(b) The Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding receivable and payable on these transactions as of December 31, 2023 and 2022.

(c) In 2021, the Company purchased UITF amounting to P70,000,000 from BDO TIG and recognized unrealized fair value gain of P54,997,429 presented under Income in the 2021 statement of income. In 2022, the Company redeemed all its remaining UITF resulting in realized fair value gains amounting to P62,625,034. In April 2023, the Company purchased and redeemed UITF amounting to P6,020,004,237 which resulted to a realized fair value gains amounted to P1,048,999. Realized fair value gains are presented under Income in the 2023 statement of income (see Note 7).

(d) In April 2023, the Company entered into an investment management agreement with BDO TIG for services related to the Company's fund management. Fees paid by the Company to BDO-TIG is reported as Trust Fees account under Operating Costs and Expenses in the 2023 statement of income.

(e) In May 2023, the Company entered into a service level agreement with BDOFC wherein BDOFC will charge the Company for certain management services that the former provides to the latter. Management fees paid by the Company to BDOFC are shown as part of Other Expenses account under Operating Costs and Expenses in the 2023 statement of income. There was no outstanding payable arising from this transaction in 2023. No similar transaction transpired in 2022 and 2021.

(f) In 2021, the Company sold dollar-denominated cash deposits amounting to USD 796,619 at P50.36 exchange rate (Php40,117,733) to BDO Unibank. This transaction resulted in a realized gain of P310,681 and is recorded as part of Other income account in the 2021 statement of income (see Note 10). No similar transaction transpired in 2023 and 2022.

12. TAXES

12.1 Taxes and Licenses

This account is composed of the following:

	2023	2022	2021
Local tax	**P 799,002**	P 3,457	P 9,961,872
Documentary stamp tax	**6,917**	149,790	520,470
Gross receipt tax	**-**	6,672,544	29,089
Others	**824,205**	840,204	877,531
	P 1,630,124	P 7,665,995	P 11,388,962

12.2 Current and Deferred Taxes

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

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;

- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,

- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

The components of tax expense (income) for the years ended December 31 follow:

	2023	2022	2021
Reported in statements of income			
Current tax expense (income):			
Final tax at 20%	**P 48,329,174**	P 25,174,213	P 5,574
Adjustment in 2020 income taxes due to change in income tax rate	**-**	-	(5,726,192)
MCIT at 1.5% in 2023; 1% in 2022 and 2021	**-**	9,547	20,690
	P 48,329,174	P 25,183,760	(P 5,699,928)
Reported in statements of comprehensive income			
Deferred tax expense on –			
Unrealized fair value gains on financial assets at FVOCI	**P 2,530,802**	P -	P -

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income follows:

	2023	2022	2021
Tax on pretax profit at 25%	**P 81,402,602**	P 23,611,744	P 9,460,373
Adjustment for income subjected to lower tax rate	**(37,601,716)**	(6,293,553)	(2,092)
Adjustment in 2020 income taxes due to change in income tax rate.	**-**	-	(5,726,192)
Tax effects of:			
Unrecognized deferred tax assets on:			
Net operating loss carry-over (NOLCO)	**2,975,581**	3,729,610	3,727,677
MCIT	**-**	9,547	20,690
Non-deductible expense	**1,552,707**	4,126,412	568,973
Non-taxable income	**-**	-	(13,749,357)
	P 48,329,174	P 25,183,760	(P 5,699,928)

The Company is subject to MCIT, which is computed at 1.5% of gross income in 2023 and 1% of gross income in 2022 and 2021, as defined under tax regulations or RCIT, whichever is higher. In 2023, 2022 and 2021, the Company claimed itemized deductions in computing for its income tax due.

In 2023 and prior years, the Company has not recognized deferred tax assets on certain temporary differences, NOLCO and other tax credits since management believes that the future income tax benefits will not be realized within the availment period, as defined under the tax regulations. In 2023, the Company recognized deferred tax liability on unrealized fair value gains on financial assets at FVOCI (see Note 7).

Presented below are the details of the Company's remaining NOLCO, which can be claimed as deductions from taxable income within three to five years from the year the tax loss is incurred. Specifically, NOLCO incurred in 2021 and 2020 can be claimed as a deductions from the gross income until 2025 and 2026, respectively in accordance with the R.A. No. 11494, *Bayanihan to Recover as One Act.* In 2022, the NOLCO period is reverted back to within three years from the year the tax loss was incurred.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2023	P 11,902,324	P -	P -	P 11,902,324	2026
2022	14,918,441	-	-	14,918,441	2025
2021	14,910,709	-	-	14,910,709	2026
2020	172,289,847	-	-	172,289,847	2025
	P 214,021,321	**P -**	**P -**	**P 214,021,321**	

Presented below are the details of the Company's remaining MCIT for the years 2022, 2021 and 2020.

Year Incurred	Original Amount	Applied Amount	Expired Amount	Remaining Amount	Valid Until
2022	P 9,547	P -	P -	P 9,547	2025
2021	20,690	-	-	20,690	2024
2020	17,027,786	-	(17,027,786)	-	2023
	P 17,058,023	**P -**	**(P 17,027,786)**	**P 30,237**	

12.3 Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which required certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

13. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	2023	2022	2021
Net profit	**P 277,281,232**	P 69,263,216	P 43,541,418
Divided by the weighted average number of outstanding common shares – net*	**2,162,475,312**	2,162,475,312	2,162,475,312
Basic earnings per share	**P 0.13**	P 0.03	P 0.02

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2023, 2022 and 2021.

14. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business, the Company incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2023, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Company's financial position and results of operations.

15. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

Except for the Company's deferred tax liability, all assets and liabilities as of December 31, 2023 and 2022 have contractual maturity and settlement dates of within one year.

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 2288

The Board of Directors and the Stockholders
Dominion Holdings, Inc.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

We have audited the financial statements of Dominion Holdings, Inc. for the year ended December 31, 2023, on which we have rendered our report thereon dated February 21, 2024. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of 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 the Company's 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: 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)

February 21, 2024

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
SEC Supplementary Schedules
December 31, 2023

Table of Contents

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule A - Financial Assets
December 31, 2023
(Amount in Philippine Pesos)

Name of issuing entity and association of each issue	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*	*Valued based on the market quotation at balance sheet date*	*Income received and accrued*
Financial assets at fair value through other comprehensive income				
Security Bank Corp Fixed Rate Bonds	1,200,000,000	P 1,206,901,967	P 1,206,901,967	P 52,160,395
RCBC Fixed Rate Bonds	1,100,000,000	1,099,658,540	1,099,658,540	47,745,325
Total Financial Assets at FVOCI		P 2,306,560,507	P 2,306,560,507	P 99,905,720

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2023
(Amount in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor	*Balance at beginning of period*	*Additions*	*Amounts collected*	*Amounts written off*	*Current*	*Not current*	*Balance at end of period*

- nothing to report -

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2023
(Amount in Philippine Pesos)

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions				Balance at end of period
			Amounts collected	Amounts written off	Current	Non-current	

- nothing to report -

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule D - Long-Term Debt
December 31, 2023
(Amount in Philippine Pesos)

Title of issue and type of obligation	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet*	*Amount shown under caption"Long-Term Debt" in related balance sheet*	*Interest Rate*	*Maturity Date*

- nothing to report -

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule E - Indebtedness to Related Parties
December 31, 2023
(Amount in Philippine Pesos)

Name of related party	***Balance at beginning of period***	***Balance at end of period***

- nothing to report -

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2023
(Amount in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding*	*Amount owned by person for which statement is filed*	*Nature of guarantee*

- nothing to report -

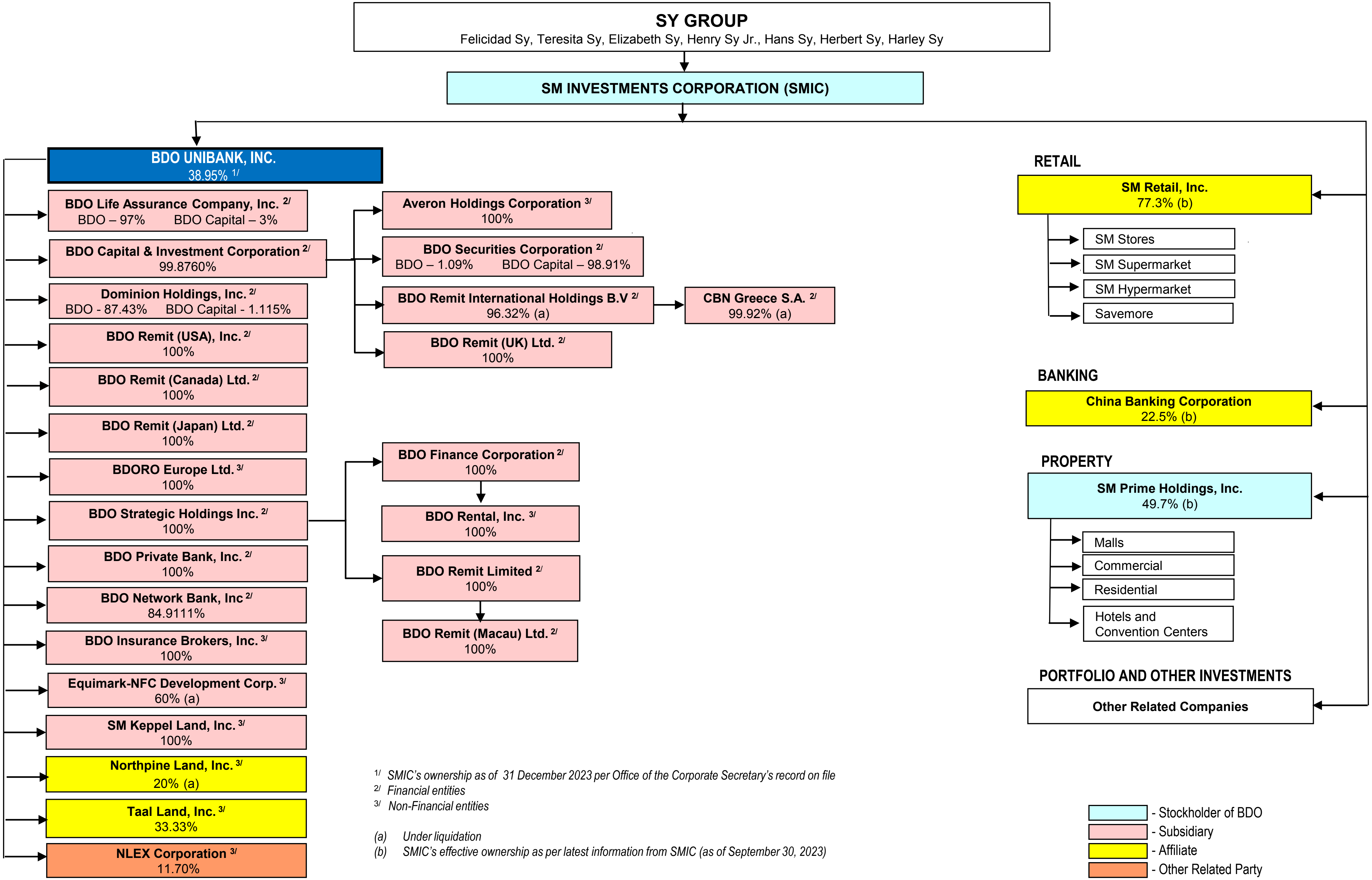
DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
Schedule G - Capital Stock
December 31, 2023
(Amount in Philippine Pesos)

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related balance sheet caption*	*Number of shares reserved for options, warrants, coversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Preferred Shares	200,000	-	-	-	-	-
Common shares	3,400,000,000	2,162,475,312		1,914,711,807	1,750	247,761,755
BDO Unibank Inc.				1,914,711,807		

*Determination of number of shares and outstanding	
Number of shares issued	2,225,169,030
Less shares held in treasury	62,693,718
	2,162,475,312

DOMINION HOLDINGS, INC.
(Formerly: BDO Leasing and Finance, Inc.)
BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2023

Unappropriated Retained Earnings at Beginning of Year	P	3,285,130,772
Net Income for the Current Year		277,281,232
Unappropriated Retained Earnings Available for Dividend Distribution at End of Year	**P**	**3,562,412,004**



1/ *SMIC's ownership as of 31 December 2023 per Office of the Corporate Secretary's record on file*
2/ *Financial entities*
3/ *Non-Financial entities*

(a) Under liquidation
(b) SMIC's effective ownership as per latest information from SMIC (as of September 30, 2023)

P&A Grant Thornton

Report of Independent Auditors on Components of Financial Soundness Indicators

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

T +63 2 8988 2288

The Board of Directors and the Stockholders
Dominion Holdings, Inc.
(Formerly: BDO Leasing and Finance, Inc.)
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Dominion Holdings, Inc., for the years ended December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, on which we have rendered our report thereon dated February 21, 2024. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

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)

February 21, 2024

Dominion Holdings, Inc.
(Formerly: BDO Leasing and Finance, Inc.)
Financial Ratios
December 31, 2023 and 2022
(Amounts Philippine Pesos)

	2023	2022	**2023**	2022
I. Current/liquidity ratios				
Current ratio				
Total current assets	**6,383,085,428**	6,097,501,876	**599.06**	378.58
Total current liabilities	**10,655,103**	16,106,398		
Acid Test Ratio				
Quick assets	**6,383,085,428**	6,097,501,876	**599.06**	378.58
Total current liabilities	**10,655,103**	16,106,398		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
(After tax net profit + Depreciation)	**277,281,232**	69,263,216	**21.03**	4.30
Total liabilities	**13,185,905**	16,106,398		
Debt-to-equity ratio				
Total liabilities	**13,185,905**	16,106,398	**0.00**	0.00
Total equity	**6,369,899,523**	6,081,395,478		
III. Asset-to-equity ratio				
Asset-to-equity ratio				
Total assets	**6,383,085,428**	6,097,501,876	**1.00**	1.00
Total equity	**6,369,899,523**	6,081,395,478		
IV. Interest coverage ratio				
Interest coverage ratio				
Earnings before interest and taxes	**325,610,406**	98,055,556	**0.00**	27.17
Interest expense	**-**	3,608,580		
V. Profitability ratios				
Net profit margin				
Net Profit	**277,281,232**	69,263,216	**80.67%**	54.61%
Interest income + Other operating income	**343,723,558**	126,825,714		
Return on equity				
Net profit	**277,281,232**	69,263,216	**4.45%**	1.15%
Average equity	**6,225,647,501**	6,046,763,870		
Return on assets				
Net profit	**277,281,232**	69,263,216	**4.44%**	1.14%
Average assets	**6,240,293,652**	6,058,895,881		

VI. Others

Total real estate investments to Assets

Total investment properties	**-**	-	**0.00%**	0.00%
Total assets	**6,383,085,428**	6,097,501,876		

Loans to Assets

Total loans and other receivables	**-**	-	**0.00%**	0.00%
Total assets	**6,383,085,428**	6,097,501,876		

DOSRI to Net worth

Receivables from Directors, Officers, Stakeholders and Related Interests	**-**	-	**0.00%**	0.00%
Total equity	**6,369,899,523**	6,081,395,478		

Amount of receivable from a single corporation to Total receivables

Loan to a single corporation	**-**	-	**0.00%**	0.00%
Total loans and other receivables	**-**	-		

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. 97869

CERTIFICATE OF FILING
OF
AMENDED ARTICLES OF INCORPORATION

KNOW ALL PERSONS BY THESE PRESENTS:

This is to certify that the amended articles of incorporation of the

DOMINION HOLDINGS, INC.
(Formerly: BDO LEASING AND FINANCE, INC.)
(Amending Articles I & II Primary and Secondary Purposes thereof)

copy annexed, adopted on January 31, 2020 and March 01, 2022 by majority vote of the Board of Directors and on July 21, 2020 and April 20, 2022 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and a majority of the Board of Directors of the corporation was approved by the Commission on this date pursuant to the provision of Section 15 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

Unless this corporation obtains or already has obtained the appropriate Secondary License from this Commission, this Certificate does not authorize it to undertake business activities requiring a Secondary License from this Commission such as, but not limited to acting as: broker or dealer in securities, government securities eligible dealer (GSED), investment adviser of an investment company, close-end or open-end investment company, investment house, transfer agent, commodity/financial futures exchange/broker/merchant, financing/lending company and time shares/club shares/membership certificates issuers or selling agents thereof; nor to operate a fiat money to virtual currency exchange. Neither does this Certificate constitute as permit to undertake activities for which other government agencies require a license or permit.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 18th day of July, Twenty Twenty Two.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

BA/qba

OFFICIAL RECEIPT

Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Accountable Form No. 51 Revised 2006	**ORIGINAL**
DATE July 07,2022	No. 2151512

PAYOR DOMINO HOLDINGS INC.
MANDALUYONG CITY

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
		CRMD	
Amended Articles of Incorporation	4020102000(606)		1,000.00
Amended By Laws	4020102000(606)		1,000.00
Name Verification	4020199099(678)		100.00
Documentary Stamp Tax	4010401000(40104010)		60.00
Legal Research Fee (A0823)	2020105000(131)		20.00
		TOTAL	PHP 2,180.00

SECURITIES AND EXCHANGE COMMISSION
COMPANY REGISTRATION AND MONITORING DEPT.
APPROVED ON 7/18/22
DATE CLAIMED 7/27/22

AMOUNT IN WORDS

TWO THOUSAND ONE HUNDRED EIGHTY PESOS AND 00/100

Received	[x] Cash [ ] Treasury Warrant [ ] Check [ ] Money Order	Received the Amount Stated Above OFELIA A. CAPISPISAN COLLECTING OFFICER
Treasury Warrant, Check, Money Order Number		
Date of Treasury Warrant, Check, Money Order		O.R. No. 2151512

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

COVER SHEET

for Applications at

COMPANY REGISTRATION AND MONITORING DEPARTMENT

Nature of Application: Amendment of AOI & By-Laws

SEC Registration Number: 97869

Former Company Name

BDO LEASING AND FINANCE INC.

AMENDED TO:

New Company Name

DOMINION HOLDINGS, INC.

Principal Office (No./Street/Barangay/City/Town)Province)

BDO CORPORATE CENTER ORTIGAS, NO. 12 ADB AVENUE, ORTIGAS CENTER, MANDALUYONG CITY

ZIP CODE:

COMPANY INFORMATION

Company Email Address	Company's Telephone Number/s	Mobile Number
bdofinance1.sec.bdo.com.ph	840-7000 loc 34904	0999-9907261

CONTACT PERSON INFORMATION

The designated person ***MUST*** *be a Director/Trustee/Partner/Officer/Resident Agent of the Corporation*

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
TEPHANIE M. GANDIA	tephanie.gandia@serranolawph.com	8651-7408	0915-592-0331

Contact Person's Address

10th Floor Six/NEO, 5th Avenue Corner 26th Street Bonifacio Global City, taguig City

To be accomplished by CRMD Personnel

	Date	Signature
Assigned Processor ______	______	______
______	______	______
______	______	______

Document I.D. ______

Received by **Corporate Filing and Records Division (CFRD)** ______ ______

Forwarded to:

- [ ] Corporate and Partnership Registration Division
- [ ] Green Lane Unit
- [ ] Financial Analysis and Audit Division
- [ ] Licensing Unit
- [ ] Compliance Monitoring Division

AMENDED ARTICLES OF INCORPORATION
OF
DOMINION HOLDINGS, INC.
(formerly BDO Leasing and Finance, Inc.)
(As amended during meetings of the Board of Directors held on March 1, 2022, and the Stockholders held on April 20, 2022)

KNOW ALL MEN BY THESE PRESENTS:

That we, all of whom are of legal age, citizens, and residents of the Philippines, have this day voluntarily associated ourselves together for the purpose of forming a corporation under the laws of the Philippines.

AND WE HEREBY CERTIFY:

FIRST - That the name of the said corporation shall be

"DOMINION HOLDINGS, INC."
(As amended during meetings of the Board of Directors held on March 1, 2022, and the Stockholders held on April 20, 2022)

SECOND - That the purpose of for which said corporation is formed are:

PRIMARY PURPOSE

To invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging shares of stock of this corporation or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

(As amended during meetings of the Board of Directors held on January 31, 2020, and the Stockholders held on July 21, 2020)

SECONDARY PURPOSE

1. To borrow or raise money from not more than nineteen (19) lenders, including stockholders, necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment by mortgage, pledge, deed of trust or lien upon the properties of the Corporation or to issue, pursuant to law, shares of its capital

stock, debentures and other evidence of indebtedness in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful activities;

2. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof, for such consideration and under such terms as it shall see fit to accept;

3. To aid, in any manner, any corporation, association, or trust estate, domestic or foreign, or any firm or individual, in which any shares of stocks, bonds, debentures, notes, securities and evidence of indebtedness, contracts or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

4. To enter into any lawful arrangement for sharing profits, union of interest, unitization or farm-out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purpose of the Corporation;

5. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company, partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation;

6. To assume or undertake or guarantee or secure, whether as solidary obligor, surety or guarantor or in any other capacity and either on its general credit or on the mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its stockholders, subsidiaries or affiliates or any person firm association or corporation, whether domestic or foreign and whether a going concern or not engaging in or previously engaged in a business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for the purposes of the Corporation.

7. To establish and operate one or more branch offices or agencies, and to carry on any or all of its operations and business without any restrictions as to place or amount, including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within the Philippines; and

8. To conduct and transact any and all lawful activities, and to do or cause to be done, any one or more of the acts and things herein enumerated, or which shall at any time appear conducive to, or expedient for, the protection or benefit of the Corporation.

(As amended during meetings of the Board of Directors held on January 31, 2020, and the Stockholders held on July 21, 2020)

THIRD - That the place where the principal office of the corporation shall be at No. 12 ADB Avenue, Ortigas Center, Mandaluyong City, Philippines. The Corporation may establish branches anywhere in the Philippines or abroad subject to compliance with applicable laws, rules and/or regulations. *(As approved by the Board of Directors on February 25, 2015 and ratified by the Stockholders representing at least 2/3 of the outstanding capital stock of the Corporation on April 22, 2015)*

FOURTH - That the term for which said corporation is to exist is Fifty (50) years from and after the date of its incorporation.

FIFTH - That the names, citizenships and residences of the incorporators of said corporation are as follows:

	Name	Nationality	Residence
1.	Mario D. Camacho		
2.	Danilo M. Celestial		
3.	Federico C. Galang		
4.	Leonides S. Lerma, Jr.		
5.	Benito T. dela Cruz		

SIXTH - That the number of directors of said corporation shall be eleven (11) and that the names and residence of the directors who are to serve until their successors are elected and qualified as provided by the By-Laws are as follows: (*As approved by the Board of Directors on 5 March 2012 and ratified by the stockholders representing at least 2/3 of the outstanding capital stock of the Corporation on 18 April, 2012*)

	Name	Residence
1.	Mario D. Camacho	
2.	Danilo M. Celestial	
3.	Federico C. Galang	
4.	Leonides S. Lerma, Jr.	

5. Benito T. dela Cruz

SEVENTH - That the capital stock of the Corporation is THREE BILLION FOUR HUNDRED TWENTY MILLION PESOS (₱3,420,000,000.00), Philippine Currency, and said capital stock is divided into: *(As amended by the Board of Directors on January 18, 2005 and ratified by the Stockholders on February 22, 2005)*

(a) THREE BILLION FOUR HUNDRED MILLION (3,400,000,000) shares of Common Stock of the par value of ONE PESO (1.00)per share or THREE BILLION FOUR HUNDRED MILLION PESOS (₱3,400,000,000.00); (As amended on February 24, 1995, and further amended by the Board of Directors on January 18, 2005 and ratified by the Stockholders on February 22, 2005)

(b) TWO HUNDRED THOUSAND (200,000) shares of Preferred Stock of the par value of ONE HUNDRED PESOS (₱100.00) per share or TWENTY MILLION PESOS (₱20,000,000.00). (*As amended on June 20, 1985*)

Preferred Stock shall be issued serially in blocks of not less than One Hundred Thousand (100,000) shares. Shares of preferred stock comprising one series shall have the same rights and restrictions. There shall be no pre-emptive right on the part of the holders of shares of either the common stock or preferred stocks of the Corporation to subscribe to any or all issues or other disposition of shares of preferred stocks.

Holders of preferred stock shall be entitled to cumulative preferential dividends before any dividend is paid upon shares of common stock payable at a rate and at such intervals as may be determined by the Board of Directors of the Corporation from time to time for each series or block of preferred stock, provided that such divided rate shall in no case higher than Twenty Percent (20%) per annum. Preferred stock may be issued subject to call by the Corporation or with rights for their redemption, either mandatory at a fixed or determinable date after issue. Preferred shares shall have such other features as the Board of Directors of the Corporation may determine prior to the issue of each series or block of preferred stock to which they are applicable.

Voting rights shall be vested exclusively in common shares. Preferred stock shall be non-voting, except in those cases expressly provided by law.

After full cumulative dividends upon the outstanding preferred shares shall have been paid the holders of common shares shall be entitled to receive such dividends as may from time to time be declared by the Board of Directors of the Corporation.

EIGHT - That the amount of capital stock which has been actually subscribed is Two Million Five Hundred Thousand Pesos, Philippine Currency, and the following persons have subscribed for the number of shares and the amount of capital stock set out after their respective names:

	Name	No. of Shares	Amount Subscribed
1.	Mario D. Camacho	24,996	₱2,499,600.00
2.	Danilo M. Celestial	1	100.00

3.	Federico C. Galang	1	100.00
4.	Leonides S. Lerma	1	100.00
5.	Benito T. dela Cruz	1	100.00
		25,000	₱2,500,000.00

NINTH - That the following persons have paid on the shares of capital stock for which they have subscribed the amounts set out after their respective names:

	Name	Amount Paid
1.	Mario D. Camacho	₱ 999,840.00
2.	Danilo M. Celestial	40.00
3.	Federico C. Galang	40.00
4.	Leonides S. Lerma	40.00
5.	Benito T. dela Cruz	40.00
		₱1,000,000.00

TENTH- That Leonides S. Lerma, Jr. has been elected by the subscribers as Treasurer of the Corporation to act as such until his successor is duly elected and qualified in accordance with the By-Laws, and that as such Treasurer he has been authorized to receive for the corporation and to receive in its name for all subscription paid in by said subscribers.

ELEVENTH - That no transfer of stock or interest therein which will reduce the ownership of Filipino citizen to less than the percentum of capital stock required by law shall be allowed or permitted to be recorded in the proper books of the Corporation and this restriction shall be indicated in all its stock certificates.

IN WITNESS WHEREOF, we have hereunto set our hands this 23rd day of February 1981 at Manila, Philippines.

(Sgd.)
(T) DANILO M. CELESTIAL

(Sgd.)
(T) FEDERICO C. GALANG

(Sgd.)
(T) LEONIDES S. LERMA, JR.

(Sgd.)
(T) BENITO T. DELA CRUZ

(Sgd.)
(T) MARIO D. CAMACHO

SIGNED IN THE PRESENCE OF:

(Sgd.)	(Sgd.)
RENE E. PUNO	P.M. CERVANTES

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF MANILA) S.S.

BEFORE ME, a Notary Public for and in Manila, personally appeared:

Name	Res. Cert. No.	Date and Place of Issue
Mario D. Camacho		
Danilo M. Celestial		
Federico C. Galang		
Leonides S. Lerma, Jr.		
Benito T. dela Cruz		

known to me and to me known to be the same persons who executed the foregoing instrument and they acknowledged to me that they executed the same as their free and voluntary act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed by notarial seal at Manila, Philippines, this 23rd day of February 1981.

(Sgd.) PASTOR M. VILLANUEVA
(Stamped) Notary Public
Until December 31, 1981
PTR No. 152623-1/26/81

Doc No. 322;
Page No. 065;
Book No. 10;
Series of 1981.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SECRETARY'S CERTIFICATE

I, **JOSEPH JASON M. NATIVIDAD**, Filipino, of legal age and with office address at the 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City, under oath, do hereby certify that:

1. I am the duly appointed Corporate Secretary of **BDO LEASING AND FINANCE, INC.** (the "Corporation"), a corporation duly organized and existing in accordance with Philippine laws and with principal address at BDO Corporate Center Ortigas, No. 12 ADB Avenue, Ortigas Center, Mandaluyong City, and in that capacity, I have custody of the corporate records of the Corporation;

2. To the best of my knowledge, no action or proceeding has been filed or is pending before any court involving an intra-corporate dispute and/or claim by any person or group against the Board of Directors, individual directors and/or major corporate officers of the Corporation as its duly elected and/or appointed directors or officers or vice-versa; and

3. I am executing this certificate in connection with the application for amendment of the Articles of Incorporation and By-laws of the Corporation with the Securities and Exchange Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ___ day of JUN 30 2022 at Makati City, Philippines.

JOSEPH JASON M. NATIVIDAD
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of JUN 30 2022 at Makati City, affiant exhibiting to me his with validity up to October 5, 2028.

Atty. CHRISTINE JOY K. TAN
Appointment No. M-336
Notary Public until 31 December 2021
Extended until 30 June 2022 per Supreme Court *En Banc* Resolution dated 28 September 2021 (B.M. No. 3795)
21/F BDO Towers Valero, 8741 Paseo de Roxas
Salcedo Village, Makati City 1226
Roll No. 57195
IBP No. 177780, 10 February 2022, Makati City
PTR No. 8864147, 11 January 2022, Makati City
MCLE Compliance No. VI-0012110, 11 September 2018

Doc. No. 172
Page No. 36
Book No. II
Series of 2022.

BDO Leasing

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

AFFIDAVIT OF UNDERTAKING TO CHANGE NAME

I, **LAZARO JEROME C. GUEVARRA**, legal age, Filipinos, and resident of Quezon City, after having been sworn to in accordance with law hereby depose and state:

That I am a **Director** of **BDO LEASING AND FINANCE, INC.** (the "Corporation") which is in the process of amending its corporate name with the Securities and Exchange Commission to ***DOMINION HOLDINGS, INC.***

That I, on behalf of the Corporation, hereby undertake to change the name of the Corporation immediately upon receipt of notice from the Commission that another corporation, partnership or person has acquired a prior right to the use of such name, that the name has been declared not distinguishable from a corporation, or that it is contrary to law, public morals, good customs or public policy.

This affidavit is executed to attest to the truth of the foregoing and for whatever legal purpose and intent it may serve.

IN WITNESS WHEREOF, I hereby signed this affidavit this JUN 30 2022 ____ day of _______, 2022 at Makati City.

LAZARO JEROME C. GUEVARRA
Affiant

SUBSCRIBED AND SWORN to before me this JUN 30 2022 ______ day of ________ 2021 in CITY OF MAKATI by the above-named person who exhibited to me his Driver's License No.

NOTARY PUBLIC

Atty. CHRISTINE JOY K. TAN
Appointment No. M-336
Notary Public until 31 December 2021
Extended until 30 June 2022 per Supreme Court *En Banc* Resolution dated 28 September 2021 (B.M. No. 3795)
21/F BDO Towers Valero, 8741 Paseo de Roxas
Salcedo Village, Makati City 1226
Roll No. 57195
IBP No. 177780, 10 February 2022, Makati City
PTR No. 8864147, 11 January 2022, Makati City
MCLE Compliance No. VI-0012110, 11 September 2018

Doc. No. 171
Page No. 36
Book No. II
Series of 2022.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
PICC Secretariat Bldg., PICC Complex
Pasay City, Metro Manila

Date: June 09, 2022
Verification Reference No.: NV2206419
Name:
Dominion Holdings, Inc.
Name of Applicant: Christy Fagar
Verifier: cmfurugganan

Result: **Verification Approved**

You may now proceed with the amendment application.

The proposed company name and/or trade name/s will be presented in the certificate of amendment exactly the same as how they were entered. Be informed that the proposed company name and/or trade name/s is reserved for **30 calendar days**. Present this document together with other documentary requirements. If the reservation period has elapsed and you still have not completed your company registration, your proposed company name and/or trade name/s reservation will be forfeited. In this case, you should verify and reserve your proposed company name and/or trade name/s again.

Note: The fact that the proposed company name and/or trade name/s is available at the date verified, it is not to be regarded as an approval of the application for change of name. No expense for the printing or posting in the internet using a verified name should be incurred until the amendment takes effect. As this is a computer printout, any erasure or alteration on this document nullifies verification.

The applicant undertakes to change the reserved name in case another person or person has acquired a prior right of the said firm/trade name, has been deemed not distinguishable from a registered or reserved name and if the name has been declared misleading or contrary to public morals, good custom or public policy

Verifier Remarks:
Note to processor: w/ appeal letter, approved by Atty. Daniel P. Gabuyo dtd. 6/9/22. For payment P100.00

REPUBLIC OF THE PHILIPPINES)
CITY OF TAGUIG CITY) S. S.

SECURITIES AND EXCHANGE COMMISSION
CRMD
07 JUL 2022
RECEIVED
By: Time:

BDO LEASING AND FINANCE, INC.

DIRECTORS' CERTIFICATE ON THE AMENDMENT OF THE ARTICLES OF INCORPORATION AND BY-LAWS

We, the undersigned Chairman, Corporate Secretary and majority of the Directors of **BDO LEASING AND FINANCE, INC.** (hereinafter, the "Corporation"), do hereby certify that:

1. At the meeting of the Board of Directors held on January 31, 2020 via electronic means of communication, these amendments were approved, and at the special meeting of the shareholders of the Corporation held on July 21, 2020 via electronic means of communication, at which meeting, stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation were present or represented, the following resolutions were, by the vote of the stockholders present/represented, approved and adopted:

"Stockholders' Resolution No. 2020-02

RESOLVED, that BDO LEASING AND FINANCE, INC. (the **Corporation**) be authorized to amend its Articles of Incorporation and By- laws as follows:

xxx

(3) To change the primary and secondary purposes of the Corporation from that of a financing company to a holding company, and to amend the Second Article of its Articles of Incorporation to reflect this change of corporate purpose as follows:

PRIMARY

To invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging shares of stock of this corporation or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; and to

possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

SECONDARY

1. To borrow or raise money from not more than nineteen (19) lenders, including stockholders, necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment by mortgage, pledge, deed of trust or lien upon the properties of the Corporation or to issue, pursuant to law, shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful activities;

2. To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof, for such consideration and under such terms as it shall see fit to accept;

3. To aid, in any manner, any corporation, association, or trust estate, domestic or foreign, or any firm or individual, in which any shares of stocks, bonds, debentures, notes, securities and evidence of indebtedness, contracts or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;

4. To enter into any lawful arrangement for sharing profits, union of interest, unitization or farm-out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purpose of the Corporation;

5. To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company, partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation;

6. **To assume or undertake or guarantee or secure, whether as solidary obligor, surety or guarantor or in any other capacity and either on its general credit or on the mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its stockholders, subsidiaries or affiliates or any person firm association or corporation, whether domestic or foreign and whether a going concern or not engaging in or previously engaged in a business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for the purposes of the Corporation.**

7. **To establish and operate one or more branch offices or agencies, and to carry on any or all of its operations and business without any restrictions as to place or amount, including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within the Philippines; and**

8. **To conduct and transact any and all lawful activities, and to do or cause to be done, any one or more of the acts and things herein enumerated, or which shall at any time appear conducive to, or expedient for, the protection or benefit of the Corporation.**

xxx

RESOLVED, FINALLY, that any one (1) of the President, Corporate Secretary or any Director of the Corporation be authorized and empowered to submit or cause the submission of copies of the Amended Articles of Incorporation and Amended By-laws of the Corporation, certified by a majority of the directors and the Corporate Secretary, to the Securities and Exchange Commission, to sign, execute and deliver any and all documents and deeds, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect."

2. At the meeting of the Board of Directors held on March 1, 2022 via electronic means of communication, these amendments were approved, and at the annual meeting of the shareholders of the Corporation held on April 20, 2022 via electronic means of communication, at which meeting, stockholders owning or representing at least two-thirds (2/3) of the outstanding capital stock of the Corporation were present or represented, the following resolutions were, by the vote of the stockholders present/represented, approved and adopted:

"Stockholders' Resolution No. 2022-06

RESOLVED, that BDO LEASING AND FINANCE, INC. (the **Corporation**) be hereby authorized to amend the First Article of its Articles of Incorporation to change the Corporation's corporate name, to wit:

'FIRST – That the name of the said Corporation shall be:

<u>DOMINION HOLDINGS, INC.</u>'

RESOLVED, FINALLY, that the Chairman, President, Corporate Secretary and/or Directors of the Corporation are hereby authorized and empowered, for and on behalf of the Corporation, to sign, execute, deliver and cause the submission of the amended Articles of Incorporation of the Corporation, certified by the Chairman, majority of the directors and the Corporate Secretary or Assistant Corporate Secretary, and any and all documents necessary for any and all transactions related to the said amendment of the Articles of Incorporation of the Corporation, to the Securities and Exchange Commission (**SEC**), Philippine Stock Exchange (**PSE**) and other relevant governmental authorities, to sign, execute and deliver any and all documents, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect."

xxx

"Stockholders' Resolution No. 2022-07

RESOLVED, that BDO LEASING AND FINANCE, INC. (the **Corporation**) be hereby authorized to amend the title of its By-Laws to reflect the change in the Corporation's corporate name, to wit:

AMENDED BY-LAWS
OF
<u>DOMINION HOLDINGS, INC.</u>
<u>(formerly BDO Leasing and Finance, Inc.)</u>

RESOLVED, FINALLY, that the Chairman, President, Corporate Secretary and/or Directors of the Corporation are hereby authorized and empowered, for and on behalf of the Corporation, to sign, execute, deliver and cause the submission of the amended Articles of Incorporation of the Corporation, certified by the Chairman, majority of the directors and the Corporate Secretary or Assistant Corporate Secretary, and any and all documents necessary for any and all transactions related to the said amendment of the Articles of Incorporation of the Corporation, to the Securities and Exchange Commission (**SEC**), Philippine Stock Exchange (**PSE**) and other relevant governmental authorities, to sign, execute and deliver any and all documents, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect."

DIRECTORS' CERTIFICATE OF
AMENDMENT OF ARTICLES OF INCORPORATION AND BY-LAWS
BDO LEASING AND FINANCE, INC.

IN WITNESS WHEREOF, we have hereunto signed this certificate this JUL 04 2022 day of ______ at TAGUIG CITY.

ELMER B. SERRANO
Chairman

MANUEL Z. LOCSIN, JR.
Director/President

MELANIE S. BELEN
Director

ISMAEL G. ESTELA, JR.
Independent Director

GENEVA T. GLORIA
Director

LAZARO JEROME C. GUEVARRA
Director

LUIS S. REYES, JR.
Director

LUIS MA. G. URANZA
Independent Director

JOSEPH JASON M. NATIVIDAD
Corporate Secretary

DIRECTORS' CERTIFICATE OF
AMENDMENT OF ARTICLES OF INCORPORATION AND BY-LAWS
BDO LEASING AND FINANCE, INC.

SUBSCRIBED AND SWORN to before me this JUL 04 2022, affiants exhibiting to me competent proofs of their identity, to wit:

Name	ID No. /Date and Place of Issue
Elmer B. Serrano	
Manuel Z. Locsin, Jr.	
Melanie S. Belen	
Ismael G. Estela, Jr.	
Geneva T. Gloria	
Lazaro Jerome C. Guevarra	
Luis S. Reyes, Jr.	
Luis Ma. G. Uranza	
Joseph Jason M. Natividad	

known to me and to me known to be the same persons who executed the foregoing instrument and acknowledged to me that the same is their free and voluntary act and deed.

WITNESS MY HAND AND SEAL, this JUL 04 2022 at TAGUIG CITY.

Doc. No. 16;
Page No. 5;
Book No. I;
Series of 2022.

MELISSA JEAN G. HIPOLITO
Appointment No. 25 (2022-2023)
Notary Public for Taguig City
Until December 31, 2023
Attorney's Roll No. 70077
Unit 1105, 11th Floor High Street Corporate Plaza Tower 2
Fort Bonifacio, Taguig City
PTR No. 5369207; 01.18.22; Taguig City
IBP Receipt No. 198412; 01.10.22; Pampanga
MCLE Compliance No. VI-0019878; 4.14.22*
*until April 14, 2023, per Supreme Court En Banc
Resolution dated February 15, 2022

OFFICIAL RECEIPT

Republic of the Philippines
DEPARTMENT OF FINANCE
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building, PICC Complex
Roxas Boulevard, Pasay City, 1307

Accountable Form No. 51 Revised 2006	**ORIGINAL**
DATE July 07,2022	No. 2151512

PAYOR DOMINO HOLDINGS INC.
MANDALUYONG CITY

NATURE OF COLLECTION	ACCOUNT CODE	RESPONSIBILITY CENTER	AMOUNT
		CRMD	
Amended Articles of Incorporation	4020102000(606)		1,000.00
Amended By Laws	4020102000(606)		1,000.00
Name Verification	4020199099(678)		100.00
Documentary Stamp Tax	4010401000(4010401)		60.00
Legal Research Fee (A0823)	2020105000(131)		20.00
		TOTAL	PHP 2,180.00

AMOUNT IN WORDS

TWO THOUSAND ONE HUNDRED EIGHTY PESOS AND 00/100

Received ☐ Cash ☐ Treasury Warrant ☐ Check ☐ Money Order	Received the Amount Stated Above
Treasury Warrant, Check, Money Order Number	OFELIA A. CAPISPISAN COLLECTING OFFICER
Date of Treasury Warrant, Check, Money Order	O.R. No. 2151512

NOTE: Write the number and date of this receipt on the back of treasury warrant, check or money order received.

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Ground Floor. Secretariat Building, PICC
City Of Pasay, Metro Manila

COMPANY REG. NO. 97869

CERTIFICATE OF FILING OF AMENDED BY-LAWS

KNOW ALL PERSONS BY THESE PRESENTS:

THIS IS TO CERTIFY that the Amended By-Laws of

DOMINION HOLDINGS, INC.
(Formerly: BDO LEASING AND FINANCE, INC.)

copy annexed, adopted on March 01, 2022 by majority vote of the Board of Directors and on April 20, 2022 by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock, and certified under oath by the Corporate Secretary and majority of the said Board was approved by the Commission on this date pursuant to the provisions of Section 47 of the Revised Corporation Code of the Philippines, Republic Act No. 11232, which took effect on February 23, 2019, and copies thereof are filed with the Commission.

IN WITNESS WHEREOF, I have set my hand and caused the seal of this Commission to be affixed to this Certificate at Pasay City, Metro Manila, Philippines, this 18th day of July, Twenty Twenty Two.

DANIEL P. GABUYO
Assistant Director
SO Order 1188 Series of 2018

BA/qba

AMENDED BY-LAWS

OF

DOMINION HOLDINGS, INC.

(formerly BDO Leasing and Finance, Inc)

(As amended during meetings of the Board of Directors held on March 1, 2022, and the Stockholders held on April 20, 2022)

ARTICLE 1
OFFICES

Section 1. Offices. - The principal office of the Company shall be established or located in Metropolitan Manila. The Corporation may establish branches anywhere in the Philippines or abroad subject to compliance with applicable laws, rules and/or regulations. (As amended on August 25, 1983)

ARTICLE II
STOCKHOLDERS

Section 1. Annual Meeting. - That the annual meeting of the stockholders of the Company, for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at the principal office of the Company or at such place in Metropolitan Manila (As amended on August 25, 1983) as may be fixed by the Board of Directors or the President and specified in the notice, on any day in April of every year as determined by the Board of Directors. (As re-amended on April 13, 2000)

Section 2. Notice of Annual Meeting. - Notice of the time and place of holding such annual meeting shall be served either personally or by mail upon the stockholders of record of the Company entitled to vote at such meeting not less than ten (10) days nor more than forty (40) days before the date fixed in such notice for the meetings; provided however, that in respect of stockholders not residing in the Philippines such notice shall be dispatched by registered airmail at least thirty (30) days prior to such meeting or by telegram dispatched at least fifteen (15) days prior to such meeting and confirmed by registered airmail letter. Such notice, if mailed, shall be directed, except as otherwise provided by law, to each stockholder to his post office address as it appears on the stock books of the Company.

Section 3. Special Meeting. - Special meeting of stockholders, unless otherwise provided by law, may be called at any time by the President and Secretary of the Company, or by the Secretary of the Company upon order of the Board of Directors or of the Executive Committee. The Secretary shall call a special meeting of stockholders whenever he is requested in writing to do so by holders of record of a majority of the capital stock of the Company entitled to vote at such meetings.

Section 4. Notice of Special Meetings. - Notice of each special meeting, unless otherwise provided by law, may be given as herein provided for giving notice of an annual meeting.

Section 5. Quorum. - At all meetings of stockholders, annual or special, other than meetings the quorum of which is fixed by law, in order to constitute a quorum, there shall be present either in person or by proxy the holders of record of the majority of the stock issued and outstanding and entitled to vote; in the absence of a quorum, the holders of record of the majority of the shares present and entitled to vote may adjourn the meeting from time to time until a quorum shall be present, and no notice of such adjourned meeting shall be required.

Section 6. Voting. - Except otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock books of this Company, which vote may be given personally or by attorney or authorized in writing. The instrument authorizing as attorney or proxy to act shall be exhibited to the Secretary if he shall so request. In the election of directors, each stockholder entitled to vote may cumulate and distribute his votes in accordance with the provisions of the Corporation Code.

ARTICLE III
DIRECTORS

Section 1. Number of Qualifications. - The Board of Directors shall be composed of the number of members fixed in the Articles of Incorporation, subject to such change as may be determined by the stockholders in accordance with law. All directors shall be stockholders in their own right and shall be elected in accordance with the Corporation Law.

Section 2. Vacancies. - Vacancies occurring in the Board of Directors, occasioned by any cause other than removal, may be filled for the unexpired term by vote of a majority of the remaining directors, at any regular or special meeting of the Board. Directors may be removed and the vacancies so caused filled in accordance with law.

Section 3. Meetings. - There shall be a first meeting of the Board of Directors for organization, immediately after their election, of which meeting no notice shall be required. Thereafter, regular meetings may be held at such times and in such places, and upon such notice, if any, as the Board of Directors may be resolution prescribed. Special meetings of the Board may be called by the President or by written request of any three directors, upon at least one day's notice of the time and place of holding the same, given personally or by letter, telegram or telephone. Meetings may be held at any time and place without notice if all the directors are present or if those not present waive notice in writing before or after the meeting.

Section 4. Quorum. - The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for the transaction of business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act; but one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

Section 5. Compensation. - Directors, as such, shall not receive any salary from their services, but for their attendance at each regular or special meeting of the Board of Directors, or of the Executive Committee, they shall receive an honorarium not exceeding ₱1,000.00 as may be fixed by the stockholders in a resolution. Nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving compensation therefor.

Section 6. Executive Committee. - An Executive Committee, consisting of three members of the Board, may be created by the Board, to hold office for one year and/or until their respective successors shall be designated. During the intervals between the meetings of the Board of Directors, the Executive Committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the affairs of the Company in all cases in which specific directions shall not have been given by the Board of Directors.

All actions of the Executive Committee shall be reported to the Board of Directors at its meeting next succeeding such action, and shall be subject to revision and alteration by the Board; provided that no rights of the third parties shall be affected by any such revision or alteration. Regular minutes of the proceedings of the Executive Committee shall be kept in a book provided for the purpose. Vacancies in the Executive shall be filled by the Board of Directors. A majority of the Committee shall be necessary to constitute a quorum, and in every case the affirmative vote of a majority of the members shall be necessary for the passage of any resolution. It shall adopt its own rules of procedure.

Section 7. Independent Directors. -

a. The Board of Directors shall have at least two independent directors.

Independent director means a person who, apart from his fees and shareholdings, is independent of management and free from any business or other relationship which could, or could reasonably perceived to, materially interfere with his exercise of independent judgement in carrying out his responsibilities as director in any corporation that meets the requirements of Section 17.2 of the Securities Regulation Code and includes, among others, any person who:

(i) Is not or has not been an officer or employee of the corporation, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
(ii) Is not a director or officer of the related companies of the Corporation's majority stockholders;
(iii) Is not a majority stockholder of the corporation, any of its related companies, or of its majority stockholders;
(iv) Is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or majority shareholder of the corporation or any of its related companies;
(v) Is not acting as a nominee or representative of any director or a substantial shareholder of the corporation, any of its related companies or any of its substantial shareholders;
(vi) Has not been employed in any executive capacity by the corporation, any of its related companies or by any of its substantial shareholders within the last five (5) years;
(vii) Is not retained as professional adviser, consultant, agent or counsel of the corporation, any of its related companies or any of its substantial shareholders within the last five (5) years, either personally or through his firm;
(viii) Has not engaged and does not engage in any transaction with the corporation or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and are immaterial or insignificant.

b. When used in relation to a company subject to the requirements above:

(i) Related interests shall mean individuals related to each other within the fourth degree of consanguinity or affinity, legitimate or common law, and two (2) or more corporations owned or controlled by a single individual or by the same family group or the same group of persons;
(ii) Related company means another company which is: (a) its parent or holding company, (b) its subsidiary or affiliate; or (c) a corporation where the

corporation or its majority stockholder owns such number of shares as to allow him to elect at least one (1) member of the board of directors or a partnership where such majority stockholder is a partner;

(iii) Substantial shareholder means any person, natural or juridical, who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security, or who owns such number of shares that will allow him to elect at least one (1) member of the board of directors of the corporation;

(iv) Majority stockholder or Majority shareholder means a person, whether natural or juridical, owning more than fifty percent (50%) of the voting stock of the corporation.

c. An independent director shall have the following qualifications:

(i) He shall have at least one (1) share of stock of the corporation;

(ii) He shall at least twenty-five (25) years of age at the time of his election or appointment;

(iii) He shall be at least a college graduate or have at least five (5) years experience in the business of the corporation;

(iv) He must have attended a special seminar for board of directors conducted or accredited by the BSP within six (6) months from date of his election;

(v) He shall posses integrity/probity; and

(vi) He shall be assiduous.

d. It shall be the responsibility of the Chairman of the Meeting to inform all stockholders in attendance of the mandatory requirement of electing independent director/s. He shall ensure that an independent director/s are elected during the stockholders' meeting[1].

e. Specific slot/s for independent directors shall not be filled-up by unqualified nominees[2].

f. In case of failure of election for independent directors, the Chairman of the Meeting shall call a separate election during the same meeting to fill up the vacancy[3].

g. In case of resignation, disqualification or cessation of independent directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the *Corporate Governance, Nomination and Compensation and Remuneration* Committee otherwise, said vacancies shall be filled by the stockholders in a regular or special meeting called for that purpose. An independent director so elected to fill a vacancy shall serve only for the unexpired term of his predecessor in office[4].

h. The foregoing provisions shall be further subject to such exemptions, rules and regulations herein existing or as may hereafter be issued by the Commission. (As amended by the Board of Directors on January 18, 2005, and ratified by the stockholders on February 22, 2005)[5]

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[1] Formerly Article III, 7(g).
[2] Formerly Article III, 7(h).
[3] Formerly Article III, 7(i).
[4] Formerly Article III, 7(j).
[5] Formerly Article III, 7(k).

Section 8. Nomination of Directors.[6]

a. The evaluation of nominations of independent and regular directors shall be conducted by the *Corporate Governance, Nomination and Compensation and Remuneration* Committee ("the Committee") prior to a stockholder's meeting. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees[7].

b. All nominations for independent and regular directors shall be submitted in writing to the Corporate Secretary not earlier than forty (40) business days nor later than thirty (30) business days prior to the date of the regular or special meeting of stockholders for the election of directors.[8]

c. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent and regular directors. The list shall be made available to the Securities and Exchange Commission and to all stockholders through the filing and distribution of the Information Statement or Proxy Statement, in accordance with law, or in such other reports the Corporation is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.[9]

d. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as either independent or regular directors. No other nomination shall be entertained after the expiration of the period for the submission of nominations prescribed in sub-paragraph b above, after which the Final List of Candidates shall be prepared. No further nomination shall be entertained or allowed on the floor during the actual annual stockholders'/memberships' meeting.[10]

ARTICLE IV
OFFICERS

Section 1. Designation, Election, and Removal. - The officers of the Company shall be a Chairman of the Board, a President, one or more Vice Presidents, one of whom may be designated Executive Vice President, a Treasurer, a Secretary and such other officers as shall from time to time be provided for by the Board of Directors. The Chairman of the Board, the President and Executive Vice President shall each be a director; other officers need not be directors nor stockholders.

Such officers shall be elected at the first meeting of the Board of Directors after the annual election of directors, and shall hold office for one year, and until their respective successors shall have been duly elected and qualified. They may be removed by the affirmative vote of a majority of the whole Board of Directors.

Section 2. Compensation. - The salary or compensation of all officers and agents elected or appointed by the directors shall be determined or authorized by the Board.

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[6] This is a new section.
[7] Formerly Article III, 7(d) with amendments underscored.
[8] This is a new provision.
[9] Formerly Article III, 7(e) with amendments underscored.
[10] Formerly Article III, 7(f) with amendments underscored.

Section 3. Chairman of the Board. - The Chairman of the Board of Directors shall preside at all meetings of the Board of Directors and of the stockholders. He shall exercise such powers as may be conferred upon him by the Board of Directors.

Section 4. The President. - The President shall be the chief executive officer of the Company. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall have general charge, direction and supervision of the business and affairs of the Company. He shall from time to time make such reports of the affairs of the Company as the Board of Directors may require and shall annually present a report of the preceding year's business at the stockholders' meeting.

He shall sign all certificates of stock and all instruments to be executed on the part of the Company, except as otherwise provided by the By-Laws or by the Board of Directors or the Executive Committee. He shall do and perform such other duties as may be from time to time assigned to him by the Board of Directors.

Section 5. The Vice Presidents. - The Vice Presidents shall perform such duties as the President or the Board of Directors shall from time to time designate or require. In the absence or disability of the President, the Executive Vice President who shall also be a director, shall perform the duties of the latter.

Section 6. The Treasurer. - The Treasurer shall have the custody of all the funds and securities of the Company which may have come into his hands when necessary or proper, he shall endorse on behalf of the Company for collection, checks, notes and other obligation, and shall deposit the same to the credit of the Company in such bank or banks or depository as the Board of Directors may designate. He shall sign all receipts and vouchers for payment made to the company jointly with such other officer as may be designated by resolution of the Board of Directors; he may sign all checks made by the Company, and shall pay out and dispose of the same under the direction of the Board. Whenever required by the Board of Directors, he shall render a statement of his cash account. He shall enter regularly in the books of the Company to be kept by him for the purpose, full and accurate account of all moneys received and paid by him on account of the Company. He shall perform all acts incident to the position of Treasurer, subject to the control of the Board of Directors.

Section 7. The Secretary. - The Secretary, who must be a citizen and resident of the Philippines, shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the stockholders. He shall attend to the giving and serving of all notices of the Company. He shall have charge of such books and papers as the Board of Directors or the Executive Committee may direct, and shall perform all of the duties incident to the office of Secretary and such other duties as may be assigned to him by the Board of Directors or by the Executive Committee.

ARTICLE V
CONTRACTS AND OBLIGATIONS

Section 1. No agreement, contract or obligation involving the payment of money or the credit or liability of the Company, shall be made without the approval of the Board of Directors, except by an office or agent who is generally or specifically (as the nature of the specific agreement, control or obligation requires) authorized by the Board of Directors, or the Executive Committee.

ARTICLE VI
VOTING UPON STOCK HELD BY THE COMPANY

Section 1. Unless otherwise ordered by the Board of Directors, the President shall have full power and authority in behalf of the Company to attend and to act to vote at any meeting of the stockholders of any corporation in which the Company may hold stock, and at such meetings shall possess and may exercise any all rights and powers incident to the ownership of such stock, and which, as the owner thereof, the Company might have possessed and exercised if present. The Board of Directors, by resolution, from time to time, may confer like powers upon any person or persons, not necessarily directors or officers of the Company.

ARTICLE VII
SHARES AND THEIR TRANSFERS

Section 1. Subscribers for shares of stock shall not be required to pay any interest upon their unpaid subscriptions, except after the same shall have been called for payment and become delinquent.

Section 2. Certificates. - Each holder of stock shall be entitled to a stock certificate signed by the President and the Secretary of the Company certifying the class and number of shares owned by him and sealed by its corporate seal. All such certificates representing shares of a particular class shall be numbered and registered in the order in which they are issued and on the records of the Company there shall be entered the name of the person owning the shares represented by such certificates when issued, with the number of shares and the date thereof, and in case of cancellation, the date of the cancellation. Every certificate returned to the Company for the exchange or transfer of shares shall be cancelled, and no new certificate shall be issued upon the exchange or transfer of shares until the old certificates has been returned and cancelled.

Section 3. Transfers. - Transfers of shares shall be made only on the books of the Company on the surrender of the certificate or certificates for the shares properly endorsed. The transfer book may be closed by the Board of Directors for such period as may be deemed advisable previous to and on the day of any meeting of the stockholders, and for dividend purposes.

Section 4. No transfer or assignment of any share of the capital stock of the Company or any interest therein shall be made or permitted to be recorded in the books of the Corporation if such transfer or assignment shall reduce the ownership of Filipino citizens below any percentage required by any statute to be owned by such citizens as a condition to the pursuit of any of the corporate purposes or business of the Company.

Section 5. Addresses. - Every stockholder and transferee, and every attorney or proxy for any stockholder, shall furnish the Secretary with an address at which notice of meeting and all other notices from any officer of the Company may be served upon or mailed to him, and in default thereof, notice may be addressed to him either at his last known address or at the office of the Company.

ARTICLE VIII
WAIVER OF NOTICE

Section 1. Notice and Waivers Thereof. - Whenever under the provisions of these By-Laws notice is required to be given to any stockholder, director or officer, unless otherwise provided such notice may be given personally or it may be given in writing by depositing the same in the post office or letter box in a post paid sealed envelope addressed to such stockholder, director or officer at such address as appears on the books of the Company, and such notice shall be deemed to be given at the time when the same shall be thus mailed. Whenever any notice whatsoever is required to be given by law, or under the provisions of the Articles of Incorporation or of these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether executed before or after the time stated therein shall be deemed equivalent thereto.

ARTICLE VIII-A
DISTRIBUTION OF DISPOSABLE NET EARNINGS

Section 1. Distribution of Net Profits. - Out of the annual net profits from operations of the Corporation, after providing for reserves required by law or regulation to be maintained, the Board of Directors shall have the power and authority to:

a) Declare dividends in such amounts and on such dates it may determine, to be paid to the holders of the outstanding capital stock of the Corporation;
b) Distribute a portion not exceeding Fifteen Percent (15%) of such annual net profit among the directors, officers and/or employees of the Corporation, in such manner as may be recommended by the President and the Chairman of the Board of Corporation. (As amended on August 25, 1983)

ARTICLE IX
CORPORATE SEAL

Section 1. The common corporate seal, unless otherwise ordered by the Board of Directors, shall consist of a circular design on which is inscribed the words:

"BDO LEASING AND FINANCE, INC.
As amended on July 30, 2007)

Metropolitan Manila
(As amended on August 25, 1983)
1981"

ARTICLE X
FISCAL YEAR

Section 1. The fiscal year of the Company shall begin on the 1st day of January of each year and shall close on the 31st day of December.

ARTICLE XI
AMENDMENT OF BY-LAWS

Section 1. The By-Laws of the Company shall be subject to alteration, amendment, or repeal by a majority of the owners of the subscribed capital stock and likewise by a majority vote of the Board of Directors and may likewise be altered, amended, or repealed by the Board of Directors in the manner provided by law.

WE, the undersigned stockholders of PCI Leasing and Finance, Inc. constituting a majority of all the subscribed capital stock of the Company, have hereunto affixed our signatures and approval of the foregoing By-Laws of the Corporation, which By-Laws were adopted by the affirmative vote of the stockholders at the meeting of the stockholders held on March 11, 1981, at Quezon City, Philippines.

(Sgd.)____________________
(T) MARIO D. CAMACHO
Stockholder

(Sgd.) ____________________
(T) FEDERICO C. GALANG
Stockholder

(Sgd.)____________________
(T) DANILO M. CELESTIAL
Stockholder

(Sgd.)____________________
(T) BENITO T. DELA CRUZ
Stockholder

(Sgd.)____________________
(T) LEONIDES S. LERMA, JR.
Stockholder

REPUBLIC OF THE PHILIPPINES
SECURITIES AND EXCHANGE COMMISSION
Secretariat Building PICC Complex, Roxas Boulevard
Pasay City, 1307

CORPORATE STATUS

Date:	20 June 2022
SEC Registration No. :	0000097869
Company Name :	BDO LEASING AND FINANCE, INC.
Entity Type :	Stock Corporation; FINANCING COMPANY, PUBLICLY-LISTED COMPANY
Printed By:	CHRISTINE DENISSE M. NARIO

DEPARTMENT	STATUS	REMARKS	DATE
HEAD OFFICE			
CRMD			
CMD	Cleared		Jun 17 2022
CPRD	Cleared		Jun 17 2022
CFRD	Cleared		Jun 17 2022
FAAD	Cleared		Jun 17 2022
LU	Cleared		Jun 17 2022
CGFD	Cleared		Jun 17 2022
MSRD	Cleared		Jun 17 2022
EIPD	Cleared		Jun 17 2022
OGC	Cleared		Jun 17 2022
SOs			
SOs	Cleared		Jun 17 2022
EOs			
EOs	Cleared		Jun 17 2022

DOMINION HOLDINGS

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S.S.

SECRETARY'S CERTIFICATE

I, **JOSEPH JASON M. NATIVIDAD,** of legal age, Filipino, with office address at 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City, under oath, do hereby certify that:

1. I am the duly appointed Corporate Secretary of **DOMINION HOLDINGS INC.** (**DHI**), a corporation duly organized and existing under the laws of the Republic of the Philippines with principal office address at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

2. The Board of Directors of DHI approved on April 12, 2024, the filing of an amended Registration Statement with the Securities and Exchange Commission (the **SEC**);

3. In connection with the amended Registration Statement, I hereby certify that the Board of Directors of DHI adopted the following:

   a. Approved the disclosures and assumed responsibility for the information contained in the Registration Statement.

   b. The Revised Corporate Governance Manual of DHI;

   c. A "Fit and Proper Rule" for the selection of corporate directors and officers of DHI; and

   d. Authorizing and allowing the SEC to resolve conflicting issues regarding the selection of independent directors.

4. The foregoing resolutions are in full force and effect and have not been amended or rescinded in any way.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 17 April 2024 at Makati city.

JOSEPH JASON M. NATIVIDAD
Corporate Secretary

Dominion Holdings, Inc.
39/F BDO Corporate Center Ortigas
12 ADB Avenue
Ortigas Center
Mandaluyong City 1555
Philippines
Tel +632 8688-1288 loc. 36509, 45469, 36151

SUBSCRIBED AND SWORN to before me this ___ day of APR 17 2024 at Makati City, affiant exhibiting to me his [redacted]

[redacted].

Doc. No. 105;
Page No. 22;
Book No. 13;
Series of 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115(2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No.0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR NO.10073945/Jan. 2, 2024/Makati City
IBP No.330740/Jan. 2, 2024/Pasig City
1107 Bataan St., Guadalupe Nuevo,Makati City

DOMINION HOLDINGS, INC.
CORPORATE GOVERNANCE MANUAL

INTRODUCTION

As a publicly listed company, Dominion Holdings, Inc. (DHI) believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. Thus, the business of the Company will be conducted in accordance with the principles and best practices of good corporate governance.

DHI's corporate governance practices are anchored on our core values which guide us in our decisions, interactions and relationships with our shareholders and other stakeholders. These are as follows:

- **Commitment to a Dynamic and Efficient Organization**
  We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.

- **Commitment to Employees**
  We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.

- **Commitment to Shareholders**
  We are committed to providing our shareholders with superior returns over the long term.

The essential points of reference of this Manual are the principles enunciated in the SEC Code of Corporate Governance (CCG) for Publicly-Listed Companies and the latest Enhanced Corporate Governance Guidelines for the Bangko Sentral ng Pilipinas[1] - Supervised Financial Institutions under BSP Circular 969. **While DHI is no longer considered a BSP-supervised financial institution, the Company aligns with BSP's regulations, where applicable, as a subsidiary of a bank and as good corporate governance practice.**

Through this manual, the Board aims to promote adherence, further strengthen the Company's commitment to good corporate governance, and align our corporate governance system with the international practice taking into account the continuous developments in national regulations.

The Board of Directors, management and staff hereby acknowledge that this Manual will be their guide to principled actions and responsible conduct in fulfilling their respective duties and responsibilities to stockholders and other stakeholders which include, among others, employees, suppliers, financiers, government and community in which the Company operates. The Manual, in conjunction with the Company's Articles of Incorporation, By-Laws and the Terms of Reference of the respective Board Committees, constitutes the governance framework of the Company.

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[1] *SEC Memorandum Circular No. 19 based on the observance of the "comply or explain" principle aiming to illustrate clearly the way in which the Company incorporates the recommendations of the Code. When a particular recommendation is not complied with, the underlying circumstances are explained so that shareholders and other stakeholders would understand the stance of the Company and provisions of BSP Circular 747, 749, 757 and 871. The following sections of the Manual detail our compliance with the principles and recommendations of the Code and mandates of the BSP/SEC including our specific stance on recommendations that the Company would not be able to adopt at this time.*

SECTION 1. THE BOARD'S GOVERNANCE RESPONSIBILITIES

BOARD GOVERNANCE FRAMEWORK

Board of Directors

1. **Mix.** The Board shall be composed of qualified directors with an appropriate mix of competence, expertise and diverse skills to enable it to perform its roles and responsibilities effectively. The stockholders of the Company shall elect the members of the Board during the annual meeting. (Recommendation 1.1, SEC CCG)

2. **Composition.** The Board of Directors of the Company shall have eleven (11) members composed of executive and non-executive directors, the latter including independent directors. The non- executive directors shall constitute at least majority of the Board to promote the independent oversight of management by the board of directors, and who shall be owners of at least (1) share of the common stock of the Company.. (Recommendation 1.2, SEC CCG)

3. **Director Orientation and Continuing Education.** All new directors joining the Board, except those specifically exempted under BSP Circular 969, are required to undergo an orientation program within 3 months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Conduct and Business Ethics, Personal Trading Policy and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs at the Company's expense to maintain a current and effective Board. The orientation program for first time directors shall be for at least 8 hours, while the annual continuing training shall be at least for 4 hours. The training programs should cover topics relevant in carrying out their duties and responsibilities as directors. All members of the Board of Directors are required to attend the annual corporate governance training. (Recommendation 1.3, SEC CCG)

4. **Board Diversity.** The Company recognizes that diversity among its directors will foster critical discussion and promote balanced decision by the Board by utilizing the differences in perspectives of its directors. It views diversity at the Board level which includes difference in skills, experience, gender, sexual orientation, age, religion, education, race, business and other related expertise as an essential element in maintaining an effective board for strong corporate governance.

   The Board as a whole should possess all of the necessary skills, experience and functional expertise to oversee the strategic direction of the Company. In determining the optimum composition of the Board and in filling vacancies, the Nominations Committee will consider all aspects of diversity in order to maintain an appropriate balance of skills, background, experience, and knowledge on the Board.

   The Company also recognizes the important role of women with appropriate and relevant skills and experience that can contribute to the diversity of perspectives in the Board.

   The diversity representation of the Board will be part of the annual performance and effectiveness evaluation of the board and committees. The Corporate Governance Committee will include this in its report to the Board of the final results of the annual performance evaluation. (Recommendation 1.4, SEC CCG)

5. **Independent Officers**. In performing its duties, the Board shall be assisted by a Corporate Secretary and a separate Compliance Officer with a rank of Vice President who are not members of the Board. They should attend annually a training on corporate governance.

Members of the board of directors shall not be appointed as Corporate Secretary or Compliance Officer.

Corporate Secretary. The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. He should also possess adequate knowledge and work experience in the operations of leasing and financing business. The duties and responsibilities of the Corporate Secretary shall be the following:

- Assists the Board and the Board committees in the conduct of their meetings, including preparing annual schedule of Board and committee meetings and the annual board calendar, and assisting the chairs of the Board and its committees to set agendas for those meetings;
- Safe keeps and preserves the integrity of the minutes of the meetings of the Board and its committees, as well as other official records of the Company;
- Keeps abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the corporation, and advises the Board and the Chairman on all relevant issues as they arise;
- Works fairly and objectively with the Board, management and stockholders and contributes to the flow of information between the Board and management, the Board and its committees and the Board and its stakeholders, including shareholders;
- Advises on the establishment of board committees and their terms of reference;
- Informs members of the Board, in accordance with the by-laws, of the agenda of their meetings at least five working days in advance, and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attends all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him/her from doing so;
- Performs required administrative functions;
- Keeps custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company;
- Prepares ballots for the annual election of directors, and keep a complete and up-to- date roll of the stockholders and their addresses;
- Submits to the Securities and Exchange Commission at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings
- Oversees the drafting of the by-laws or its amendments and ensures that they conform with regulatory requirements; and
- Performs such other duties and responsibilities as may be provided by the SEC. (Recommendation 1.5, SEC CCG)
- Ensure that suitable equipment and facilities for an efficient and secure conduct of meeting by remote communication and the visual and audio recordings are properly safekept/stored (SEC Memorandum Circular No. 6, Series of 2020)

Compliance Officer. Company's Compliance Officer (CO) shall be appointed by the Board of Directors. The CO of the Company shall report functionally to the Audit Committee, and administratively to the Office of the President.

The Compliance Officer shall have commensurate skills and expertise to provide appropriate guidance and direction to the Company on the development, implementation and maintenance of the compliance program.

The role of the Compliance Officer includes the following:

- Ensures proper onboarding of new directors;
- Monitors, reviews, evaluates and ensures the compliance by the Company, its officers and directors with the relevant laws, the SEC Code, rules and regulations and all governance issuance of regulatory agencies thru the implementation of the Company's compliance system and program, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training;
- Reports the matter to Senior Management and the Board if violations are found and recommends the imposition of appropriate disciplinary action;
- Ensures the integrity and accuracy of all documentary submission to regulators;
- Collaborates with other departments to properly address compliance issues, which may be subject to investigation;
- Identifies possible areas of compliance issues and works towards the resolution of the same;
- Ensures the attendance of board members and key officers to relevant trainings;
- Tracks and evaluates all new regulations or amendments to existing regulatory issuances and disseminates these immediately to the implementing units for their information and action.
- Initiates requests for policy pronouncements or revisions to ensure new regulations are made part of the Company's policies and procedures.
- Provides guidance, advisories and training to employees on significant laws and regulations.
- Liaises with the regulatory authorities (eg.SEC) and to appear before these bodies upon summons to clarify matters related to the compliance system as well as compliance with the provisions and requirements of the SEC's Code of Corporate Governance as well as the Company's Corporate Governance Manual.
- Performs such other duties and responsibilities as may be provided by the SEC. (Recommendation 1.6, SEC CCG)

SECTION 2. ESTABLISHING CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD

DUTIES, FUNCTIONS & RESPONSIBILITIES OF THE BOARD

Fiduciary Duty. The Board acts on behalf of the Company and as such, it is vested with the fiduciary duties of loyalty and care for which Board members should act on a fully informed basis, in good faith, with due diligence, and in the best interest of the Company and all shareholders. (Recommendation 2.1, SEC CCG)

Key Functions. The Board shall fulfill certain functions, including the following:

- Review and guide corporate strategy, risk management policies and procedures, annual budgets and business plans, and monitor their implementation;
- Set financial objectives, monitor implementation and corporate performance; and
- Approve the issuance of capital stocks, distribution of dividends, strategic plans, major capital expenditures, acquisitions, equity investments, fixed assets, mergers, joint ventures, divestments, and significant related party transactions. (Recommendation 2.2, SEC CCG)

For the roles and responsibilities of the Chairperson in Recommendation 2.3, please refer to Section 5.

Responsibilities. The Board is collectively responsible for the sustainable long-term shareholder value of the institution, sustain its competitiveness, profitability and industry leading position in a manner consistent with its corporate objectives.

It leads in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group. Through its oversight, monitoring and review functions, the Board ensures that the Group is being run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies. To this end, the Board exercises the following responsibilities:

1. **Management Succession Planning.** The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address an emergency in the event of extraordinary circumstances and ensure continuity of operations. (Recommendation 2.4, SEC CCG)

   On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, the Board will lose valuable wisdom from the senior directors. By law, once directors are elected by shareholders, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy for directors.

2. **Remuneration and Other Incentives of Directors and Senior Management.** The levels of remuneration of the Company shall be sufficient to attract and retain experienced and professional directors and officers needed to run the Company successfully. The board of directors shall approve a remuneration and other incentives policy that is appropriate and consistent with the Company's operating and risk culture, long-term business and risk appetite, performance, and control environment. Said policy shall cover all employees and should be designed to encourage good performance that supports the long-term interest of the Company and its stakeholders. It shall be aligned with prudent risk taking and explicitly discourage excessive risk taking as defined by internal policies. The BDO Unibank's Compensation Committee shall monitor and review the remuneration and other incentives policy including plans, processes and outcomes, at least annually, to ensure that it operates and achieves the objectives as intended.

   The Company shall consider the following in the design of the remuneration and other incentives policy:

   a. The remuneration and incentives package shall take into account the employee's position, role, responsibilities and activities in the Company. It shall also consider the risks that the employee takes on behalf of the Company. In this regard, it should be sensitive to prospective risks and risk outcomes that have been realized and considers the overall performance of the Company.

b. Remuneration and incentive pay-out schedule should be sensitive to the time-horizon of risk. The policy may include provisions that defer payment until risk outcomes are better known or provisions under which remuneration and incentives may be reduced or reversed if new facts emerge showing that the remuneration and incentives paid was based on erroneous assumptions, such as misreporting or if it is discovered that the employee has failed to comply with internal policies or legal requirements.

c. Remuneration of employees in risk control functions (i.e., Internal Audit, Compliance, and Risk Management Functions) shall be based on the achievement of their objectives and shall be independent of the business lines which they oversee.

d. The remuneration and other incentives policy for directors should be consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities. It shall be submitted for approval of the stockholders.

The Company's annual reports and information statements shall include a clear, concise and understandable disclosure of all plan and non-plan compensation awarded to, earned by, paid to, or estimated to be paid to, directly or indirectly to all individuals serving as the CEO or acting in a similar capacity during the last completed fiscal year, and the Company's four (4) most highly compensated executive officers other than the CEO who were serving as executive officers at the end of the last completed year. (Recommendation 2.5, SEC CCG)

3. **Selection, Nomination and Election of Board Members.** The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic direction. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender, ethnic origin, religion, age or sexual orientation. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. For the reelection of incumbent directors, the Nominations Committee should also consider the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board. A former partner or employee of the Company's current external auditing firm will not be qualified for nomination as member of the Board. The Nominations Committee will use to the extent possible, external search firm or external data bases in selecting the pool of candidates for the members of the Board. Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of SEC. The process of nominating a person to the directorship position during the Annual Stockholders' Meeting is discussed in the Information Statement (SEC Form 20-IS) filed and disclosed to the Securities and Exchange Commission and sent to the shareholders and/or posted on the website and the Philippine Stock Exchange The registration process to participate and vote during the Annual Stockholders' Meeting is provided in the Notice of Annual Stockholders' Meeting.
4. Qualifications and Disqualifications of Directors. The qualifications and disqualifications, whether permanent or temporary, of directors <u>**as well as the effect of non-possession of qualifications or possession of disqualifications/prohibitions**</u> are enumerated <u>**and discussed respectively**</u> in **ANNEX A** hereof.

Aside from the qualifications required by relevant regulations, a director must:

a. Have a practical understanding of the business of the Company; and,
b. As applicable, be a member of good standing in the relevant industry, business, or professional organizations.

5. Related Party Transactions

The Company has established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management potential or actual conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle- blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews and endorses to the Board for final approval all material RPTs.

Related party transactions, whose value may exceed 10% of the Company's total assets, require review of an external independent party to evaluate the fairness of its terms and conditions and approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively. (SEC Memorandum Circular No. 4, Series of 2019)

The Related Party Transactions policy applies to DHI and intended to ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and proper review, approval, ratification and disclosure of transactions between the Company and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction.

Please refer to **ANNEX B** for the Related Party Transactions Policy. (Recommendation 2.7, 5.6 and 8.5, SEC CCG)

6. Selection of Executive Management Team and Annual Performance Evaluation

It is the responsibility of the Board to approve the selection and appointment of a competent executive management led by the President/CEO including the heads of control functions i.e. Compliance Officer, Chief Risk Officer and Chief Internal Auditor. Fit and proper standards must be applied in the selection process of key officers and due consideration must be given to their integrity, technical expertise and banking industry experience. The Board, through the Corporate Governance Committee, shall undertake the evaluation of the Executive Management team performance including the President/CEO based on established performance management framework and standards that are consistent with the Company's strategic objectives. (Recommendation 2.8 and 2.9, SEC CCG)

Qualifications and Disqualifications of Officers. The qualifications and disqualifications, whether permanent or temporary, of officers, **as well as the effect of non-possession of qualifications of possession of disqualifications/prohibitions** are enumerated **and discussed, respectively** in **ANNEX A** hereof.

Persons Disqualified to Become Officers (BSP MORNBFI Section 137-Q)

a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a Company:

    i. Decision making and senior management function, e.g. President, Chief Executive Officer (CEO), Chief Operating Officer (COO), General Manager, and Chief Financial Officer (CFO);
    ii. Treasury function, e.g., treasurer or treasury head;
    iii. Recordkeeping and financial reporting functions, e.g , controller and chief accountant
    iv. Safekeeping of assets, e.g., chief cashier;
    v. Risk management function, e.g. Chief Risk Officer;
    vi. Compliance function, e.g. Compliance Officer; and
    vii. Internal audit function, e.g., Chief Audit Executive.
    viii. The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of a Company or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or branch-lite unit.

b. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

7. Internal Control and Risk Management

It is the responsibility of the Board to oversee that a sound and effective enterprise-wide risk management framework and appropriate internal control systems are in place to manage the risks and to provide reasonable assurance against material misstatement or loss. It is also responsible to review and approve the nature and extent of the key business risks that the Company is taking in pursuing its strategic objectives and providing oversight over its risk management policies and procedures, and approving the Internal Audit Charter. (Recommendation 2.10 and 2.11, SEC CCG)

8. Board Charter

The Charter of the Board of Directors (“Board Charter”) of Dominion Holdings, Inc. (“DHI”) serves as a guide to DHI’s directors in the performance of their functions. It clearly states the roles, responsibilities, structure, and powers of the Board of Directors, subject to the provisions of the Corporation Code of the Philippines, DHI’s Articles of Incorporation and By-Laws, other applicable laws or regulations, corporate governance best practices and policies of the Board.

The Revised Corporate Governance Manual of DHI already incorporates in great detail the Board Charter. The Manual formally sets out and clearly specifies the roles, responsibilities, structure and powers of the Board, as well as embodies other relevant matters consistent with and in the light of the SEC Code of Corporate Governance for Publicly – Listed Companies.

The DHI Board of Directors acknowledges that this Manual as it incorporates the Board Charter, is their over-all guide to principled actions and responsible conduct in carrying out their fiduciary duties. (Recommendation 2.12, SEC CCG)

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The following are the specific duties and responsibilities of the Board of Directors and specific duties of the Directors as mandated in BSP Circular 969 and SEC Memorandum Circular No. 19, Series of 2016- Code of Corporate Governance for Publicly-listed Companies, and SEC Memorandum Circular No. 4, Series of 2022-Disqualifications of Directors, Trustees and Officers of Corporations; and the Guidelines on the Procedure for their removal**.**

SPECIFIC DUTIES AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The board of directors is primarily responsible for defining the Company's vision and mission. It has the fiduciary responsibility to the Company and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. It shall approve the selection of the CEO and key members of senior management and control functions and oversee their performance.

a. The board of directors shall define the Company's corporate culture and values. It shall establish a code of conduct and ethical standards in the Company and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:

   (1) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Company as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that directors, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.

   (2) Consistently conduct the affairs of the Company with a high degree of integrity and play a lead role in establishing the Company's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in the Company, through adopted policies and displayed practices. The board of directors shall ensure that the CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high profile conduct and value breaches.

   (3) Oversee the integrity, independence, and effectiveness of Company's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated and addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of the facilities of the Company in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting money laundering fraud, bribery or corruption.

b. The board of directors shall be responsible for approving Company's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:

   (1) Ensure that the Company has beneficial influence on the economy by continuously providing services and facilities which will be supportive of the national economy.

(2) Approve the Company's strategic objectives and business plans. These shall take into account the Company's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.

(3) Actively engage in the affairs of the Company and keep up with material changes in the Company's business and regulatory environment as well as act in a timely manner to protect the long term interests of the Company.

(4) Approve and oversee the implementation of policies governing major areas of the Company's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.

c. The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:

(1) Oversee selection of the CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in the Company's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision and core values of the Company.

(2) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Company and should promote good performance, convey acceptable risk-taking behavior, and reinforce the Company's operating and risk culture.

(3) Oversee the performance of senior management and heads of control functions:

(a) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.

(b) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to the Company's values, risk appetite and risk culture, under all circumstances.

(c) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.

(d) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, corporate governance, and related party transactions committees, in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.

(4) Engage in succession planning for the CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the CEO and other critical positions.

(2) Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.

(3) Ensure that employee pension funds are fully funded or the corresponding liability appropriately recognized in the books of the Company at all times, and that all transactions involving the pension fund are conducted at arm's length terms.

d. The board of directors shall be responsible for approving and overseeing implementation of the Company's corporate governance framework. In this regard, the board of directors shall:

(1) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:

(a) The board of directors shall structure itself in a way, including in terms of size and frequency of meetings, so as to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct, and behaviors.

(b) The board of directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board level committees would depend on the size of the Company and the board of directors, the Company's complexity of operations, as well as the board of directors, long-term strategies and risk tolerance.

(c) The board of directors shall regularly review the structure, size and composition of the board of directors and board level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.

(d) The board of directors shall adopt policies aimed at ensuring that the members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale and complexity of the Company's operations.

(e) The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of the Company's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about the Company at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.

(f) The board of directors shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the CEO, the individual directors, and the Company itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member taking into account his or her performance in the board of directors and board-level committees.

(g) The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly minuted.

(2) Develop a remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the policy is consistent with the long-term interest of the Company, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.

(3) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.

(4) Conduct and maintain the affairs of the Company within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.

(5) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities and key activities. The board of directors shall ensure that the Company's organizational structure facilitates effective decision making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.

(6) Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.

(7) Approve an overarching policy on the handling of RPTs to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged. In this regard:

(a) The board of directors shall approve all material RPTs, those that cross the materiality threshold, and write-off of material exposures to related parties, and submit the same for confirmation by majority vote of the stockholders in the annual stockholders' meeting. Any renewal or material changes in the terms and conditions of RPTs shall also be approved by the board of directors. All final decisions of the board of directors on material RPTs, including important facts about the nature, terms, conditions, original and outstanding individual and aggregate balances, justification and other details that would allow stockholders to make informed judgment as to the reasonableness of the transaction, must be clearly disclosed during stockholders meetings and duly reflected in the minutes of board of directors and stockholders' meetings.

(b) The board of directors shall delegate to appropriate management committee the approval of RPTs that are below the materiality threshold, subject to confirmation by the board of directors. This shall, however, exclude DOSRI transactions, which are required to be approved by the board of directors. All decisions under the delegated authority must be properly recorded in the minutes of the committee meetings.

(c) The board of directors shall establish an effective system to:

(i) Determine, identify and monitor related parties and RPTs;

(ii) Continuously review and evaluate existing relationships between and among businesses and counterparties; and

(iii) Identify, measure, monitor and control risks arising from RPTs. The system should be able to define related parties' extent of relationship with the Company; assess situations in which a nonrelated party (with whom the Company has entered into a transaction) subsequently becomes a related party and vice versa; and generate information on the type and amount of exposures to a particular related party. The said system will facilitate submission of accurate reports to the regulatory supervisors. The system as well as the overarching policies shall be subject to periodic assessment by the internal audit and compliance functions and shall be updated regularly for their sound implementation. The overarching policy and the system shall be made available to the audit functions for review. Any changes in the policies and procedures shall be approved by the board of directors.

(d) The board of directors shall maintain adequate capital against risks associated with exposures to related parties. In this regard, material risks arising from RPTs shall be considered in the capital planning process. The prescribed scenario/stress tests under the capital planning process shall also capture RPTs in order to determine whether the Company is well-insulated from any going concern issue of related parties.

(e) The board of directors shall oversee the integrity, independence, and effectiveness of the policies and procedures for whistle blowing. The board of directors should ensure that senior management addresses legitimate issues on RPT that are raised. The board of directors should take responsibility for ensuring that staff who raise concerns are protected from detrimental treatment or reprisals.

(8) Define an appropriate corporate governance framework for group structures, which shall facilitate effective oversight over entities in the group. The board of directors of the parent company shall ensure consistent adoption of corporate governance policies and systems across the group. In this regard:

(a) The board of directors shall define and approve appropriate governance policies, practices and structure that will enable effective oversight of the entire group, taking into account nature and complexity of operations, size and the types of risks to which the Company and its subsidiaries are exposed, The board of directors shall also establish means to ensure that such policies, practices and systems remain appropriate in light of the growth, increased complexity and geographical expansion of the group. Further, it shall ensure that the policies include the commitment from the entities in the group to meet all governance requirements.

(b) The board of directors shall define the risk appetite for the group, which shall be linked to the process of determining the adequacy of capital of the group.

(c) The board of directors shall ensure that adequate resources are available for all the entities in the group to effectively implement and meet the governance policies, practices and systems.

(d) The board of directors shall define and approve policies and clear strategies for the establishment of new structures.

(e) The board of directors shall understand the roles, the relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the group's capital, risk profile and funding under normal and contingent circumstances. The board of directors shall ensure that the group's corporate governance framework includes appropriate processes and controls to identify and address potential intra-group conflicts of interest, such as those arising from intra-group transactions.

(f) The board of directors shall develop sound and effective systems for generation and sharing of information within the group, management of risks and effective supervision of the group.

(g) The board of directors shall require the risk management, compliance function and internal audit group to conduct a periodic formal review of the group structure, their controls and activities to assess consistency with the board of directors approved policies, practices and strategies and to require said groups to report the results of their assessment directly to the board of directors.

In cases where the Company is a subsidiary/affiliate of a non-Bangko Sentral regulated parent company:

(a) The board of directors shall define and approve policies and clear strategies for the establishment of new structures (e.g., subsidiaries/affiliate of the Company).
(b) The board of directors shall understand the roles, relationships or interactions of each entity in the group with one another and with the parent company. The board of directors shall understand the legal and operational implications of the group structure and how the various types of risk exposures affect the Company's capital, risk profile and funding under normal and contingent circumstances.

e. The board of directors shall be responsible for approving Company's risk governance framework and overseeing management's implementation thereof, In this regard, the board of directors shall:

(1) Define the Company's risk appetite. In setting the risk appetite, the board of directors shall take into account the business environment, regulatory landscape, and the Company's long term interests and ability to manage risk.

(2) Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.

(3) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout the Company.

(4) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit function for the third line of defense. In this regard:

(a) The board of directors shall ensure that the risk management, compliance and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively and effectively.

(b) The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.

f. The board of directors shall be responsible to approve and oversee the implementation of the Company's consumer protection policies, as well as the mechanism to ensure compliance with said policies.

SPECIFIC DUTIES AND RESPONSIBILITIES OF A DIRECTOR

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Company itself, its stockholders, its depositors and other creditors, its management and employees, the regulators, deposit insurer and the public at large. These constituencies or stakeholders have the right to expect that the institution is being run in a prudent and sound manner. The members of the board of directors should exercise their "duty of care" and "duty of loyalty" to the institution.

a. To remain fit and proper for the position for the duration of his term.

b. To conduct fair business transactions with the Company and to ensure that personal interest does not bias board decisions,

c. To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its depositors, investors, borrowers, other clients and the general public.

d. To devote time and attention necessary to properly discharge their duties and responsibilities.

e. To act judiciously.

f. To contribute significantly to the decision-making process of the board.

g. To exercise independent judgment.

h. To have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws and where applicable, the requirements of regulatory agencies.

i. To observe confidentiality.

The Company shall furnish all of their first-time directors with a copy of the specific duties and responsibilities of the board of directors and as an individual director prescribed under Subsections X143.1 and X143.2, upon election. The Company must keep on file certification under oath of the directors concerned that they have received copies of such specific duties and responsibilities and that they fully understand and accept the same.

SECTION 3. ESTABLISHING BOARD COMMITTEES

BOARD COMMITTEES

The Board shall establish committees which it can delegate its functions but not its responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scope of responsibilities are set forth in their respective Terms of Reference which are subject to review and update annually or when there are significant changes therein. The number and membership composition of committees could be increased or decreased by the Board as it deems appropriate and consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. (Recommendation 3.1, SEC CCG)

In this regard, the board of directors shall:

a. Approve, review, and update, at least annually or whenever there are significant changes therein, the respective Terms of Reference of each committee or other documents that set out its mandate, scope and working procedures. Said documents shall articulate how the committee will report to the full board of directors, what is expected of the committee members, and tenure limits for serving on the committee. The board of directors shall also consider occasional rotation of committee members and chairs to avoid undue concentration of power and promote fresh perspective.

b. Appoint members of the committees taking into account the optimal mix of skills and experience to allow the board of directors, through the committees to fully understand and objectively evaluate the relevant issues. In order to promote objectivity, the board of directors shall appoint independent directors and non-executive members of the board of directors to the greatest extent possible. Towards this end, an independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance, Related Party Transactions committees, without prior approval of the Monetary Board.

c. Ensure that each committee shall maintain appropriate records (e.g., minutes of meetings or summary of matters reviewed and decisions taken) of their deliberations and decisions. Such records shall document the committee's fulfillment of its responsibilities and facilitate the assessment of the effective performance of its functions.

d. Constitute the following Board-level committees:

1. **Executive Committee.** The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of **loans, credit advances or commitments,** investments, and disposal of acquired assets. **It shall exercise oversight over the Company's sustainability program.** The Executive Committee shall be composed of at least three (3) **directors and may include Senior Credit Executives appointed/**designated by the Board of Directors.

2. **Audit Committee.** The Audit Committee ensures the integrity of financial reporting and provides oversight of the internal and external audit functions. It is vested by the Board with the following authority:

Internal Audit Division

a. It shall be responsible for organizing the Internal Audit Division as well as appointing or removing the head of Internal Audit and key internal auditors.
b. It shall perform oversight function over the Internal Audit Division.
c. **It shall recommend the approval of the Internal Audit Charter which formally defines the role of Internal Audit and oversees its implementation.**
d. It shall review the annual internal audit plan to ensure its conformity with the objectives of the Company. The plan shall include audit scope, resources and budget necessary and timetable for its implementation.
e. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
f. It shall review the internal audit reports, report major issues to the Board and ensure that management is taking corrective actions in a timely manner to address weaknesses, non- compliance with policies, laws and regulations and other issues identified by auditors.
g. It shall conduct discussions with management on the effectiveness of the internal control system.
h. It shall ensure that the internal audit function maintains an open communication with senior management, the Audit Committee, external auditors and supervisory authority.
i. It shall report to the Board of Directors the annual performance appraisal of the head of Internal Audit and key audit officers.
j. It shall recommend for approval of the Board of Directors the remuneration of the head of Internal Audit as well as the key audit officers.

External Audit

a. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
b. It shall review the Engagement Letter and discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
c. It shall review the Management Letter submitted by the external auditor, as well as management's response to the external auditor's findings and recommendations before endorsing the same to the BOD for its approval.
d. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.
e. It shall review the Management Representation Letter stating management's responsibility over the financial statements and financial reporting process.

Operational, Financial, and Anti-Money Laundering Compliance

a. It shall review and approve the annual plan of the Compliance Office and Anti-Money Laundering Unit **including their annual budget.**
b. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
c. **It shall review and approve the performance and compensation of the Chief Compliance Officer.**
d. It shall review the reports of regulatory bodies as well as notices on financial or administrative penalties incurred due to delayed/non-submission/erroneous submission of required regulatory reports.
e. **It shall review and endorse to the Board the responses and updates of Bank Management to the report of examination of the regulatory bodies including Letter of Commitment, if any.**

The Committee shall be composed of at least three (3) non-executive directors, majority of whom **are** independent directors **including the Chairman**. Advisers may also be appointed **by the BOD to the BAC.**

Audit Committee members shall preferably be with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Company. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the Committee may not be the Chairman of any other committee.

Membership exclusions apply to the Chief Executive Officer, Chief Financial Officer and/or Treasurer, or officers holding equivalent positions. (Recommendation 3.2, SEC CCG)

3. **Corporate Governance Committee.** The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Company as well as its subsidiaries and affiliates. Annually, it also conducts the performance self-evaluation of the Board of Directors, its committees, executive management and also peer evaluation of directors using the Revised Board of Directors and Peer Evaluation Survey forms. It also oversees the implementation of the Directors Orientation and Continuing Education Policy. **It shall also review management's plan for succession to key leadership positions within the Bank giving full consideration to the skills and expertise needed to support its strategic directions**. The Committee shall be composed of at least three (3) **members**, **all** of whom shall be independent directors, **including the Chairman**. (Recommendation 3.3., SEC CCG)

4. **Nominations Committee.** The Nomination Committee leads the process for identifying and makes recommendations to the Board on, candidates for appointment as Directors of the Company as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and the leadership needs of the Group. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Company's directions to fill the gaps. It also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non- executive Directors, and makes recommendations to the Board with regard to any changes. The Committee shall be composed of at least three (3) **members**, all of whom shall be independent directors, including the Chairman.

5. **Risk Management Committee.** The Risk Management Committee is responsible for the development of the Company's risk policies, sets the risk appetite and defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible to reassess the continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed. It works with the Audit Committee in certifying in the Annual Report the adequacy of the Company's internal control and risk management systems. **It shall be responsible for the appointment/selection, remuneration, performance evaluation, and dismissal of the Chief Risk Officer, and shall ensure that the risk management function has adequate resources and effectively oversees the risk-taking activities of the Company.** The Committee shall be composed of at least three (3) members of the Board of Directors, **majority** of whom **should be** Independent Directors including the Chairman. **Members** shall possess a range of **relevant** expertise as well as adequate knowledge of the Company's risk exposure. The Chairman of the Committee may not be the Chairman of any other committee. (Recommendation 3.4, SEC CCG)

6. **Related Party Transactions Committee-** The Related Party Transactions Committee (RPTC) assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Company and its stakeholders. It ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote on the Annual Stockholders' meeting the Company's significant transactions with related parties. **It shall ensure an appropriate policy is in place to identify related parties (RPs), Related Party Transactions (RPTs) are monitored, and changes in relationship are captured and reflected in reports to the Board and regulators. The Committee shall review all material credit and non-credit RPTs to ensure that these are not undertaken on more favorable terms to related parties than similar transactions with non-related parties under similar circumstances**. The Committee shall be composed of at least **three** (3) members of the Board of Directors, **two (2)** of whom must be Independent Directors, and **one (1)** non-executive Director. The Chairman **should be an** Independent Director. (Recommendation 3.5, SEC CCG)

Committee Charters

Each Board Committee has its own Terms of Reference stating its constitution, purpose, scope of authority, duties and responsibilities, membership, tenure limits, meetings, reporting process and hierarchy, and disclosure. These are published in the Company's website. (Recommendation 3.6, SEC CCG)

SECTION 4. FOSTERING COMMITMENT

BOARD OPERATIONS

Board Meetings - Frequency. The Board will meet quarterly (every fourth Wednesday of the month or as scheduled) and will hold additional meetings as necessary. Schedule of regular board meetings for the coming year is set in advance before the start of the new calendar year and published in the Board Calendar of Activities for the information and guidance of all directors and advisers.

1. **Board and Committee Meetings – Attendance Requirements.** All directors are required to attend in person at least 50% **<u>and shall physically attend at least 25%</u> <u>of all</u>** meetings of the Board **<u>every year as well as</u>** the meetings of the Board Committees as prescribed in their respective charters on which they serve. **<u>The 25% physical attendance requirement is lifted during the period of national emergencies, public health emergencies, and major disasters, among others, that affect mobility, activity, and access to the Company. (BSP Circular 1129, Series of 2021)</u>**

   The absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election. All directors are expected to prepare diligently for the meetings to evaluate and add value to the items presented, actively participate and contribute meaningfully to the discussions of the Board. In view of modern technology, however, attendance of at least 75% at Board and committee meetings through video or teleconference or other manner that may be allowed by the Bangko Sentral ng Pilipinas is required. The attendance and participation of members in committee meetings shall be considered in the assessment of continuing fitness and propriety of each director as member of board-level committees and the board of directors. An independent director shall always be in attendance. However, the absence of an independent director may not affect the quorum requirements if he is duly notified of the meeting but deliberately and without justifiable cause fails to attend the meeting. (Recommendation 4.1, SEC CCG)

   Consistent with SEC Memorandum Circular No. 06 (Series of 2020), Directors who cannot physically attend or vote at board meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate. However, directors or trustees cannot attend or vote by proxy at board meetings. If a Director intends to participate in a meeting through remote communication, he/she shall notify in advance the Presiding Officer and the Corporate Secretary of his/her intention. The Corporate Secretary shall note such fact in the Minutes of the meeting. The Office of the Corporate Secretary may issue internal procedures for the conduct of board meetings through remote communication or alternative modes of communication to address administrative, technical and logistical issues.

2. **Board Meetings – Notice, Agenda and Materials.**

   The Corporate Secretary shall send the notice of the meeting to all Directors in accordance with the manner of giving notice as provided in the bylaws or by board resolution. Notice of meetings may be sent to all directors through electronic mail, messaging service or such other manner as may be provided in the bylaws of by board resolution. The notice of meetings shall include the following information:

   1. The date, time, and place of the meeting;
   2. The agenda of the meeting;
   3. All pertinent materials for discussion which shall be numbered and marked in such manner that the director can easily follow and participate in the meeting;
   4. That a director may participate via remote communication;

5. Contact information of the Corporate Secretary or office staff whom the director may communicate;
6. When the meeting is for the election of directors or officers, the requirements and procedure for nomination and election;
7. The fact that there will be a visual and/or audio recording of the meeting; and,
8. Other instructions to facilitate participation in the meeting through remote communications.

The agenda and information package for each board and committee meeting should be sent to each director in hard or electronic copy at least 5 business days in advance, whenever possible and appropriate.

3. **Directors' access to Senior Officers and Advisers.** Group Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.
4. **Multiple Board Seats.** Independent and Non- Executive Directors may concurrently serve in Boards of other publicly-listed corporations provided it will not exceed a maximum of 5 companies including BDO and its listed subsidiaries. This limit does not apply to Executive Directors. Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised. He/She must notify the Board before accepting a directorship in another company. (Recommendation 4.2 and 4.3, SEC CCG)

5. **Confidentiality.** It is important that directors respect the sensitivity of information received during their service as a director. As such, they are expected to maintain confidentiality of this information at all times.

SECTION 5. REINFORCING BOARD INDEPENDENCE

Independent Directors

An independent director is a person who, apart from shareholdings and fees receive from the corporation, is independent of management and free from any business or other relationship which could, or could reasonably be perceived to materially interfere with the exercise of independent judgment in carrying out the responsibilities as a director. Independent directors must be elected by the shareholders present or entitled to vote in absentia during the election of directors. Independent directors shall be subject to rules and regulations governing their qualifications, disqualifications, voting requirements, duration of term and term limit, maximum number of board memberships and other requirements that the Securities and Exchange Commission will prescribe to strengthen their independence and align with international best practices. (Section 22, Revised Corporation Code)

At least 20% of the Board members shall be independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company to ensure its independence and exercise unfettered judgment on all corporate matters. (Recommendation 5.1, SEC CCG)

Nomination and Election of Independent Directors. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws. The independent directors will be clearly identified together with the date of their first election to the Board of Directors. He shall be assiduous.

An independent director shall be any person who:

1. is not or was not a director, officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election/appointment;
2. is not or was not a director, officer or employee of the Company's substantial stockholders and their related companies during the past three (3) years counted from the date of his election/appointment;
3. is not an owner of more than two percent (2%) of the outstanding shares or a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
4. is not a close family member of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
5. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
6. is not or was not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past three (3) years counted from the date of his election;
7. is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.
8. is not appointed in the Company, its subsidiaries, affiliates or related interests as Chairman "Emeritus", "Ex-Officio", Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board of Directors in the performance of its duties and responsibilities during the past three (3) years counted from the date of his appointment;
9. is not affiliated with any non-profit organization that receives significant funding from the Company or any of its related companies or substantial shareholders; and
10. is not employed as an executive officer of another company where any of the covered Company's executives serve as directors.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Management and Corporate Governance Committee, without prior approval of the Monetary Board. (Recommendation 5.2, SEC CCG)

Tenure/Term Limits of Independent Directors. Elected members of the Board serve for a one-year term and until their successors are elected. An independent director of the Company may only serve as such for a total cumulative tenure of nine (9) years reckoned from January 1, 2012 after which, the independent director shall be perpetually barred from re-election as such in the Company, but may continue to qualify for nomination and re-election as a non-independent director. If there is no suitable replacement, the Board may justify the retention of independent directors after serving 9 years subject to the approval by the shareholders during the Annual Shareholders' Meeting. (Recommendation 5.3, SEC CCG)

Separation of Roles and Functions

Board Chair and President/CEO

The Board Chairperson and President/CEO collectively are responsible for the leadership of the company. The Chairperson's primary responsibility is for leading the Board and ensuring its effectiveness while the President/CEO is responsible for running the Company's business.

The positions of the Board Chairperson and the Company President/CEO shall be held by different individuals and their roles are separate and distinct from each other to achieve a balance of authority, clear accountability, and better capacity for independent decision making.

Qualifications of the Chairperson of the Board of Directors

To promote checks and balances, the Chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the Company within the past three (3) years. **In exceptional cases, former CEO of the Company shall be allowed to immediately assume the position of Chairperson of the Board of Directors, provided that:**

1. **This is consistent with the provisions of the Company's succession plan; and**
2. **There are no major supervisory concerns in the quality of the Company's governance, risk management systems, and internal control and compliance system, and the Bank is not subject to escalated enforcement action. (BSP Circular No. 1129, Series of 2021).**

The role of the Board Chairperson includes the following:

1. Provides leadership in the Board of Directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members;

2. Ensures that the board takes an informed decision through a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered within the decision-making process;

3. Ensures that the meetings of the Board of Directors are held in accordance with the By-laws of the Company;

4. Ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place;

5. Makes certain that the meeting agenda focuses on strategic matters, including the overall risk appetite of the Company, considering the development in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;

6. Guarantees that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;

7. Facilitates discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual directors;

8. Ensures that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;

9. Assures availability of proper orientation for first-time directors and continuing training opportunities for all directors; and

10. Makes sure that performance of the Board is evaluated at least once a year and discussed/followed up on. (Recommendation 2.3, SEC CCG)

Chief Executive Officer (CEO)

The CEO shall be the overall-in-charge for the management of the business and affairs of the Company governed by the strategic direction and risk appetite approved by the board of directors. He shall be primarily accountable to the board of directors in championing the desired conduct and behavior, implementing strategies, and in promoting the long-term interest of the Company.

In fulfilling his executive role, the President/CEO acts within the delegated authority vested to him by the Board and has the following roles and responsibilities, among others:

1. Determines the Company's strategic direction and formulates and implements its strategic plan on the direction of the business;

2. Communicates and implements the corporation's vision, mission, values and overall strategy and promotes any organization or stakeholder change in relation to the same;

3. Oversees the operations of the Company and manages human and financial resources in accordance with the strategic plan;

4. Builds the corporate culture and motivates the employees of the Company;

5. Has a good working knowledge of the Company's industry and market and keeps up-to-date with its core business purpose;

6. Directs, evaluates and guides the work of the key officers of the Company;

7. Reports to the Board the monthly actual operating performance of the Company versus approved plans and directions and to the stockholders the state of affairs of the Company for the preceding year at the annual stockholders' meeting;

8. In conjunction with the Board Chairperson, serves as a link and represents the Company to regulators, shareholders, financial industry and the general public; and

9. Receives instructions from the Board and ensures full compliance. (Recommendation 5.4, SEC CCG.

Lead Independent Director.

A Lead Independent Director shall be appointed by the Board of Directors from amongst the independent directors to serve for 1 year or until replaced to perform the following functions, among others:

1. Serves as an intermediary between the Chairperson and the other directors when necessary;

2. Leads the independent directors at board meetings in raising queries and pursuing matters

3. Convenes and chairs meetings of the non-executive directors without the presence of the executive directors; and

4. Contributes to the performance evaluation of the Chairperson, as required. (Recommendation 5.5, SEC CCG)

Duties and Responsibilities of Officers

a. To set the tone of good governance from the top.

b. To oversee the day-to-day management of the Company.

c. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency.

d. To promote and strengthen check and balances system in the Company.

Executive Sessions of Non-Executive Directors.

The non-executive members of the Board will meet at least twice a year or as needed in executive session with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees without the presence of senior management. To be chaired by the Lead Independent Director, these sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the non- executive directors may deem appropriate. The agenda of the meetings will be determined by the Lead Independent Director in consultation with the other independent and non-executive directors. He will communicate to the Board Chairperson, President and any other executive directors the results of the discussions and consensus reached at the meetings. (Recommendation 5.7, SEC CCG)

For Recommendation 5.6, please see subsection on Related Party Transactions under Section 2 of this Revised Corporate Governance Manual.

SECTION 6. ASSESSING BOARD PERFORMANCE

Board Effectiveness

The Board recognizes the importance and benefits of conducting annual self-assessment to determine its effectiveness. The Board, through the Corporate Governance Committee, shall undertake the evaluation of its performance as a collective body, its Committees including the performance of the Chairperson to determine whether they are functioning effectively, pinpoint areas for improvement and assess whether it possesses the right mix of backgrounds and competencies. The Committee shall report the results of the self-assessment to the Board. Every three years, the assessment shall be supported by an external facilitator. (Recommendation 6.1)

In addition, the Director Peer Evaluation shall also be conducted annually. This is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate his/her colleagues on the Board using the prescribed rating scale and questions. The Corporate Governance Committee shall report also the results of the peer evaluation to the Board.

The criteria for the self-assessment of the Board performance and peer evaluation have been in place based on functions, roles and responsibilities provided in the Board and Committee Charters, and published in the Company's website.

The Corporate Governance Committee shall report the overall results of the annual self-assessment of the Board through the Annual Report. (Recommendation 6.2, SEC CCG)

SECTION 7. STRENGTHENING BOARD ETHICS

High Ethical Standards in Doing Business

Our corporate governance practice adheres to five (5) basic principles of integrity, transparency, fairness, accountability and performance. It is the responsibility of the Board including the officers and staff to follow at all times the established governance policies and practices as these are put in place to protect the Company's reputation, assets and businesses. DHI has institutionalized the highest ethical standards through the strict implementation of the BDO Unibank Code of Conduct and Business Ethics that addresses insider trading, dealing with external constituencies, potential conflicts of interest, confidentiality and information security, protection and proper use of corporate assets and responsibility to report in case of violations. The Code outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders. These reflect the core values the institution subscribes to and promotes. (Recommendation 7.1, SEC CCG) The Office of the Human Resources and the Office of the Corporate Secretary shall be responsible to disseminate the Code to all Directors, Officers and Staff for their information and proper guidance. It should be posted in the Company's website and intranet to be accessible to all covered individuals and shall form part of the HR and compliance policies of the Company. (Recommendation 7.2, SEC CCG)

SECTION 8. ENHANCING COMPANY DISCLOSURE POLICIES AND PROCEDURES

Adequate and Timely Information

The essence of good corporate governance is transparency. The Board commits at all times to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

1. All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, material acquisition or disposition of assets, off balance sheet transactions, related party transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of the directors and senior officers, and the remuneration of members of the Board and Management. (Recommendation 8.6, SEC CCG)

2. Information on BDO Group business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.

3. Biographical details on individual board members and key officers to evaluate their experience and qualifications, and assess any potential conflicts of interest that might affect their judgment. (Recommendation 8.3, SEC CCG)

4. Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines for Company.

5. All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange.

6. The Company will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Company.

The BDO Unibank Code of Conduct and Business Ethics provides clear rules on disclosure of information and strictly prohibits the unauthorized disclosure, use and passing on of sensitive/confidential, non-public information for personal gain and is considered illegal. (Recommendation 8.1, SEC CCG)

Personal Trading Policy

As part of BDO Group, DHI adopts the BDO Unibank's Personal Trading Policy. The purpose of this policy is to promote compliance with applicable securities laws and regulations by BDO Unibank, Inc. and its subsidiaries in order to promote fairness and preserve its good reputation in the marketplace.

This policy is applicable to all directors, officers and employees of BDO Unibank, Inc. and its subsidiaries who in the discharge of their duties, may gain access to material non-public, price-sensitive information about BDO and non-BDO publicly-traded securities. It does not include BDO shares granted/acquired through the Employee Stock Option Program.

Within three (3) trading days from booking date, officers with the rank of Senior Vice President and up are required by regulation to report any changes in beneficial ownership of BDO securities to the Securities and Exchange Commission and Philippine Stock Exchange. (Recommendation 8.2, SEC CCG)

Governance Policies, Programs and Procedures

The corporate governance system of DHI focuses on the objective of maximizing value creation on a sustainable basis for the benefit of all stakeholders in a manner that is supported by the right values, culture and business conduct throughout the Group. In pursuing this objective, DHI has continuously evolved its corporate governance standards to include essential elements of regulations, international best practices and voluntary commitments.

The Board has put in place the following governance policies that affirm our deep commitment to a high standard of corporate governance, among others. These are submitted to regulators and posted in the Company's website:

1. Revised Code of Conduct and Business Ethics
2. Related Party Transactions
3. Policy on Disclosure of Sensitive or Confidential Matters to Management (Whistle Blower Policy)
4. Personal Trading Policy
5. Conflict of Interest Policy
6. Board Diversity Policy
7. Term Limit of Independent Directors
8. Dividend Policy
9. Policy and Data Relating to Health, Safety & Welfare of Employees
10. Directors Orientation and Continuing Education Policy

Governance programs and procedures implemented are follows:

1. Bi-annual disclosure of conflicts of interest;
2. Annual Board Performance Self-Assessment
3. Group Corporate Governance Oversight of Subsidiaries
4. Executive Sessions of Independent and Non-Executive Directors with Compliance Office

Chief Risk Officer, Chief Internal Auditor and External Auditor

5. Independent Directors Meeting with Executive Directors
6. Selection of Board members using 3rd party data bases and external search firms (Recommendation 8.7, SEC CCG)

On the disclosure of the remuneration on an individual basis for Board members and Executive Officers, the Board has serious concerns given the possible adverse security issues and poaching of talents by competitors in the industry. Hence, it has decided it will not be to the best interest of the Company to do so at this time. It will disclose the remuneration figures on a consolidated basis only. (Recommendation 8.4, SEC CCG)

For Recommendation 8.5, please see subsection on Related Party Transactions under Section 2 of this Revised Corporate Governance Manual.

SECTION 9. STRENGTHENING THE EXTERNAL AUDITOR'S INDEPENDENCE AND IMPROVING AUDIT QUALITY

Audit Committee Oversight Function

The Audit Committee is responsible for making recommendations to the Board in relation to the appointment, reappointment, removal and fees of the External Auditor based on approved criteria such as but not limited to technical and industry expertise, skills, resources, reputation, and quality of service delivery. The appointment, reappointment, removal and fees of the External Auditor should be approved by the Board and ratified by the Shareholders. Removal or change of the External Auditor should be disclosed to regulators and the public through the Company's website and proper disclosures. (Recommendation 9.1, SEC CCG)

As part of its assurance process, the Audit Committee is mandated to monitor the independence of the External Auditor to ensure the true objectivity of the financial statements. All services provided by the External Auditor are required to be approved by the Audit Committee. Prior to the commencement of audit work, the Audit Committee should receive a written confirmation from the External Auditor of its independence and objectivity. The policy of rotating the lead engagement partner of the External Auditor every 5 years should be strictly enforced. Any change in BDO Group's External Auditor shall require shareholders' approval (SEC Memorandum Circular No. 08, Series of 2018). The Committee is also responsible to review and monitor the External Auditor's suitability and effectiveness on an annual basis. (Recommendation 9.2, SEC CCG)

To avoid conflict of interest and impairment of independence, the Audit Committee has in place the lists of non-audit services which may not be provided by the External Auditor. (Recommendation 9.3, SEC CCG)

The Company shall ensure compliance with the Guidelines on the Accreditation/Selection of External Auditor, hereto attached as Annex D.

SECTION 10. INCREASING FOCUS ON NON-FINANCIAL AND SUSTAINABILITY REPORT REPORTING

The Company shall release an annual sustainability report in accordance with internationally recognized frameworks and standards. It shall outline the Company's economic, environmental, social, and governance performance. The sustainability report shall be attached to the Annual Report (SEC Form 17-A).

SECTION 11. PROMOTING A COMPREHENSIVE AND COST-EFFICIENT ACCESS TO RELEVANT INFORMATION

Investor Relations is a key component of the Company's corporate governance framework, promoting transparency and active engagement with investors, analysts, credit rating agencies, and other external stakeholders. The unit communicates the strategic direction, as well as financial and operating results of the Company by means of media and analysts' briefings; participation in investor conferences, roadshows, conference calls and one-on-one meetings; and official disclosures via PSE EDGE, company website, and through the media, if necessary or if applicable, to ensure timely and accurate dissemination of public, material and relevant information. From time to time, the BDO Unibank's Investor Relations Unit is joined by other members of the Senior Management team in investor meetings and corporate access activities in order to impart more insights on the Company's business.

As part of the BDO Group, BDO Unibank, Inc.'s Investor Relations Unit also regularly conveys feedback from investors and analysts and prepares shareholder and industry analysis reports to Senior Management and to the Board, for a better appreciation of market sentiment towards the company as well as to provide updates on shareholder developments and industry performance. (Recommendation 11.1, SEC CCG)

SECTION 12. STRENGTHENING THE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT FRAMEWORK

To ensure safe and sound operations, the Company has in place an adequate and effective internal control system that provides reasonable assurance that it will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Company prudently manages the risks associated with its business and operations. It has in place an enterprise risk management framework designed to enhance risk management through a holistic and integrated framework so that all material risks faced by the Company are identified, measured, evaluated, mitigated, monitored and appropriately managed. (Recommendation 12.1, SEC CCG)

Independent Audit Function

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. As such, the BDO Group has in place an independent audit function, through which the Company's Board, Senior Management, and Stockholders may be provided with reasonable assurance of the efficacy of the risk management, control and governance processes, in accordance with the international internal audit principles and standards. The functions of Internal Audit are as follows, among others:

1. Provides an independent risk-based assurance service to the Board, Audit Committee and Management, focusing on reviewing the effectiveness of the governance and control processes in (1) promoting the right values and ethics, (2) ensuring effective performance management and accounting in the organization, (3) communicating risk and control information, and (4) coordinating the activities and information among the Board, external and internal auditors, and Management;
2. Performs regular and special audit as contained in the annual audit plan and/or based on the company's risk assessment;
3. Performs consulting and advisory services related to governance and control as appropriate for the Company;
4. Performs compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, which could have a significant impact on the Company;

5. Reviews, audits and assesses the efficiency and effectiveness of the internal control system of the Company;
6. Evaluates operations or programs to ascertain whether results are consistent with established objectives and goals; and whether the operations or programs are being carried out as planned;
7. Evaluates specific operations at the request of the Board or Management, as appropriate; and
8. Monitors and evaluates governance processes. (Recommendation 12.2, SEC CCG)

Role of Chief Internal Auditor

The Board shall appoint a qualified Chief Internal Auditor to carry out the audit function, and shall require the Chief Internal Auditor to report to the Audit Committee that will allow the internal audit function to fulfill its responsibilities without impediment. The following are the responsibilities of the Chief Internal Auditor:

1. Periodically reviews the internal audit charter and presents it to senior management and the Board Audit Committee for approval;
2. Establishes a risk-based internal audit plan, including policies and procedures, to determine the priorities of the internal audit activity, consistent with the organizational goals;
3. Communicates the internal audit activity's plans, resource requirements and impact of resource limitations, as well as significant interim changes, to senior management and the Audit Committee for review and approval;
4. Spearheads the performance of the internal audit activity to ensure it adds value to the Company;
5. Reports periodically to the Audit Committee on the internal audit activity's performance relative to its plan;
6. Presents findings and recommendations to the Audit Committee and gives advice to senior management and the Board on how to improve internal processes;
7. Conducts independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including subsidiaries and affiliates;
8. Monitors the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment; and
9. Certifies that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing. (Recommendation 12.3, SEC CCG)

Independent Risk Management Function

The BDO Group has in place a separate risk management function responsible for overseeing risk-taking activities across the Company. The function entails defining a risk management strategy, identifying and analyzing key risk exposures, evaluating and categorizing each identified risk using the predefined risk categories and parameters, establishing a risk register, developing a risk mitigation plan, communicating and reporting significant risk exposures including business risks, and monitoring and evaluating the effectiveness of the Company's risk management processes. (Recommendation 12.4, SEC CCG)

Role of the Chief Risk Officer

A Chief Risk Officer ("CRO") shall be appointed or replaced with prior approval from the Board of Directors. It shall also ensure the independence of the CRO by providing direct access to the Board and Risk Management Committee (RMC) without any impediment.

The Chief Risk Officer shall be independent from executive functions, business line responsibilities, operations and revenue-generating functions. The CRO may report functionally to the RMC and administratively to the President. The RMC shall review and approve the performance of the CRO.

The functions of the CRO are as follows, among others:

1. Supervises the entire ERM process and spearheads the development, implementation, maintenance and continuous improvement of ERM processes and documentation;
2. Communicates the top risks and the status of implementation of risk management strategies and action plans to the Board Risk Oversight Committee;
3. Suggests ERM policies and related guidance, as may be needed;
4. Provides insights on the following:
    - Risk management processes are performing as intended;
    - Risk measures reported are continuously reviewed by risk owners for effectiveness; and
    - Established risk policies and procedures are being complied with;
5. Facilitates in the identification, measurement, monitoring, reporting and control of credit risks, market and liquidity risks and operational risks.
6. Monitors and assesses decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
7. Reports to senior management, Risk Management Committee and the Board of Directors the results of the assessment and monitoring of risk exposures. (Recommendation 12.5, SEC CCG)

Role of Corporate Governance Officer (CGO)

a. The functions of the CGO are as follows among others:

1. Assists the Corporate Governance Committee in ensuring compliance with regulatory and best practice requirements in corporate governance;
2. Ensures that the meetings of the Corporate Governance Committee are held in accordance with the Terms of Reference;
3. Oversees the preparation of the agenda of the CG Committee meeting in coordination with the Office of the Corporate Secretary;
4. Keeps the CG committee fully informed of any new regulatory developments and best practices in corporate governance; and
5. Recommends the trainings and seminars for the continuing education of the Board of Directors.

SECTION 13. PROMOTING SHAREHOLDER RIGHTS

A. The Board of Directors shall be committed to respect the following rights of the stockholders:

1. Right to Nominate

Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of SEC.

2. Voting Rights.

a. Shareholders shall have the right to participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors, vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code, issuance of additional shares and appointment of the external auditor.

b. Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

c. Cumulative voting shall be used in the election of directors.

d. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

e. The right to vote of stockholders may be exercised in person, through a proxy, or when authorized in the bylaws, through remote communication or *in* absentia. The right to vote of stockholders may be exercised also through remote communication or *in absentia* when authorized by the majority of the board of directors, provided, that the resolution shall only be applicable for a particular meeting. In the election of directors and officers, stockholders may vote through remote communication or *in absentia*, notwithstanding the absence of a provision in the by-laws of such corporations (SEC Memorandum Circular No. 06, Series of 2020)

f. In case of sale or disposal of at least 51% of corporate assets (whether singly or aggregated within one year from the first transactions), the vote of the stockholders representing two-thirds (2/3) of the outstanding capital stock shall be required prior to the execution of the sale transaction. In aggregate sale transactions, shareholder approval shall be required prior to the execution of the sale transaction. In aggregate sale transactions, shareholder approval shall be required for the sale transaction that breaches the 51% corporate asset threshold[2] (SEC Memorandum Circular No. 12, Series of 2020).

3. Power of Inspection

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

4. Right to Information

a. The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.

b. The shareholders, including minority shareholders, shall have access to any information relating to matters for which the management is accountable.

c. The shareholders, including minority shareholders, shall be granted the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.

5. Right to Dividends

a. Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors as enunciated in the DHI Dividend, as the same may be amended.

b. The Company shall be compelled to declare dividends when its retained earnings shall

[2] The determination of whether or not the sale amounts to at least 51% of the corporation's asset must be computed based on its total assets as shown it is latest audited financial statements, provided that the computation may also be based on the latest quarterly financial statement or a special purpose financial statement prepared in connection with the execution of the transactions.

be in excess of 100% of its paid-in capital except;

i. When the Company is prohibited under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.

ii. When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies.

iii. When justified by definite corporate expansion projects or programs approved by the Board.

6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.

b. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.

c. In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence. (Recommendation 13.1, SEC CCG)

Annual and Special Stockholders' Meeting

B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.

1. The stockholders (both retail and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place easily accessible to all investors. The Office of the Corporate Secretary will issue the Notice of the Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.

The notice of shall further be accompanied by other relevant matters such as the following:

a. When attendance, participation, and voting by remote communication or in absentia, are authorized, the requirements and procedures to be followed when a stockholder elects either option;
b. Manner of casting of votes and the period during which vote by remote communication or in absentia will be accepted;
c. Contact information of the Corporate Secretary or office staff whom the stockholder or member may notify about his or her option;
d. When the meeting is for the election of directors, the requirements and procedure for nomination and election; and,
e. The fact that there will be visual and audio recording of the meetings (for future reference).

All pertinent materials for discussion shall be numbered and marked by the Corporate Secretary in such manner that the stockholder or member participating through remote communication can easily follow and participate.

In case of postponement of stockholders' regular meetings, written notice shall be sent to all stockholders of record at least two (2) weeks prior to the date of the meeting.

They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of the questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website. (Recommendation 13.2, SEC CCG)

When so provided in the by-laws or by majority of the board of directors, stockholders who cannot physically attend at stockholders' meetings may participate in such meetings through remote communications or other alternative modes of communication. (SEC Memorandum Circular No. 06, Series of 2020)

2. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval such as but not limited to the result of the votes taken during the most recent Annual or Special Shareholders' Meeting which shall be publicly available the next working day. In addition, the minutes thereof shall be posted in the Company's website with five (5) business days from the end of the meeting. (Recommendation 13.3, SEC CCG)

3. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights. Specifically, the Company has put in place an Alternate Dispute Resolution mechanism to resolve intra-corporate dispute in an amicable and effective manner. Please refer to **ANNEX C** for the policy. (Recommendation 13.4, SEC CCG)

4. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

5. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

6. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

Shareholder Relations

The Board gives high priority to balanced, clear and transparent communications with shareholders. BDO Unibank, Inc. has a dedicated Investor Relations Unit that has a comprehensive program that articulates the Company's strategic directions and manages relationships with investors, analysts, credit rating agencies, and other external stakeholders.

BDO Unibank, Inc.'s Investor Relations Unit is also responsible for conveying the Company's financial performance and disseminating information through various channels like one-on-one meetings, investor conferences and roadshows, conference calls, and official disclosures posted via PSE EDGE and company website. (Recommendation 13.5, SEC CCG)

SECTION 14. RESPECTING RIGHTS OF STAKEHOLDERS AND EFFECTIVE REDRESS FOR VIOLATION OF STAKEHOLDER'S RIGHTS

The Company's Stakeholders

Corporate Governance is about acceptance by management of the inalienable rights of shareholders and respecting the interests of other stakeholders. In this context, the Company's stakeholders are the shareholders, employees, creditors, suppliers, service providers, counterparties, government, regulators, competitors, and communities in which the Company operates. Our corporate governance practice strives to harmonize their respective interests to promote cooperation between them and the Company in conducting its business affairs. (Recommendation 14.1, SEC CCG)

Fair Treatment and Protection of Stakeholders

The Company respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various governance practices, policies and programs for the protection of shareholders' rights and promotion for exercising those rights in accordance with OECD principles:

1. Shareholders

The Company recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the Amended By-Laws of the Company provide that all shares in each class should carry the same rights and any changes in the voting rights to be approved by them. The Company accepts the votes cast by nominees and custodians on behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

Policies and procedures have been put in place as well to protect the interests of minority shareholders such as the Related Party Transactions Policy to manage potential conflicts of interests arising from related party transactions and the Personal Trading Policy that prohibits insider trading. Please see Section 13 for the rights of the shareholders.

2. Investors

As part of BDO Group, DHI adopts a pro-active relationship with its stockholders through BDO Unibank's Investor Relations' comprehensive engagement program. The BDO Unibank's Investor Relations Unit actively cultivates relationships with current and potential investors by joining conferences and roadshows in the key global financial markets. The BDO Unibank's Investor Relations Unit also conducts regular one-on-one meetings, conference calls and briefings with investors and analysts. Aside from meeting institutional investors, the Company also reaches out to retail investors both in Metro Manila and provincial areas by participating in retail conferences and roadshows organized by local brokers. Relevant information are also shared through official disclosures posted via PSE EDGE and company website.

3. Creditors, Counterparties and Suppliers

The Company is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. In the conduct of its business dealings, the Company undertakes to honor all binding trade-related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Company's obligations in the normal course of business and in the event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes.

4. **Employees**

The Company puts very high value to its human resources. To ensure the protection and well-being of the employees, the Company has implemented policies and programs that cover the following areas:

a. **Code of Conduct and Business Ethics**

As a financial institution, DHI believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders.

The Code outlines the principles and policies that govern the activities of the institution, sets forth the rules of conduct in our work place and the standards of behavior of its directs, officers and employees in their activities and relationship with external shareholders. These reflect the core values the institution subscribes to and promotes.

The Code applies at all times to all members of the Board of Directors and BDO Group employees in their dealings with clients, suppliers, business partners and service providers. It covers the Company's commitment to a gender friendly workplace, concern for occupational health, safety and environment, transparency, integrity and accountability, compliance with laws and regulations, standards of behavior and personal conduct and ethics of doing business.

5. **Business Competitors**

The Company is committed to treat business competitors fairly and professionally in all dealings with them. It will avoid making references or discussions that may have a negative impact on the Company's competitors.

6. **Government and Regulators**

The Company supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection. (Recommendation 14.2, SEC CCG)

Stakeholders' Engagement

The Company employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Company.

Communication with the core audience is handled by the following: As part of BDO Group, BDO Unibank's Investor Relations and Corporate Planning (IR and Corplan) for institutional investors, analysts, credit rating agencies, and other external stakeholders; the DHI Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and DHI CorSec for the Board members and Senior Management. Also, communications requiring media involvement are done in conjunction with the BDO Unibank's Corporate Communications Group (MCG). (Recommendation 14.3, SEC CCG)

SECTION 15. ENCOURAGING EMPLOYEES' PARTICIPATION

The Company has established policies and programs for the benefit of the employees:

a. Health and Safety

DHI is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

b. Employee Welfare

DHI is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. In terms of compensation, the benefits program for the employees of the Company is embodied in the Collective Bargaining Agreement.

c. Training and Development

The Company provides various in-house programs such as orientation program for new hires, regular training, job specific training courses, management and leadership training programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget for these developmental programs. (Recommendation 15.1, SEC CCG)

Anti-Corruption Policy

The Company strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from client, business partners, suppliers and third party service providers in exchange for any unnecessary favorable treatment. (Recommendation 15.2, SEC CCG)

Whistle Blowing Policy

The policy covers the tipping off of any incident, situation, circumstance or problem involving fraud and/or violation of policies for further investigation which may result in or resulted in monetary loss and/or negative impact to the image of the Company.

Reporting may be done thru any available means such as but not limited to SMS text (e.g. BDO Watch), letter, email or phone call directly to the Office of the President (OP) or the appropriate Head of the Unit concerned. For concerns directly involving the President, the report should be addressed to the Board of Directors thru the Office of the Chairperson. For RPT-related concerns, the report should be addressed to the Chairman, Related Party Transactions Committee. (Recommendation 15.3, SEC CCG)

SECTION 16. ENCOURAGING SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Society, Community and the Environment

Recognizing its social development role, the Company has instituted socio-civic programs geared towards empowerment of marginalized communities and promoting environmental protection as a way of giving back particularly to the communities in which we operate and to the society in general through the active involvement and participation of its employees.

1. **Disaster Response Advocacy**

   The main focus is relief, rehabilitation and reconstruction in disaster hit areas.

2. **Environmental Initiatives**

   As part of BDO Group, DHI adopts the Social and Environmental Management Systems Policy (SEMS) to ensure that environmental and social consciousness is incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees, and the community it operates.

3. **Sustainability, climate change and wildlife protection**

   Equally important to the Company is our commitment to enhance the sustainability of the environment thru information, education and advocacies.

   <u>**Please refer to the BDO Unibank Group's Sustainability Report for more details on the Company's efforts on sustainability, climate change, and wildlife protection. (Recommendation 16.1, SEC CCG)**</u>

DISCLOSURE AND TRANSPARENCY

COMMUNICATION PROCESS

1. This Manual shall be available for inspection by any stockholder of the Company at all times. It shall be submitted to the SEC and posted in the Company's website.

2. The Board of Directors and management of the Company shall ensure the dissemination of this Manual to all employees and related parties, and to likewise encourage compliance in the process.

3. This Manual shall be disseminated to all directors, officers and employees of the Company to ensure their awareness of the corporate governance policies and practices of the Company and to encourage them to comply thereto at all times.,

MONITORING AND ASSESSMENT

1. The Board of Directors shall designate the Compliance Officer of the Company to establish an evaluation system to determine and measure compliance with this Manual.

2. This Manual shall be subject to at least an annual review by the Corporate Governance Committee of the Board of Directors

ANNEX A

Qualifications and Disqualifications of Directors and Officers

Qualifications of Directors

He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities; **and concurrent positions in the same BSP supervised financial institution and interlocking positions in other entities that may pose conflict of interest.**

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An elected director has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under MORNBFI Sec. 137-Q (Persons disqualified to become directors) as amended by BSP Circular No. 1076.

The members of the board of directors shall possess the foregoing qualifications in addition to those required or prescribed under R.A. No. 8791 and other applicable laws and regulations.

Qualifications of Officers

An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the office/s market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the cases mentioned under Section 137-Q.

Persons Disqualified to become Directors

A. Permanent Disqualification

a. Persons who have been convicted by final judgment or order by a court, or competent administrative body for offenses involving moral turpitude, fraud, estafa, embezzlement, extortion, counterfeiting, forgery, bribery, false affirmation, perjury, malversation, swindling, theft and other fraudulent acts, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9150, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);

b. Persons who have been convicted by final judgment by a court or other tribunal for violation of securities and banking laws, rules and regulations.

c. Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);

d. Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years or a violation of the Corporation Code committed within five (5) years prior to the date of his election.

e. Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract.

f. Persons who were found to be culpable for the bank's closure as determined by the Monetary Board.

g. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and

h. Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory;

i. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, BDO Corporate Governance Manual commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.

j. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.

The disqualification should also apply if (a) such person is the subject of an order of the SEC, BSP or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulations Code or any other law administered by the SEC or BSP, or under any rule or regulation issued by the Commission or BSP, (b) such person has otherwise been restrained to engage in any activity involving securities and banking; or (c) such person is the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

k. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders.

l. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above.

m. **Any person who has been found administratively liable, by final judgment, for any offense involving fraudulent acts punishable under Republic Act No. 11232, otherwise known as the Revised Corporation Code of the Philippines, Republic Act No. 8799 otherwise known as the Securities Regulation Code, and other laws, rules or regulations enforced or implemented by the Commission;**

n. **Any person who has been convicted or found administratively liable by a foreign court or equivalent foreign regulatory authority for acts, violations or misconduct similar to those enumerated in paragraphs (a) and (b) of Section 26 of the Revised Corporation Code (RCC); and**

o. **Any person who has been found administratively liable, by final judgment, for refusal to allow the inspection and/or reproduction of corporate records.**

p. Other grounds as the SEC may provide.

B. Temporary Disqualification.

The following are temporarily disqualified from holding a director position:

a. Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to,
   - the person has failed to satisfy any financial obligation that has been adjudicated by a court;
   - the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director or officer; or
   - a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

b. Persons involved in the closure of banks pending their clearance by the Monetary Board;

c. Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (i) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (ii) caused or may have caused material loss or damage to BDO Corporate Governance Manual the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (iii) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;

d. Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;

e. Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

f. Persons, other than those disqualified to become directors/officers), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforecited authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;

f. Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (i) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (ii) violation of securities and banking laws, rules and regulations;

g. Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;

h. Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;

i. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court.

j. Persons against whom a formal charge has been filed or who are found liable by any government agency / corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

l. Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

m. Dismissal or termination for cause as director of any publicly-listed company, public company, registered issuer of securities and holder of a secondary license from the Commission. The disqualification should be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination;

n. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification from being elected as an independent director is lifted if the limit is later complied with; and

o. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

Disqualifications of Officers

a. The permanent disqualifications for Directors in items “a” to “o” and temporary disqualifications in items “a” to “l” shall also apply to Officers.

Effect of Non-Possession of Qualifications or Possession of Disqualifications/ Prohibition

A director/officer elected/appointed who does not possess all the qualifications and/or has any of the disqualifications/prohibitions as enumerated herein shall be removed from office by the Company even if he/she has assumed the position to which he/she was elected/appointed. A director/officer found to possess any of the disqualifications shall be subject to the disqualification procedures promulgated by the Securities and Exchange Commission.

The Company shall be responsible for determining the existence of the ground for disqualification of the person concerned.

The Company, as real party in interest, may also file a verified complaint for the removal of its director/officer with the Operating Department of the Securities and Exchange Commission that has jurisdiction over the subject matter. (SEC Memorandum Circular No. 4 Series of 2022)

ANNEX B

Policy on Related Party Transactions

(accessible thru https://www.bdo.com.ph/leasing/corporate-governance)

ANNEX C

ALTERNATIVE DISPUTE RESOLUTION

COVERAGE

Dominion Holdings, Inc. (DHI) Alternative Dispute Resolution (ADR) System shall cover disputes between the Company and its stockholders, and the Company and third parties, including the regulatory authorities, as herein provided. A dispute shall mean a conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party, including regulatory authorities, met by contrary claims or assertions on the part of the Company and vice versa (hereinafter, "Dispute"). The ADR System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

PROCEDURE

1. Referral to ADR System

   The Head of the DHI Unit (DHI Unit Head) involved in the Dispute shall, in consultation with the BDO Unibank's Legal Services Group (LSG) and taking into account all relevant factors, assess and evaluate a Dispute and determine whether the same is proper for ADR process. To aid in this determination, the DHI Unit concerned shall submit to the DHI Unit Head a memorandum describing the nature of the Dispute and the facts and issues involved.

2. Negotiation

   Upon determination by the concerned DHI Unit Head that the Dispute is proper for ADR process, the DHI Unit concerned or any other unit or officer assigned (hereinafter, "Assigned Unit/Officer") shall, in consultation with BDO Unibank's Legal Services Group (LSG), promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, the Company shall adopt negotiation as the initial mode of amicably settling a dispute.

   During negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolution. The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the negotiations.

3. Mediation

   In the event that no settlement is reached after negotiations, the DHI Unit Head shall, in consultation with BDO Unibank's LSG and taking into account all relevant factors, determine whether the Dispute is proper for mediation. Mediation is "a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.

” The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the mediation.

4. Arbitration

In the event that no settlement is reached after mediation, the concerned DHI Unit Head shall, in consultation with BDO Unibank’s LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration. In the event the DHI Unit Head shall determine that arbitration is proper, the Assigned Unit/Officer shall promptly propose to the opposing party resort to arbitration as a mode of setting the Dispute under applicable law and rules.

MONITORING AND REPORTING

All Disputes referred to the ADR process shall be monitored. Disputes between the Company and stockholders shall be monitored by the Office of the Corporate Secretary; disputes between the Company and third parties not involving regulatory authorities shall be monitored by BDO Unibank’s LSG; and disputes between the Company and regulatory authorities shall be monitored by the Compliance Unit. All Disputes referred to the ADR process shall be reported to the Corporate Governance Committee.

SETTLEMENT

Any settlement during negotiation or mediation shall be submitted by Management to the Corporate Governance Committee which shall in turn endorse it to the Board of Directors for approval or other appropriate action.

ANNEX D

<u>Guidelines on the Accreditation/Selection of External Auditor</u>

<u>(BSP Manual of Regulations for Non-Banks – Section 133-N, SEC Memorandum Circular No. 20, s.2019, and Revised Securities Regulation Code Rule 68)</u>

Appointment of External Auditors of the Company

a. The Company shall engage the services of an external auditor included in the List of Selected External Auditors for BSP-Supervised Financial Institutions (BSFIs). In this respect, the Company shall only appoint an external auditor belonging to the same category (Group A).

b. At the same time, the Company shall ensure that the external auditor is duly registered and licensed with the Board of Accountancy of the Professional Regulations Commission and accredited by the Securities and Exchange Commission under the Group A category.

c. The external auditor appointed by the Company shall likewise audit the Company's trust department as well as its subsidiaries and affiliates engaged in allied activities, as applicable.

d. The external auditor shall fully meet the independence requirements provided under the Code of Ethics for Professional Accountants in the Philippines on a continuing basis.

e. The external auditor, including the engagement and quality control partners of the audit firm, of the Company shall be rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountants in the Philippines as adopted by the Philippine Board of Accountancy.

Audit Engagement and Reportorial Requirements

a. The Company's Board Audit Committee shall ensure that the scope of external audit work appropriately covers areas relevant to Company's operations and risk exposures. These include the following:
   1) Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports;
   2) Assessment of the propriety and adequacy of disclosures in the financial statements;
   3) Assessment of the adequacy and effectiveness of internal controls and risk management systems;
   4) Assessment of the quality of capital in relation to risk exposures; and
   5) Evaluation of the quality of corporate governance.

b. The engagement contract of the Company with the external auditor shall include, at a minimum, the following provisions:
   1) That disclosure of information, such as those enumerated under Item "c" of BSP Circular No. 1040 (*Audit Engagement and Reportorial Requirements*), by the external auditor to the Bangko Sentral and/or other financial sector supervisors shall not constitute a breach of confidentiality on the part of the external auditor nor shall it be a ground for civil, criminal, or disciplinary proceedings against the external auditor;

2) That the external auditor shall be allowed read-only access to the Bangko Sentral's Report of Examination on the Company and that the external auditor shall appropriately consider the contents thereof and maintain its confidentiality; and
3) That the Company concerned and external auditor shall comply with all requirements under this Section

   The engagement contract shall be made available by the Company to the Bangko Sentral upon request.

c. The board of directors and management of the Company shall be primarily responsible for the financial statements submitted to the Bangko Sentral. External auditors are expected to conduct the audit of financial statements in accordance with the provisions of the Philippine Standards on Auditing.

DOMINION HOLDINGS, INC.
2022 CORPORATE GOVERNANCE MANUAL

IN WITNESS WHEREOF, I have hereunto set my hands at CITY OF MAKATI, Philippines, this OCT 27 2022 day of ________ 2022.

ELMER B. SERRANO
Chairperson

KATHERINE U. RESARI
Vice President & Compliance Officer

SUBSCRIBED AND SWORN TO before me this OCT 27 2022 day of ________ 2022, affiants exhibited to me their Competent Evidence of Identity as shown below:

Name	Competent Evidence of Identity
ELMER B. SERRANO	[redacted] issued at DFA NCR East with validity up to April 18, 2032
KATHERINE U. RESARI	[redacted] issued at DFA NCR East with validity up to September 22, 2029

NOTARY PUBLIC

Atty. MARIA FELICIA T. ZANTUA
Appointment No. M-214; Notary Public until 31 December 2023
Roll No. 58016; IBP Lifetime Member No. 12574, Laguna
PTR No. 8864151, 11 January 2022, Makati City
MCLE Compliance No. VII-0014924, 6 April 2022
21/F, BDO Towers Valero, 8741 Paseo de Roxas,
Salcedo Village, Makati City

Doc No. 126
Page No. 27
Book No. I
Series of 2022

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) SS.

SECRETARY'S CERTIFICATE

I, JOSEPH JASON M. NATIVIDAD, Filipino, of legal age and with office address at the 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City, under oath, do hereby certify that:

1. I am the duly appointed Corporate Secretary of **DOMINION HOLDINGS, INC.** ***(formerly BDO Leasing and Finance, Inc.)*** **("DHI")**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at the 39th Floor, BDO Corporate Center Ortigas, No. 12 ADB Avenue, Ortigas Center, Mandaluyong City, and in that capacity, I have custody of the corporate records of BDOLF;

2. Based on the records, during the meeting of the Board of Directors of DHI held on October 26, 2022 at which a quorum was present and acting throughout, the following resolution was unanimously passed and approved:

> "**RESOLVED,** That the Board of Directors of Dominion Holdings, Inc. (DHI) approve, as it hereby approves, the revised Corporate Governance Manual of DHI, as approved under CGC Resolution No. 2022-07 of the Corporate Governance Committee adopted on October 26, 2022, and which reads as follows:
>
> CGC Resolution No. 2022-07
>
> **RESOLVED,** That the Corporate Governance Committee of Dominion Holdings, Inc. ("DHI") approve and endorse, as it hereby approves and endorses to the Board of Directors for its approval, the revised Corporate Governance Manual of DHI, a copy of which is attached as Annex "A" to the Minutes and made an integral part of this Resolution."

3. The quoted resolution has not been revoked or rescinded and continues to be in full force and effect; and

4. I am executing this certificate for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ___ day of OCT 2 8 2022 at Makati City, Philippines.

JOSEPH JASON M. NATIVIDAD
Corporate Secretary

SUBSCRIBED AND SWORN to before me this ___ day of OCT 2 8 2022 at Makati City, affiant exhibiting to me his [redacted] issued at DFA-Manila with validity up to October 5, 2028.

Doc. No. 144
Page No. 30
Book No. I
Series of 2022.

Atty. MARIA FELICIA T. ZANTUA
Appointment No. M-214; Notary Public until 31 December 2023
Roll No. 58016; IBP Lifetime Member No. 12574, Laguna
PTR No. 8864151, 11 January 2022, Makati City
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Salcedo Village, Makati City