COVER SHEET

						9	7	8	6	9

S.E.C. Registration Number

BDO LEASING AND FINANCE INC

(Company's Full Name)

BDO CORPORATE CENTER ORTIGAS
NO. 12 ADB AVENUE ORTIGAS CENTER
MANDALUYONG CITY PHILIPPINES

(Business address: No. Street City / Town / Province)

MANUEL Z. LOCSIN JR.

Contact Person

(632) 8840-7000 local 36151

Company Telephone Number

1 2 — Month

3 1 — Day

Fiscal Year

SEC FORM 17-A

FORM TYPE

Any date in April

Annual Meeting

Secondary License Type, If Applicable

C G F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

LCU

CASHIER

STAMPS

Remarks: Please use BLACK ink for scanning purposes.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2020**

2. SEC Identification Number: **97869** 3. BIR Tax Identification No.: **000-486-050-000**

4. Exact name of issuer as specified in its charter: **BDO LEASING AND FINANCE, INC.**

5. **Metro Manila, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **No. 12 ADB Avenue, Ortigas Center**
   Ortigas Center, Mandaluyong City, Metro Manila Philippines
   Address of principal office

8. **(632) 8688-1288**
   Issuer's telephone number, including area code

9. **N/A**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

	Subscribed and Outstanding	
Title of Each Class	**No. of Shares**	**Amount in Pesos**
Common	**2,162,475,312**	**Php 2,162,475,312.00**
Total	**2,162,475,312**	**Php 2,162,475,312.00**

11. Are any or all of these securities listed on a Stock Exchange.

    Yes [**X**] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    The Philippine Stock Exchange, Inc. **Common Shares only**

12. Check whether the issuer:
    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);
    Yes [**X**] No [ ]

    (b) has been subject to such filing requirements for the past ninety (90) days.
    Yes [**X**] No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: **Php 782,929,152.40**

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PART I - BUSINESS & GENERAL INFORMATION

ITEM 1. BUSINESS

BDO LEASING AND FINANCE, INC. (the **Company**) is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (PSE) on January 6, 1997. The Company operates as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases. Financing products include amortized commercial and consumer loans, installment paper purchases, floor stock financing, receivables discounting, and factoring.

The Company is a subsidiary of BDO Unibank, Inc. (**BDO Unibank** or **Ultimate 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.

The Company's principal office is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City. While the registered address of BDO Unibank is at BDO Corporate Center, 7899 Makati Avenue, Makati City.

As a subsidiary of BDO Unibank, the Company is considered a non-bank financial institution whose operations are regulated and supervised by the *Bangko Sentral ng Pilipinas* (**BSP**). In this regard, the Company is required to comply with the rules and regulations of the BSP.

In light of new accounting standards (also known as PFRS 16 on Leases which took effect on January 01, 2019) requiring leases to be recognized on balance sheet similar to a loan facility, BDO Unibank initiated the restructuring of the leasing business of its subsidiaries/affiliates, in order to optimize the financial needs of clients. PFRS 16 made lease transactions a less attractive financing option to corporate borrowers and the volume of leasing business is expected to be affected going forward, thus no longer appropriate for a listed company. On December 09, 2019, a new and privately-held entity, BDO Finance Corporation (BDO Finance), was established to assume the leasing business of BDOLF.

On January 31, 2020, the Board of Directors of BDOLF approved the sale of substantially all its assets to BDO Unibank and its subsidiaries, BDO Life and BDO Finance Corporation. In various dates in 2020, BDOLF disposed to related parties its lease and loans receivables, and investments portfolio. On October 16, 2020, BDOLF assigned irrevocably and absolutely to BDO Finance its residual assets and liabilities, including its ownership of 250,000,000 common shares of then wholly-owned subsidiary, BDO Rental Inc. (BDO Rental or Subsidiary).

BDO Rental is a company registered with the Securities and Exchange Commission (**SEC**) to engage in renting and leasing of equipment and real properties. It started its commercial operations on June 30, 2005.

Effective October 19, 2020, the leasing and financing operations of BDOLF were fully transitioned to BDO Finance.

BDOLF also closed its five branches effective October 31, 2020. BDOLF ceased to operate as a leasing and financing company and has also applied for the revocation of its secondary license as a financing company which is still subject to approval by the SEC.

Principal Products/Services

Prior to October 19, 2020, the Company's principal business is providing leasing and financing products to individual and corporate clients. The Company's leasing products include direct leases, sale-leaseback arrangements, and operating leases. The Company's financing products include commercial and retail loans, installment paper purchases, factoring of receivables and floor stock financing. Loans availed of clients are used to finance the purchase of automobiles, trucks, office equipment, industrial, agricultural and office machinery, real property, and operating assets such as receivables and inventories.

The following is a general description of the Company's leasing and financing products:

<u>Leasing Products:</u>

Finance Lease - a source of medium-term financing for the acquisition of capital equipment and is ideal if the client plans to keep the asset up to the end of the term. With just minimal capital outlay, the client can use the asset immediately.

Operating Lease - a short-term lease that does not permit the recovery of the investment by the lessor during the initial period of lease. It is an off-balance sheet transaction where rentals are recorded in the lessee's book as expense. The operating lease product is being offered by BDO Rental.

Direct Lease - The Company purchases an asset selected by a client from a supplier and leases it to the client. Through this lease arrangement, the client overcomes budgetary constraints, enhances efficiency in cash flow management through rental payments, and minimizes the required equity contribution for asset acquisition.

Sale-Leaseback - The Company purchases an asset from a client based on appraised value. The Company then "leases back" the asset to the client. This type of lease arrangement simultaneously provides liquidity to the client and continued use of the asset.

<u>Financing Products:</u>

Amortized Commercial Loan - The Company provides financing to commercial clients through the mortgage of the latter's equipment or real property. The client is able to avail of longer amortization terms as compared to unsecured loans. An amortized commercial loan addresses the client's capital expenditure or permanent working capital needs.

Installment Paper Purchase **-** The Company purchases on a "with recourse basis" the installment sales contracts of a client usually engaged in motor vehicle, appliance, or equipment dealership at a stipulated discount, thereby providing liquidity to the client.

Factoring of Receivables - As a variation of the receivables discounting product, the Company's purchase of a client's short-term receivables is on a "with or without recourse basis", with the Company directly collecting payment from the client's debtors. The client gains immediate liquidity and transfers responsibility of the collection process to the Company.

Floor Stock Financing - Ideal for transport vehicle and equipment dealers, Floor Stock Financing is a revolving short-term credit facility that finances the purchase of inventory assets – motor vehicles, trucks, and heavy equipment – for manufacturers. Floor Stock Financing will ensure that the client's inventory is in place when sales opportunities arise, without having to self-finance the purchase.

New Product or Services

There were no publicly announced new products or services.

Sales Contracts

The Company's business is not dependent upon a single customer or a few customers, the loss of any one or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

None of the Company’s customers account for, or based upon existing orders will account for, 30% or more of the Company's sales, and the Company has no existing major sales contracts.

Government Approval

Under the Financing Company Act, only corporations for which a license to engage in the business of a financing company has been granted by the SEC, may engage in both leasing and financing activities. Apart from the foregoing requirement, no other government approval is needed for the Company and its subsidiary’s principal products and services.

BDOLF’s authority to operate five (5) branches was revoked by the SEC effective 30 October 2020 while the revocation of BDOLF’s authority to operate as a financing company is still for processing with, and approval by, the SEC as of 31 December 2020.

Market Position

The Company is a major player in the leasing and financing industry. As of December 31, 2020, however, BDOLF has already ceased to operate as a financing company, and is waiting for the approval of the SEC on its application for conversion into a holding company.

Marketing of Products/Services

Until October 2020, the Company markets its products through its head office located at the 39th Floor BDO Corporate Center Ortigas, No.12 ADB Avenue, Ortigas Center, Mandaluyong City.

As part of the BDO Unibank Group (defined as BDO Unibank, its subsidiaries and affiliates), the Company was able to gain name recognition and marketing referrals provided by BDO Unibank, via the latter’s nationwide branches and Institutional Banking Group. BDO Unibank’s well-established presence throughout the country helped the Company in understanding the local business environment and finding potential clients.

Competition

The SEC's licensing requirements allow financing companies to engage in both leasing and financing activities. As a matter of practice, financing companies are classified based on their product specializations and target markets.

Some financing companies may focus on consumer leasing and financing, while others, like the Company, concentrate on commercial leasing and financing. Among financing companies targeting commercial clients, there are differences in the market segment being served, with certain financing companies focusing on established prime companies, and others focusing on smaller clients.

The Company competed with other financing companies affiliated with other banks, independent financing companies, and other financing companies affiliated with diversified financial services firms. However, its key competitors were those firms engaged in servicing the leasing or financing requirements of commercial clients in the broader “Top 5,000” Philippine companies, which include small-and medium-enterprises (SMEs).

The principal competitors of the Company were Orix Metro Leasing & Finance Corporation, BPI Leasing Corporation, LBP Leasing Corporation, Japan PNB Leasing & Finance Corporation, UCPB Leasing and Finance Corporation, First Malayan Leasing and Finance, Allied Leasing and Toyota Financial.

Sources and Availability of Raw Materials

The Company was not dependent upon single or limited number of suppliers/dealers for essential input or raw materials, equipment, energy or other similar items.

Related Party Transactions

The Company has established policies and procedures on related party transactions in compliance with BSP and SEC regulations, embodied in its duly adopted Material Related Party Transactions Policy. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms of covered transactions, identification, prevention and management of potential or actual conflict of interests, 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, composed of independent and non-executive directors, reviews and endorses to the Board of Directors for final approval all material RPTs. The Material Related Party Transactions Policy covers both the Company and its Subsidiary, as applicable, intended to ensure that every covered related party transaction is conducted in a manner that will protect the Company and the Subsidiary from conflict of interest which may arise between the Company, the Subsidiary and their 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 interest in the transaction must abstain from the deliberation and approval of any related party transaction. Related party transactions, whose value 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 the approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively. The full version of the Material Related Party Transactions Policy is published in our corporate website at https://www.bdo.com.ph/leasing/corporate governance/company policies.

Intellectual Property

As of December 31, 2020, the Company has no existing or expiring patents, copyrights, licenses, franchises, concessions, and royalty agreements. As of even date, the Company is the licensee from BDO Unibank of the following registered trademark with the Philippine Intellectual Property Office:

Trademarks	**Validity of Registration**
BDO Leasing	May 4, 2014 to May 4, 2024

Governmental Regulation

With the Company's application for revocation of its secondary license with the SEC, new changes or amendments to the Financing Company Act should not affect the Company.

Research and Development

Prior to October 2020, the Company, being in the financing business, did not have any research and development activities, and hence, it did not incur any research and development costs nor was it affected by environmental laws.

Employees

In anticipation of the cessation of the leasing and financing business of BDOLF, in August 2020, a total of 23 BDOLF employees from provincial branches were redeployed to BDO Unibank, Inc., while in October

2020, 166 employees were absorbed by BDO Finance Corporation. One employee also retired, such that as of December 31, 2020 the Company only has five (5) remaining manpower complement, who are all Corporate Officers: President, Treasurer, Corporate Secretary, Assistant Corporate Secretary and Compliance Officer.

Risk Factors

Portfolio Concentration Risks

Before October 2020, 50% of the Company's leasing and financing portfolio consisted of exposure in firms in the following sectors: transportation, construction, food and beverage, consumer products, and other community services. The Company maintained a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Company actively increased its exposure in industry sectors, which it believes possess attractive growth opportunities. Conversely, it reduced its exposure in industry sectors where growth potential was minimal. Although the Company's leasing and financing portfolio was composed of transactions with a wide variety of businesses, the results of operations and financial condition of the Company could have been adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

The Company was exposed to a variety of financial risk, which results from both its operating and investing activities. The Company's risk management was coordinated in close cooperation with the Board and focused on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company did not actively engage in the trading of financial assets for speculative purposes nor did it write options. The most significant financial risks to which the Company was exposed to are described below.

Risk Management

With its culture of managing risk prudently within its capacity and capabilities, the Company pursued its strategy and business plans to provide consistent quality service to its customers, 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 ensured:

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

The Company ensures that credit, market, interest rate, and liquidity risks are within Board-approved operating limits. Operational, legal, regulatory, and reputational risks 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 Board of Directors who is responsible for establishing and maintaining a sound risk management system. The Board of Directors 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 Board of Directors 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 Board of Directors also constituted the Credit Committee. The Credit Committee was 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, liquidity risk, market risk, interest rate risk, operational risk (including business continuity, IT risk and information security risk), consumer protection risk, environmental and social risk, and social media risk, to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.

The Assets and Liabilities Committee, which operates within the Company's overall risk management system, is responsible for managing the statements of financial position, including liquidity, interest rate and foreign exchange related risks. In addition, this committee 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 enterprise-wide risk management framework to address the risks it faces in its financing activities. The Risk Management Group, which reports to the Risk Management Committee, is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e., credit risk, liquidity risk, market risk, interest rate risk in the trading book, operational risk including business continuity, IT risk and information security risk) to optimize the risk-reward balance and maximize return on capital, in line with the Bank's risk management mission. The Risk Management Group also has the responsibility of recommending, to the appropriate body, risk policies across the full range of risks to which the Bank 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.

Foreign Currency Sensitivity

Most of the Company's transactions were carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates on financial assets arise from a portion of the Company's leasing and financing portfolio, cash and cash equivalents and lease deposits which were denominated in United States Dollars (US$).

Interest Rate Risk

The Company was exposed to changes in market interest rates through its bills payable and a portion of Company's loans and other receivables, which are subject to periodic interest rate repricing. All other financial assets and financial liabilities have fixed rates. As of December 31, 2020, BDOLF is no longer materially exposed to changes in interest rates since there are no outstanding loans and other receivables and bills payable with significant financing component.

The Company followed a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The previous composition of the Company's assets and liabilities results in significant negative gap positions for repricing periods under one year. Consequently, the Company was vulnerable to increases in market interest rates. However, in consideration of the substantial net interest margins between the Company's marginal funding cost and its interest-earning assets, and favorable lease and financing terms which allow the Company to reprice annually, and to reprice at any time in response to extraordinary fluctuations in interest rates, the Company believes that the adverse impact of any interest rate increase was limited. In addition, during periods of declining interest rates, the existence of a negative gap position favorably impacted the Company.

Credit Risk

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. The Risk Management Unit (**RMU**) of the Company undertook 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 ensured that the Company's credit policies and procedures were adequate to meet the demands of the business.

RMU also subjected the loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

The Company structured 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 were monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits were secured from the Credit Committee.

Exposure to credit risk was 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 was also managed in part by obtaining collateral or corporate and personal guarantees.

Liquidity Risk

The primary business of financing companies entails the borrowing and re-lending of funds. Consequently, financing companies are subjected to substantial leverage, and may therefore be exposed to the potential financial risks that accompany borrowing.

Like most financing companies in the Philippines, the Company did not have a license to engage in quasi-banking function, and as such, is precluded from engaging in deposit-taking activities. In addition, it was precluded under the General Banking Act from incurring borrowings from more than 19 lenders at any one time, which to some extent, restricts its access to the public debt markets.

The Company managed its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflow due on a day-to-day business.

Taxation

Relevant Tax Regulations

The Company is governed by the National Internal Revenue Code (**NIRC** or the **Tax Code**) and abides by all the relevant provisions of the NIRC. The following are the significant Revenue Regulations (**RR)** that were issued in 2020 that apply to the Company.

1. In January 15, 2020, RR No. 2-2020 was issued which implements the tax exemption provisions of Republic Act No. 11211 ("An Act Amending Republic Act Number 7653, Otherwise Known as "The New Central Bank Act", and for Other Purposes")

2. In March 30, 2020, RR 7-2020 was issued which implements Section 4 (z) of RA No. 11469 (Bayanihan to Heal as One Act), particularly on the extension of statutory deadlines and timelines for the filing and submission of any documents and the payment of taxes
3. RR 8-2020 was issued on April 2, 2020 which implements Section 4 (aa) of RA No. 11469 (Bayanihan to Heal as One Act)
4. RR 10-2020 was issued on April 14, 2020 to amend Section 2 of RR No. 7-2020 relative to the extension of statutory deadlines and timelines for the filing and submission of any document and payment of taxes pursuant to Section 4 (z) of RA No. 11469 (Bayanihan to Heal as One Act)
5. On April 30, 2020, RR 11-2020 was issued to amend Section 2 of RR No. 10-2020 relative to the extension of statutory deadlines and timelines for the filing and submission of any document and the payment of taxes pursuant to Section 4 (z) of RA No. 11469 (Bayanihan to Heal As One Act)
6. On May 21, 2020, RR 12-2020 was issued which amends Section 2 of RR No. 10-2020, as amended by RR No. 11-2020, relative to the extension of statutory deadlines and timelines for the filing and submission of any document and the payment of taxes pursuant to Section 4 (z) of RA No. 11469 (Bayanihan to Heal As One Act)
7. On July 8, 2020, RR 19-2020 was issued which prescribes the use of the new BIR Form No. 1709, replacing Form No. 1702H, Series of 1992. RR 19-2020
8. RR 24-2020 was issued on September 30, 2020 which implements Section 4 (uu) of RA No. 11494 (Bayanihan to Recover as One Act) on the exemption from Documentary Stamp Tax of loans extended or credits restructured
9. RR 34-2020 was issued on December 21, 2020 which prescribes the guidelines and procedures on the submission of BIR Form No. 1709, Transfer Pricing Documentation and other supporting documents, amending pertinent provisions of Revenue Regulations (RR) Nos. 19-2020 and 21-2002, as amended by RR No. 15-2010

<u>Gross Receipts Tax (GRT) / Value-Added Tax (VAT)</u>

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of Republic Act 9010. The Company became subject to VAT based on its gross receipts, in lieu of the GRT under Sections 121 and 122 of NIRC, which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, Republic Act No. 9238 was enacted reverting the imposition of GRT on banks and financial institutions. This law is retroactive to January 1, 2004. The Parent Company complied with the transitional guidelines provided by the BIR on the final disposition of the uncollected Output VAT as of December 31, 2004.

On May 24, 2005, the amendments on Republic Act No. 9337 was approved amending, among others, the GRT on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year of foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

<u>Supplementary Information Required Under Revenue Regulations 15-2010 and 19-2011</u>

The BIR issued RR Nos 15-2010 and 19-2011 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 Philippine Financial Reporting Standards. It is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under SRC Rule 68.

ITEM 2. PROPERTIES

The Company leased its head office premises from BDO Unibank. Head office address is at 39/F BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City. On December 15, 2020, the Contract of Lease with BDO Unibank was been terminated. Effective December 31, 2021, the lease agreement was already terminated as of December 31, 2021.

Cagayan de Oro, Davao, Iloilo, Pampanga, and Cebu branches also leased their premises from the BDO Unibank . The lease contract between BDO Unibank and the Company was terminated effective October 30, 2020.

On October 16, 2020, the Company sold and transferred its facilities, office furniture, fixtures and equipment to BDO Finance as part of the transition of the leasing and financing business of the Company to BDO Finance.

ITEM 3. LEGAL PROCEEDINGS

The Company is party to various legal proceedings which arise in the ordinary course of its operations. 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.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the vote of stockholders of the Company during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

ITEM 5. MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On July 15, 2003, the Board approved a program to buy-back shares from the stock market. The Board authorized the Chairman or Vice-Chairman and the President to determine the amount and the timing of the program. The buy-back program was approved on the rationale that the market prices did not reflect the true value of the shares and therefore remaining shareholders would benefit from a buy-back into treasury. Purchase of shares are covered by guidelines which include buy-back of shares when the share prices is undervalued, the purchase prices shall be at prevailing market prices, and the cash expenditure for the buy-back will not adversely affect the liquidity requirements of the Company for its business transactions.

The total treasury shares of the Company as of December 31, 2020 is 62,693,718 shares.

Market Information

The principal market for the Company's common equity is the PSE.

The market prices of the Company's share 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 BDOLF, 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 in light of the Share Purchase Agreement dated 24 January 2020 entered into by BDO Unibank to sell its controlling stake in BDOLF to third parties and the subsequent amendment of BDOLF's primary business to a holding company. The SEC ruled that BDOLF'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 of BDOLF on February 14, 2020.

As previously disclosed, BDOLF believes that there are no sufficient grounds for Order, especially since BDOLF does not have any ongoing offering to sell its securities to the public. On February 24, 2020, the Company 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. To date, however, the request is still pending resolution by the SEC.

The total number of stockholders of the Company as of January 31, 2021 and December 31, 2020 was one thousand one hundred three (1,103). Common shares outstanding as of January 31, 2021 and December 31, 2020 totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings as of January 31, 2021 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 January 31, 2021 are as follows:

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

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	247,627,223	11.451101%
PCI Leasing & Finance, Inc.	Common	62,693,705	2.899164%
Samuel Uy Chua	Common	21,000,000	0.971109%
Equitable Computer Services, Inc. A/C Cequit11	Common	12,320,000	0.569717%
Marylen Castro Mateo	Common	3,795,000	0.175493%
Jesselen Castro Verzosa	Common	3,795,000	0.175493%
Samuel Uy Chua	Common	3,011,150	0.139246%
Constantino Chua	Common	2,497,200	0.115479%
Equitable Computer Services, Inc.	Common	2,070,200	0.095733%
Mercury Group of Companies, Inc.	Common	1,089,165	0.050367%
Constantino Chua &/or Willington Chua &/or George W. Chua	Common	1,020,000	0.047168%
Nardo R. Leviste	Common	759,000	0.035099%
PCD Nominee Corporation (Foreign)	Common	600,821	0.027784%
Willington/Constantino Chua	Common	584,430	0.027026%
Willington Chua	Common	508,530	0.023516%
Pablo Son Keng Go	Common	455,400	0.021059%
Wilson Go	Common	438,625	0.020283%
Lim Chin Ben	Common	425,040	0.019655%
Sysmart Corporation	Common	358,835	0.016594%
Abacus Capital & Investment Corp.	Common	303,000	0.014012%

The top 20 stockholders of the Company as of December 31, 2020 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	247,593,400	11.44954%
PCI Leasing & Finance, Inc.	Common	62,693,705	2.899164%
Samuel Uy Chua	Common	21,000,000	0.971109%
Equitable Computer Services, Inc. A/C Cequit11	Common	12,320,000	0.569717%
Marylen Castro Mateo	Common	3,795,000	0.175493%
Jesselen Castro Verzosa	Common	3,795,000	0.175493%
Samuel Uy Chua	Common	3,011,150	0.139246%
Constantino Chua	Common	2,497,200	0.115479%
Equitable Computer Services, Inc.	Common	2,070,200	0.095733%
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Wilson Go	Common	438,625	0.020283%
Lim Chin Ben	Common	425,040	0.019655%
Sysmart Corporation	Common	358,835	0.016594%
Abacus Capital & Investment Corp.	Common	303,000	0.014012%

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

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.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Gross income for the year ended December 31, 2020 was P2,367.1 Million, a decrease of P664.8 Million, or 21.9%, from P3,031.9 Million in 2019. Interest and discounts were at P1,123.0 Million, down by P861.5 Million or 43.4% from P1,984.5 Million in 2019. Rent Income in 2020 amounted to P583.0 Million, a decline of P261.6 Million or 31.0% from P844.6 Million in 2019. The decrease in Interest Income and Rent Income was the result of the sale of substantially all of the Company's assets to BDO Unibank, BDO Finance and other subsidiaries as part of the restructuring process of the BDO Group's leasing business. As of December 31, 2020, substantially all of BDOLF's lease and loan portfolio has already been sold.

Meanwhile, Service fee and other income rose to P661.1 Million, an increase of P458.3 Million or 226% from last year's P202.8 Million. The increase was mainly due to the gain on sale of receivables to BDO Unibank, BDO Finance & other subsidiaries.

Interest and financing charges for 2020 amounted to P526.0 Million, consisting mainly of finance charges from borrowings of P517.6 Million, interest expense on lease deposits of P6.4 Million and interest expense on lease liability of P1.4 Million. The decrease of P871.7 Million in financing charges is attributed to the restructuring of the company's leasing business, where Bills Payable were paid off in October 2020. Interest expense on leased deposits in 2020 amounted to P6.4 Million or a decrease of P1.3M from last year's P7.7 Million. Interest expense on lease liability went down to P1.4 Million from P2.2 Million last year.

Total provisions for impairment losses increased from P6.2 Million in 2019 to P399.1 Million in 2020. This was due to the expected delinquencies as a result of the pandemic.

Taxes and licenses amounted to P199.8 Million for the year ended December 31, 2020, a decline of P109.7 Million, or 35.4% from the P309.5 Million reported for the year ended December 31, 2019. The decrease was attributable to the reduction in Bills Payable in 2020 as a result of BDOLF's restructuring.

Salaries and employee benefits expense amounted to P214.9 Million in 2020 as compared to P244.2 Million in 2020. Occupancy and equipment related expenses for the year ended December 31, 2020 amounted to P538.0 Million, a decrease of P273.9 Million, or 33.7% from December 2019's P811.9 Million.

Litigation/acquired assets expenses amounted to P8.0 Million in 2020, a decrease of P4.4 Million from P12.4 Million in 2019.

Other expenses decreased to P70.9 Million in 2020 as compared to P111.1 Million in 2019.

The Company registered a net income of P252.3 Million for the year ended December 31, 2020.

Total assets amounted to P6.0 Billion in December 31, 2020, a decrease of P24.9 Billion from P30.9 Billion as of December 2019. BDOLF sold substantially all of its assets to BDO Unibank, BDO Finance and other subsidiaries On the other hand, The Company purchased P5,747.0 worth of unit investment trust funds (UITFs) in 2020. Other receivables balance amounting to P127.3 Million are mainly from Creditable withholding tax of P121.7 Million to be applied to future income tax payments.

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 P27.5M includes, among others, withholding taxes payable, accrued taxes and other expenses payable and payroll related accounts.

Stockholders' equity stood at P6.0 Billion.

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

	December 2020	December 2019
Current Ratio	218.01:1	0.36:1
Quick asset ratio	218.01:1	0.36:1
Debt to Equity Ratio	0.00:1	4.88:1
Net Profit Margin	10.67%	1.54%
Return on Equity	4.36%	0.85%

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 0.36:1 to 218.01:01 Debt to equity ratio, computed as total liabilities divided by total equity went down to 0 from 4.88:1. Net Profit Margin which is computed as net income over gross revenue, went up due to higher income. Return on Equity, which is net income over average equity, rose to 4.36% in 2020.

With approvals from BDOLF's Board of Directors and stockholders, the Company already voluntarily surrendered its secondary license as financing company to the SEC. Before it accepts the surrender of BDOLF's leasing license, the SEC is requiring BDOLF to first amend its Articles of Incorporation to reflect its new primary purpose as a holding company. BDOLF, however, already ceased to operate as a leasing company, has not accepted any leasing transaction since October 16, 2020 and has completed the assignment and transfer of its leasing and financing business primarily to an affiliate, BDO Finance Corporation on 19 October 2020.

2019 Compared to 2018

Gross income for the year ended December 31, 2019 was P3,031.9 Million, a decrease of P183.6 Million, or 5.7% from P3,215.5 Million in 2018. Interest and discounts for the year ended December 31, 2019 were P1,984.5 Million, up by P17.4 Million or 0.9% from P1,967.1 Million in 2018. Rent Income for the year decreased to P844.6 Million, a decline of of P93.7 Million or 10% from P938.3 Million in 2018 due to the implementation of PFRS 16 in 2019. The Company's leasing and financing portfolio as of December 31, 2019 was at P24.78 Billion.

Interest and financing charges for 2019 amounted to P1,399.2 Million, consisting mainly of finance charges from borrowings of P1,389.3 Million, interest expense on lease deposits of P7.7 Million and interest expense on lease liability of P2.2. The increase of P224.7 Million in financing charges is attributed to the increase in borrowing rate in 2019. Interest expense on leased deposits in 2019 amounted to P7.7 Million or an increase of P2.1M from 2018's P5.6 Million. Interest expense on lease liability amounting P2.2 arises from the implementation of PFRS 16.

Total provision for impairment losses increased from P1.0 Million in 2018 to P63.2 Million in 2019. This was due to the higher NPL as of the end of 2019. Accounts written off in 2019 amounted to P19.6 Million.

Taxes and licenses amounted to P309.5 Million for the year ended December 31, 2019, a decline of P35.7 Million, or 10.3% from the P345.2 Million reported for the year ended December 31, 2018. The decrease was attributable to lower levels of Bills Payable in 2019.

Salaries and employee benefits expense amounted to P244.2 Million in 2019 as compared to P235.7 Million in 2018. Occupancy and equipment related expenses for the year ended December 31, 2018 amounted to P811.9 Million, a decrease of P99.9 Million, or 11% from December 2018's P911.8 Million.

Litigation/acquired assets expenses amounted to P12.4 Million in 2019, a slight decrease of P1.9 Million from P14.3 Million in 2018.

Other expenses decreased slightly to P111.1 Million in 2019 as compared to P117.0 Million in 2018.

The Company registered a net income of P46.8 Million for the year ended December 31, 2019.

Total assets amounted to P30.9 Billion in December 31, 2019, a decrease of P10.6 Billion from P41.5 Billion as of December 2018. Financial assets at fair value through OCI (FVOCI) decreased from P3.6 Billion last year to P3.2 Billion this year due to investment maturities. Leasing and Financing portfolio amounted to P25.2 Billion in 2019 from P34.6 Billion in 2018, a decrease of P9.4 Billion due to sale of part of the company's lower yielding portfolio. Property and Equipment-net amounted to P1.9 Billion as of 2019, a decrease from last year's P2.3 Billion. Investment properties-net slightly increased to P393.8 Million. Other assets amounted to P381.9 Million in 2019 mainly due to sale of the company's investment in an associate, MMPC Auto Financial Services Corp..

Income tax payable, accounts payable, and other liabilities decreased to P459.6 Million from P587.1 Million last year.

Lease deposits, amounting to P4.74 Billion in 2019, decreased by P1.9 Billion or 28.6% from last year's P6.63 Billion consistent with the decline in volumes.

Stockholders' equity increased by P271.3 Million or by 5.1%.

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

	December 2019	December 2018
Current Ratio	0.36:1	0.42:1
Quick asset ratio	0.36:1	0.41:1
Debt to Equity Ratio	4.51:1	6.77:1
Net Profit Margin	1.54%	10.29%
Return on Equity	0.85%	6.13%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) decrease from last year's 0.42:1 and 0.41:1, respectively. Debt to equity ratio, computed as total liabilities divided by total equity, decreased from 6.77:1 in 2018 to 4.51:1 in 2019. Net Profit Margin which is computed as net income over gross revenue, declined due to higher operating expenses. Return on Equity, which is net income over average equity, declined to 0.85% in 2019.

Policy on Revenue Recognition – Other Income

Income related to the administration and servicing of loans are recognized as revenue once the services are rendered. These are included under Other Income such as Service Fees, Gain on disposal of property, share in net income (loss) on equity investment, etc. These are recognized as they are earned.

Key Variable and Other Qualitative and Quantitative Factors

As approved by the Company's Board of Directors on January 31, 2020 and its shareholders on July 21, 2020, BDOLF's core loans and receivables and investment were sold on cash basis under arm's length terms to BDO Finance and other affiliates on various dates in 2020, as part of the Company's restructuring process. By end-December 2020, BDOLF's assets consist of Cash and cash equivalents, Unit Investment Trust Funds (**UITF**) placements, and Accounts Receivables, totaling P5.996 Billion.

The Company's license to operate five (5) branches were surrendered to and revoked by the SEC effective October 31, 2020. The Company likewise commenced in November 2020 the application process for the surrender and revocation of its secondary license to operate as a financing company by the SEC.

The Company is no longer engaged in the business of leasing and financing effective October 19, 2020.

Internal and Externals Sources of Liquidity

From January to September 2020, the Company relied on revenue from operations and borrowings from creditor banks for its source of liquidity.

The sale of substantially all assets of the Company was used to pay-off or retire all credit obligations. The residual cash was placed in UITFs.

Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company included in the 2020 Annual Report to Stockholders are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

Information on Independent Accountant and Other Related Matters

The financial statements of the Company included in the 2020 Annual Report to Stockholders are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form.

INFORMATION ON INDEPENDENT ACCOUNTANT

Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was P0.854 Million for the year 2020 and P1.486 Million for the year 2020. These fees cover services rendered by the external auditor for audit of the financial statements and other services in connection with statutory and regulatory filings for fiscal year 2020 and 2019.

(b) Tax fees and other fees

No other fees were paid to the auditing firm of P&A Grant Thornton ("P&A") for the last two (2) fiscal years.

(c) The Board Audit Committee has the oversight responsibility over the audit function and activities of Internal and External auditors. It provides assurance that (a) financial disclosures made by the management as presented in the Internal Auditor's report reasonably reflect the financial condition; the results of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended and whether modifications are necessary.

The Board Audit Committee has the responsibility to select and recommend to the Board the External Auditors. It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board for approval. It reports to the Board audit-related matters requiring the Board's action.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2020 and 2019, the auditing firm of P&A has been appointed as the Company's Independent Public Accountant. There was no event in the past where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope and procedures.

PART III - CONTROL AND COMPENSATION INFORMATION

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

1. Directors and Corporate Officers

The Board of Directors 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 year and shall serve until their respective successors have been duly elected and qualified.

The Board meets monthly to discuss the Company's operations and approve matters requiring its approval. Materials containing matters to be taken up during the Board meeting are distributed to the directors at least five days prior to the scheduled Board meeting.

The Board meets every month to discuss the Company's operations and approve matters requiring its approval. Materials containing matters to be taken up during the Board meeting are distributed to the directors at least five days prior to the scheduled Board meeting.

Below is the list of the incumbent Directors and Corporate Officers of the Company, with their business profiles for the past five (5) years:

TERESITA T. SY
Chairperson
70 years old, Filipino

Ms. Sy was first elected to the Board of Directors of the Company on September 20, 2005 and currently serves as Chairperson of the Board. She is also the Chairperson of the Board of Directors of BDO Unibank, Inc., where she has been a member since 1977. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO Unibank such as BDO Private Bank, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., BDO Life Assurance Company, Inc. and BDO Finance Corporation. Ms. Sy also serves as Adviser to the Board of BDO Network Bank, Inc.

Ms. Sy is the Vice Chairperson of SM Investments Corporation (PLC) and Adviser to the Board of SM Prime Holdings, Inc. (PLC). She also sits as Chairperson of SM Retail, Inc. A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in banking and finance, retail merchandising, mall and real estate development.

ROBERTO E. LAPID
Vice Chairman and President
64 years old, Filipino

Mr. Lapid was appointed Vice Chairman of the Company on December 1, 2010, and appointed as its President on April 23, 2014. He is concurrently President and Vice Chairman of the Board of Directors of BDO Finance Corporation and BDO Rental, Inc., a wholly owned subsidiary of BDO Leasing, and a member of the Board of Trustees of the Foundation for Carmelite Scholastics. He was formerly the President of Equitable Exchange, Inc. and the Vice Chairman/Director of EBC Investments, Inc. Mr. Lapid holds a Bachelor's degree in Business Administration from the University of the Philippines.

ANTONIO N. COTOCO
Director
72 years old, Filipino

Mr. Cotoco was first elected to the Board of Directors of the Company on January 25, 2001. He is a Senior Credit Executive of BDO Unibank, Inc. and a member of its Board Credit Committee. Mr. Cotoco is Chairman of BDO Rental, Inc., and he is also a Director of the following: BDO Remit Limited, BDO Remit (Macau) Ltd., and BDO Remit (USA), Inc. Currently, he also serves as a Director of OAC Realty & Development Corporation. For more than 45 years, Mr. Cotoco has been involved in investment banking, corporate finance, treasury, consumer banking, credit, business development & account management. Mr. Cotoco holds a Master's degree in Business Administration from the University of the Philippines.

JECI A. LAPUS
Non-Executive Director
67 years old, Filipino

Hon. Lapus was first elected as to the Board of Directors of the Company on April 23, 2014 and is presently a member of the Company's Related Party Transactions Committee. Mr. Lapus also serves as a Trustee and Acting Administrator of the Local Water Utilities Administration. From 2005 to 2006, he was an Independent Director of PCI Leasing and Finance, Inc. (now BDO Leasing and Finance, Inc.). He was formerly a Director of BDO Network Bank, Inc. and PNOC-Exploration Corp.; President of TODO Foundation, Inc.; President & Member of Foundation of Outstanding Mapuan Inc. and Vice President & OIC – Finance Administration of the National Agri-Business Corporation. Mr. Lapus was a member of House of Representatives, representing the third district of Tarlac from 2007 – 2013, and he also served as a Reserved Officer with rank of Lieutenant Colonel in the Philippine Air Force. Mr. Lapus has a Bachelor'sDegree in Civil Engineering from the Mapua Institute of Technology and passed the CE Board in 1975 and obtained his Doctor of Technology (Honoris Causa) degree from Tarlac Agriculture University

LUIS S. REYES, JR.
Director & Treasurer
63 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 BDO Securities Corporation, 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.

NESTOR V. TAN
Director
62 years old, Filipino

Mr. Tan was first elected to the Board of Directors of the Company on January 23, 2007. He is the President and CEO of BDO Unibank, Inc., and concurrently holds the following positions in the BDO Group: Chairmanship of BDO Strategic Holdings, Inc. and BDO Network Bank, Inc.; Vice chairmanships and/or directorships in BDO Leasing and Finance, Inc., BDO Capital & Investment Corporation, BDO Finance Corporation, BDO Life Assurance Company, Inc., BDO Private Bank, Inc., BDO Remit (USA), Inc., and SM Keppel Land, Inc., and; Trusteeship of BDO Foundation, Inc.

In addition, he is currently the Chairman of the De La Salle University Board of Trustees, Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks, and; Chairman of Mastercard Asia Pacific Advisory Board. He is the past president and chairman, and current Director of the Bankers Association of the Philippines.

Prior to joining BDO Unibank, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment-banking subsidiary of the Barclays Group. His banking career spans nearly four decades and includes posts at global financial institutions, among them Mellon Bank in Pittsburgh, PA; Bankers Trust Company in New York, NY; and the Barclays Group in New York and London. He holds a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

EXEQUIEL P. VILLACORTA, JR.
Non-Executive Director
76 years old, Filipino

Mr. Villacorta was first elected to the Board of Directors of the Company on May 24, 2006. He is currently Director of Premium Leisure Corp. and BDO Finance Corporation. He is also a member of the Board of Trustees of Bayan Academy.

Mr. Villacorta was formerly director of Equitable PCI Bank, Inc. from 2005 to 2006, EBC Insurance Brokerage, Inc., Maxicare Healthcare Corporation, and Philab Holdings, Inc. He was also the Chairman of EBC Strategic Holdings Corporation, EBC Investments, Inc., Jardine Equitable Finance Corporation, Strategic Property Holdings, Inc., PCIB Properties, Inc., Equitable Data Center, Inc. and PCI Automation Center, Inc. He was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom; and Adviser to the Board of PCI Capital Corporation. Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from Asian Institute of Management.

WALTER C. WASSMER
Director
63 years old, Filipino

Mr. Wassmer was first elected to the Board of Directors of the Company on November 17, 1999. He is the Senior Executive Vice President and Head of the Institutional Banking Group of BDO Unibank, Inc. He is also the Director of BDO Capital & Investment Corporation and BDO Finance Corporation. Previously, Mr. Wassmer was the Chairman and Officer-In-Charge of BDO Elite Savings Bank, Inc., (formerly GE Money Bank, Inc.) and held directorships in MMPC Auto Financial Services, Inc., MDB Land, Inc., Mabuhay Vinyl

Corporation, and Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). He holds a Bachelor of Science degree in Commerce from De La Salle University.

JESSE H.T. ANDRES
Independent Director
56 years old, Filipino

Atty. Andres was first elected to the Board of Directors of the Company on September 20, 2005, and is presently the Chairman of the Corporate Governance Committee, Nomination Committee, and the Related Party Transactions Committee, and a member of the Company's Board Audit Committee and Risk Management Committee. Moreover, he also serves as Independent Director of BDO Network Bank, Inc. He is likewise a Director in Benguet Corporation, a publicly listed company (PLC). In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee for six (6) years. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Since July 1, 2011, he has been the Managing Partner of the Andres Padernal & Paras Law Offices. From 1996 to 2003, he was a Partner at PECABAR Law Offices, where he became Co-Head of the Litigation Department in 2001. He was also Chief of Staff (Undersecretary) of the Office of the Vice-President (2004-2010). Previously, he was Senior Manager of the Philippine Exporters' Foundation, and Board Secretary of the Department of Trade and Industry's Garments and Textile Export Board. Atty. Andres holds a Bachelor of Arts degree in Economics from the School of Economics, University of the Philippines (U.P.) and a Bachelor of Laws degree from the U.P. College of Law.

MA. LEONORA V. DE JESUS
Independent Director
70 years old, Filipino

Ms. De Jesus was first elected to the Board of Directors of the Company on May 12, 2008. She is presently the Chairperson of the Company's Board Audit Committee, and a member of the Corporate Governance Committee, Nomination Committee, and Related Party Transactions Committee. She is also an Independent Director of BDO Network Bank, Inc. and STI Education Systems Holdings, Inc. Ms. De Jesus also serves as Director of Risks, Opportunities Assessment and Management (ROAM), Inc. In addition, she is an accredited SEC trainor on corporate governance. In the past, Ms. De Jesus was an Independent Director of BDO Capital & Investment Corporation, Equitable Savings Bank, PCI Capital Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation. She was formerly the University President of the Pamantasan ng Lungsod ng Maynila, and was a professorial lecturer at the University of the Philippines, Diliman, and at the De La Salle Graduate School of Business and Governance. She was also a member of the Board of Governors of the Philippine National Red Cross. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the cabinets of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She has had trainings in Housing Finance at Wharton School of Business, and Essentials of Portfolio Management at the New York Institute of Finance. She holds Bachelor's, Master's and Doctorate degrees in Psychology from the University of the Philippines.

VICENTE S. PÉREZ, JR.
Independent Director
62 years old, Filipino

Mr. Pérez was first elected to the Board of Directors of the Company on April 7, 2017, and is the Chairman of the Company's Risk Management Committee. He is currently an Independent Director of BDO Unibank, Inc., BDO Finance Corporation, and Double Dragon Properties Corp. He is also a Non- Executive Director of Singapore Technologies Telemedia Pte Ltd. Mr. Pérez is currently the Chairman of the Alternergy Group, Philippine renewable power companies in wind, hydro and solar. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments.

Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburgh, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York investment bank Lazard Fréres as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization.

In September 2020, Mr. Perez was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines.

Mr. Pérez obtained his Masters in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

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

Atty. Natividad is the Corporate Secretary of the Company, having been appointed on May 31, 2010. He concurrently holds the position of Corporate Secretary of BDO Network Bank, Inc., BDO Rental, Inc., and the Agility Group of Companies in the Philippines. He is also the Assistant Corporate Secretary of BDO Securities Corporation and 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 BDO Unibank, Inc. Atty. Natividad is currently a partner at the Factoran and Natividad Law Offices. He has been in law practice for 22 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.

Independent Directors

The independent directors of the Company are Atty. Jesse H.T. Andres, Mr. Vicente S. Pérez, Jr., and Ms. Ma. Leonora V. De Jesus.

Corporate Officers

The Corporate Officers of the Company, led by the President as the chief executive officer, are responsible for the management of all business activities and the day-to-day operations of the Company, subject to the oversight and supervision of the Board of Directors. The Compliance Officer on the other hand is in charge of the Company's regulatory compliance function. Collectively, the Corporate Officers are responsible for the implementation of the policies set by the Board. Since the Company has already ceased its leasing and financing operations, as of December 31, 2020, the Company has only (5) remaining Corporate Officers: President, Treasurer, Compliance Officer., Corporate Secretary and Assistant Corporate Secretary.

ANGELITA C. TAD-Y
First Vice President/Chief Risk & Compliance Officer
Filipino, 55 years old

Ms. Tad-y was appointed as Chief Risk and Compliance Officer of the Company on December 16, 2017. She is concurrently the Company's Data Privacy and Information Security Officer. She joined the Asset Management Group of BDO Unibank in 2008 and transferred to Risk Management Group from 2010 to December 15, 2017. Prior to BDO Unibank, Ms. Tad-y worked for Philamlife Insurance Company as Associate Controller, Asset Management & Compliance Officer for five years, and for JP Morgan Chase Bank as Credit Officer for 12 years. Ms. Tad-y earned her Bachelor of Science Degree major in Accounting from De La Salle University.

On March 1, 2021, the Board of Directors approved the appointment of Ms. Katherine U. Resari as Compliance and Corporate Governance Officer of the Company, vice Ms. Angelita C. Tad-y, effective March 2, 2021, in view of the appointment of Ms. Tad-y as Comptrollership and Operations Head of BDO Finance Corp.

Likewise, effective April 30, 2021, Mr. Roberto E. Lapid has retired as President of BDOLF. The Board of Directors approved the appointment of Mr. Manuel Z. Locsin, Jr. as Senior Vice President and Officer-in-Charge of the Company effective May 1, 2021.

Finally, on May 12, 2021, the Board of Directors also accepted the resignation of Mr. Lapid as a Director, Vice-Chairman of the Board, and a member of the Executive Committee. Mr. Locsin Jr., in turn, was appointed as a new Director and Executive Committee member on the same date.

Board and Senior Management Performance

An annual self-assessment focusing on the performance of the Board, its members, and Committees, and Senior Management, is spearheaded by the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaires to each director and adviser. They are required to complete the questionnaire which explains the rationale and objectives of the performance evaluation. Based on the returns from each respondent, the ratings and responses are tabulated and consolidated. The Corporate Governance Officer prepares the overall report and presents this to the Corporate Governance Committee for discussion and endorsement to the Board, including the recommended actions and focus areas to improve effectiveness.

Significant Employee

There is no person, other than the senior executive officer above, who is expected by the Company to make significant contributions to the Company

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement of Directors and Executive Officers in Certain Legal Proceedings

To the best of the Company’s knowledge, none of the directors or executive officers is named or is involved during the last five (5) years up to January 31, 2021 in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition.

To the best of the Company’s knowledge, none of its directors and senior executives have been subject of the following legal proceedings for the past five (5) years:

i. bankruptcy petition by or against any business of which such director or senior executive was a general partner or executive officer either at the time of bankruptcy or within two years prior to that time;

ii. a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;

iii. to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

Disclosure and Transparency

The Company recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications. Significant items that are disclosed include the following:

A. Executive Compensation Policy

It is the objective of the Company to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, the Company offers a remuneration package composed of fixed salary, benefits and long-term incentives. Below are the compensation details of the directors and key executive officers of the Company:

(1) President and four most highly compensated executive officers

in million pesos	Year	Annual Compensation	Other Compensation
President and four most highly compensated executive officers	2021 (estimate)	24.80	none
	2020	24.08	none
	2019	26.22	none
Year	**Name**		**Position/Title**
2020	Roberto E. Lapid		President
	Ma. Theresa M. Soriano		First Vice President
	Rosario C. Crisostomo		First Vice President
	Angelita C. Tad-y		First Vice President
	Frieda Concepcion T. Jimenez		First Vice President
2019	Roberto E. Lapid		President
	Agerico Melecio S. Verzola		First Vice President
	Ma. Theresa M. Soriano		First Vice President
	Rosario C. Crisostomo		First Vice President
	Angelita C. Tad-y		First Vice President

The above compensation includes the usual bonus paid to officers. Except for salaries, allowances, retirement benefits provided under BDO Unibank's retirement plan, and company-wide benefit extended to all qualified employees under BDO's stock option plan, there is no separate stock option, stock warrant or other security compensation arrangement between BDO and its individual officers.

(2) Compensation of directors and officers as a group

In Million Pesos	Year	Annual Compensation	Other Compensation
All other officers	2021 (estimate)	93.26	none

and directors	2020	91.03	none
	2019	135.05	none

B. Compensation of Directors

Each director is entitled to receive *per diem* allowance for attending board and committee meetings. As provided by law, the total compensation of directors shall not exceed 10% of the net income before income tax of the Company for the preceding year.

Each member of the Board of Directors received the following amounts as Directors for the year 2020:

Name of Director	Amount
1. Teresita T. Sy	P 0.00
2. Nestor V. Tan	0.00
3. Roberto E. Lapid	0.00
4. Jesse H.T. Andres	733,333.87
5. Ma. Leonora V. De Jesus	722,222.77
6. Jeci A. Lapus	666,666.91
7. Vicente S. Perez Jr.	677,777.85
8. Exequiel P. Villacorta Jr	611,111.00
9. Antonio N. Cotoco	0.00
10. Walter C. Wassmer	0.00
11. Luis S. Reyes	0.00
Total	**P 3,411,112.40**

Above-mentioned amounts include total fees and *per diems* received by the Directors for their attendance in meetings of the Board. Executives of BDO Unibank and BDOLF did not receive any directors' fees nor per diems as Directors of the Company.

There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

The Company may grant to the directors any compensation other than *per diem* upon approval of the shareholders representing at least a majority of the outstanding capital stock.

C. Outstanding warrants or options held by the Company's CEO, executive officers, and all officers and directors as a group.

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

D. Any repricing of warrants or options held by such officers or directors in the last completed fiscal year, as well as the basis for each such repricing.

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record/Beneficial Owners

As of January 31, 2021, the following are known to the Company to be directly or indirectly the record and/or beneficial owners of more than 5% of the Company's voting securities:

Title of class	Name and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage
Common	BDO Unibank, Inc. BDO Corporate Center 7899 Makati Avenue, Makati City ***BDO Unibank, Inc. is the parent company of the Company***	Record and beneficial (affiliate and majority stockholder)	Filipino	1,914,711,807	88.54%
Common	PCD Nominee Corp. (**PCD**) G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City ***PCD has no relationship with the Registrant except as stockholder.*** ***PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares.***	Various shareholders No stockholder owns more than 5% of the Company's voting securities through PCD	Filipino Non-Filipino	247,627,223 600,821	11.45% 0.03%

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

The persons authorized to vote the shares of BDO Unibank are Ms. Teresita T. Sy and Mr. Nestor V. Tan.

As of March 02, 2021, the following stockholders own more than 5% of BDO Unibank:

Title of Class	Name & Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of BDO Shares Held	Percentage
Common	**SM Investments Corporation** 10th Floor, One E-com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/Parent Company	Sy Family (Substantial Stockholders)	Filipino	1,787,180,649 *	40.76%
Common	**PCD Nominee Corp. (Non-Filipino)** 37th Floor, The Enterprise Center Ayala Avenue, Makati City/Various Stockholders	Various Stockholders	Foreign	1,100,266,663	25.09%
Common	**PCD Nominee Corp. (Filipino)** 37th Floor, The Enterprise Center Ayala Avenue, Makati City/Various Stockholders	Various Stockholders	Filipino	756,808,925 **	17.26%
Common	**Multi-Realty Development Corporation** 10th Floor L.V. Locsin Building 6752 Ayala Avenue, Makati City/Stockhdolder	SM Investments Corp.	Filipino	291,513,036 *	6.65%
Common	**Sybase Equity Investments Corporation** 10th Floor L.V. Locsin Building	Various corporate stockholders	Filipino	240,010,292 *	5.47%

	6752 Ayala Avenue, Makati City/Stockholder				
	TOTAL (COMMON)			**4,175,779,565**	**95.23%**

* Inclusive of PCD-lodged shares of SM Investments Corporation (SMIC), Multi-Realty Development Corporation (MRDC) and Sybase Equity Investments Corporation (SEIC)
** Exclusive of PCD-lodged shares of SMIC, MRDC and SEIC.

Title of Class	Name & Address of Record Owner	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of BDO Shares Held	Percentage
Preferred	**Sybase Equity Investments Corporation** 10th Floor L.V. Locsin Building 6752 Ayala Avenue, Makati City/Stockholder	Various stockholders	Filipino	391,400,000	76.00%
Preferred	**SM Investments Corporation** 10th Floor, One E-com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/Parent Company	Sy Family (Substantial Stockholders)	Filipino	123,600,000	24.00%
	TOTAL (PREFERRED)			**515,000,000**	**100.00%**

There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with the Company nor has there been any change in control of the Company.

Security Ownership of Management

As of January 31, 2021, the total number of shares owned by the directors and management of the Company as a group is 107,375 Common Shares, which is equivalent to 0.0049651% of the total outstanding Common Shares of the Company. The Company's directors and officers own the following Common Shares:

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares	Percentage
Common	**Teresita T. Sy** Chairperson	Chairperson	Filipino	100	0.0000046%
Common	**Roberto E. Lapid** Vice Chairman & President	Vice-Chairman & President	Filipino	100	0.0000046%
Common	**Jesse H.T. Andres**	Independent Director	Filipino	100	0.0000046%
Common	**Antonio N. Cotoco**	Director	Filipino	115	0.0000053%
Common	**Ma. Leonora V. De Jesus**	Independent Director	Filipino	100	0.0000046%
Common	**Jeci A. Lapus**	Director	Filipino	100	0.0000046%
Common	**Vicente S. Pérez, Jr.**	Independent Director	Filipino	100	0.0000046%
Common	**Luis S. Reyes Jr.**	Director	Filipino	100	0.0000046%
Common	**Nestor V. Tan**	Director	Filipino	100	0.0000046%
Common	**Exequiel P. Villacorta, Jr.**	Director	Filipino	100	0.0000046%
Common	**Walter C. Wassmer**	Director	Filipino	100	0.0000046%
Common	**Rosario C. Crisostomo**	Vice President	Filipino	106,260	0.0049138%
	Total			**107,375**	**0.0049651%**

Directors and officers of the Company are required to report to the Company any acquisition or disposition of the Company's shares within three business days from the date of the transaction. As prescribed by the Disclosure Rules of the PSE, the Company shall disclose to the PSE any acquisition or disposition of its shares by its directors and officers within five (5) trading days from the transaction. Under Section 23 of the Securities Regulation Code (**SRC**), the Company shall likewise disclose to SEC within ten (10) days after the close of each calendar month thereafter, if there has been a change in such ownership of shares by directors and officers at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company has adopted a comprehensive and extensive policy for its related party transactions in compliance with the regulatory requirements of both SEC and BSP, the Company being majority-owned by a bank. Pursuant to the SEC Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly-listed Companies), the Company adopted a **Material Related Party Transactions Policy** on October 2019. A copy of the Policy is available in the Company's website.

Related Parties broadly refer to the following: Directors, Officers, Stockholders, Related Interest (DOSRI) as defined under regulations, Subsidiaries, Affiliates and Other Related Parties acting for themselves, as representatives or agents for others, or as guarantors, sureties, endorsers, mortgagors, pledgors, assignors, or in any capacity in which (i) they become obligated or may be obligated to the Company and to its subsidiary BDO Rental to pay or its equivalent or by any means whatsoever or (ii) there is a transfer of resources, services, or obligations between the Company and its subsidiary and the Related Party. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

In the ordinary course of business, the Company and its subsidiary BDO Rental, enter into transactions with BDO Unibank and other affiliates. These transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions. Single and aggregated material related party transactions follow strict approval process. The Company's Related Party Transactions Committee composed of independent and non-executive directors, reviews and scrutinizes the terms and conditions of covered transactions to ensure that these are made on arms-length basis, that no preferential treatment is accorded, and they are negotiated as a regular business transaction in accordance with regulations. These transactions are then elevated to the Company's Board of Directors for confirmation and approval. Directors and officers who have interest in the transactions abstain from participating in the discussion. The details of the deliberations are included in the minutes of the Board and Board Committee meetings. Approved related party transactions are then properly tagged for monitoring and reporting of exposures.

The Company discloses details of material related party transactions in its Annual Stockholders' meeting and in its Annual Report, and likewise submits advisement reports thereof to regulators as necessary.

As disclosed, the Company's Board of Directors has approved, and the stockholders have ratified during a special stockholders' meeting, the sale and transfer of the Company's assets to BDO Unibank and other affiliates on cash basis and under arm's length terms. The Company, consistent with its Material Related Party Transactions Policy, engaged P&A Grant Thornton as independent third-party valuator, to determine the fairness of the consideration for the sale and to ensure that the disposition of assets are made on an arm's length basis.

The consideration for the transfer of assets was equal to at least the book value of these assets.

The transfer of assets of the Company was part of the restructuring of the leasing business of BDO Unibank and its subsidiaries/affiliates, which is being undertaken to optimize the financial needs of clients in light of PFRS 16, the new accounting regulations covering lease transactions. With the change in the accounting treatment of leases under PFRS 16, lease transactions became less attractive to clients. There was therefore an expected slowdown in the take-up of these leases, rendering the business less profitable.

1) The related parties of the Group (defined as the Company and BDO Rental) include BDO Unibank, related party under common ownership, key management personnel and the retirement benefit fund as described below and in the succeeding pages.

The summary of the Group's transactions with its related parties in 2020, 2019 and 2018 and the related outstanding balances as of December 31, 2020 and 2019 are shown below and in the succeeding pages.

Related Party Category	Notes	Amount of Transaction 2020	2019	2018
Ultimate parent company (BDO Unibank)				
Interest income on savings and demand deposits	*(a)*	**P 1.6**	P 0.4	P 0.6
Interest expense on bills payable	*(b)*	**34.0**	58.0	120.6
Interest expense on lease liability	*(c)*	**1.4**	2.2	-
Depreciation	*(c)*	**11.8**	13.0	-
Rent expense	*(c)*	**-**	-	13.6
Gain on pre-termination of lease contracts	*(c)*	**1.0**		
Management fees	*(d)*	**14.7**	16.0	16.0
Sale of receivables	*(q)*	**14,125.4**	5,801.3	1,611.6
Gain on sale of receivables	*(q)*	**381.9**	-	-
Service charges and fees	*(e)*	**-**	13.4	1.4
Sale of financial assets under FVOCI	*(q)*	**1,138.0**	-	-
Gain on sale of debt securities under FVOCI	*(q)*	**8.9**	-	-
Loss on sale of equity securities under FVOCI	*(q)*	**(0.6)**	-	-
Service fees	*(f)*	**0.1**	0.1	0.1
Employee stock option plan	2.18, 20	**3.5**	14.8	8.7
UITF placement	8, *(p)*	**5,847.0**	-	-
Unrealized fair value gains	8, *(p)*	**5.7**	-	-
Gain on redemption of UITF	8, *(p)*	**0.1**	-	-
Sale of foreclosed assets– net	*(q)*	**212.8**	-	-
Subsidiary (BDO Rental*)				
Dividend income	*(j)*	**200.0**	-	35.0
Management fees	*(d)*	**0.3**	0.4	0.4
Rent income	*(c)*	**0.1**	0.1	0.1
Under common ownership				
Service and charges fees	*(g), (k)*	**2.1**	3.7	4.3
Interest expense on bills payable	*(l)*	**-**	203.3	145.0
Operating lease income	*(n)*	**40.6**	54.6	47.1
Insurance expense	*(m)*	**0.2**	0.8	0.3
Sale of receivables	*(q), (r)*	**8,946.1**	232.2	-
Gain on sale of receivables	*(q), (r)*	**128.1**	2.7	-
Sale of financial assets under FVOCI	*(q), (r)*	**1,997.5**	-	-
Gain on sale of equity securities under FVOCI	*(q), (r)*	**71.6**	-	-
Other related parties				
Loans	*(o)*	**40.0**	198.7	52.7
Key management personnel				
Short-term benefits	*(h)*	**47.2**	57.4	58.6
Post-employment benefits	*(h)*	**9.2**	8.3	8.7
Loans to officers	*(h)*	**1.9**	3.7	1.7

**Only until October 16, 2020*

Related Party Category	Notes	Outstanding Balance 2020	2019
Ultimate parent company			

		2020	2019
(BDO Unibank)			
Savings and demand deposits	*(a)*	**P 116.0**	P 125.7
Right-of-use	*(c)*	**-**	27.0
Bills payable	*(b)*	**-**	229.0
Lease liability	*(c)*	**-**	27.8
Employee stock option plan	2.18, 16, 20	**-**	-
UITF	8, *(p)*	**5,752.7**	-
Under common ownership			
Accounts receivable	*(k)*	**-**	0.9
Accounts payable	*(r)*	**5.2**	-
Bills payable	*(l)*	**-**	997.1
Other related parties			
Loans	*(o)*	**-**	497.7
Key management personnel			
Loans to officers	*(h)*	**-**	5.9
Retirement benefit fund			
Shares of stock	*(i)*	**1.6**	1.0

a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2020, and 2019, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position (see Note 7). These deposits generally earn interest at annual rates of 0.125% in 2020, 2019 and 2018. Interest income earned on these deposits in 2020, 2019 and 2018 is included as part of Interest and Discounts account under Revenues in the statements of income.

b) The Group obtains short-term bills payable from BDO Unibank with annual interest rates ranging from in 3.0% to 4.75% 2020, 4.6% to 6.8% in 2019 and 2.2% to 6.5% in 2018. Total bill availments and payments amounted to P4,815.0 and P3,383.0, respectively, in 2020, respectively, P15,466.0 and P17,383.0 in 2019, and P34,050.6 and P36,715.7, respectively, in 2018. These bills payable are secured by certain financial assets at FVOCI with fair value of P617.4 as of December 31, 2019 (see Note 8). The amount outstanding from borrowings as of December 31, 2019 is presented under Bills Payable account in the statements of financial position (see Note 15). Interest expense incurred on these bills payable in 2020, 2019 and 2018 is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income.

c) The Parent 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 Parent Company and BDO Unibank. Related rent expense incurred is presented as part of Occupancy and Equipment-related Expenses account under Operating Costs and Expenses account in the statements of income. On the other hand, the Parent 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 Parent Company's statements of income (see Note 19). In 2020, in line with the restructuring process, the Parent 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 and 19). There were no outstanding receivables and payables on these transactions as of the end of 2020 and 2019.

Starting 2019, upon adoption of PFRS 16, the Parent Company recognized right-of-use assets which are included as part of Property and Equipment-net, and lease liabilities which is included as part of Accounts Payable and Other Liabilities in the statements of financial position. Related interest expense incurred on lease liability and depreciation 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.

d) In 2019, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. Also, the Parent 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 Parent Company's statements of income (see Note 19). There are no outstanding receivables and payables on these transactions as of end 2020 and 2019.

In line with the restructuring of the BDOLF's leasing business and the transfer of substantially all its assets to BDO Finance as approved by the Board of Directors and stockholders of the Company, the service level agreement of BDOLF with BDO Unibank was terminated in 2020. BDOLF also terminated its service level agreement with BDO Rental.

e) In 2020 and 2019, BDOLF sold a portion of its receivables to BDO Unibank on cash basis and under arms length terms. The cash proceeds from the said transactions were used to retire the Company's obligations. In 2019, BDOLF charged BDO Unibank for service charges and fees which are presented as part of Other Income account in the Statements of Income. There were no outstanding receivable and payable on these transactions as of the end of 2020 and 2019 [see Note 9 and see also Note 21(o)]. After the Board of Directors and stockholders approved the sale of all or substantially all of its assets as part of the restructuring of BDOLF, the Company completed the transfer of its leasing and financing assets and liabilities in October 2020.

f) Starting 2018, the Parent Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Parent 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 2020 and 2019.

g) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for services related to the Parent Company's issuance of short term commercial papers. Service charges and fees paid by the Parent Company to BDO Capital amounting to P0.1 for 2020, P2.1 for 2019 and P2.0 for 2018 are included as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding payables on this transaction as of the end of 2020 and 2019.

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 Group and the Parent Company. Short-term employee benefits amounting to P47.2 in 2020, P57.4 in 2019 and P58.6 in 2018, include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. On the other hand, retirement benefits expense amounted to P9.2 in 2020, P8.3 in 2019 and P8.7 in 2018.

The Group 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. Outstanding loans to officers are presented as part of Accounts receivable under Loans and Other Receivables account (see Note 9). The Group assessed that these loans are not impaired as of December 31, 2019. There were no outstanding loans to officers as of December 31, 2020.

i) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company as of December 31, 2019, which has a market value of P1.87 per share as of December 31, 2019 (see Note 20.2). The retirement fund does not hold any shares of stock of BDO Unibank. On October 16, 2020, the retirement fund was transferred to BDO Finance [see also Notes 20.2 and 21(r)].

j) In 2020 and 2018, BDO Rental declared cash dividends amounting to P200.0 and P35.0 (received in 2020 and 2018, respectively). There was no declaration of cash dividends in 2019. As of the end of 2020 and 2019, there were no outstanding receivables on this transaction.

k) Starting 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred and are included as part of Miscellaneous under Other Income account in the statements of income (see Note 19). This resulted to the outstanding receivable of the Parent Company from BDO Insurance in 2019, which is recorded as part of Accounts receivables under Loans, and Other Receivables account in the statements of financial position (see Note 9). These are receivable in cash and normally collectible within 12 months after reporting period. The Group assessed that such receivable are not impaired.

l) The Parent 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 2020). Total availments and payments amounted to P5,324.3 and P6,323.8, respectively, in 2019 (nil in 2020) for BDO Strategic Holdings Inc. Total availments and payments amounted to P34,500.0 and P34,500.0, respectively, in 2019 (nil in 2020) for SM Prime Holdings, Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position (see Note 15). 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 and 2019, the Parent Company paid BDO Life for group life insurance of the Parent Company's employees. Insurance paid by Parent Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in the statements of income. There were no outstanding receivables and payables on this transaction as of the end of 2020 and 2019.

n) In 2017, BDO Rental, entered into Operating Lease Agreement with BDO Nomura which commenced in 2018 (see Note 13.6). In 2018, BDO Rental, entered into Operating Lease Agreement with SM Prime Holdings, Inc. and Alfamart Trading Philippines, Inc. Operating lease income earned from these transactions are presented as part of Rent account in the Group's statements of income. There are no outstanding receivables on these transactions as of the end of 2019.

o) The Group also granted loans to other related parties, which bear interest with a range of 4.2% to 11.0% per annum, 4.2% to11.0% per annum and 4.2% to 9.1% per annum in 2020, 2019 and 2018, respectively. Outstanding loans to other related parties are presented as part of Loans and Other Receivables-net account in the 2019 statement of financial position (see Note 9). There were no outstanding loans to other related parties as of December 31, 2020.

p) On December 7, 2020, the Parent Company purchased P5,847.0 worth of UITF from BDO TIG of which P100.0 was redeemed on December 29, 2020 (see Note 8).

q) In 2019, the Parent 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 Parent 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 9 and 21(r)]. There is no outstanding receivable on these transactions as of the end of 2020.

On various dates in 2020, BDOLF disposed of a portion of its financial assets at FVOCI to BDO Unibank and BDO Life in line with the aforementioned restructuring process. The related gain on sale is presented separately under Revenues in the Statements of Income (see Note 9) for debt securities while for equity securities gains (losses) were booked to Retained Earnings.

In October 2020, after approval by the Board of Directors and stockholders to transfer all or substantially all of its assets, BDOLF transferred certain foreclosed assets to BDO Unibank with a total carrying value of P212.8 as of September 30, 2020, for a sum approved by the Board and Stockholders, as part of the Parent Company's restructuring of the leasing business. No gain or loss was recognized in this transaction. There is no outstanding receivable on this transaction as of December 31, 2020.

r) Still part of the restructuring as approved by the Board of Directors and stockholders, the Parent Company, on various dates in 2020, disposed its core loans and receivables to BDO Finance with aggregate carrying amounts of P7,566.6 resulting to a recognition of gain on sale of loans and receivables totaling 89.5 which is presented separately under Revenues in the statements of income [see Notes 9 and 21(q)].

On October 12, 2020, the Parent Company sold its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308.0 which resulted to a recognition of gain on sale of investment in subsidiary totaling P9.5 as part of Other income account in the statements of income (see Notes 13.2 and 19).

On October 15, 2020, the Parent Company sold its SMC preferred shares classified as FVOCI to BDO Finance with aggregate carrying amounts of P597.5 (see Note 8). No gain or loss was recognized on the sale.

On October 16, 2020, the Parent Company agreed to assign irrevocably and absolutely to BDO Finance certain assets and liabilities with total proceeds equal to carrying value of P39.0 and P244.6, 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 assets and liabilities sold to BDO Finance on October 16, 2020.

	Notes		
Assets:			
Accounts receivables – net		P	13.7
Prepaid expenses			3.8
Property and equipment – net	10		6.2
Retirement assets	20.2, 21(i)		14.4
Other intangible asset – net	13.3		0.8
Other assets			0.1
		P	**39.0**
Liabilities:			
Accounts payable		P	169.1
Accrued other expenses payable			13.7
Unapplied advance payments			15.3
Deferred income tax payable		(	36.1)
Other liabilities			82.6
		P	**244.6**

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

PART IV - CORPORATE GOVERNANCE

ITEM 13. CORPORATE GOVERNANCE

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

BDOLF 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. BDOLF's good market 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.

BDOLF 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 (OECD) and the ASEAN Corporate Governance Scorecard (ACGS) which serve as essential points of reference.

This report describes the highlights of our corporate governance practices throughout the financial year ended December 31, 2020.

Governance Structure

Board of Directors

Responsibility for good governance lies with the Board of Directors. It is responsible for providing effective leadership and overall direction to foster the long-term success of the Company. It oversees the business affairs of the Company, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices. It oversees management performance, the enterprise risk management, internal control systems, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and the President. It considers sustainability issues related to the environment and social factors as part of its sustainable practices.

The Board of Directors is composed of eleven (11) members and aided by one (1) Advisor to the Board. The members of the Board are all professionals with various expertise in fields relevant to BDOLF's business and strategic plans such as leasing and financing, marketing, strategy formulation, financing regulations, information technology, sustainability, and risk management. It is led by a Non-Executive Chairperson with three (3) Independent Directors, six (6) Non-Executive Directors and one (1) Executive Director who is the Vice Chairman and President. Independent Directors comprise 27.2% of the members of the Board. Non-Executive Directors, which includes Independent Directors, comprise the majority (90.9%) of the Board, more than the requirement of the BSP of at least majority of the Board. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined. Independent Directors chair five (5) of six (6) Board committees, namely Risk Management, Board Audit, Corporate Governance, Related Party Transactions, and Nominations. The Board Advisor is considered as integral part of the Board whose influence are akin to a director. His opinions and recommendations are taken into consideration by the Board members.

The Board is responsible for the screening of new directors, through the Nominations Committee. The Nominations Committee leads the process of identifying and evaluating the nominees for directors. It evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Company. The result of the evaluation determines the role and key attributes an incoming director should have. The Nominations Committee receives recommendations for potential candidates and uses, to the extent possible, external search firms or external databases in selecting the pool of candidates for the new members of the

Board. The Nominations Committee recommends the most suitable candidate to the Board for appointment or election as director.

For reelection of incumbent directors, the Nominations Committee also considers the results of the most-recent annual evaluation of the performance of the Board, Board Committees and peer evaluation made by the Board members and advisor or by an independent third party evaluator, attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

2020 Board Meetings				
BDOLF Board Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Teresita T. Sy	Chairperson Non-Executive Director	11	12	91.67%
Roberto E. Lapid	Vice-Chairman & President	12	12	100%
Jesse H.T. Andres	Independent Director	12	12	100%
Antonio N. Cotoco	Non-Executive Director	11	12	91.67%
Ma. Leonora V. De Jesus	Independent Director	12	12	100%
Jeci A. Lapus	Non-Executive Director	12	12	100%
Vicente S. Pérez, Jr	Independent Director	12	12	100%
Luis S. Reyes, Jr.	Non-Executive Director	10	12	83.33%
Nestor V. Tan	Non-Executive Director	12	12	100%
Exequiel P. Villacorta, Jr.	Non-Executive Director	12	12	100%
Walter C. Wassmer	Non-Executive Director	11	12	91.67%

In evaluating the suitability of an individual board member and promoting diversity in the composition of the Board, the Nominations Committee annually reviews the Board and Board Committee composition to ensure appropriate balance of skills, competencies, experience of its members, and diversity to ensure the alignment with the new regulations. The Committee recommends to the Board of Directors the slate of nominees for election to the Board of Directors during the Company's annual stockholder's meeting. The Committee takes into account the relevant qualifications of every candidate nominated for election, with competence and integrity as the primary factors, including other criteria 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 regard to race, gender, ethnic origin, religion, age or sexual orientation.

The Board is also responsible for approving the selection and appointment of a competent executive management led by the President including the heads of units who exercise control functions i.e. Compliance Officer, Chief Risk Officer, and Chief Internal Auditor. Fit and proper standards are applied in the selection of key officers and utmost consideration is given to their integrity, technical expertise, and industry experience.

Considering the changes done, complexity and scope of the Company's business, the Board believes that its current size and composition provide sufficient diversity among its directors that fosters critical discussion and promotes balanced decision-making by the Board. It views diversity at the Board level which includes differences in skills, experience, gender, sexual orientation or preference, age, education, race, business and other related experience as an essential element in maintaining an effective board for strong corporate governance.

During the year, the Board reviewed and approved the Company's budget and business targets, and the release of the 2019 audited financial statements within 62 days from year end. Its oversight functions include the review of operational and financial performance of senior management and work of the various committees in accordance with their Terms of Reference.

Most notably, on January 31, 2020, the Board approved the change in the Company's primary purpose from a financing company to holding company and the corresponding amendments to the Company's Articles of Incorporation. The Board also approved the sale of all or substantially all of the assets of the Company to BDO

Unibank Inc. and its subsidiaries. Both actions were ratified by stockholders of the Company during the Special Stockholders' Meeting held on July 21, 2020.

Improving Board Effectiveness

Board Performance

A yearly self-assessment is conducted focusing on the performance of the Board, directors, Committees and senior management, through the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaires to each director and advisor. They are required to complete the questionnaire explaining the rationale of their response, the results of which are tabulated and consolidated. The Corporate Governance Officer prepares the overall report and presents this to the Corporate Governance Committee for discussion and endorsement to the Board, including the recommended actions and focus areas to improve effectiveness.

The Company conducted the 2020 self-assessment of the Board's performance from February to May 2021. For the 2019 self-assessment, the Company appointed the Institute of Corporate Directors (ICD) as external facilitator for the Board Effectiveness Evaluation, in compliance with the SEC Code of Corporate Governance for independent third party assessment of Board performance. Part of the engagement of ICD is to facilitate a peer and self-evaluation process on the Board, Board Committees, and individual Directors. The results thereof are further contextualized and discussed through focused interviews with individual Directors. Feedback from Board Advisor and nominated members of BDOLF Senior Management were likewise obtained through interviews. As cited by the ICD, the Third Party Evaluation conducted with the BDOLF Directors confirms that they, as individuals and as a body, put into practice what they disclose as policy and procedures. BDOLF is considered as one of the model enterprises for corporate governance in the Philippines.

BDOLF received a Golden Arrow recognition from the ICD based on the 2019 ASEAN Corporate Governance Scorecard (ACGS), for three (3) consecutive years, a recognition which signifies its vote of confidence and trust on BDOLF's adherence to good corporate governance.

Continuing Education for Directors

The continuing education program for directors is an ongoing process to ensure the enhancement of their skills and knowledge. Every year, all directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the financial industry. All directors of BDOLF complied with the annual corporate governance training requirement of four (4) hours for 2020. Majority of directors of BDOLF attended the in-house corporate governance seminar last 06 March 2020 in Makati City. It concentrated on: a) powerful technology trends that are driving a new wave of digital disruption trends and challenges ahead of the ensuing technological innovation; and b) essential anti-money laundering trends.

Succession Planning

Succession planning for the Board and senior management is an important part of the governance process. The Corporate Governance Committee reviews the succession framework and leadership development plans for senior management, which are subsequently approved by the Board. As part of the periodic review, the succession framework is updated and training programs are conducted accordingly. It has adopted the policy on the Term Limit of Independent Directors of 9 consecutive years of service as a way to refresh the Board membership progressively and in an orderly manner.

Remuneration

Our Remuneration policy is geared towards attracting, retaining and motivating employees and members of the

Board. The remuneration framework for senior management includes fixed pay, bonuses and the Employee Stock Option Plan (ESOP) as a long term incentive program. A claw back mechanism is in place, where the benefits and rights accruing from the ESOP can be revoked or forfeited, if the eligible employee is terminated from service for cause or in the event of imposition of an administrative or disciplinary sanction or penalty against the eligible employee at any time during and after the vesting period prior to exercise. It is linked to corporate and individual performance, based on an appraisal of senior management. The five (5) most highly compensated officers are the President, and four (4) First Vice Presidents. All qualified employees may be entitled to an annual merit increase in salary, based on their performance for the immediately preceding year. This has a long-term and compounding effect to the fixed pay, which serves as basis for their retirement benefit. Non-Executive Directors (NEDs) receive per diem for attending board and committee meetings. In addition, the Company grants director fees other than per diem in accordance with law to ensure that the remuneration is commensurate with the effort, time spent and responsibilities of NEDs. There is no distinction on the director's fee for a committee chairman or member.

Dividends

The Company recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. The payment of dividends entails prior board approval of the amount, record and payment dates as recommended by Management based on the BSP, PSE, and SEC rules on declaration of cash dividends. Upon Board approval, necessary disclosures are made in compliance with regulatory requirements. The necessary trading blackout on BDOLF shares are likewise imposed upon BDO Unibank Directors and Officers. Dividends are then paid within thirty (30) days from record date. The full dividend policy statement of the Company is published in its corporate website.

Related Party Transactions

The Company has established policies and procedures on related party transactions (RPTs) in accordance with BSP and SEC regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention of management potential or actual conflicts of interest, 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. The Related Party Transactions policy applies to BDOLF and its subsidiary, as applicable, to ensure that every related party transaction is conducted in a manner that will protect the Company from any potential conflict of interest. The policy also covers the proper review, approval, ratification and disclosure of transactions between the Company and any of its related parties 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 transaction. Likewise, any member of the Board who has interest in the transaction must abstain from the deliberation and approval of such related party transaction. 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. The full version of the Related Party Transactions Policy is published in our corporate website at https://www.bdo.com.ph/sites/default/files/pdf/corporate_governance/Related-Party-Transaction%28RPT%29-Policy-as-of-October-2019.pdf.

Chairperson of the Board

The Chairperson is primarily responsible for leading the Board and ensuring its effectiveness. She provides leadership to the Board, fosters constructive relationships between directors, promotes an open environment for critical discussions and constructive debate on key issues and strategic matters, and ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management. She takes a lead role in ensuring that the Board provides effective governance of the Company and continues to operate at a very high standard of independence with the full support of the directors.

Board Committees

The Board has established six (6) committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scopes of responsibility are set forth in their respective Terms of Reference, which are subjected to annual review and may be updated or changed in order to meet the Board's needs or for regulatory compliance. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. As of December 31, 2020, five (5) of the six (6) board-level committees are chaired by independent directors.

The standing committees of the Board are as follows:

Executive Committee

FUNCTIONS:
- Exercises the power of the Board in the management and direction of the affairs of the Company.
- Acts as the main approving body for loans, credits, advances or commitments and property-related proposals.
- Reviews and recommends for Board approval major credit policies, including delegation of credit approval limits.

During the year, it approved loans and credit facilities, leases and sale of acquired assets, credit policies, write-offs and resolutions of remedial/problem accounts within its Board-delegated authority.

2020 Executive Committee Meetings				
Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Nestor V. Tan	Chairperson	45	45	100%
Teresita T. Sy	Member	45	45	100%
Antonio N. Cotoco	Member	43	45	96%
Walter C. Wassmer	Member	43	45	96%
Roberto E. Lapid	Member	39	45	87%

Board Audit Committee
FUNCTIONS:

Empowered by the Board to oversee the financial reporting process, system of internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations.

Their oversight function covers the following areas:

- On financial reporting, the committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for publicly listed companies.
- On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Company's established internal control and risk management systems, policies and procedures including implementation across all units of the Company to provide reasonable assurance against fraud or other irregularities and material misstatement or loss.
- On internal and external audit, it recommends the appointment, reappointment and removal of the internal and external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work of external auditors, if any, ensuring that it would not conflict with their

duties or may pose a threat to their independence. It approves the annual audit plan and reviews audit results focusing on significant findings with financial impact and its resolution. It reviews the implementation of corrective actions to ensure that these are done in a timely manner to address deficiencies, non-compliance with policies, laws and regulations. Annually, it evaluates the performance of the Chief Internal Auditor and internal and external audit functions.

- On compliance, it recommends the approval of the Compliance Charter and reviews annually the performance of the Chief Compliance Officer and the compliance function. It also reviews the annual plans of the Compliance Unit and evaluates the effectiveness of the regulatory compliance framework of the Company to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the BSP and other regulators including replies to such reports for endorsement to the Board for approval.

In this context, the following were done during the year:

On financial reporting, the Board Audit Committee (BAC) reviewed and recommended for approval to the Board the quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 19, 2020, it endorsed for approval of the Board the audited financial statements as of December 31, 2019 including the Notes to the Financial Statements. This was approved by the Board and disclosed to the public on March 02, 2020, 62 days from the financial year-end. It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The related internal controls on financial reporting process, compliance with accounting standards, more specifically the changes brought about by the adoption of the Philippine Financial Reporting Standards 9 and 16, were likewise reviewed.

In overseeing the internal audit function, it reviewed and approved the Internal Audit Charter and risk-based audit plan after a thorough review of its scope, audit methodology, risk assessment and rating processes, financial budget, manpower resources, as well as changes to the plan during the year. It reviewed audit reports focusing on high and moderate risk findings relating to operational, financial and compliance controls including risk assessment systems with impact to financial, reputation and information security. It regularly tracked the timely resolution of findings and asked for Management's action plans on items that needed to be addressed. It ensured the Internal Audit's independence and unfettered access to all records, properties and information to be able to fully carry out its function. It also assessed the performance of the Chief Internal Auditor and the internal audit function. The Committee is satisfied that the internal audit function has adequate resources to perform its function effectively.

On external audit, it ensured the independence, qualification, and objectivity of the appointed external auditor, which is accredited by the BSP. It reviewed and discussed the content of the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with financial impact particularly on the changes in accounting and reporting standards. It reviewed Management's Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

On regulatory compliance, it reviewed and approved the annual plans and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering Unit. It endorsed for approval of the Board of Directors the revised Regulatory Compliance and Management Manual, Money Laundering/Terrorist Financing Prevention Program Manual and Online Gaming Policy of the Company. which incorporates new and amended regulations as well as directives by the BSP in its examinations. It monitored the progress and reviewed the results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It discussed in detail the BSP Reports of Examination and reviewed Management's replies, thereby ensuring implementation of corrective actions. It also reviewed regulatory compliance reports to ensure that the Company complies with the relevant regulatory requirements. In 2020, the Committee reviewed the Company's guidelines on regulatory and AML emerging risks such as online gaming business and investment scams.

Reports on cases in operations, whistle blower accounts as well as non-loan related cases with impact to financials, internal controls, information systems and reputation were deliberated on focusing on risk assessment, legal handling, and fraud prevention.

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2020 performance based on its Terms of Reference. The BAC likewise evaluated the performance of Internal Audit, Compliance and AML department, and External Audit to ensure their effectiveness and achievement of objectives.

The BAC reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems of the Company based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across BDOLF.

2020 Board Audit Committee Meetings				
Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Ma. Leonora V. De Jesus	Chairperson	9	9	100%
Jesse H.T. Andres	Independent Member	9	9	100%
Vicente S. Pérez, Jr.	Independent Member	9	9	100%

Corporate Governance Committee
FUNCTIONS:

- Primarily tasked to assist the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Company as well as its subsidiary.
- Annually, it also oversees the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and conducts a self-evaluation of its performance. It provides an assessment of the outcome and reports to the Board the final results of the evaluation including recommendations for improvement and areas to focus on to enhance effectiveness.
- Oversees the continuing education program for directors and key officers and proposes relevant training for them.

During the year, the Corporate Governance Committee facilitated the compliance of the directors of the Company and its subsidiary with the regulatory requirement for an annual corporate governance seminar for Directors as part of their continuing education. The seminar focused on: a) technology trends that are driving a new wave of digital disruption and ahead of the ensuing technological innovation; and b) essential anti-money laundering trends. The Committee continued to focus on the Company's compliance with local and international corporate governance standards. It reviewed and endorsed for Board approval the Company's 2019 Integrated Annual Corporate Governance Report to the Securities and Exchange Commission (SEC), which documents the Company's compliance with the SEC Code of Corporate Governance. The Committee also reviewed the independent validation on the Company's compliance with the ASEAN Corporate Governance Scorecard and provided guidance to Management to improve compliance. It also spearheaded the independent annual Board evaluation survey facilitated by the Institute of Corporate Directors covering the performance in 2019 of the Board of Directors, Board Committees, Senior Management, each Director, and Board Advisor, as required in the SEC Code of Corporate Governance.

2020 Corporate Governance Committee Meetings				
Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Jesse H.T. Andres	Chairman	2	2	100%
Ma. Leonora V. De Jesus	Independent Member	2	2	100%
Vicente S. Pérez, Jr.	Independent Member	2	2	100%

Risk Management Committee
FUNCTIONS:

- Is responsible for the oversight of the enterprise risk management program of the Company.
- Is responsible for approving risk appetite levels, risk management policies, and risk tolerance limits to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite. It approves the appropriate strategies for managing and controlling risk exposures, including preventing and/or minimizing the impact of losses if risk becomes real.
- Oversees the implementation and review of the risk management plan, including the system of limits of discretionary authority delegated by the Board of Directors to management under its purview and ensures that immediate corrective actions are taken whenever limits are breached.
- Is responsible for evaluating the continued relevance, comprehensiveness and effectiveness of the risk management framework.
- Is also 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.
- Works with the Audit Committee in certifying in the Annual Report the adequacy of the Company's risk management systems and controls.

In accordance with its mandate, the Committee conducted regular discussions on the Company's exposures to various risks (i.e., credit risk, liquidity risk, market risk, interest rate risk, operational risk, including IT risk and information security risk, consumer protection risk and social media risk, including mitigation strategies, where necessary and applicable, such as, large exposures and concentration, asset quality, results of credit stress tests and its impact on capital adequacy, results of the BSP-mandated stress tests (i.e. BSP Uniform Stress Test and Real Estate Stress Test); liquidity gaps and results of liquidity stress tests; Earnings-at-Risk (EAR), results of market risk stress tests and impact on capital adequacy; operational risk profile of the Company, significant risk incidents, operational losses and impact on capital adequacy, results of Business Continuity Plan (BCP) testing, any information security and data privacy incidents; and resolutions/actions taken in compliance with BSP Circular 857 on Consumer Protection.

Further, the Committee approved the revisions to the Terms of Reference (TOR) of the Risk Management Committee.

2020 Risk Management Committee Meetings				
Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Vicente S. Pérez, Jr.	Chairman	2	2	100%
Jesse H.T. Andres	Independent Member	2	2	100%
Nestor V. Tan	Member	2	2	100%

Nominations Committee
FUNCTIONS:

- Leads the process of identifying candidates for election and appointment of Directors and all other positions requiring appointment of the Board of Directors, giving full consideration to succession planning and the leadership needs of the Company. 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 then makes appropriate recommendations to the Board.
- Makes recommendations to the Board on the composition and chairmanship of the various committees.

- 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.

There was no Nominations Committee meeting held for the year 2020.

Related Party Transactions Committee
FUNCTIONS:

- 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.
- Ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote at the Annual Stockholders' meeting the Company's significant transactions with related parties.

On a monthly basis, the RPTC carefully reviews the material related party transactions being proposed by Management.

2020 Related Party Transactions Committee Meetings				
Members	Position	No. of Meetings Attended	Total No. of Meetings	% Rating
Jesse H.T. Andres	Chairman	10	10	100%
Ma. Leonora V. De Jesus	Independent Member	10	10	100%
Jeci A. Lapus	Member	10	10	100%

<u>Independent Control Functions</u>

Compliance

BDOLF's Compliance Unit, thru the Compliance Officer (CO), oversees the design of the Compliance System, the overall compliance framework of the Company executed through a Compliance Program, and promotes their effective implementation. BDOLF Compliance Unit reports to and is under the direct supervision of the Board Audit Committee. It is responsible for overseeing, coordinating, monitoring and ensuring compliance of the Company with existing laws, rules and regulations through the implementation of the overall compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training. BDOLF's Compliance System forms the processes, people, policies and other components that, as an integral unit, ultimately drive the Company's initiatives to conform to industry laws, regulations and standards. In line with the Company's initiatives is its commitment to ensure that activities of the Company and its personnel are conducted in accordance with all applicable financing laws and regulations and industry standards, and this commitment to compliance serves to protect the Company and its stakeholders. BDOLF Compliance Unit, as provided in its Charter, conducts independent compliance tests and reports to the Board Audit Committee any significant compliance issues or breaches.

BDOLF Compliance Unit together with the Anti-Money Laundering Committee (AMLCom), focuses on the enforcement of the Company's Anti-Money Laundering (AML) and Counter-Terrorist Financing (CTF) Program, in accordance with the Anti-Money Laundering Law as amended; Terrorism Financing Prevention and Suppression Act, and Anti-Terrorism Act (ATA) and their respective Implementing Rules and Regulations (IRRs). The Company also adheres with BSP and Anti-Money Laundering Council (AMLC) Rules, Regulations and Directives. The AML Program of the Company is articulated in the Company's Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, which covers AML/CTF policies and information such as: (i) customer on-boarding, (ii) customer risk assessment and due diligence, (iii) handling and monitoring of clients and their transactions, (iv)Covered and Suspicious reporting, (v) record-keeping, (vi) AML/CTF training (vii) AML System and technology platforms, and (vii) Institutional Risk Assessment.

Compliance Unit likewise oversees the investigation of suspicious transactions under the auspices of the AMLCom that is comprised of select key senior officers of the Company.

BDOLF Compliance Unit and its compliance program endeavors to protect the Company's franchise, manage compliance risks and simultaneously supports the business goals and growth of the Institution by providing appropriate compliance insights and regulatory guidance to safeguard the Company and its stakeholders.

Internal Audit

The Internal Audit Function covers the entire BDO Group including subsidiaries. It adheres to the principles required by the ISPPIA (International Standard for the Professional Practice of Internal Auditing), COSO Internal Control -Integrated Framework, COBITS (Control Objectives for Information and Related Technology), the Internal Audit Definition and Code of Ethics.

It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance processes. Upholding a commitment to integrity and accountability, Internal Audit provides value to senior management and governing bodies as objective source of independent advice.

Internal Audit reports to the Board of Directors through the Board Audit Committee (BAC) (parent bank and respective subsidiaries). It seeks BAC approval for the annual audit plan, provides updates on accomplishments, reports results of audit conducted and tracks resolution of audit findings.

Consumer Protection Practices

The Board of Directors first approved on December 02, 2015, BDOLF's Guiding Principles on Consumer Protection which serves as BDOLF's framework for defining its Consumer Protection Risk Management System (CPRMS). As specified in the CPRMS, consumer protection practices are embedded in the Company's operations, and considered in the development and implementation of products and services.

BDOLF's Code of Conduct reflects the Company's commitment to ensuring that its customers are always treated fairly and professionally. The Company established on December 02, 2015 a Consumer Assistance Management System (CAMS) to address consumer concerns. To ensure its effective implementation, the Company designated a Consumer Assistance Management Officer to ensure customer inquiries, requests and complaints/problems follow standard handling procedures and service levels. It also monitors timely resolutions by various Business Units of the Company and reports the summary to Senior Management and to the Board's Risk Management Committee (RMC) on a periodic basis.

Effective recourse is one of the five (5) areas of BSP's Consumer Protection Framework, and BDOLF has been seriously devoting resources to ensure that customer issues are resolved in a timely manner. In 2020, CAMS logged around 18 customer cases of which only 5 (27.78%) were valid complaints. A majority of the cases were inquiries 12 (66.67%) and request 1 (5.56%).

Data Privacy

The Company has in place a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Company's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). The Company appointed a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). The Data Privacy Policy, Privacy Statement, and Breach Reporting Procedures were established, including the templates for Consent, Data Sharing Agreement, and Outsourcing Agreement. Furthermore, conduct of Privacy Impact Assessments (PIAs) by a critical unit were completed to assess privacy risks in order to ensure that the necessary security measures are in place to mitigate risks to personal data and uphold data privacy rights of individuals. Privacy risk monitoring were also enhanced using the existing risk management tools of the Company.

Compliance with the SEC Code of Corporate Governance

Publicly-listed companies are advised to disclose in their Annual Report the company's compliance with the Code of Corporate Governance and where there is non-compliance, to identify and explain the reason for such issue. We confirm that as of December 31, 2020, the Company has substantially complied with the recommendations of the Code except for the following: 1) Policy on retirement age of directors; 2) Disclosure of executive remuneration on an individual basis; 3)voting system for majority of non-related party shareholders to approve material related party transactions during shareholders meeting; 4) voting mechanism such as supermajority or "majority of minority" to protect the minority shareholders against action of controlling shareholder.

On the retirement age of directors, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging his duties and responsibilities. The wisdom of senior directors is a valuable asset. The Board derives much benefit from their counsel and will continue to utilize them for the benefit of all its Stakeholders. Age discrimination is discouraged by law, as once a director has been elected, removal due solely to age is prohibited. In this regard, the Board decided to hold in abeyance the implementation of a retirement age policy for directors and instead review the individual director's potential contribution to the Company and its Stakeholders, and decide on that basis.

On the disclosure of the remuneration on an individual basis for Executive Officers, the figures for key executives are presented in aggregate due to possible adverse security issues and poaching of talents by competitors in the industry.

On the reporting of the Company's sustainability and non-financial performance across economic, environmental and social aspects, the Company issues a separate annual Sustainability Report starting April 2020. The report outlines the Company's economic, environmental, social and governance performance for the year preceding the reporting year.

On the voting system for material related party transactions by majority of non-related parties, although a formal voting system is not in place, material RPTs are presented during the annual stockholders meeting, together with the other acts of the Board for ratification by stockholders whereby effectively, the majority of non-related party shareholders is also included in the voting.

On the voting mechanism for minority shareholders such as super majority or "majority of minority", even with the lack of structured voting mechanism in place, the Company affirms the voting rights given to the minority shareholders relative to certain major corporate acts as such require the approval of at least 2/3 of the shareholders, which effectively include already the "majority of the minority" shareholders. In accordance with law, the Company recognizes also the appraisal right of any shareholder in case of dissenting vote on any approved major corporate actions. As additional mechanisms to protect minority shareholders, the Company has in place policies on Related Party Transactions to protect against improper conflict of interest, Personal Trading Policy to prevent insider trading and Whistle Blower Policy to provide a channel for reporting of illegal practices, abuse of authority and fraudulent activity, etc. without fear of reprisal.

Looking Ahead

With the restructuring of the leasing business to optimize the financial needs of clients and the establishment of privately-held entity, BDO Finance Corp. which assumed the leasing business of BDOLF, as of December 31, 2020, BDOLF has already closed its five (5) branches, ceased to engage in leasing and financing business and will be re-purposed into a holding company, subject to regulatory approval.

PART V - EXHIBITS AND SCHEDULES

ITEM 14. EXHIBITS AND SCHEDULES ON SEC FORM 17-C

Reports under SEC Form 17-C

Below is a summary of the various disclosures reported by the Company under SEC Form 17-C for the year 2020.

Date Reported	Items Reported
January 24, 2020	**BDO to Sell Equity Stake in BDOLF** BDO Unibank, Inc. (BDO) today announced that it entered into an agreement to sell a controlling stake in its publicly-listed subsidiary, BDO Leasing and Finance (BDOLF), to a third party as part of the Bank's restructuring of its leasing business. The restructuring of BDO's leasing business is being undertaken to optimize the financial needs of clients in light of new accounting regulations covering lease transactions. IFRS 16, which took effect in January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility. This makes lease transactions a less attractive option to corporate borrowers compared to the past. Under the restructuring process, BDO has incorporated a new, privately-held finance company, BDO Finance Corporation (BDO Finance), to provide customers continuing access to lease products and services. Additionally, BDO Finance will assume current lease transactions booked in BDOLF to provide continuity to existing clients. Meanwhile, clients who now find regular bank loans more attractive vis-à-vis leases can access BDO's wide range of products and services. Mr. Roberto E. Lapid, President of BDOLF, stated that "We wish to reassure BDOLF clients that their financing requirements will continue to be serviced, and there will be no effective change in their existing lease arrangements that will be assumed by BDO Finance." BDOLF will be re-named and its Articles of Incorporation and By-laws will be amended to reflect the new business direction. As required by regulation, a tender offer will likewise be undertaken by the buyer to provide minority shareholders an opportunity to sell their BDOLF shares. The timetable and details of the tender offer will be announced by the buyer in due course. The sale transaction is subject to closing conditions, including approval by regulatory authorities.
January 27, 2020	**Reply to the Exchange's queries regarding the Share Purchase Agreement dated 24 January 2020** 1. Background of the transaction, including the timetable for implementation and related regulatory requirements - In a Share Purchase Agreement dated 24 January 2020, BDO Unibank, Inc. and its subsidiary BDO Capital & Investment Corporation (the BDO Group) agreed to sell their entire shareholding in BDO Leasing and Finance, Inc. (BLFI or the Company), or a total of 1,914,711,807 shares, representing 88.54% of the total issued and outstanding capital stock of the Company.

Date Reported	Items Reported
	- The Buyers named below agreed to buy 1,513,732,718 shares representing 70% of BLFI and to procure third party buyers to purchase the BDO Group's remaining 400,979,089 shares, equivalent to 18.54% of the Company. - The Transaction is subject to closing conditions including regulatory approvals, mandatory tender offer (MTO) by the Buyers and the purchase by, and transfer to, the BDO Group, on arms' length basis, of the leasing business of BLFI. 2. The identity of the buyers or the new controlling shareholders of BLFI, including the nature of any material relationship with the Company, its directors, officers or any of its affiliates - Victor Y. Lim, Jr. (4%), Vittorio P. Lim (33%), and Luis N. Yu, Jr. (33%) and third party buyers (18.54%) - None of the buyers have any material relationship with the Company, its directors, officers or any of its affiliates. 3. The aggregate value of the transaction, price per share, as well as the basis upon which the transaction value was determined - The consideration for 88.54% of BLFI's outstanding capital stock is equivalent to the total of: (i) Sellers' pro-rata share in the Net Asset Value (NAV) of the Company as of Closing Date, estimated to be at Php5.451 Billion; and (ii) a premium of Php400,000,000. - The actual price per share shall be finalized prior to the launch of the MTO and upon determination of the NAV as of Closing Date of the Transaction. 4. The number of BLFI shares subject of the transaction, including its percentage to the total issued and outstanding shares of the Company - 1,914,711,807 shares equivalent to 88.54% of the issued and outstanding capital stock of the Company 5. The salient terms and conditions of the transaction - As a condition precedent to the sale and purchase transaction between the Sellers and the named Buyers above: o The spin-off and transfer to, the BDO Group, on an arms' length basis, of the leasing business of BLFI to be implemented by the Sellers o Amendment of BLFI's Articles of Incorporation and By-laws to reflect the change in name and purpose of BLFI from a leasing company to a holding company o Completion of MTO by the Buyers for the shares of the Company in compliance with the Securities Regulation Code and its Implementing Rules and Regulations o Compliance with PCC notification and regulatory requirements 6. Any other information relevant to the transaction - None.
February 03, 2020	**Results of Board of Directors' Meeting** The Board of Directors of BDO Leasing and Finance, Inc. ("BDOLF"), at its regular meeting held on January 31, 2020, approved the following: 1. Setting of a Special Stockholders' Meeting ("SSM") of BDOLF on March 20, 2020, and fixing the record date for stockholders entitled to vote and participate at such meeting on February 28, 2020;

Date Reported	Items Reported
	2. Postponement of the Annual Stockholders' Meeting scheduled in April 2020 pursuant to BDOLF's By-Laws; 3. Sale of all or substantially all of BDOLF's assets and liabilities to BDO Finance Corporation or any other affiliate as may be designated by BDO Unibank, Inc.; 4. Amendment of BDOLF's Articles of Incorporation and By-Laws to reflect the change in its corporate name to United Platinum Holdings Corporation; 5. Amendment of the Second Article of BDOLF Articles of Incorporation to reflect the change in its primary and secondary purposes; and 6. Amendment of the Third Article of BDOLF Articles of Incorporation to reflect the change in its principal office address to Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.
February 03, 2020	**Notice of Special Stockholders' Meeting** The Board of Directors of BDO Leasing and Finance, Inc. ("BDOLF"), at its regular meeting held on January 31, 2020, approved the setting of a Special Stockholders' Meeting ("SSM") of BDOLF on March 20, 2020, and fixing the record date for stockholders entitled to vote and participate at such meeting on February 28, 2020.
February 03, 2020	**Amendment of Articles of Incorporation** Please be advised that the Board of Directors of BDO Leasing and Finance, Inc. (the "Corporation") at its meeting held January 31, 2020 approved the following amendments to the Articles of Incorporation of the Corporation: 1. Amendment of the Corporation's corporate name to United Platinum Holdings Corporation; 2. Amendment of the Second Article of the Corporation's Articles of Incorporation to reflect the change in its primary and secondary purposes; and 3. Amendment of the Third Article of the Corporation's Articles of Incorporation to reflect the change in its principal office address to Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City. The amendments will change the nature of business of the Corporation from a leasing and financing company to a holding company.
February 03, 2020	**Amendment of By-Laws** The Board of Directors of BDO Leasing and Finance, Inc. ("BDOLF"), at its regular meeting held on January 31, 2020, approved the amendment of BDOLF's corporate name to United Platinum Holdings Corporation. The amendment will change the nature of business of BDOLF from a leasing and financing company to a holding company.
February 17, 2020	**Order of Suspension issued by the Securities and Exchange Commission dated 13 February 2020** On 13 February 2020, the Securities and Exchange Commission (SEC) issued an Order of Suspension against BDO Leasing and Finance, Inc. (BDOLF) suspending its Registration Statement as a listed company, the lifting of which is subject to the submission of an Amended Registration Statement (the Order). The Order was issued in light of the Share Purchase Agreement dated 24 January 2020

Date Reported	Items Reported
	entered into by BDO Unibank, Inc. to sell its controlling stake in BDOLF to third parties and the subsequent amendment of BDOLF's primary business to a holding company. On this basis, the SEC ruled that BDOLF'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. BDOLF intends to seek reconsideration and engage the SEC on this matter as soon as possible. BDOLF believes that there are no sufficient grounds for the suspension of its Registration Statement. Both BDOLF and BDO Unibank, Inc. have consistently been upfront and have made full, timely and fair disclosures regarding this transaction and all the steps leading to it. Further, the protection of minority shareholders has always been considered by BDOLF. In particular, minority shareholders are vested with appraisal rights and the Mandatory Tender Offer will allow them to sell their shares at a premium. BDOLF will continue to update the PSE and the market on the development of its discussions with the SEC.
March 18, 2020	**Statement on COVID-19** **BDOLF operations normal, but on guard vs. COVID-19** BDO Leasing and Finance, Inc. (BDOLF) wishes to assure the general public that it is Business-as-Usual (BAU) in all of the Company's branches and offices even with the "Community Quarantine" imposed in Metro Manila in light of the COVID-19 outbreak. The Company will continue to service the requirements of its clients through its Head Office and 5 branches nationwide. To provide uninterrupted service to its customers and at the same time safeguard employee well-being, BDOLF has activated its Business Continuity Plan (BCP) as well as implemented precautionary workplace measures. The Company's BCP has back-up sites for critical functions such as client servicing, treasury, operations and information technology, while key personnel have also been identified to man both critical and non-critical units to ensure that the Company's operations continue even in the event of a severe business disruption. Meanwhile, information campaigns on health preparedness and preventive measures are being applied across the Company's network to fight the spread of the virus. These measures include travel restrictions, controlled entry through designated points equipped with thermal scanners and personal disinfectants, and protocols on visitors, meetings and events. To date, the impact of COVID-19 has been limited with the Company experiencing normal lease and financing growth. However, the longer-term impact is uncertain and will depend on the COVID-19's duration, depth and scale. With its robust business franchise and solid balance sheet, BDOLF believes it will remain resilient in the face of this current challenge.
March 18, 2020	**Postponement of Special Stockholders' Meeting** In light of President Rodrigo Duterte's directive for an enhanced community quarantine, the Special Stockholders' Meeting of BDO Leasing and Finance, Inc. scheduled on Friday, 20 March 2020, 10:00 am, and to be held at Henry Sy Hall, 21st Floor, North Tower, BDO Corporate Center, Makati City, is postponed until further notice.
March 20, 2020	**Press Release**

Date Reported	Items Reported
	BDO Leasing ends 1Q 2020 with P83 million Profit BDO Leasing and Finance, Inc. (BDO Leasing) recorded a net income of P83 million in 1Q 2020 vs. the P24 million loss in the comparative period last year. The results reflect successful measures undertaken to address margin compression, which dragged down its financial results in 2019. For the 1Q 2020, gross revenues amounted to P696 million, while total expenses dropped by 30 per cent to P569 million, largely due to the 52 per cent drop in interest and financing charges as funding costs normalized. Earlier this year, BDO Leasing's Parent Company, BDO Unibank, Inc. (BDO) announced that it entered into an agreement to sell a controlling stake in BDO Leasing to a third party as part of the Bank's restructuring of its leasing business. The sale transaction is subject to closing conditions and approval by regulatory authorities.
July 02, 2020	**Notice of Special Stockholders' Meeting** Please be advised that the Board of Directors of BDO Leasing and Finance, Inc. (the "Company"), at its meeting held on June 17, 2020, approved the setting of the Company's Special Stockholders' Meeting on July 21, 2020 (Tuesday) at 10:00 a.m. and the setting of the record date for stockholders entitled to vote and participate at such meeting on July 1, 2020. The meeting will be conducted virtually and participation will be via remote communication. Agenda: 1. Call to Order 2. Certification of notice of meeting and determination of existence of quorum 3. Sale of all or substantially all of the assets and liabilities of the Corporation 4. Amendment of the First Article of the Corporation's Articles of Incorporation to reflect the change in its corporate name 5. Amendment of the Second Article of the Corporation's Articles of Incorporation to reflect the change in its primary and secondary purposes 6. Amendment of the Third Article of the Corporation's Articles of Incorporation to reflect the change in its principal office address 7. Amendment of the Corporation's By-Laws to reflect the change in its corporate name 8. Open Forum 9. Other Business that may be brought before the meeting 10. Adjournment
July 21, 2020	**Press Release** **BDO Leasing posts P81 million Profit in 1H 2020**

Date Reported	Items Reported
	BDO Leasing and Finance, Inc. (BDO Leasing) registered P81 million in net earnings in 1H 2020, a turnaround vs. the P29 million loss in the comparative period last year, due to successful measures implemented to address margin compression. Gross revenues totaled P1.3 billion, as lease and loan receivables declined by 23 per cent, partly due to the sale of a portion of the Company's lower yielding portfolio to mitigate the impact of margin compression, and partly to the implementation of IFRS 16 which required leases to be booked on-balance sheet, thus diminishing their attractiveness to corporate borrowers. Meanwhile, total expenses fell by 25 per cent to P1.2 billion, on reduced borrowings and lower interest and financing charges, which were down 53 per cent, given the decline in interest rates. Earlier this year, BDO Leasing's Parent Company, BDO Unibank, Inc. (BDO) announced that it entered into an agreement to sell a controlling stake in BDO Leasing to a third party as part of the Bank's restructuring of its leasing business. The sale transaction is subject to closing conditions and approval by regulatory authorities.
July 21, 2020	**Results of the Special Stockholders' Meeting held on 21 July 2020** At the Special Stockholders' Meeting of BDO Leasing and Finance, Inc. (the Corporation) held on 21 July 2020, the following agenda items were approved: 1. Sale of all or substantially all of the assets and liabilities of the Corporation; 2. Amendment of the First Article of the Corporation's Articles of Incorporation to reflect the change in its corporate name to "United Platinum Holdings Corporation"; 3. Amendment of the Second Article of the Corporation's Articles of Incorporation to reflect the change in its primary and secondary purposes, converting the Corporation from a leasing and financing company into a holding company; 4. Amendment of the Third Article of the Corporation's Articles of Incorporation to reflect the change in its principal office address to Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City; and 5. Amendment of the Corporation's By-Laws to reflect the change in its corporate name to "United Platinum Holdings Corporation".
July 23, 2020	**Sale of loan receivables in the ordinary course of business and sale of investments in securities** BDO Leasing & Finance, Inc. has complied with its Material Related Party Transaction Reporting to the SEC including the sale of its receivables in the ordinary course of business and sale of investments in securities. The cash proceeds will be used to relend to customers at prevailing market rates which are generally higher than the average yield of the receivables sold, and to pay-off existing debt obligations. The Company's sale of the above-mentioned assets is geared at improving its net interest margins and addressing liquidity gaps.
August 11, 2020	**Commission Decision No. 10-M-012/2020 dated 6 August 2020 issued by the Philippine Competition Commission**

Date Reported	Items Reported
	BDO Leasing and Finance, Inc. (the Corporation) received today Commission Decision No. 10-M-012/2020 dated 6 August 2020 issued by the Philippine Competition Commission (the Commission). In the said Decision, the Commission found that the proposed acquisition by Victor Y. Lim, Jr. and Vittorio S. Lim of shares in the Corporation will not likely result in substantial lessening of competition. Accordingly, the Commission resolved to take no further action with respect to the proposed transaction.
October 09, 2020	**Surrender of Certificates of Authority to operate 5 branches** In line with the restructuring of the leasing and financing business of BDO Leasing and Finance, Inc. (the Corporation), the Corporation has surrendered for revocation to the Securities and Exchange Commission (SEC) Certificates of Authority to operate five (5) branches in view of the expected closing of the branches on 31 October 2020, in accordance with the Financing Company Act of 1998.
October 14, 2020	**Sale of Assets to BDO Unibank, Inc. and BDO Finance Corporation** BDO Leasing and Finance Inc. (BDOLF) is disclosing the sale of 10% of its assets to BDO Unibank, Inc. and BDO Finance Corporation in line with the restructuring of BDOLF's business as approved by its stockholders. The cash proceeds will be used to retire BDOLF's existing obligations.
October 16, 2020	**Sale of assets of BDO Leasing & Finance, Inc.** On July 21, 2020, BDO Leasing and Finance, Inc. (BLFI) held its Special Stockholders Meeting to approve the change in BLFI's primary and secondary purposes to that of a holding company, and of its corporate name to United Platinum Holdings Corporation. In addition, BLFI stockholders approved the sale of all or substantially all of BLFI assets on cash basis equivalent to at least the book value of these assets and on arms' length basis. The sale of all or substantially all of BLFI assets covers: (1) partial sale of home mortgage receivables to BDO Life Assurance; (2) sale of receivables from corporate borrowers and BLFI's residual assets, including non-performing assets, to BDO Unibank, and (3) sale of remaining receivables to BDO Finance Corporation (BDOFC). **Rationale for the transaction including the benefits which are expected to be accrued to the Issuer as a result of the transaction** The disposition of assets of BLFI is part of the execution of the restructuring process of the leasing business of BDO Unibank Inc. (BDO) as approved by the Board of Directors of BLFI on January 31, 2020 and its Shareholders on July 21, 2020. The restructuring of the leasing business of BDO is aimed at optimizing the financial needs of clients in light on new accounting regulations covering lease transactions. IFRS 16, which took effect in January 2019, requires leases to be recognized on-balance sheet, similar to a loan facility. This makes lease transaction a less attractive option to corporate borrowers compared to previous arrangement. Under the restructuring plan, BDO has incorporated a new, privately-held company BDO Finance Corporation (BDOFC) to provide customers continuing access to lease products and services. Additionally, BDOFC shall assume the leasing business of BLFI to provide continuity to existing clients. **Description of the Transaction**

<table>
<tr><th>Date Reported</th><th>Items Reported</th></tr>
<tr><td></td><td>
Sale of assets such as receivables portfolio, investment in club shares, equity investment, non-performing assets including real properties owned and acquired (ROPA) and non-performing loans.

Manner
Sale of assets on cash basis equivalent to at least the book value or price on arms' length basis.

Description of the assets involved
Receivables pertains to amounts collectible from lessees and borrowers arising from lease and credit transactions.

Equity investment pertains to the common shares held by BLFI in BDO Rental Inc.

Real properties owned and acquired (ROPA) pertains to chattels, equipment, and real properties acquired by BLFI arising from foreclosure or repossession of collaterals from non-payment of contractual obligation from clients.

Terms and conditions of the transaction

Nature and amount of consideration given or received
Cash

Principle followed in determining the amount of consideration
The principle followed in determining the amount of consideration shall be the book value or price on arms' length basis.

Identity of the person(s) from whom the assets were acquired or to whom they were sold
<table>
<tr><th>Name</th><th>Nature of any material relationship with the Issuer, their directors/ officers, or any of their affiliates</th></tr>
<tr><td>BDO Unibank, Inc.</td><td>BDO Unibank, Inc. directly and indirectly owns 88.54% of the outstanding voting stock of BLFI</td></tr>
<tr><td>BDO Finance Corporation</td><td>BDO Finance Corporation is considered an affiliate of BLFI because of a common shareholder, BDO Unibank, Inc.</td></tr>
</table>

Effect(s) on the business, financial condition and operations of the Issuer, if any
The transfer of assets will complete the restructuring plan of the leasing business of BDO and provide continuity of service to existing clients.
</td></tr>
<tr><td>October 29, 2020</td><td>
Press Release

BDO Leasing earns P135 million in 9M 2020

BDO Leasing and Finance, Inc. (BDO Leasing) recorded P135 million in net income for the first nine months of 2020, reversing the P39 million loss in the comparative period last year largely due to lower interest and financing charges.

Total expenses declined by 18 per cent to P1.9 billion, on reduced borrowings and lower funding costs, with interest and financing charges dropping by 55 per cent given the low interest rate environment.

Meanwhile, gross revenues fell by five (5) per cent to P2.1 billion on lower interest income
</td></tr>
</table>

Date Reported	Items Reported
	following the sale of BDOLF's assets, covering lease receivables and other assets, to the BDO Unibank Group as part of the restructuring of the Group's leasing business. Earlier this year, BDO Unibank disclosed that it was selling its controlling stake in BDOLF to a third party. The transaction is still subject to regulatory approvals and the fulfillment of closing conditions. While BDO has sold its controlling stake in BDOLF, it will continue to provide leasing and finance products to its clients through its wholly-owned, privately-held subsidiary, BDO Finance Corp. (BFC).
November 19, 2020	**Surrender of Secondary License of BDO Leasing and Finance, Inc.** On 18 November 2020, BDO Leasing and Finance, Inc. (BDOLF) filed with the Securities and Exchange Commission (SEC) a letter surrendering BDOLF's Certificate of Authority to operate as a financing company in accordance with the Financing Company Act of 1998 (COA). Consequently, BDOLF requested for SEC approval of the revocation of this COA effective 30 November 2020.

SIGNATURES

Pursuant to the requirements of Section 17 of the RSA and Section 141 of the Corporation Code, this is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on MAY 1 7 2021.

By:

MANUEL Z. LOCSIN JR.
SENIOR VICE PRESIDENT & OFFICER-IN-CHARGE

LUIS S. REYES JR.
TREASURER / DIRECTOR

ANGELITA C. TAD-Y
FIRST VICE PRESIDENT, COMPTROLLER

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY

SUBSCRIBED AND SWORN to before me this 1 7 MAY 2021 day of ____________ affiant(s) exhibiting to me their Competent Evidence of Identity, as follows:

NAMES	TIN	SSS No.
Manuel Z. Locsin Jr.	121-078-391	03-5870334-7
Luis S. Reyes Jr.	115-322-321	03-4282031-7
Joseph Jason M. Natividad	908-730-009	33-6273422-8
Angelita C. Tad-y	101-902-349	03-7771737-2

NOTARY PUBLIC
KIM BRIGUERA-DACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 0204-20
UNTIL DECEMBER 31, 2021
IBP LIFETIME ROLL NO. 1010007
PTR NO. 4574517 / 1-4-21 / MANDALUYONG
MCLE NO. VI-0004637
29TH FLR., BDO CORPORATE CENTER ORTIGAS
18 ADB AVE., MANDALUYONG

Doc. No. 494
Page No. 100
Book No. CLXXIII
Series of 2021.

Statement of Management's Responsibility for Financial Statements

BDO Leasing

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **BDO LEASING AND FINANCE, INC. AND SUBSIDIARY** (the Group) and **BDO LEASING AND FINANCE, INC.** (the Parent Company), is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2020 and 2019, 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 Group'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 Group's or to cease operations, or has no realistic alternative to do so.

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

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

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

Signature: ______________________
TERESITA T. SY
Chairperson

Signature: ______________________
ROBERTO E. LAPID
Vice Chairman and President

Signature: ______________________
LUIS S. REYES JR.
Treasurer

Signed this 16th day of March 2021.

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

BDO Leasing

SUBSCRIBED and SWORN to me before this 12 day of APR 2021, 2021 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	SSS NUMBER
Teresita T. Sy	03-2832705-4
Roberto E. Lapid	03-5034078-2
Luis S. Reyes Jr.	03-4282031-7

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SERIES OF 2021

KIM BRIGUERA BACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 0204-20
UNTIL DECEMBER 31, 2021
IBP LIFETIME ROLL NO. 1018007
PTR NO. 4574517 / 1-4-21 / MANDALUYONG
MCLE NO. VI-0004637
29TH FLR., BDO CORPORATE CENTER ORTIGAS
12 ADB AVE., MANDALUYONG

Audited Financial Statements and Independent Auditor's Report

Supplementary Schedules

(as of December 31, 2020)

LARGE TAXPAYERS ASSISTANCE DIVISION

ACKNOWLEDGEMENT STUB

FOR RDO 116 125 126 ONLY

DATE: 04/29/2021 RDO NO. 125

TAXPAYER:
BDO LEASING AND FINANCE INC.

FORM SUBMITTED:
1702

NAME OF TAXPAYER AUTHORIZED REPRESENTATIVE:
ANN MARIE S. CASTILLO

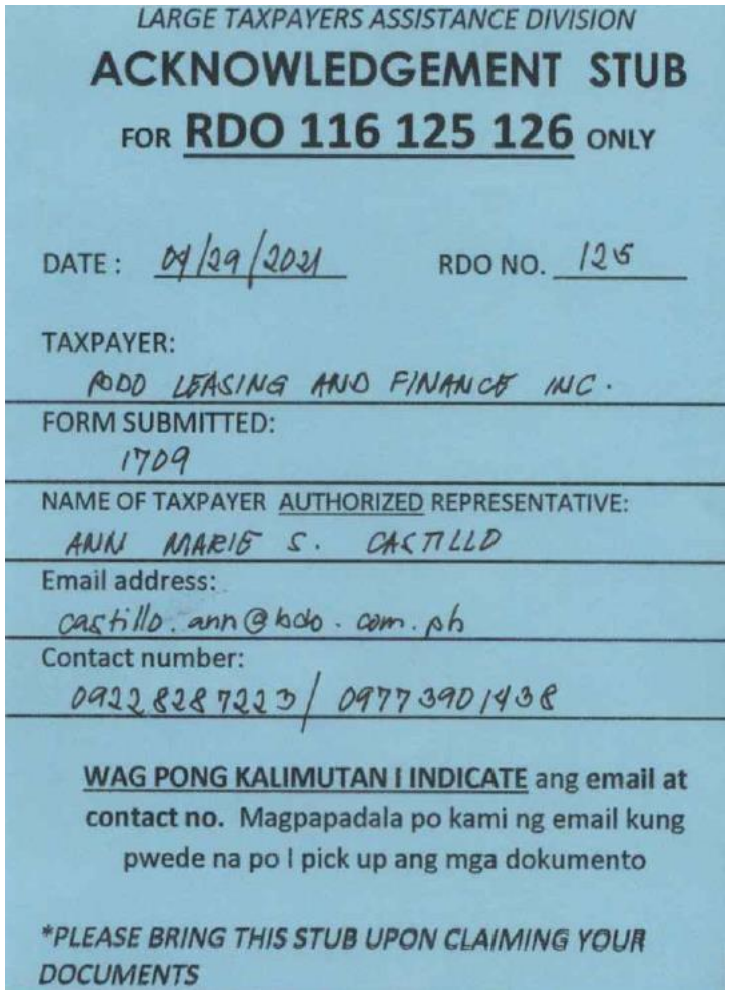
Email address:
castillo.ann@bdo.com.ph

Contact number:
0922 828 7223 / 09773901438

WAG PONG KALIMUTAN I INDICATE ang email at contact no. Magpapadala po kami ng email kung pwede na po I pick up ang mga dokumento

**PLEASE BRING THIS STUB UPON CLAIMING YOUR DOCUMENTS*

Note: BDO Leasing and Finance, Inc. (BDOLF) was able to submit its Audited Financial Statement (AFS) to the Bureau of Internal Revenue (BIR) last April 29, 2021. Due to strict community quarantine, the BIR is still in the process of reviewing the submission of the Company's AFS. BIR has provided the Company with the acknowledgement stub, copy attached.



LARGE TAXPAYERS ASSISTANCE DIVISION

ACKNOWLEDGEMENT STUB

FOR **RDO 116 125 126** ONLY

DATE : 04/29/2021 RDO NO. 125

TAXPAYER:
BDO LEASING AND FINANCE INC.

FORM SUBMITTED:
1709

NAME OF TAXPAYER AUTHORIZED REPRESENTATIVE:
ANN MARIE S. CASTILLO

Email address:
castillo.ann@bdo.com.ph

Contact number:
09228287223 / 09773901438

WAG PONG KALIMUTAN I INDICATE ang email at **contact no.** Magpapadala po kami ng email kung pwede na po I pick up ang mga dokumento

**PLEASE BRING THIS STUB UPON CLAIMING YOUR DOCUMENTS*

Note: BDO Leasing and Finance, Inc. (BDOLF) was able to submit its Audited Financial Statement (AFS) to the Bureau of Internal Revenue (BIR) last April 29, 2021. Due to strict community quarantine, the BIR is still in the process of reviewing the submission of the Company's AFS. BIR has provided the Company with the acknowledgement stub, copy attached.

P&A Grant Thornton
An instinct for growth™

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
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 BDO Leasing and Finance, Inc. and subsidiary (the Group) and of BDO Leasing and Finance, Inc. (the Parent Company). which comprise the statements of financial position as at December 31, 2020 and 2019, 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, 2020, 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 Group and of the Parent Company as at December 31, 2020 and 2019, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2020 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.

Emphasis of a Matter

We draw attention to Notes 1, 2 and 13 to the financial statements, which provides the relevant information on the sale of the 100% ownership interest of the Parent Company to its subsidiary on October 16, 2020, which effectively resulted in a loss of control over the subsidiary, and the related accounting policy on deconsolidation. The Parent Company has ceased to consolidate the balances from its subsidiary starting October 16, 2020, the date of the loss of control.

We also draw attention to Note 1 to the financial statements, which describes that effective October 16, 2020 the leasing and financing operations of the Parent Company were fully transitioned to BDO Finance Corporation (BDO Finance), a related party; hence, separate analyses of continuing operations and discontinued operations were presented in the financial statements.

Our opinion is not modified in respect of the matters above.

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Notes 1 and 21 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 Parent Company to wind down its leasing and financing operations as of October 16, 2020 and transfer it to BDO Finance. The disposal of substantially all the assets and liabilities and transfer of the leasing and financing business resulted in a material uncertainty and significant doubt on the Parent Company's ability to continue as a going concern. However, as stated also in Note 1 to the financial statements, the Parent Company will be re-purposed into a listed holding company of the BDO Unibank Group, upon approval by the regulators, with enough fund position (in the form of cash and investment in unit investment trust fund) to do the investment once a business opportunity arises. 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 Parent Company's financial statements have been prepared assuming that the Parent 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Disposal and Assignment of Assets and Liabilities of the Parent Company

Description of the Matter

In relation to restructuring of BDO Unibank Group's leasing business and alongside with addressing the widening liquidity gap during community lockdown due to COVID-19 pandemic, in various dates in 2020, the Parent Company disposed of and irrevocably and absolutely assigned substantially all of its assets and liabilities including its 100% ownership interest in its subsidiary to various related parties including BDO Unibank.

Such matter is significant to our audit because the transaction and related accounting is non-routine and the amounts involved are material since the Parent Company has disposed and assigned substantially all of its assets and liabilities to its related parties. Total assets of the Parent Company decreased from P30,947.9 million as of December 31, 2019 to P5,996.0 million as of December 31, 2020.

The disclosures in relation to this matter are included in Notes 1, 8, 9, 10, 11, 13, 16, 17, 20, and 21 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address this key audit matter include the following:

- Obtained adequate understanding of the various sale and assignment agreements with related parties by reviewing the minutes of meetings from the Group's and Parent Company's Related Party Committee and Board of Directors; understood the key terms and conditions; tested whether transactions are at arm's length in accordance with Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP) rules; confirmed our understanding with management; reviewed reports issued by the third party consultant engaged by the Parent Company to evaluate whether the transactions are indeed at arm's length;

- Verified the completeness of the sale and transfer transactions by validating and comparing the management listings and schedules, which were prepared by management outside its accounting system, against relevant financial reporting applications, sale and assignment agreements and other accounting records;

- Verified the accuracy of the underlying sale and assignment listings and schedules by agreeing representative samples' selling price and carrying amounts of the underlying assets and liabilities as at date of disposal or assignment to the related documentation made, appraisal reports, if any, or other supporting information, and checked the integrity and mathematical accuracy of the calculations through recalculation of the gain or loss realized from such transactions;
- Tested of propriety of accounting for sale and assignment of assets and liabilities based on the requirements of the relevant standards and related sale and assignment agreements. This also includes the proper accounting treatment for the deconsolidation of balances from the Parent Company's subsidiary at the date of cessation of control; and,
- Assessed the appropriateness and adequacy of disclosures made in the financial statements based on the requirements of relevant standards.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Group's SEC Form 20-1S (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2020, 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 Group's and Parent 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 the Group's and Parent 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 Group's and Parent 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 the Group's and Parent 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 Group and the Parent 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 22 to the financial statements, the Parent 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. The supplementary information for the year ended December 31, 2020 and 2019 required by the BSP as disclosed in Note 26 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP 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. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

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

T +63 2 8988 2288

Supplemental Statement of Independent Auditors

The Board of Directors and the Stockholders
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 BDO Leasing and Finance, Inc. and subsidiary (the Group) and of BDO Leasing and Finance, Inc. (the Parent Company) for the year ended December 31, 2020, on which we have rendered the attached report dated March 1, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,099 stockholders of the Parent Company's common stock as of December 31, 2020.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Millions of Philippine Pesos)

		Group		Parent Company	
	Notes	**2020 (see Notes 1 and 2)**	2019	**2020**	2019
ASSETS					
CASH AND CASH EQUIVALENTS	7	**P 116.0**	P 130.0	**P 116.0**	P 107.2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	8	**5,752.7**	-	**5,752.7**	-
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	8	**-**	3,190.9	**-**	3,190.9
LOANS AND OTHER RECEIVABLES - Net	9	**127.3**	24,977.7	**127.3**	24,766.7
PROPERTY AND EQUIPMENT - Net	10, 12	**-**	1,873.6	**-**	33.3
INVESTMENT PROPERTIES - Net	11	**-**	393.8	**-**	167.7
OTHER ASSETS - Net	13	**-**	381.9	**-**	656.7
TOTAL ASSETS		**P 5,996.0**	P 30,947.9	**P 5,996.0**	P 28,922.5
LIABILITIES AND EQUITY					
ACCOUNTS PAYABLE AND OTHER LIABILITIES	16	**P 27.5**	P 459.6	**P 27.5**	P 377.6
BILLS PAYABLE	15	**-**	20,137.8	**-**	18,304.4
LEASE DEPOSITS	17	**-**	4,736.2	**-**	4,626.2
Total Liabilities		**27.5**	25,333.6	**27.5**	23,308.2
CAPITAL STOCK	18	**2,225.2**	2,225.2	**2,225.2**	2,225.2
ADDITIONAL PAID-IN CAPITAL		**571.1**	571.1	**571.1**	571.1
TREASURY SHARES	18	**(81.8)**	(81.8)	**(81.8)**	(81.8)
NET ACCUMULATED ACTUARIAL LOSSES		**-**	(72.0)	**-**	(72.0)
NET UNREALIZED FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVOCI		**-**	41.1	**-**	41.1
RETAINED EARNINGS	18	**3,254.0**	2,930.7	**3,254.0**	2,930.7
Total Equity		**5,968.5**	5,614.3	**5,968.5**	5,614.3
TOTAL LIABILITIES AND EQUITY		**P 5,996.0**	P 30,947.9	**P 5,996.0**	P 28,922.5

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		Group					Parent Company		
	Notes	**2020** (see Notes 1 and 2)	2019	2018	2013	**2020**	**2020**	2019	2018
CONTINUING OPERATIONS									
Income									
Unrealized fair value gain on unit investment trust fund (UITF)	8	**P 5.7**	P -	P -			**P 5.7**	P -	P -
Gain on redemption of UITF	8	**0.1**	-	-			**0.1**	-	-
Profit before tax		**5.8**	-	-	**-**	**-**	**5.8**	-	-
Tax expense		**-**	-	-			**-**	-	-
Net profit from continuing operations		**5.8**	-	-			**5.8**	-	-
DISCONTINUED OPERATIONS									
Revenues									
Interest and discounts	7, 8, 9, 20, 21	**P 1,123.0**	P 1,984.5	P 1,967.1	P 1,297.8	**P 1,122,305,513.9**	**P 1,122.3**	P 1,984.2	P 1,966.7
Rent	12	**577.3**	844.6	938.3	380.8	**-**	**-**	-	-
Gain on sale of loans and receivables	9, 21	**510.0**	2.7	**-**			**510.0**	2.7	-
Other income - net	19	**151.0**	200.1	310.1	224.3	**656,208,608.1**	**140.4**	139.9	264.7
		2,361.3	3,031.9	3,215.5	1,902.9	**1,778,514,122.0**	**1,772.7**	2,126.8	2,231.4
Operating costs and expenses									
Occupancy and equipment-related expenses	10, 11, 12, 13, 2:	**538.0**	811.9	911.8	352.2	**35,485,971.4**	**35.5**	53.4	49.7
Interest and financing charges	15	**526.0**	1,399.2	1,170.2	418.6	**465,867,521.5**	**465.9**	1,276.6	1,074.8
Impairment and credit losses - net	8, 9, 11, 14	**399.1**	63.2	1.0	126.0	**398,845,747.1**	**398.8**	63.1	0.8
Employee benefits	20	**214.9**	244.2	235.7	183.4	**214,863,161.7**	**214.9**	244.2	235.7
Taxes and licenses	22	**199.8**	309.5	345.2	148.7	**185,097,952.7**	**185.1**	286.4	320.2
Litigation/assets acquired expenses		**8.0**	12.4	14.3	17.0	**7,965,922.4**	**8.0**	12.4	14.3
Other expenses	11, 21	**70.9**	111.1	117.0	91.2	**70,528,661.4**	**70.5**	110.7	115.8
		1,956.7	2,951.5	2,795.2	984.9	**1,343,168,966.7**	**1,378.7**	2,046.8	1,811.3
Profit before tax		**404.6**	80.4	420.3	918.0	**435,345,155.3**	**394.0**	80.0	420.1
Tax expense	22	**158.1**	33.6	89.6	145.5	**147,467,398.0**	**147.5**	33.2	89.4
Net profit from discontinued operations		**246.5**	46.8	330.7	**772.5**	**287,877,757.3**	**246.5**	46.8	330.7
NET PROFIT		**P 252.3**	P 46.8	P 330.7			**P 252.3**	P 46.8	P 330.7
Basic and Diluted Earnings Per Share for Continuing Operations	23	**P 0.01**	P -	P -					
Basic and Diluted Earnings Per Share for Discontinued Operations	23	**P 0.11**	P 0.02	P 0.15					
Basic and Diluted Earnings Per Share	23	**P 0.12**	P 0.02	P 0.15	P 0.19	**P 0.13**			

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Amounts in Millions of Philippine Pesos)

		Group			Parent Company		
	Notes	**2020** (see Notes 1 and 2)	2019	2018	**2020**	2019	2018
CONTINUING OPERATIONS							
Net profit from continuing operations		**P 5.8**	P -	P -	**P 5.8**	P -	P -
Other comprehensive income		-	-	-	**-**	-	-
Total comprehensive income from continuing operations		**5.8**	-	-	**5.8**	-	-
DISCONTINUED OPERATIONS							
Net profit from discontinued operations		**246.5**	46.8	330.7	**246.5**	46.8	330.7
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 (losses) during the year	8	**40.9**	194.8	(450.5)	**40.9**	194.8	(450.5)
Fair value losses on redemption/disposal of financial assets at FVOCI	8	**(71.0)**	(3.9)	135.7	**(71.0)**	(3.9)	135.7
Remeasurements of post-employment defined benefit plan	20	**102.7**	(15.7)	(1.6)	**102.7**	(15.7)	(1.6)
Share in other comprehensive income (loss) of an associate accounted for under equity method	13	**-**	(0.4)	0.4	**-**	(0.4)	0.4
		72.6	174.8	(316.0)	**72.6**	174.8	(316.0)
Tax income (expense)	22	**(27.1)**	7.2	4.6	**(27.1)**	7.2	4.6
		45.5	182.0	(311.4)	**45.5**	182.0	(311.4)
Item that will be reclassified subsequently to profit or loss							
Fair value gains on disposal of debt instruments at FVOCI	8	**(8.9)**	-	-	**(8.9)**	-	-
Fair value losses during the year		**(5.7)**	42.5	(54.5)	**(5.7)**	42.5	(54.5)
		(14.6)	42.5	(54.5)	**(14.6)**	42.5	(54.5)
Other Comprehensive Income (Loss) - net of tax		**30.9**	224.5	(365.9)	**30.9**	224.5	(365.9)
Total comprehensive income from discontinued operations		**277.4**	271.3	(35.2)	**277.4**	271.3	(35.2)
TOTAL COMPREHENSIVE INCOME (LOSS)		**P 283.2**	P 271.3	(P 35.2)	**P 283.2**	P 271.3	(P 35.2)

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Amounts in Millions of Philippine Pesos)

		Group (see Notes 1 and 2)										
						Net Unrealized Fair Value Gains (Losses) on			Retained Earnings			
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Net Accumulated Actuarial Losses	Financial Assets at Other Comprehensive Income	Available-for-Sale Financial Assets	Accumulated Share in Other Comprehensive Income of Associate	Reserves	Free	Total	Total Equity
Balance at January 1, 2020		P 2,225.2	P 571.1	(P 81.8)	(P 72.0)	P 41.1	P -	P -	P 141.7	P 2,789.0	P 2,930.7	P 5,614.3
Total comprehensive income from continuing operations	8	-	-	-	-	-	-	-	-	5.8	5.8	5.8
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	72.0	(41.1)	-	-	-	246.5	246.5	277.4
Gain on sale of equity securities classified under FVOCI	8	-	-	-	-	-	-	-	-	71.0	71.0	71.0
Reversal of appropriation from discontinued operations	18	-	-	-	-	-	-	-	(141.7)	141.7	-	-
Balance at December 31, 2020		**P 2,225.2**	**P 571.1**	**(P 81.8)**	**P -**	**P -**	**P -**	**P -**	**P -**	**P 3,254.0**	**P 3,254.0**	**P 5,968.5**
Balance at January 1, 2019		P 2,225.2	P 571.1	(P 81.8)	(P 60.8)	(P 195.0)	P -	P 0.4	P 147.0	P 2,736.9	P 2,883.9	P 5,343.0
Total comprehensive income from continuing operations		-	-	-	-	-	-	-	-	-	-	-
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	(11.2)	236.1	-	(0.4)	-	46.8	46.8	271.3
Appropriation	18	-	-	-	-	-	-	-	(5.3)	5.3	-	-
Balance at December 31, 2019		**P 2,225.2**	**P 571.1**	**(P 81.8)**	**(P 72.0)**	**P 41.1**	**P -**	**P -**	**P 141.7**	**P 2,789.0**	**P 2,930.7**	**P 5,614.3**
Balance at January 1, 2018												
As previously reported		P 2,225.2	P 571.1	(P 81.8)	(P 59.7)	P -	P 169.0	P -	P -	P 2,618.5	P 2,618.5	P 5,442.3
Effects of adoption of PFRS 9		-	-	-	-	170.2	(169.0)	-	142.6	8.3	150.9	152.1
As restated		2,225.2	571.1	(81.8)	(59.7)	170.2	-	-	142.6	2,626.8	2,769.4	5,594.4
Total comprehensive income from continuing operations		-	-	-	-	-	-	-	-	-	-	-
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	(1.1)	(365.2)	-	0.4	-	330.7	330.7	(35.2)
Cash dividends	18	-	-	-	-	-	-	-	-	(216.2)	(216.2)	(216.2)
Appropriation	18	-	-	-	-	-	-	-	4.4	(4.4)	-	-
Balance at December 31, 2018		P 2,225.2	P 571.1	(P 81.8)	(P 60.8)	(P 195.0)	P -	P 0.4	P 147.0	P 2,736.9	P 2,883.9	P 5,343.0

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Amounts in Millions of Philippine Pesos)

		Parent Company										
					Net Unrealized Fair Value Gains (Losses) on							
	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Net Accumulated Actuarial Losses	Financial Assets at Other Comprehensive Income	Available-for-Sale Financial Assets	Accumulated Share in Other Comprehensive Income of Associate	Retained Earnings Reserves	Retained Earnings Free	Retained Earnings Total	Total Equity
Balance at January 1, 2020		P 2,225.2	P 571.1	(P 81.8)	(P 72.0)	P 41.1	P -	P -	P 141.7	P 2,789.0	P 2,930.7	P 5,614.3
Total comprehensive income from continuing operations	8	-	-	-	-	-	-	-	-	5.8	5.8	5.8
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	72.0	(41.1)	-	-	-	246.5	246.5	277.4
Gain on sale of equity securities classified under FVOCI	8	-	-	-	-	-	-	-	-	71.0	71.0	71.0
Appropriation	18	-	-	-	-	-	-	-	(141.7)	141.7	-	-
Balance at December 31, 2020		**P 2,225.2**	**P 571.1**	**(P 81.8)**	**P -**	**P -**	**P -**	**P -**	**P -**	**P 3,254.0**	**P 3,254.0**	**P 5,968.5**
Balance at January 1, 2019		P 2,225.2	P 571.1	(P 81.8)	(P 60.8)	(P 195.0)	P -	P 0.4	P 147.0	P 2,736.9	P 2,883.9	P 5,343.0
Total comprehensive income from continuing operations		-	-	-	-	-	-	-	-	-	-	-
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	(11.2)	236.1	-	(0.4)	-	46.8	46.8	271.3
Appropriation	18	-	-	-	-	-	-	-	(5.3)	5.3	-	-
Balance at December 31, 2019		P 2,225.2	P 571.1	(P 81.8)	(P 72.0)	P 41.1	P -	P -	P 141.7	P 2,789.0	P 2,930.7	P 5,614.3
Balance at January 1, 2018												
As previously reported		P 2,225.2	P 571.1	(P 81.8)	(P 59.7)	P 41.1	P 169.0	P -	P 141.7	P 2,618.5	P 2,760.2	P 5,625.0
Effect of adoption of PFRS 9		-	-	-	-	129.1	(169.0)	-	0.9	8.3	9.2	(30.7)
As restated		2,225.2	571.1	(81.8)	(59.7)	170.2	-	-	142.6	2,626.8	2,769.4	5,594.4
Total comprehensive income from continuing operations		-	-	-	-	-	-	-	-	-	-	-
From discontinued operations:												
Total comprehensive income (loss)		-	-	-	(1.1)	(365.2)	-	0.4	-	330.7	330.7	(35.2)
Cash dividends	18	-	-	-	-	-	-	-	-	(216.2)	(216.2)	(216.2)
Appropriation	18	-	-	-	-	-	-	-	4.4	(4.4)	-	-
Balance at December 31, 2018		P 2,225.2	P 571.1	(P 81.8)	(P 60.8)	(P 195.0)	P -	P 0.4	P 147.0	P 2,736.9	P 2,883.9	P 5,343.0

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020, 2019, AND 2018
(Amounts in Millions of Philippine Pesos)

	Notes	Group 2020 (see Notes 1 and 2)	Group 2019	Group 2018	Parent Company 2020	Parent Company 2019	Parent Company 2018
CONTINUING OPERATIONS							
Cash flows from operating activities							
Profit before tax		P 5.8	P -	P -	P 5.8	P -	P -
Adjustment on unrealized fair value gain on unit investment trust fund (UITF)	8	(5.7)	-	-	(5.7)	-	-
Adjustment on gain on redemption of UITF	8	(0.1)	-	-	(0.1)	-	-
Cash generated from operations		-	-	-	-	-	-
Cash paid for income taxes		-	-	-	-	-	-
Net Cash From Operating Activities		-	-	-	-	-	-
Cash flows from financing activity							
Placement in UITF	8	(5,847.0)	-	-	(5,847.0)	-	-
Redemption of UITF	8	100.1	-	-	100.1	-	-
Net Cash Used in Financing Activities		(5,746.9)			(5,746.9)		
Decrease in cash and cash equivalent from continuing operations		(5,746.9)	-	-	(5,746.9)	-	-
DISCONTINUED OPERATIONS							
Cash flows from operating activities							
Profit before tax		404.6	80.4	420.3	394.0	80.0	420.1
Adjustments for:							
Interest received		1,178.7	2,104.4	2,000.8	1,178.7	2,104.4	2,000.4
Interest and discounts	7, 8, 9, 20, 21	(1,123.0)	(1,984.5)	(1,967.1)	(1,122.3)	(1,984.2)	(1,966.7)
Interest and financing charges paid		(577.4)	(1,489.7)	(1,167.5)	(491.0)	(1,367.6)	(1,076.3)
Interest and financing charges	15	526.0	1,399.2	1,170.2	465.9	1,276.6	1,074.8
Depreciation and amortization	10, 11, 13	524.4	793.7	881.5	22.3	36.0	20.1
Gain on sale of loans and receivables	9, 19	(510.0)	(2.7)	-	(510.0)	(2.7)	-
Impairment and credit losses	8, 9 , 11, 14	399.1	63.2	1.0	398.9	63.1	0.8
Dividend income	19	(80.7)	(159.4)	(206.0)	(80.7)	(159.4)	(206.0)
Gain or loss on sale of property and equipment and investment properties	19	(35.8)	(54.7)	(42.2)	(6.8)	(4.7)	(17.4)
Gain on sale of investment in a subsidiary	13,19	(9.5)	-	-	(9.5)	-	-
Gain on sale of financial assets at FVOCI	19	(8.9)	-	-	(8.9)	-	-
Day-one gains - net	19	1.8	9.9	(13.2)	-	0.1	(4.5)
Reversal of impairment losses	14	-	(1.3)	(10.4)	-	(1.3)	(10.4)
Equity share in net loss of a subsidiary and an associate	13	-	41.6	39.0	(21.3)	40.6	49.5
Loss on sale of investment in an associate	13, 19	-	27.6	-	-	27.6	-
Operating profit before changes in operating assets and liabilities		689.3	827.7	1,106.4	209.3	108.5	284.4
Decrease in loans and other receivables		24,843.0	9,176.2	95.2	24,651.8	9,221.9	142.3
Decrease (increase) in other assets		374.9	220.0	(49.7)	138.9	5.2	(45.9)
Increase in accounts payable and other liabilities		(347.6)	(64.3)	(294.7)	(272.0)	(31.3)	(203.0)
Decrease (increase) in lease deposits		(4,724.4)	(1,907.9)	654.2	(4,627.5)	(1,918.2)	630.2
Cash generated from operations		20,835.2	8,251.7	1,511.4	20,100.5	7,386.1	808.0
Cash paid for income taxes		(14.2)	(14.4)	(112.0)	(14.2)	(14.4)	(112.0)
Net Cash From Operating Activities		20,821.0	8,237.3	1,399.4	20,086.3	7,371.7	696.0
Cash flows from investing activities							
Proceeds from sale and redemption of financial assets at fair value through other comprehensive income	8	3,215.5	637.1	680.0	3,215.5	637.2	680.0
Proceeds from disposal of property and equipment and investment properties	10, 11	2,029.2	189.2	169.6	220.3	6.0	37.8
Acquisitions of property and equipment	10	(218.5)	(488.1)	(895.1)	(3.0)	(2.2)	(6.2)
Receipt of cash dividends	8, 21	97.3	175.0	194.4	297.3	175.0	229.4
Addition in investment properties	11	(46.0)	(44.4)	(14.7)	(46.0)	(44.4)	(14.7)
Proceeds from disposal of investment in a subsidiary	13	-	-	-	317.5	-	-
Proceeds from disposal of investment in an associate	13	-	-	-	-	165.6	-
Net Cash From Investing Activities		5,077.5	468.8	134.2	4,001.6	937.2	926.3
Cash flows from financing activities							
Payments of bills payable	15	(136,534.4)	(170,266.1)	(174,115.4)	(121,897.0)	(157,200.6)	(161,900.3)
Availments of bills payable	15	116,396.6	161,426.1	172,614.9	103,592.6	148,781.1	160,345.9
Payments on lease liabilities		(27.8)	(10.7)	-	(27.8)	(10.7)	-
Payments of cash dividends	18	-	-	(216.2)	-	-	(216.2)
Net Cash Used in Financing Activities		(20,165.6)	(8,850.7)	(1,716.7)	(18,332.2)	(8,430.2)	(1,770.6)
Net increase (decrease) in cash and cash equivalent from discontinued operations		5,732.9	(144.6)	(183.1)	5,755.7	(121.3)	(148.3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(14.0)	(144.6)	(183.1)	8.8	(121.3)	(148.3)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	7	130.0	274.6	457.7	107.2	228.5	376.8
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	P 116.0	P 130.0	P 274.6	P 116.0	P 107.2	P 228.5

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

1. In 2019, the Group and the Parent 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 P26.9 and P27.8, respectively. In 2020, all Right of Use assets and Lease liabilities were revered due to pre-termination of leases (see Note 12).

2. In 2019 and 2018, the Group reclassified certain items of Investment Property account to Non-current assets held for sale under Other Assets - net account amounting to P0.7 and P0.4, respectively (see Notes 11 and 13).

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(Amounts in Millions of Philippine Pesos, Except Per Share Data, Exchange Rates and as Indicated)

1. CORPORATE INFORMATION

1.1 Incorporation

BDO Leasing and Finance, Inc. (BDO Leasing or the Parent Company) is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (PSE) on January 6, 1997. The Parent Company operates as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases. Financing products include amortized commercial loans, installment paper purchases, floor stock financing, receivables discounting, and factoring.

The Parent Company is a subsidiary of BDO Unibank, Inc. (BDO Unibank or Ultimate 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.

BDO Rental, Inc. (BDO Rental or Subsidiary), a wholly owned subsidiary of BDO Leasing, is registered with the Philippine Securities and Exchange Commission (SEC) to engage in renting and leasing of equipment and real properties. It started its commercial operations on June 30, 2005.

As a subsidiary of BDO Unibank, the Parent Company is considered a non-bank financial institution whose operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Parent Company is required to comply with the rules and regulations of the BSP.

The Parent Company's principal office is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City. As of December 31, 2019, BDO Leasing has five branches located in the cities of Cebu, Davao, Cagayan de Oro and Iloilo and in the province of Pampanga. The registered address of BDO Unibank is located at BDO Corporate Center, 7899 Makati Avenue, Makati City.

1.2 Status of Operations

On May 25, 2019, the Board of Directors (BOD) of BDO Unibank 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, PFRS 16, *Leases*, 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 the leasing business is expected to be affected going forward, thus, no longer appropriate for a listed company.

Under the restructuring process, a new, privately held finance company, BDO Finance Corporation (BDO Finance) was incorporated on December 9, 2019 to provide customers continuing access to lease products and services. BDO Finance started operations on October 19, 2020 and assumed the lease transactions booked in the Parent Company to provide business continuity to existing clients.

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

In various dates in 2020, the Parent Company's core loans and receivables and investments were disposed to related parties, which is part of the Parent Company's action to address the widening liquidity gap as it winds down its operations during first months of community quarantine brought by COVID-19 pandemic (see Notes 8, 9 and 21).

On October 16, 2020, the Parent Company assigned irrevocably and absolutely to BDO Finance residual assets and liabilities, including its ownership of 250,000,000 common shares held in BDO Rental becoming a wholly owned subsidiary of BDO Finance (see Notes 2.3, 13.2, 16 and 21).

As of December 31, 2020, the Parent Company has already closed its five branches and has already ceased its leasing and financing operations. The Parent Company also applied for revocation of license as financing company. The Parent Company will be re-purposed into a listed holding company of the BDO Unibank Group, upon approval by the regulators, with enough fund position (in the form of cash and investment in unit investment trust fund) to do the investment once a business opportunity arises. Accordingly, the financial statements have been prepared assuming that the Parent 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.

1.3 Approval of Financial Statements

The accompanying financial statements of BDO Leasing and Subsidiary (the Group) and of the Parent Company as of and for the year ended December 31, 2020 (including the comparative financial statements as of December 31, 2019 and for the years ended December 31, 2019 and 2018) were authorized for issue by the Parent Company's BOD on March 1, 2021.

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 consolidated financial statements of the Group and the separate financial statements of the Parent 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 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 Group and the Parent Company present the statement of comprehensive income separate from the statement of income.

The Group and the Parent Company present 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.

In relation to the effective transfer of BDO Rental to BDO Finance, the Parent Company has ceased to consolidate the balances from financial statements of its subsidiary starting October 16, 2020 (see also Note 2.3). Accordingly, the 2020 consolidated statement of financial statement is presented the same as the 2020 separate statement of financial position of the Parent Company for orderly presentation and analysis. On the other hand, the consolidated statement of income and statement of comprehensive income include the balance of the subsidiary only up to October 16, 2020.

In relation to the transition of the Parent 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 include amounts for discontinued operations, unless indicated otherwise (see also Note 2.7).

(c) Functional and Presentation Currency

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

Items included in the financial statements of the Group and the Parent Company are measured using the Group's and the Parent Company's functional currency. Functional currency is the currency of the primary economic environment in which the Group and the Parent Company operate.

2.2 Adoption of New and Amended PFRS

(a) Effective in 2020 that are Relevant to the Group

The Group and the Parent Company adopted for the first time the following revision and amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2020:

Conceptual Framework	:	Revised Conceptual Framework for Financial Reporting
PAS 1 and PAS 8 (Amendments)	:	Presentation of Financial Statements and Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material
PFRS 3 (Amendments)	:	Business Combinations – Definition of a Business
PFRS 7 and PFRS 9 (Amendments)	:	Financial Instruments: Disclosure and Financial Instruments – Interest Rate Benchmark Reform

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

(i) *Revised Conceptual Framework for Financial Reporting.* The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. The application of the revised conceptual framework had no significant impact on the Group's and the Parent Company's financial statements.

(ii) PAS 1 (Amendments), *Presentation of Financial Statements,* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material.* The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency. The application of these amendments had no significant impact on the Group's and the Parent Company's financial statements.

(iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business.* The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The application of these amendments had no significant impact on the Group's financial statements.

(iv) PFRS 7 (Amendments), *Financial Instruments: Disclosures,* and PFRS 9 (Amendments), *Financial Instruments – Interest Rate Benchmark Reform.* The amendments clarify that an entity would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform. The application of these amendments had no significant impact on the Group's and the Parent Company's financial statements.

(b) Effective Subsequent to 2020 but not Adopted Early

There are amendments and annual improvements to existing standards effective for annual periods subsequent to 2020, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's and the Parent Company's financial statements:

(i) PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities* (effective January 1, 2020). The improvements 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.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022). The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

(iii) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023). The amendments aim to promote consistency in applying the requirements by helping entities determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (i.e., due or potentially due to be settled within one year) or non-current.

2.3 Basis of Consolidation and Investments in a Subsidiary

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiary and the associate are prepared for the same reporting period as the Parent Company, using consistent accounting principles.

(a) Investment in a Subsidiary

A subsidiary is an entity over which the Parent Company has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Parent Company controls another entity. The Parent Company obtains and exercises control when (i) it has power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity, and, (iii) it has the ability to affect those returns through its power over the entity, usually through voting rights. A subsidiary is consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases (e.g., disposal of the subsidiary). If the Parent Company loses control of a subsidiary, it derecognizes all assets (including goodwill, if any) and liabilities of the former subsidiary at their carrying amounts and recognize consideration received at fair value and retain any investment remaining in the former subsidiary, if any. Any difference between the derecognized carrying amounts of assets and liabilities of the former subsidiary and the fair value of consideration received is recognized in statement of income.

The acquisition method is applied to account for acquired subsidiaries. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired, is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as a gain in profit or loss.

Investment in a subsidiary is initially recognized at cost and subsequently accounted for using the equity method in the Parent Company's financial statements.

The Parent Company has ceased to consolidate the balances from financial statements of its subsidiary starting October 16, 2020 since its 100% ownership interest in its subsidiary was included in the transfer of assets and assumption of liabilities to BDO Finance (see Notes 1.2, 13.2 and 21).

(b) Investment in an Associate

An associate is an entity over which the Parent Company has significant influence but which is neither a subsidiary nor an interest in a joint venture. Investment in an associate is initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in an associate is subject to the purchase method. The purchase method involves the recognition of the acquiree's identifiable assets and liabilities, including contingent liabilities, regardless of whether they were recorded in the financial statements prior to acquisition. Goodwill represents the excess of acquisition cost over the fair value of the Parent Company's share of the identifiable net assets of the acquiree at the date of acquisition. Any goodwill or fair value adjustment attributable to the Parent Company's share in the associate is included in the amount recognized as investment in an associate.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Parent Company's carrying amount of the investment. Changes resulting from the profit or loss generated by the associates are credited or charged against the Other Income account in the statement of income.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.17).

Changes resulting from other comprehensive income of the associate or items recognized directly in the associate's equity are recognized in other comprehensive income or equity of the Parent Company, as applicable. However, when the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the investor resumes recognizing its share of those profits only after its share of the profits exceeds the accumulated share of losses that has previously not been recognized.

Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

If Parent Company loses significant influence over an associate, it derecognizes such associate and recognizes in statement of income the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate at the date significant influence is lost.

In the Parent Company's financial statements, the investments in a subsidiary and an associate (presented as Equity investments under Other Assets account in the statement of financial position) are initially carried at cost and adjusted thereafter for the post-acquisition change in the Parent Company's share in net assets of the investee, which includes the share in the profit or loss and other comprehensive income, if any, reduced by any distribution received from the investment (see Note 13).

2.4 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC), its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows the Group's products and service lines as disclosed in Note 4, which represent the main products and services provided by the Group.

Each of these operating segments is managed separately as each of these service lines requires different technologies and other resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.5 Financial Assets and Financial Liabilities

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

At initial recognition, the Group and the Parent Company measure 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 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 and in the succeeding pages.

(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 Group's and the Parent 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 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 Group and the Parent Company assess whether the financial instruments' cash flows represent SPPI. In making this assessment, the Group 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(d)]. 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 FVTPL.

The Group's and the Parent 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 Group and Parent Company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,

- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Group and the Parent 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 Group for trading or as mandatorily required to be classified as FVTPL. The Group has designated all equity instruments as at FVOCI.

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 Group's and the Parent Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Group, 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 Group 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 Group and the Parent Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Group 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 Group's and Parent 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 Group and the Parent Company recognize 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 Group and the Parent Company calculate 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 2.5(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 Group and the Parent Company assess 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 Group and the Parent Company consider 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 Group and the Parent Company measure 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 Group's and Parent Company's definition of credit risk and information on how credit risk is mitigated by the Group are disclosed in Note 5.3.

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 5.3) 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 Group 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 Group 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 Group 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 Group.

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 Group's detailed ECL measurement, as determined by the management, is disclosed in Note 5.3.

(d) Derecognition of Financial Assets

(i) Modification of Loans

When the Group and the Parent Company derecognize a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Group and Parent Company assess whether or not the new terms are substantially different to the original terms. The Group and Parent Company consider, 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 Group and the Parent Company derecognize the financial asset and recognize 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 Group and the Parent Company also assess 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 Group and the Parent Company recalculate 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 Group and the Parent Company neither transfer nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(e) Classification and Measurement of Financial Liabilities

Financial liabilities include bills payable, accounts payable and other liabilities (except tax-related payables) and lease deposits.

Financial liabilities are recognized when the Group and the Parent Company become 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.

- *Bills Payable* are raised for support of long-term and short-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

- *Lease Deposits* are initially recognized at fair value. The excess of the principal amount of the deposits over its present value at initial recognition is immediately recognized and is included as part of Day-one gains under Other Income account in the statement of income. Meanwhile, interest expense on the amortization of lease deposits using the effective interest method is included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

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

(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.

2.6 Property and Equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

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

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Transportation and other equipment	3 to 5 years
Furniture, fixtures and others	3 to 5 years

Leasehold improvements are amortized over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values, estimated useful lives and method of depreciation and amortization of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets.

An item of property and equipment, including the related accumulated depreciation and amortization and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.7 Non-current Assets Classified as Held-for-Sale and Discontinued Operations

Assets held-for-sale (presented under Other Assets) include chattel or personal properties acquired through repossession or foreclosure that the Group intends to sell and will be disposed of within one year from the date of classification as held-for-sale. For real and other properties acquired through foreclosure or repossession, the Group included in its criteria that there should be an existence of a buyer before a foreclosed or repossessed property can be classified as Non-Current Asset Held-for-Sale (NCAHS) [see Note 3.1(f)].

The Group classifies a non-current asset (or disposal group) as held-for-sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held-for-sale if the delay is caused by events or circumstances beyond the Group's control and as long as there is a ready buyer.

Discontinued operations are excluded from the results of continuing operations and are presented separately from results of continuing operations in the statements of income, statements of comprehensive income and statements of cash flows.

All other notes to the financial statements include amounts for discontinued operations, unless indicated otherwise.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held-for-sale, and their fair values less costs to sell.

The Group and Parent Company shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held-for-sale are not subject to depreciation.

If the Group has classified an asset as held-for-sale, but the criteria for it to be recognized as held-for-sale are no longer satisfied, the Group shall cease to classify the asset as held-for-sale.

The gain or loss arising from the sale or remeasurement of held-for-sale assets is recognized in profit or loss and included as part of Other Income (Expenses) in the statement of income.

2.8 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable cost incurred. This also includes properties acquired by the Group from defaulting borrowers that are not held-for-sale in the next 12 months from the end of the reporting period. For these properties, the cost at initial recognition is the properties' fair market value at the date of foreclosure. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 years.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value. Depreciation and impairment loss are recognized in the same manner as in property and equipment.

The fair values of investment properties, as disclosed in Note 6.2, are based on valuations provided by independent and/or in-house appraisers, which are market value for land and building and related improvements and reproduction cost for certain building and improvements.

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in profit or loss in the year of retirement or disposal.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes, are normally charged against current operations in the period in which these costs are incurred.

2.9 Other Assets

Other assets pertain to other resources controlled by the Group and the Parent 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 Group and Parent Company and the asset has a cost or value that can be measured reliably.

Presented as part of other assets are intangible assets pertaining to acquired computer software licenses, which are capitalized on the basis of the costs incurred to acquire and install the specific software. Capitalized costs are amortized on a straight-line basis over the estimated useful life of five years as the lives of these intangible assets are considered finite. In addition, intangible assets are subject to impairment testing as described in Note 2.17. Costs associated with maintaining computer software and those costs associated with research activities are recognized as expense in profit or loss as incurred.

2.10 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 Group and Parent Company currently have 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.

2.11 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 Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Group 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.

2.12 Residual Value of Leased Assets

The residual value of leased assets, which approximates the amount of lease deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the lease deposit of the lessee. The residual value of leased assets is presented as part of Loans and Other Receivables account in the statement of financial position.

2.13 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 Group'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 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 Parent Company appropriately reversed such appropriation since all of its loans and receivables subject to 1% GLLP were already sold (see Note 18.5).

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

2.14 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Group and the Parent 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 Group's and Parent 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 Group and the Parent Company first apply 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 (see Note 2.19).

The Group and the Parent Company also earn service fees related to the Group's and the Parent Company's factoring receivables which are supported by contracts and approved by the parties involved. These revenues are accounted for by the Group and the Parent 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.

2.15 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

(i) Accounting for Leases in Accordance with PFRS 16

For any new contracts entered into, the Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group assesses whether the contract meets three key evaluations, which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Group recognizes a right-of-use asset as part of Property and Equipment, and a lease liability as part of Accounts Payable and Other Liabilities in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.17).

On the other hand, the Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

(b) Group as a Lessor

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under Loans and Other Receivables account. A lease receivable is recognized at an amount equal to the net investment in the lease. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned finance income. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

All income resulting from the receivable is included as part of Interest and Discounts in the statement of income.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term, or on a systematic basis which is more representative of the time pattern in which the use or benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

2.16 Foreign Currency Transactions and Translation

The accounting records of the Group 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.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment properties and other non-financial assets and the Parent Company's investments in a subsidiary are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. 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, some assets are tested individually for impairment and some are tested at cash-generating unit level. Impairment loss is recognized in profit or loss for the amount by which the 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 Group'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.

Except for intangible assets with indefinite useful life, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.18 Employee Benefits

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

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds [using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL)], that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurement, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions to the plan or benefit payments. Net interest is reported as part of Interest and Discounts or Interest and Financing Charges.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Benefit Contribution Plan

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity, such as the Social Security System. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due.

(c) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group 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 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.

(d) 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 Group 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 Group 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.

(e) Employee Stock Option Plan

BDO Unibank Group grants stock option plan to its senior officers (from vice president up), including the officers of the Group, for their contribution to the Group'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 Group'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 Group 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 16 and 20).

2.19 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.20 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 Group 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 Group 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.

2.21 Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to equity holders of the Parent 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 Group does not have dilutive common shares.

2.22 Related Party Relationships and Transactions

Related party transactions are transfer of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual; and, (d) the Group'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 Group'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.

2.23 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group'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 Group'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 Group'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) Determination of Lease Term of Contracts with Renewal and Termination Options

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

The lease term is reassessed if an option is actually exercised or not exercised or the Group becomes obliged to exercise or not exercise it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group.

(b) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

The Group uses a three-stage general approach to calculate ECL for all financial assets at amortized cost (except for receivables with no significant financing component which uses simplified approach) and debt instruments classified as financial assets at FVOCI together with loan commitments. The allowance for credit losses is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

The Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

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

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group'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 Group) 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 Group 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 Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Group's investment and trading strategies.

If more than an infrequent sale is made out of 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 Group 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 Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

In relation to the BDO Unibank Group's leasing business, in various dates in 2020, the Parent 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 Group's HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2020, further evaluation of the Group's HTC business model is no longer done (see Note 9).

In 2019, the Parent Company disposed of certain loans and receivables to manage its low-yielding loan portfolio and has, in its evaluation process, assessed the disposal to be permitted sales as it is an infrequent disposal, in accordance with PFRS 9 and consistent with the Group's HTC business model (see Note 9).

(d) 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 Group 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 Group 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 Group 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 out of 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 and 2019, there were disposals made by the Parent Company [see Notes 1.2, 3.1(c) and 9].

(e) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(f) Classification of Acquired Properties and Fair Value Determination of Non-Current Assets Held-for-Sale and Investment Properties

The Group classifies its acquired properties as NCAHS if expected that the properties will be recovered through sale rather than use, and as Investment Properties if intended to be held for capital appreciation or for rental to others. At initial recognition, the Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

The Group provides additional criterion for booking real and chattel properties to NCAHS such that the real and chattel properties should have a ready buyer before it can be booked as NCAHS. Accounts with no ready buyers were classified as Investment Properties for real properties and as Repossessed chattels and other equipment under Other Assets account for other properties.

(g) Distinction Between Operating and Finance Leases for Contracts where the Group is the Lessor

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

The Group has determined that it has transferred all the significant risks and rewards of ownership of the properties which are leased out on finance lease arrangements. The Subsidiary's operations involve operating leases. The Group has determined that it retains all the significant risks and rewards of ownership over the properties which are leased out on operating lease arrangements.

(h) *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 2.11 and disclosures on relevant provisions are presented in Note 24.

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) *Determination of Appropriate Discount Rate in Measuring Lease Liabilities*

The Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) *Estimation of Allowance for ECL*

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). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 5.3.

The carrying value of Financial Assets at FVOCI and Loans and Other Receivables, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 8, 9 and 14, respectively.

(c) *Determination of Fair Value Measurement for Financial Assets at FVOCI*

The Group carries certain financial assets at fair value which requires the extensive use of accounting estimates and judgement. In cases when active market quotes are not available, fair value is determined by reference to the current market value of another financial instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net base of the instrument.

The amount of changes in fair value would differ if the Group had utilized different valuation methods and assumptions. Any change in fair value of the financial assets and financial liabilities would affect other comprehensive income.

The carrying values of the Group's financial assets at FVOCI and the amounts of fair value changes recognized are disclosed in Notes 6 and 8, respectively.

(d) Estimating Useful Lives of Property and Equipment, Investment Properties and Computer Software

The Group estimates the useful lives of property and equipment, investment properties and computer software (classified as Intangible assets under Other Assets) based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment, investment properties and computer software are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment, investment properties and computer software are presented in Notes 10, 11 and 13, respectively. Based on management's assessment as of December 31, 2019, there is no change in estimated useful lives of property and equipment, investment properties and computer software during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) Impairment of Non-Financial Assets

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on other assets are presented in Notes 13 and 14. In 2020 and 2019, no impairment loss is recognized for property and equipment and investment properties (see Note 10 and 11).

(f) Fair Value Measurement for Investment Properties

The Group's land, building and improvements classified under investment properties are measured at cost model; however, the related fair value is disclosed at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 6.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(g) Determining Realizable Amount of Deferred Tax Assets

The Group 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. Management has assessed that deferred tax assets recognized as at December 31, 2019 may be recoverable. 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, 2020, there were no 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.

The carrying value of the deferred tax assets (netted against deferred tax liabilities) as at December 31, 2019 is disclosed in Note 22.

(b) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of pension and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, and salary increase rate.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation, significant assumptions used in estimating as well as the transfer of such obligation to BDO Finance are presented and discussed in Note 20.2.

4. SEGMENT REPORTING

4.1 Business Segments

The Group is organized into different business units based on its products and services for purposes of management assessment of each unit. For management purposes, the Group is organized into three major business segments, namely: leasing and financing. These are also the basis of the Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

The products under the leasing segment are the following:

- Operating leases; and,
- Finance leases.

The products under the financing segment are the following:

- Amortized commercial loans;
- Installment paper purchases;
- Floor stock financing; and,
- Factoring of receivables.

In 2019, the Group's products and services are marketed in the Metro Manila head office and in its five branches (see Note 1). On October 16, 2020, the Parent Company has effectively wound down its leasing and financing operations and transferred all its assets and liabilities to BDO Finance (see Note 1.2). Segment information as of December 31, 2020 for statement of financial position was no longer presented in Note 4.4.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, and loans and receivables, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all bills payable and lease deposits.

4.3 Intersegment Transactions

Intersegment transactions in 2020, 2019 and 2018 pertain to rent income, management fee, as well as dividends earned by the Parent Company from BDO Rental.

4.4 Analysis of Segment Information

Segment information and reconciliation can be analyzed as follows:

	Leasing	Financing	Total
For the Year Ended December 31, 2020			
Statement of Income			
Segment revenues	**P 1,089.1**	**P 597.0**	**P 1,686.1**
Segment expenses	**(900.3)**	**(493.5)**	**(1,393.8)**
	P 188.8	**P 103.5**	**292.3**
Others			**96.8**
Segment results			**389.1**
Tax expense			**(158.1)**
Net profit			**P 231.0**
For the Year Ended December 31, 2019			
Statement of Income			
Segment revenues	P 1,735.6	P 1,021.6	P 2,757.2
Segment expenses	(1,689.6)	(994.5)	(2,684.1)
	P 46.0	P 27.1	73.1
Others			5.5
Segment results			78.6
Tax expense			(33.6)
Net profit			P 45.0
December 31, 2019			
Statement of Financial Positions			
Segment assets	P 15,271.1	P 11,202.8	P 26,473.9
Unallocated assets			4,474.0
Total assets			P 30,947.9
Segment liabilities	P 13,611.3	P 11,262.7	P 24,874.0
Unallocated			459.6
Total liabilities			P 25,333.6
Other segment information			
Capital expenditures	P 485.9	P -	P 485.9
Depreciation and amortization	P 757.8	P -	P 757.8
For the Year Ended December 31, 2018			
Statement of Income			
Segment revenues	P 1,833.5	P 998.4	P 2,831.9
Segment expenses	(1,593.8)	(867.9)	(2,461.7)
	P 239.7	P 130.5	370.2
Others			85.1
Segment results			455.3
Tax expense			(89.6)
Net profit			P 365.7

Segment expenses are allocated on the basis of gross income.

4.5 Reconciliation

	2020	2019	2018
Revenues			
Total segment revenues	**P 1,686.1**	P 2,757.2	P 2,831.9
Unallocated revenues	**681.0**	274.7	383.6
Revenues as reported in profit or loss	**2,367.1**	3,031.9	3,215.5
Expenses			
Total segment expenses	**1,393.8**	2,684.1	2,461.7
Unallocated expenses	**562.9**	267.4	333.5
Expenses as reported in profit or loss	**1,956.7**	2,951.5	2,795.2
Net revenues as reported in profit or loss	**P 410.4**	P 80.4	P 420.3
Profit or loss			
Total net income	**P 231.0**	P 45.0	P 365.7
Unallocated revenues (expenses) -net	**21.3**	1.8	(35.0)
Group net profit as reported in profit or loss	**P 252.3**	P 46.8	P 330.7
Other segment information:			
Right-of-use assets	**P -**	P 26.9	P -
Capital expenditures – Leasing	**P 215.5**	P 485.9	P 888.9
Other capital expenditures	**3.0**	2.2	6.2
	P 218.5	P 488.1	P 895.1
Depreciation and amortization – Leasing	**P 502.1**	P 757.8	P 861.4
Other depreciation and amortization	**22.3**	36.0	20.1
	P 524.4	P 793.8	P 881.5

The Group's main operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

Net segment assets as of December 31, 2019 are comprised of the following:

	Leasing	Financing
Receivables	P 10,375.9	P 11,485.3
Residual value of leased assets	4,648.6	-
Unearned income	(1,253.3)	(19.6)
Client's equity	-	(37.7)
	13,771.2	11,428.0
Equipment under lease	1,840.3	-
	15,611.5	11,428.0
Allowance for impairment	(340.4)	(225.2)
	P 15,271.1	P 11,202.8

The Group's bills payable, including payable to BDO Unibank, amounting to P20,137.8 as of December 31, 2019 (nil in 2020) is allocated between the leasing and financing segments based on the carrying amounts of receivables of these segments. Deposits on lease amounting to P4,736.2 as of December 31, 2019 (nil 2020) are included in the leasing segment.

5. RISK MANAGEMENT

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

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

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

For credit risk, market risk, and liquidity risk, the Group 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 Group'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 Credit Committee. The Credit Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving credit portfolio risk-related policies and limits, as well as, market, liquidity, and operational risk policies and limits.

Within the Group's overall risk management system is the Assets and Liabilities Committee (ALCO), which is responsible for managing the Group's statement of financial position, including the Group's 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 Group operates an integrated risk management system to address the risks it faces in its activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. 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 Group's activities across the different risk areas (i.e., credit, market, liquidity and operational risks) 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 Group 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 Group's business. The goal of the risk management process is to ensure rigorous adherence to the Group'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.

5.1 Foreign Exchange Risk

Most of the Group's and the Parent 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 Group's and the Parent Company's leasing and financing portfolio, cash and cash equivalents and lease deposits which are denominated in United States (U.S.) dollars.

The Group and the Parent Company's foreign-currency denominated financial assets and financial liabilities translated into Philippine pesos at the closing rate at December 31, 2020 and 2019 are as follows:

	2020	2019
Cash and cash equivalents	**P 38.2**	P 4.9
Loans and other receivables	**-**	640.2
Bills payable	**-**	(480.8)
Lease deposits	**-**	(126.4)
	P 38.2	P 37.9

At December 31, 2020 and 2019, the currency exchange rates used to translate U.S. dollar denominated financial assets and financial liabilities to the Philippine pesos is approximately P48.02 and P50.64, respectively.

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Group's and the Parent Company's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate. It assumes a +/-16.0% change and +/-17.9% change of the Philippine peso/U.S. dollar exchange rate at December 31, 2020 and 2019, 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 Group's foreign currency financial instruments held at the end of each reporting period.

	2020		2019	
	Depreciation of Peso	**Appreciation of Peso**	Depreciation of Peso	Appreciation of Peso
Profit before tax	**P 6.1**	**(P 6.1)**	P 6.8	(P 6.8)
Equity	**4.3**	**(4.3)**	4.8	(4.8)

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 Group's and the Parent Company's currency risk.

5.2 Interest Rate Risk

At December 31, 2019, the Group is exposed to changes in market interest rates through its bills payable and a portion of Group's loans and other receivables, which are subject to periodic interest rate repricing. All other financial assets and financial liabilities have fixed rates. At December 31, 2020, the Parent Company has no material exposure to changes in interest rates since there are no outstanding loans and other receivables and bills payable with significant financing component.

The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The current composition of the Group's assets and liabilities results in significant negative gap positions for repricing periods under one year. Consequently, the Group is vulnerable to increases in market interest rates. However, in consideration of the substantial net interest margins between the Group's marginal funding cost and its interest-earning assets, and favorable lease and financing terms which allow the Group to reprice annually, and to reprice at any time in response to extraordinary fluctuations in interest rates, the Group believes that the adverse impact of any interest rate increase would be limited.

In addition, during periods of declining interest rates, the existence of a negative gap position favorably impacts the Group.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates for bills payable of +/-2.6% at December 31, 2019 and variable rate loans and other receivables of +/-2.0% at December 31, 2019. These changes are considered to be reasonably possible based on observation of current market conditions for the past 12 months at a 99% confidence level. The calculations are based on the Group's and Parent Company's financial instruments held at the end of each reporting period. All other variables are held constant.

	Increase in Interest Rate	Decrease in Interest Rate
Loans and other receivables	+2.6%	-2.6%
Bills payable	+2.0%	-2.0%
Increase (decrease) in:		
Profit before tax	P 31.7	(P 31.7)
Equity	22.2	(22.2)

5.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, treasury, and other activities undertaken by the Group. 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 Group's credit policies and procedures are adequate to meet the demands of the business.

RMU also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

The Group 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 are secured from the Credit 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.

5.3.1 Exposure to Credit Risk

Loan classification and credit risk rating are an integral part of the Group'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.

The Group's definition of its loan classification and corresponding credit risk ratings are as follows:

- Pass/Unclassified : Grades AAA to B
- Watchlisted : Grade B-
- Loans Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

(a) Pass/Unclassified

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) Watchlisted

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(c) Adversely Classified

(i) Loans Especially Mentioned (LEM)

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the Group.

(ii) Substandard

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness/(es) that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(iii) Doubtful

Accounts classified as "Doubtful" are individual credits or portions thereof which exhibit more severe weaknesses that those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(iv) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value.

This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

In addition to the above, credit portfolio review is another integral part of the Group'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 so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Group using internal credit ratings.

5.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of Loans and Other Receivables and debt investment securities at FVOCI. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. In 2020 and 2019, the Group and the Parent Company have 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:

Group

			Stage 1	Stage 2	Stage 3	Total
2020						
Other receivables						
Grades AAA to B	:	Current*	P 124.7	P -	P 2.6	P 127.3

**No expected credit loss allowance*

			Stage 1	Stage 2	Stage 3	Total
2019						
Receivables from customers – corporate						
Grades AAA to B	:	Current	P 15,144.0	P 72.3	P 25.2	P 15,241.5
Grade B-	:	Watchlisted	209.0	2.0	68.7	279.7
Grade C	:	LEM	-	113.0	93.4	206.4
Grade D	:	Substandard	-	-	192.9	192.9
Grade E	:	Doubtful	-	144.2	491.9	636.1
Grade F	:	Loss	-	-	261.0	261.0
			15,353.0	331.5	1,133.1	16,817.6
Expected credit loss allowance			(44.5)	(11.5)	(418.4)	(474.4)
Carrying amount			P 15,308.5	P 320.0	P 714.7	P 16,343.2
Receivables from customers – consumer						
Grades AAA to B	:	Current	P 7,989.2	P -	P 83.4	P 8,072.6
Grade B-	:	Watchlisted	-	-	-	-
Grade C	:	LEM	-	83.3	40.7	124.0
Grade D	:	Substandard	-	-	23.5	23.5
Grade E	:	Doubtful	-	-	78.5	78.5
Grade F	:	Loss	-	-	139.4	139.4
			7,989.2	83.3	365.5	8,438.0
Expected credit loss allowance			(21.7)	(4.5)	(65.0)	(91.2)
Carrying amount			P 7,967.5	P 78.8	P 300.5	P 8,346.8
Other receivables						
Grades AAA to B	:	Current	P 269.4	P -	P -	P 269.4
Grade B-	:	Watchlisted	-	-	-	-
Grade C	:	LEM	-	-	-	-
Grade D	:	Substandard	-	-	15.9	15.9
Grade E	:	Doubtful	-	-	11.5	11.5
Grade F	:	Loss	-	-	20.0	20.0
			269.4	-	47.4	316.8
Expected credit loss allowance			0.2	-	(29.3)	(29.1)
Carrying amount			P 269.6	P -	P 18.1	P 287.7
Debt investment securities at FVOCI						
Grades AAA to B	:	Current	P 1,162.4	P -	P -	P 1,162.4

Parent

			Stage 1	Stage 2	Stage 3	Total
2020						
Other receivables						
Grades AAA to B	:	Current*	P 124.7	P -	P 2.6	P 127.3

**No expected credit loss allowance*

			Stage 1	Stage 2	Stage 3	Total
2019						
Receivables from customers – corporate						
Grades AAA to B	:	Current	P 15,144.0	P 72.3	P 25.2	P 15,241.5
Grade B-	:	Watchlisted	209.0	2.0	68.7	279.7
Grade C	:	LEM	-	113.0	93.4	206.4
Grade D	:	Substandard	-	-	192.9	192.9
Grade E	:	Doubtful	-	144.2	491.9	636.1
Grade F	:	Loss	-	-	261.0	261.0
			15,353.0	331.5	1,133.1	16,817.6
Expected credit loss allowance			(44.5)	(11.5)	(418.4)	(474.4)
Carrying amount			P 15,308.5	P 320.0	P 714.7	P 16,343.2
Receivables from customers – consumer						
Grades AAA to B	:	Current	P 7,989.2	P -	P 83.4	P 8,072.6
Grade B-	:	Watchlisted	-	-	-	-
Grade C	:	LEM	-	83.3	40.7	124.0
Grade D	:	Substandard	-	-	23.5	23.5
Grade E	:	Doubtful	-	-	78.5	78.5
Grade F	:	Loss	-	-	139.4	139.4
			7,989.2	83.3	365.5	8,438.0
Expected credit loss allowance			(21.7)	(4.5)	(65.0)	(91.2)
Carrying amount			P 7,967.5	P 78.8	P 300.5	P 8,346.8
Other receivables						
Grades AAA to B	:	Current	P 58.2	P -	P -	P 58.2
Grade B-	:	Watchlisted	-	-	-	-
Grade C	:	LEM	-	-	-	-
Grade D	:	Substandard	-	-	15.9	15.9
Grade E	:	Doubtful	-	-	11.5	11.5
Grade F	:	Loss	-	-	20.0	20.0
			58.2	-	47.4	105.6
Expected credit loss allowance			0.2	-	(29.1)	(28.9)
Carrying amount			P 58.4	P -	P 18.3	P 76.7
Debt investment securities at FVOCI						
Grades AAA to B	:	Current	P 1,162.4	P -	P -	P 1,162.4

The credit risk for cash and cash equivalents is considered negligible, since the counterparties are reputable institutions with high quality external credit ratings. For loan commitments, no ECL is recognized as the Group and the Parent Company have historically been able to hold the further drawdown of the loans for borrowers with heighten credit risk as mitigated in the Group's and the Parent Company's existing credit risk management actions and policies.

5.3.3 Concentrations of Credit Risk

The Group and the Parent Company monitor 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.

	2020			2019		
	Cash and Cash Equivalents	**Loans and Other Receivables**	**Financial Assets at FVOCI***	Cash and Cash Equivalents	Loans and Other Receivables	Financial Assets at FVOCI*
Group						
Concentration by sector:						
Financial intermediaries	**P 116.0**	**P -**	**P -**	P 130.0	P 18.4	P -
Manufacturing	**-**	**-**	**-**	-	2,229.9	-
Transportation, communication and energy	**-**	**-**	**-**	-	3,869.1	-
Wholesale and retail trade and		**-**				
personal activities	**-**	**-**	**-**	-	3,410.6	-
Real estate, renting and business activities	**-**			-	148.2	1,162.4
Agriculture, fishing and forestry	**-**	**-**	**-**	-	141.1	-
Other community, social and						
personal activities	**-**	**127.3**	**-**	-	15,160.4	-
	P 116.0	**P 127.3**	**P -**	P 130.0	P 24,977.7	P 1,162.4
Parent Company						
Concentration by sector:						
Financial intermediaries	**P 116.0**	**P -**	**P -**	P 107.2	P 18.4	P -
Manufacturing	**-**	**-**	**-**	-	2,229.9	-
Transportation, communication and energy	**-**	**-**	**-**	-	3,869.1	-
Wholesale and retail trade and		**-**				
personal activities	**-**	**-**	**-**	-	3,410.6	-
Real estate, renting and business activities-	**-**	**-**		-	148.2	1,162.4
Agriculture, fishing and forestry	**-**	**-**	**-**	-	141.1	-
Other community, social and						
personal activities	**-**	**127.3**	**-**	-	14,949.4	-
	P 116.0	**P 127.3**	**P -**	P 107.2	P 24,766.7	P 1,162.4

**Financial Assets at FVOCI do not include equity securities.*

5.3.4 Collateral Held as Security and Other Credit Enhancements

The Group holds collateral against loans and other receivables in the form of mortgage interests over real and personal properties. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and are periodically updated.

Estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31, 2019 follows:

	Credit Exposure	Collateral Value
Receivable from customers – corporate		
Real property	P 693.1	P 5,975.9
Personal property	15,966.7	23,500.7
	P 16,659.8	P 29,476.6
Receivable from customers – consumer		
Real property	P 8,108.5	P 14,647.3
Personal property	329.6	522.4
	P 8,438.1	P 15,169.7
Other receivables –		
Real property	P 18.4	P 47.2

As of December 31, 2020, there were no credit exposures on the above receivables.

As of December 31, 2020 and 2019, no collateral is held for cash and cash equivalents and financial assets at FVOCI.

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. Aside from the foregoing, there are no other credit enhancements on the Group's financial assets held as of December 31, 2020 and 2019.

The general creditworthiness of a corporate or individual customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Group generally requests that corporate and individual borrowers provide it. The Group may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

While the Group is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate customers. Most frequent updating, however, is required when the loan is put on a watch list and the loan is monitored more closely. The same applies to credit-impaired loans, as the Group obtains appraisals or valuations of collateral to provide input into determining the management credit risk actions.

(a) Receivable from Customers – Corporate

At December 31, 2019, the net carrying amount of credit-impaired (loans under Stages 2 and 3) receivables from corporate customers amounted to P1,034.7 and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to P1,348.4 (nil in 2020). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(b) Receivable from Customers – Consumer

At December 31, 2019, the net carrying amount of credit-impaired (loans under Stage 2 and 3) receivables to individual customers amounted to P379.3 and the value of identifiable collateral (chattel properties) held against those loans and advances amounted to P725.0 (nil in 2020). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(c) Other Receivables

At December 31, 2019, the net carrying amount of credit-impaired receivables to corporate and individual customers amounted to P18.2 and the value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to P29.3 (nil in 2020). For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

5.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, the Group assesses whether Loans and Other Receivables and debt investment securities at FVOCI 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 Group measures credit risk using PD, LGD and 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 Group 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 Group'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 Group 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 Group 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 judgement. 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 Group 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 Group 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 Group 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 Group. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group'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 substantial decline in sales 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 Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group; 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 Group 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 Group 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 Group 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, unemployment rate, foreign exchange, 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) Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of its remaining lifetime PD at the reporting date based on the modified terms with the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default. Under the Group's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt; or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Consumer and corporate loans are subject to restructuring. The Group's Credit Committee regularly reviews reports on restructured activities.

For financial assets modified as part of the Group's restructuring policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(e) 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 5.3.5(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 Group 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 Group 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 Group 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 Group considers a longer period.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and,
- geographic location of the borrower.

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.

(f) Loss Allowance

In 2020, the Group and the Parent Company performed recalibration of its existing ECL model to incorporate on the most-recent default and recovery experience of the Group and the Parent 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.

Group

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P 44.5**	**P 11.5**	**P 418.4**	**P 474.4**
Transfer to:				
Stage 1	**0.3**	**(0.3)**	**-**	**-**
Stage 2	**(0.6)**	**1.2**	**(0.6)**	**-**
Stage 3	**(5.6)**	**(11.0)**	**16.6**	**-**
Net remeasurement of loss allowance	**(5.1)**	**2.9**	**253.2**	**251.0**
New financial assets originated	**6.0**	**1.5**	**7.7**	**15.2**
Derecognition of financial assets	**(39.5)**	**(5.8)**	**(675.9)**	**(721.2)**
Write-offs	**-**	**-**	**(19.4)**	**(19.4)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**
Receivables from customers – consumer				
Balance at January 1	**P 21.7**	**P 4.5**	**P 65.0**	**P 91.2**
Transfer to:				
Stage 1	**1.5**	**(0.2)**	**(1.3)**	**-**
Stage 2	**(1.9)**	**1.9**	**-**	**-**
Stage 3	**(4.4)**	**(3.5)**	**7.9**	**-**
Net remeasurement of loss allowance	**69.0**	**56.9**	**79.6**	**205.5**
New financial assets originated	**7.0**	**3.0**	**-**	**10.0**
Derecognition of financial assets	**(92.9)**	**(62.6)**	**(151.2)**	**(306.7)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**
Other receivables				
Balance at January 1	**(P 0.2)**	**P -**	**P 29.3**	**P 29.1**
Derecognition of financial assets	**0.2**	**-**	**(29.3)**	**(29.1)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 111.3	P 1.8	P 333.4	P 446.5
Transfer to:				
Stage 1	-	-	-	-
Stage 2	(1.1)	1.1	-	-
Stage 3	(1.8)	(1.3)	3.1	-
Net remeasurement of loss allowance	(26.3)	10.1	73.5	57.3
New financial assets originated	20.6	-	32.2	52.8
Derecognition of financial assets	(58.2)	(0.2)	(4.2)	(62.6)
Write-offs	-	-	(19.6)	(19.6)
Balance at December 31	P 44.5	P 11.5	P 418.4	P 474.4
Receivables from customers – consumer				
Balance at January 1	P 23.7	P 3.2	P 47.0	P 73.9
Transfer to:				
Stage 1	4.9	(0.5)	(4.4)	-
Stage 2	(0.2)	0.9	(0.7)	-
Stage 3	(1.7)	(2.6)	4.3	-
Net remeasurement of loss allowance	(5.8)	2.9	32.0	29.1
New financial assets originated	3.6	0.8	2.1	6.5
Derecognition of financial assets	(2.8)	(0.2)	(15.3)	(18.3)
Balance at December 31	P 21.7	P 4.5	P 65.0	P 91.2
Other receivables				
Balance at January 1	P 0.7	P 0.3	P 29.4	P 30.4
Transfer to:				
Stage 1	(0.2)	-	0.2	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	(0.4)	(0.4)
New financial assets originated	-	-	0.2	0.2
Derecognition of financial assets	(0.7)	(0.3)	(0.1)	(1.1)
Balance at December 31	(P 0.2)	P -	P 29.3	P 29.1

Parent Company

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – corporate				
Balance at January 1	**P 44.5**	**P 11.5**	**P 418.4**	**P 474.4**
Transfer to:				
Stage 1	**0.3**	**(0.3)**	**-**	**-**
Stage 2	**(0.6)**	**1.2**	**(0.6)**	**-**
Stage 3	**(5.6)**	**(11.0)**	**16.6**	**-**
Net remeasurement of loss allowance	**(5.1)**	**2.9**	**253.2**	**251.0**
New financial assets originated	**6.0**	**1.5**	**7.7**	**15.2**
Derecognition of financial assets	**(39.5)**	**(5.8)**	**(675.9)**	**(721.2)**
Write-offs	**-**	**-**	**(19.4)**	**(19.4)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**

	2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Receivables from customers – consumer				
Balance at January 1	**P 21.7**	**P 4.5**	**P 65.0**	**P 91.2**
Transfer to:				
Stage 1	**1.5**	**(0.2)**	**(1.3)**	**-**
Stage 2	**(1.9)**	**1.9**	**-**	**-**
Stage 3	**(4.4)**	**(3.5)**	**7.9**	**-**
Net remeasurement of loss allowance	**69.0**	**56.9**	**79.6**	**205.5**
New financial assets originated	**7.0**	**3.0**	**-**	**10.0**
Derecognition of financial assets	**(92.9)**	**(62.6)**	**(151.2)**	**(306.7)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**
Other receivables				
Balance at January 1	**(P 0.2)**	**P -**	**P 29.1**	**P 28.9**
Derecognition of financial assets	**0.2**	**-**	**(29.1)**	**(28.9)**
Balance at December 31	**P -**	**P -**	**P -**	**P -**

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 111.3	P 1.8	P 333.4	P 446.5
Transfer to:				
Stage 1	-	-	-	-
Stage 2	(1.1)	1.1	-	-
Stage 3	(1.8)	(1.3)	3.1	-
Net remeasurement of loss allowance	(26.3)	10.1	73.5	57.3
New financial assets originated	20.6	-	32.2	52.8
Derecognition of financial assets	(58.2)	(0.2)	(4.2)	(62.6)
Write-offs	-	-	(19.6)	(19.6)
Balance at December 31	P 44.5	P 11.5	P 418.4	P 474.4
Receivables from customers – consumer				
Balance at January 1	P 23.7	P 3.2	P 47.0	P 73.9
Transfer to:				
Stage 1	4.9	(0.5)	(4.4)	-
Stage 2	(0.2)	0.9	(0.7)	-
Stage 3	(1.7)	(2.6)	4.3	-
Net remeasurement of loss allowance	(5.8)	2.9	32.0	29.1
New financial assets originated	3.6	0.8	2.1	6.5
Derecognition of financial assets	(2.8)	(0.2)	(15.3)	(18.3)
Balance at December 31	P 21.7	P 4.5	P 65.0	P 91.2
Other receivables				
Balance at January 1	P 0.7	P 0.3	P 29.2	P 30.2
Transfer to:				
Stage 1	(0.2)	-	0.2	-
Stage 2	-	-	-	-
Stage 3	-	-	-	-
Net remeasurement of loss allowance	-	-	(0.2)	(0.2)
New financial assets originated	-	-	-	-
Derecognition of financial assets	(0.7)	(0.3)	(0.1)	(1.1)
Balance at December 31	(P 0.2)	P -	P 29.1	P 28.9

As of December 31, 2020 and 2019, the Group and the Parent Company have written-off certain accounts amounting to P19.4 and P19.6, respectively. The management assessed that the Group and the Parent Company still has enforceable right over these written-off accounts.

5.3.6 Liquidity Risk

The primary business of financing companies entails the borrowing and relending of funds. Consequently, financing companies are subject to substantial leverage, and are therefore exposed to the potential financial risks that accompany borrowing.

The Group expects that its continued asset expansion will result in higher funding requirements in the future. Like most financing companies in the Philippines, the Group does not have a license to engage in quasi-banking function, and as such, it is precluded from engaging in deposit-taking activities. In addition, it is precluded under the General Banking Act from incurring borrowings from more than 19 lenders at any one time, which to some extent, restricts its access to the public debt markets.

The Group believes that it currently has adequate debt funding from banks, other financial institutions, and through the issuance of Short-Term Commercial Papers (STCPs). In 2019, the Group renewed the P15.0 billion STCP licenses. No renewal made in 2020.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in its day-to-day business.

Presented below and in the succeeding page are the financial assets and financial liabilities as of December 31, 2020 and 2019 analyzed according to when these are expected to be recovered or settled.

	Group				
	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 116.0**	**P -**	**P -**	**P -**	**P 116.0**
Financial assets at FVTPL	**5,752.7**	**-**	**-**	**-**	**5,752.7**
Loans and other receivables	**127.3**	**-**	**-**	**-**	**127.3**
	P 5,996.0	**P -**	**P -**	**P -**	**P 5,996.0**
Financial liabilities					
Accounts payable and other liabilities	**P 27.5**	**P -**	**P -**	**P -**	**P 27.5**

	Parent Company				
	One to Three Months	**Three Months to One Year**	**One to Three Years**	**More Than Three Years**	**Total**
Financial assets					
Cash and cash equivalents	**P 116.0**	**P -**	**P -**	**P -**	**P 116.0**
Financial assets at FVTPL	**5,752.7**	**-**	**-**	**-**	**5,752.7**
Loans and other receivables	**127.3**	**-**	**-**	**-**	**127.3**
	P 5,996.0	**P -**	**P -**	**P -**	**P 5,996.0**
Financial liabilities					
Accounts payable and other liabilities	**P 27.5**	**P -**	**P -**	**P -**	**P 27.5**

	Group				
	One to Three Months	Three Months to One Year	One to Three Years	More Than Three Years	Total
2019					
Financial assets					
Cash and cash equivalents	P 130.0	P -	P -	P -	P 130.0
Financial assets at FVOCI	-	962.0	200.3	2,028.6	3,190.9
Loans and other receivables	1,549.8	1,977.5	9,538.7	11,911.7	24,977.7
	P 1,679.8	P 2,939.5	P 9,739.0	P 13,940.3	P 28,298.6
Financial liabilities					
Bills payable	P 12,805.0	P 2,606.4	P 4,726.4	P -	P 20,137.8
Accounts payable and other liabilities	379.9	9.2	15.5	0.1	404.7
Lease deposits	607.4	604.7	2,526.8	997.3	4,736.2
	P 13,792.3	P 3,220.3	P 7,268.7	P 999.4	P 25,278.7

	Parent Company				
	One to Three Months	Three Months to One Year	One to Three Years	More Than Three Years	Total
Financial assets					
Cash and cash equivalents	P 107.2	P -	P -	P -	P 107.2
Financial assets at FVOCI	-	962.0	200.3	2,028.6	3,190.9
Loans and other receivables	1,532.5	1,783.6	9,538.7	11,911.9	24,766.7
	P 1,639.7	P 2,745.6	P 9,739.0	P 13,940.5	P 28,064.8
Financial liabilities					
Bills payable	P 10,971.5	P 2,606.4	P 4,726.5	P -	P 18,304.4
Accounts payable and other liabilities	299.7	9.2	15.5	0.1	324.5
Lease deposits	593.8	584.9	2,464.0	983.5	4,626.2
	P 11,865.0	P 3,200.5	P 7,206.0	P 983.6	P 23,255.1

The Group and the Parent Company's maturing financial liabilities within the one to three-month period pertain mostly to bills payable due to various private entities. Maturing bills payable are usually settled through repayments. When maturing financial assets are not sufficient to cover the related maturing financial liabilities, bills payable and other currently maturing financial liabilities are rolled over/refinanced or are settled by entering into new borrowing arrangements with other counterparties.

5.3.7 Write-offs

The Group 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 Group'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.

5.4 Price Risk

The Group is exposed to the changes in the market values of financial assets at FVTPL and FVOCI held as of December 31, 2020 and 2019, respectively. The Group 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 and FVOCI, the Group does not concentrate its investment in any single counterparty.

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 P5.2 in 2020. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant. If the prices of financial assets at FVOCI changed by +/-4.2% at December 31, 2019, then other comprehensive income would have increased/decreased by P83.8 in 2019. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant.

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 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 in the succeeding pages.

	Group		Parent	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
2020				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 116.0	P 116.0	P 116.0	P 116.0
Loans and other receivables	127.3	127.3	127.3	127.3
	243.3	243.3	243.3	243.3
Financial assets at FVTPL	5,752.7	5,752.7	5,752.7	5,752.7
	P 5,996.0	P 5,996.0	P 5,996.0	P 5,996.0
Financial Liabilities				
At amortized cost:				
Accounts payable and other liabilities	P 27.5	P 27.5	P 27.5	P 27.5

	Group		Parent	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
2019				
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P 130.0	P 130.0	P 107.2	P 107.2
Loans and other receivables	24,977.7	24,597.7	24,766.7	24,386.7
	25,107.7	24,727.7	24,873.9	24,493.9
Financial assets at FVOCI	3,190.9	3,190.9	3,190.9	3,190.9
	P 28,298.6	P 27,918.6	P 28,064.8	P 27,684.8
Financial Liabilities				
At amortized cost:				
Bills payable	P 20,137.8	P 20,105.4	P 18,304.4	P 18,280.5
Accounts payable and other liabilities	404.7	404.7	324.5	324.5
Lease deposits	4,736.2	4,369.1	4,626.2	4,266.6
	P 25,278.7	P 24,879.2	P 23,255.1	P 22,871.6

The methods and assumptions used by the Group 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) Financial Assets at FVTPL and FVOCI

The fair value of financial assets at FVTPL and FVOCI is determined by direct reference to published price quoted in an active market for traded securities or net asset value per unit as published by the related bank. Unquoted security is determined based on pricing model developed by applying benchmark pricing curves which are derived using the yield of benchmark security with similar maturities (i.e., corporate bonds or notes).

(iii) 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.

(iv) Bills Payable

The estimated fair value of bills payable represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

(v) Accounts Payable and Other Liabilities

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

(vi) Lease Deposits

Lease deposits are measured at present value, hence, their fair values.

6.2 Fair Value Measurement and Disclosures

6.2.1 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 Group 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.

6.2.2 Financial Instrument Measured at Fair Value

The following table shows the fair value hierarchy of the Group and Parent Company's class of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2020 and 2019.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2020					
Financial assets at FVTPL – Unit investment trust fund	8	**P -**	**P 5,752.7**	**P -**	**P 5,752.7**
December 31, 2019					
Financial assets at FVOCI:					
Equity securities	8	P 617.5	P 1,411.0	P -	P 2,028.5
Debt securities		1,162.4	-	-	1,162.4
		P 1,779.9	P 1,411.0	P -	P 3,190.9

The Group and the Parent Company have no financial liabilities measured at fair value as of December 31, 2020 and 2019.

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

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

The following summarizes the fair value hierarchy of the Group and the Parent 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.

		Group			
	Notes	Level 1	Level 2	Level 3	Total
December 31, 2020					
Financial assets:					
Cash and cash equivalents	7	**P 116.0**	**P -**	**P -**	**P 116.0**
Loans and other receivables	9	**-**	**-**	**127.3**	**127.3**
		P 116.0	**P -**	**P 127.3**	**P 243.3**
Financial liabilities:					
Accounts payable and other liabilities	16	**P -**	**P -**	**P 27.5**	**P 27.5**

	Notes	Group Level 1	Group Level 2	Group Level 3	Group Total
December 31, 2019					
Financial assets:					
Cash and cash equivalents	7	P 130.0	P -	P -	P 130.0
Loans and other receivables	9	-	-	24,597.7	24,597.7
		P 130.0	P -	P 24,597.7	P 24,727.7
Financial liabilities:					
Bills payable	15	P -	P -	P 20,105.4	P 20,105.4
Accounts payable and other liabilities	16	-	-	404.7	404.7
Lease deposits	17	-	-	4,369.1	4,369.1
		P -	P -	P 24,879.2	P 24,879.2

	Notes	**Parent Company Level 1**	**Parent Company Level 2**	**Parent Company Level 3**	**Parent Company Total**
December 31, 2020					
Financial assets:					
Cash and cash equivalents	7	**P 116.0**	**P -**	**P -**	**P 116.0**
Loans and other receivables	9	**-**	**-**	**127.3**	**127.3**
		P 116.0	**P -**	**P 127.3**	**P 243.3**
Financial liabilities:					
Accounts payable and other liabilities	16	**P -**	**P -**	**P 27.5**	**P 27.5**
December 31, 2019					
Financial assets:					
Cash and cash equivalents	7	P 107.2	P -	P -	P 107.2
Loans and other receivables	9	-	-	24,386.7	24,386.7
		P 107.2	P -	P 24,386.7	P 24,493.9
Financial liabilities:					
Bills payable	15	P -	P -	P 18,280.5	P 18,280.5
Accounts payable and other liabilities	16	-	-	324.5	324.5
Lease deposits	17	-	-	4,266.6	4,266.6
		P -	P -	P 22,871.6	P 22,871.6

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 Group's financial assets and financial liabilities are determined.

(a) *Financial Instruments in Level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. 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. The Group acquired fixed rate corporate bonds classified as financial assets at FVOCI and are carried at Level 1. The fair value of the bonds is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg. As of December 31, 2020 and 2019, the Group also holds preferred shares which are listed in the PSE and are designated as financial assets at FVOCI and are also carried at Level 1. The quoted market prices used by the Group are the closing share prices of the said preferred shares in the PSE as of the reporting period.

(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 Group holds unquoted equity securities designated as FVOCI, where the fair value is determined based on the prices of benchmark debt securities which are also quoted in an active market or bond exchange.

(c) *Financial Instruments in Level 3*

The Group classifies financial instruments that 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.

6.2.4 Fair Value Measurement for Non-Financial Assets

Details of the Group and Parent Company's investment properties and the information about the fair value hierarchy as of December 31 are shown below.

	Group		**Parent Company**	
	2020	2019	**2020**	2019
Level 3				
Land	**P -**	P 783.7	**P -**	P 548.2
Buildings and improvements	**-**	95.2	**-**	95.2
	P -	P 878.9	**P -**	P 643.4

The fair value of the investment properties of the Group and the Parent Company as of December 31, 2019 (nil in 2020), under Level 3 measurement, was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the Group and the Parent Company with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. Internal appraisals were made for all properties with book value of P5.0 or less, while external appraisals were made for all properties with book value exceeding P5.0.

In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the Group and the Parent Company indicated above is their current use.

The foregoing fair value as determined by the appraisers were used by the Group and the Parent Company in determining the fair value of discounted cash flows of the land, buildings and improvements.

The fair value of these investment properties were determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties, which were adjusted for differences in key attributes such as property size, zoning and accessibility.

(b) Fair Value Measurement for Buildings and Improvements

The Level 3 fair value of the buildings and improvements was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

There has been no change to the valuation techniques during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2020 and 2019.

6.3 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, the Group and the Parent Company's residual value of leased assets amounting to P4,648.6 as of December 31, 2019 (nil in 2020) (see Note 9), can be offset by the amount of lease deposits amounting to P4,626.2 as of December 31, 2019 (nil in 2020) (see Note 17).

As of December 31, 2019, FVOCI with face amount of P597.5 was pledged to future bills payable (nil in 2020) (see Notes 8 and 15).

7. CASH AND CASH EQUIVALENTS

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

	Group				Parent Company			
	2020		2019		**2020**		2019	
Cash on hand and in banks	**P**	**116.0**	P	126.2	**P**	**116.0**	P	103.4
Cash equivalents		**-**		3.8		**-**		3.8
	P	**116.0**	P	130.0	**P**	**116.0**	P	107.2

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 0.3% to 2.0% in 2019 (nil in 2020) and 0.3% to 2.6% in 2018.

8. FINANCIAL ASSETS AT FVTPL AND FINANCIAL ASSETS AT FVOCI

In 2020, the Parent Company purchased P5,847.0 worth of unit investment trust fund (UITF) from BDO Unibank's Trust & Investment Group (BDO TIG), of which P100.0 was redeemed on December 29, 2020 resulting to a gain on redemption amounting to P0.1 under Income in the 2020 statement of income from continuing operations (see Note 21). As of December 31, 2020, such investment earned unrealized fair value gain of P5.7 recognized as unrealized fair value gain on UITF account under Income in the 2020 statement of income from continuing operations.

The composition of financial assets at FVOCI of the Group and the Parent Company as of December 31, 2019 pertains to the following:

Equity securities:		
Smart Communication Inc. perpetual notes (Smart Notes)	P	1,400.0
San Miguel Corporation preferred shares (SMC Shares)		597.5
Other equity investments		0.8
		1,998.3
Debt securities:		
8990 Holdings Inc. fixed rate bonds (8990 Holdings Bonds)		937.2
Sta. Lucia Land Inc. fixed rate bonds (Sta. Lucia Bonds)		200.0
		1,137.2
		3,135.5
Accumulated unrealized fair value gains – net		43.1
Accrued interest receivable		12.3
	P	3,190.9

A reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

		2020		2019
Balance at beginning of year	**P**	**3,190.9**	P	3,591.9
Disposals	**(**	**3,151.5)**		-
Fair value gains (losses) - net	**(**	**39.4)**		236.3
Redemption/maturity		**-**	(	637.1)
Accrued interest receivable		**-**	(	0.2)
Balance at end of year	**P**	**-**	P	3,190.9

In various dates in 2020, the Parent Company sold its financial assets at FVOCI as follows (see also Note 21):

Date of Sale	Financial Asset at FVOCI	Counterparty		Proceeds		Carrying Value		Gain (Loss)
April 2, 2020	8990 Holdings Bonds	BDO Unibank	P	945.5	P	937.3	P	8.2
April 6, 2020	Sta. Lucia Bonds	BDO Unibank		200.7		200.0		0.7
July 22, 2020	Smart Notes	BDO Life		1,471.6		1,400.0		71.6
October 15, 2020	SMC Shares	BDO Finance		597.5		597.5		-
October 16, 2020	Others	BDO Unibank		0.2		0.8	(	0.6)

In 2020, the Parent Company realized P8.9 gain on sale from its debt securities (bonds) classified as FVOCI. Such is presented as part of Other income (see Note 19). For equity securities classified as FVOCI, gains (losses) on sale amounting to P71.0 were reclassified directly to Retained Earnings account.

SMC Shares bear an annual dividend rate of 8.0%. The 8990 Holdings and Sta. Lucia Bonds carrying fixed rates of 6.2% and 6.7%, respectively, both with a term of five years and three months. In September 2019 and July 2018, the SMC shares and First Gen shares were redeemed, respectively. No gain or loss was recognized by the Parent Company on the redemption.

Dividend income earned from these financial assets are recorded as Dividend income account under Other Income in the statements of income (see Note 19).

The Group and the Parent Company recognized fair value gains (losses) of P39.4 and P236.3 and fair value losses of P370.1 in 2020, 2019, and 2018, respectively. The fair values of these financial assets have been determined based on quoted prices in active markets (see Note 6).

In 2018, the Group recognized an additional impairment loss on financial assets at FVOCI amounting to P0.8. In 2020 and 2019, there was a reversal of impairment loss amounting to P1.7 and P0.3, respectively, both of which are presented as part of Impairment and credit losses account under Operating Costs and Expenses in the statements of income and are offset to the fair value losses on debt instruments at FVOCI under items that are reclassified subsequently to profit or loss in the statements of comprehensive income.

Certain financial assets with face amount of P597.5 as of December 31, 2019 (nil in 2020) were used as collateral to secure the payment of certain bills payable (see Note 15).

9. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Group		Parent Company	
	2020	2019	**2020**	2019
Receivables from customers:				
Finance lease receivables	**P -**	P 10,375.9	**P -**	P 10,375.9
Residual value of leased assets	**-**	4,648.6	**-**	4,648.6
Unearned leased income	**-**	(1,253.3)	**-**	(1,253.3)
	-	13,771.2	**-**	13,771.2
Loans and receivables financed	**-**	11,485.3	**-**	11,485.3
Unearned finance income	**-**	(19.6)	**-**	(19.6)
Client's equity	**-**	(37.7)	**-**	(37.7)
	-	11,428.0	**-**	11,428.0
Other receivables:				
Accounts receivable	**127.3**	264.3	**127.3**	70.5
Accrued interest receivable	**-**	56.4	**-**	56.4
Sales contract receivable	**-**	18.6	**-**	18.6
Accrued rental receivable	**-**	17.4	**-**	-
Dividends receivable	**-**	16.5	**-**	16.5
	127.3	373.2	**127.3**	162.0
		25,572.4		25,361.2
Allowance for impairment	**-**	(594.7)		(594.5)
	P 127.3	P 24,977.7	**P 127.3**	P 24,766.7

As of December 31, 2019, 87.1% (nil in 2020) of the total receivables from customers of the Group are subject to periodic interest repricing. The remaining receivables from customers earn annual fixed interest rates ranging from 5.0% to 15.0% in 2019 and 5.0% to 16.5% in 2018 (nil in 2020).

The breakdown of total loans as to secured and unsecured follows:

	Group		Parent Company	
	2020	2019	**2020**	2019
Secured				
Chattel mortgage	**P -**	P 15,006.8	**P -**	P 15,006.8
Real estate mortgage	**-**	2,760.1	**-**	2,760.1
Others	**-**	53.7	**-**	53.7
	-	17,820.6	**-**	17,820.6
Unsecured	**127.3**	7,157.1	**127.3**	6,946.1
	P 127.3	P 24,977.7	**P 127.3**	P 24,766.7

An analysis of the Group's and Parent Company's finance lease receivables as of December 31, 2019 is shown below.

Maturity of gross investment in:		
Finance lease receivables		
Within one year	P	913.7
Beyond one year but not beyond five years		9,444.7
Beyond five years		17.5
		10,375.9
Maturity of gross investment in:		
Residual value of leased assets		
Within one year		1,204.8
Beyond one year but not beyond five years		3,442.8
Beyond five years		1.0
		4,648.6
Gross finance lease receivables		15,024.5
Unearned lease income	(	1,253.3)
Net investment in finance lease receivables	P	13,771.2

The Group and the Parent Company's past due receivables as of December 31, 2019 are as follows:

Finance lease receivables	P	650.8
Loans and receivables		847.9
	P	1,498.7

There were no restructured loans in 2019.

Interest and discounts in the statements of income consist of interest on:

		2020		2019		2018
Group						
Loans and receivable financed	**P**	**506.0**	P	1,019.5	P	998.4
Finance lease receivables		**594.8**		891.0		895.2
Financial assets at FVOCI		**18.5**		71.5		71.6
Interest on defined benefit plan		**2.1**		2.0		1.3
Cash and cash equivalents		**1.6**		0.5		0.6
	P	**1,123.0**	P	1,984.5	P	1,967.1
Parent Company						
Loans and receivables financed	**P**	**506.0**	P	1,019.2	P	998.0
Finance lease receivables		**594.2**		891.0		895.2
Financial assets at FVOCI		**18.5**		71.5		71.6
Interest on defined benefit plan		**2.1**		2.0		1.3
Cash and cash equivalents		**1.5**		0.5		0.6
	P	**1,122.3**	P	1,984.2	P	1,966.7

Interest income recognized on impaired loans and receivables amounted to P21.5 in 2020, P16.0 in 2019 and P10.3 in 2018.

The changes in the allowance for impairment are summarized below.

	Group		
	2020	2019	2018
Balance at beginning of year	**P 594.7**	P 550.8	P 561.3
Impairment losses during the year	**399.1**	63.5	0.2
Reversal of impairment losses	**(974.4)**	-	(10.4)
Accounts written-off	**(19.4)**	(19.6)	(0.3)
Balance at end of year	**P -**	P 594.7	P 550.8

	Parent Company		
	2020	2019	2018
Balance at beginning of year	**P 594.5**	P 550.6	P 561.3
Impairment losses during the year	**398.3**	63.5	-
Reversal of impairment losses	**(973.4)**	-	(10.4)
Accounts written-off	**(19.4)**	(19.6)	(0.3)
Balance at end of year	**P -**	P 594.5	P 550.6

Reversal of impairment losses in 2020 is due to the disposal of related loans and receivables.

As approved by the Group's Related Party Committee and BOD, in various dates in 2020, the Parent Company disposed of its core loans and receivables to BDO Unibank, BDO Life and BDO Finance with aggregate amounts of P14,125.4, P1,276.1, and P7,670.0, respectively, to address the widening liquidity gap during the COVID-19 pandemic and as it winds down operations (see Note 21). Such disposal is not consistent with the Group's HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2020, further evaluation of the Group's HTC business model is no longer performed. Total resulting gain on disposal of core loans and receivables amounted to P510.0, which is presented as Gain on sale of loans and receivables under Income in the 2020 statement of income (see Note 21).

As approved by the Group's Related Party Committee and BOD, the Parent Company disposed of certain loans and receivables to BDO Unibank with aggregate amount of P5,801.3 in 2019. The Parent Company charged the BDO Unibank for service fee amounting to P13.4 in 2019 [see Note 21(e)]. In 2019, the Parent Company also sold portion of its loans and receivables to BDO Life with aggregate amount of P232.2 resulting in net gains amounting to P2.7 [see Note 21(q)]. The disposals are in line with the Parent Company's objective to improve its profitability by disposing its low-yielding loan portfolio and address the increasing cost of funds.

In 2019, the management had assessed that the disposals of the loans and receivables are consistent with the Group's HTC business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the Group's business model in managing financial assets manual and the requirements of PFRS 9.

In 2020 and 2019, no loans and receivables were pledged to bills payable.

In 2020 and 2019, the BOD approved the write-off of certain loans and receivable financed and finance lease receivables with a total amount of P19.4 and P19.6, respectively.

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2019 are shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improvements	Right-of-Use Asset	Total
Group					
December 31, 2019					
Cost	P 3,722.9	P 49.1	P 1.3	P 39.9	P 3,813.2
Accumulated depreciation and amortization	(1,882.6)	(42.7)	(1.3)	(13.0)	(1,939.6)
Net carrying amount	P 1,840.3	P 6.4	P -	P 26.9	P 1,873.6
January 1, 2019					
Cost	P 4,439.4	P 47.6	P 1.3	P -	P 4,488.3
Accumulated depreciation and amortization	(2,193.4)	(38.7)	(1.3)	-	(2,233.4)
Net carrying amount	P 2,246.0	P 8.9	P -	P -	P 2,254.9
Parent Company					
December 31, 2019					
Cost	P -	P 49.1	P 1.3	P 39.9	P 90.3
Accumulated depreciation and amortization	-	(42.7)	(1.3)	(13.0)	(57.0)
Net carrying amount	P -	P 6.4	P -	P 26.9	P 33.3
January 1, 2019					
Cost	P -	P 47.6	P 1.3	P -	P 48.9
Accumulated depreciation and amortization	-	(38.7)	(1.3)	-	(40.0)
Net carrying amount	P -	P 8.9	P -	P -	P 8.9

As at December 31, 2020, the Group and the Parent Company have no remaining property and equipment since these were included in the transfer of assets to BDO Finance on October 16, 2020 (see Note 21).

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2020 and 2019 is shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improvements	Right-of-Use Asset	Total
Group					
Balance at January 1, 2020 net of accumulated depreciation and amortization	**P 1,840.3**	**P 6.4**	**P -**	**P 26.9**	**P 1,873.6**
Additions	**215.5**	**3.0**	**-**	**2.2**	**220.7**
Disposals	**(1,553.7)**	**(6.2)**	**-**	**(17.3)**	**(1,577.2)**
Depreciation and amortization charges for the year	**(502.1)**	**(3.2)**	**-**	**(11.8)**	**(517.1)**
Balance at December 31, 2020 net of accumulated depreciation and amortization	**P -**	**P -**	**P -**	**P -**	**P -**
Balance at January 1, 2019 net of accumulated depreciation and amortization	P 2,246.0	P 8.9	P -	P -	P 2,254.9
Effect of adoption of PFRS 16	-	-	-	38.5	38.5
Additions	485.9	2.2	-	1.4	489.5
Disposals	(133.9)	-	-	-	(133.9)
Depreciation and amortization charges for the year	(757.7)	(4.7)	-	(13.0)	(775.4)
Balance at December 31, 2019 net of accumulated depreciation and amortization	P 1,840.3	P 6.4	P -	P 26.9	P 1,873.6
Parent Company					
Balance at January 1, 2020 net of accumulated depreciation and amortization	**P -**	**P 6.4**	**P -**	**P 26.9**	**P 33.3**
Additions	**-**	**3.0**	**-**	**2.2**	**5.2**
Disposals	**-**	**(6.2)**	**-**	**(17.3)**	**(23.5)**
Depreciation and amortization charges for the year	**-**	**(3.2)**	**-**	**(11.8)**	**(15.0)**
Balance at December 31, 2020, net of accumulated depreciation and amortization	**P -**	**P -**	**P -**	**P -**	**P -**
Balance at January 1, 2019 net of accumulated depreciation and amortization	P -	P 8.9	P -	P -	P 8.9
Effect of adoption of PFRS 16	-	-	-	38.5	38.5
Additions	-	2.2	-	1.4	3.6
Depreciation and amortization charges for the year	-	(4.7)	-	(13.0)	(17.7)
Balance at December 31, 2019, net of accumulated depreciation and amortization	P -	P 6.4	P -	P 26.9	P 33.3

The cost of fully depreciated assets that are still being used in operations amounted to P34.5 for the Group and Parent Company as of December 31, 2019 (nil in 2020).

Depreciation and amortization charges for 2020, 2019 and 2018 are included as part of Occupancy and Equipment-related Expenses account in the statements of income. As of December 31,2019, the net book value of transportation and other equipment leased out by the Group (nil for the Parent Company) under operating lease arrangements amounted to P1,840.3 (nil in 2020).

On October 16, 2020, the Parent Company agreed to assign irrevocably and absolutely to BDO Finance certain Property and Equipment with carrying value of P6.2. No gain or loss was recognized (see also Note 21).

In 2020, 2019 and 2018, the Group disposed, including assignment made to BDO Finance, of certain equipment with carrying value of P1,559.9, P133.9 and P107.1, respectively, resulting in a gain on sale of P29.0, P50.0 and P24.8, respectively, recorded as part of Gain on sale of property and equipment and investment properties under Other Income – net account in the statements of income (see Note 19).

11. INVESTMENT PROPERTIES

Investment properties include land, and building and improvements held for rentals and capital appreciation.

The carrying amounts and accumulated depreciation at the beginning and end of 2019 are shown below and in the succeeding pages.

	Land	Building and Improvements	Total
Group			
December 31, 2019			
Cost	P 362.8	P 78.1	P 440.9
Accumulated depreciation and amortization	-	(23.5)	(23.5)
Accumulated impairment	(22.1)	(1.5)	(23.6)
Net carrying amount	P 340.7	P 53.1	P 393.8
January 1, 2019			
Cost	P 358.4	P 40.0	P 398.4
Accumulated depreciation and amortization	-	(19.6)	(19.6)
Accumulated impairment	(23.4)	(0.9)	(24.3)
Net carrying amount	P 335.0	P 19.5	P 354.5
Parent Company			
December 31, 2019			
Cost	P 136.7	P 78.1	P 214.8
Accumulated depreciation and amortization	-	(23.5)	(23.5)
Accumulated impairment	(22.1)	(1.5)	(23.6)
Net carrying amount	P 114.6	P 53.1	P 167.7
January 1, 2019			
Cost	P 132.3	P 40.0	P 172.3
Accumulated depreciation and amortization	-	(19.6)	(19.6)
Accumulated impairment	(23.4)	(0.9)	(24.3)
Net carrying amount	P 108.9	P 19.5	P 128.4

As at December 31, 2020, the Group and the Parent Company held no investment properties as these were transferred to BDO Unibank in October 2020 (see Note 21).

A reconciliation of the carrying amounts at the beginning and end of 2020 and 2019 of investment properties is shown below.

	Land	Building and Improvements	Total
Group			
Balance at January 1, 2020, net of accumulated depreciation and amortization and impairment	**P 340.7**	**P 53.1**	**P 393.8**
Additions	**7.9**	**38.1**	**46.0**
Disposals	**(348.6)**	**(84.9)**	**(433.5)**
Depreciation and amortization charges for the year	**-**	**(6.3)**	**(6.3)**
Balance at December 31, 2020, net of accumulated depreciation and amortization and impairment	**P -**	**P -**	**P -**
Balance at January 1, 2019, net of accumulated depreciation and amortization and impairment	P 335.0	P 19.5	P 354.5
Additions	5.5	38.9	44.4
Disposals	(1.1)	(0.2)	(1.3)
Reclassifications (see Note 13.4)	1.3	(0.6)	0.7
Depreciation and amortization charges for the year	-	(4.5)	(4.5)
Balance at December 31, 2019, net of accumulated depreciation and amortization and impairment	P 340.7	P 53.1	P 393.8
Parent Company			
Balance at January 1, 2020, net of accumulated depreciation and amortization and impairment	**P 114.6**	**P 53.1**	**P 167.7**
Additions	**7.9**	**38.1**	**46.0**
Disposals	**(122.5)**	**(84.9)**	**(207.4)**
Depreciation and amortization charges for the year	**-**	**(6.3)**	**(6.3)**
Balance at December 31, 2020, net of accumulated depreciation and amortization and impairment	**P -**	**P -**	**P -**
Balance at January 1, 2019, net of accumulated depreciation and amortization and impairment	P 108.9	P 19.5	P 128.4
Additions	5.5	38.9	44.4
Disposals	(1.1)	(0.2)	(1.3)
Reclassifications (see Note 13.4)	1.3	(0.6)	0.7
Depreciation and amortization charges for the year	-	(4.5)	(4.5)
Balance at December 31, 2019, net of accumulated depreciation and amortization and impairment	P 114.6	P 53.1	P 167.7

Direct operating expenses incurred, such as real property taxes, insurance and security services, amounted to P5.8, P4.7 and P4.7 in 2020, 2019 and 2018, respectively, by the Group, and P5.8, P4.7 and P3.1 in 2020, 2019 and 2018, respectively, by the Parent Company, and was recognized as part of Other Expenses account under Operating Costs and Expenses in the Group's and Parent Company's statements of income.

Depreciation and amortization charges amounting to P6.3, P4.5 and P1.8 for 2020, 2019 and 2018, respectively, are included as part of Occupancy and Equipment-related Expenses account in the statements of income. There were no impairment losses recognized in 2020, 2019 and 2018.

In October 2020, the Parent Company agreed to assign, transfer and covey certain foreclosed assets to BDO Unibank with a total carrying value of P209.1 as of September 30, 2020 (see also Note 21).

Gain on sale of investment properties of the Parent Company, recorded as part of Other Income, amounted to P6.8, P4.7 and P17.4 in 2020, 2019 and 2018, respectively (see Note 19).

12. LEASES

12.1 Operating Leases – Group as a Lessee

The Group and the Parent Company have leases for certain offices. Each lease is reflected in the statements of financial position as a right-of-use asset and a lease liability.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee.

The table below describes the nature of the Group's right-of-use asset recognized in the statements of financial position.

Number of right-of-use assets leased	11
Range of remaining term	2 to 5 years
Average remaining lease term	2 to 5 years

12.1.1 Right-of-use Assets

The carrying amount of the Group's and the Parent Company' right-of-use assets is presented as part of Property and Equipment as at December 31, 2019 and the movements are shown below.

Balance at the beginning of the year	P	-
Effect of PFRS 16		38.5
Additions		1.4
Depreciation charges for the year		(13.0)
Balance at the end of the year	P	26.9

12.1.2 Lease Liabilities

Lease liabilities are presented as part of Accounts Payable and Other Liabilities as at December 31, 2019 as follows:

Current	P	12.2
Non-current		15.6
	P	27.8

The Parent Company has pre-terminated all its leases with BDO Unibank. Accordingly, related right-of -use assets and lease liabilties were reversed and gain on pre-termination amounted to P1.0 and was recorded as part of Miscellaneous income under Other Income account in the 2020 statement of income (see Notes 19 and 21).

As at December 31, 2020 and 2019, the Group and the Parent Company are not committed to any short-term leases.

12.2 Operating Leases – Group as a Lessor

In the ordinary course of business, the Group enters into various operating leases with lease terms ranging from 12 months to 5 years. Operating lease income, presented under Rent account in the Group's statements of income for the years ended December 31, 2020, 2019 and 2018, amounted to P577.3, P844.6 and P938.3, respectively.

The Group's and the Parent Company's future minimum rental receivables under operating leases (nil in 2020) are as follows:

	2019	2018
Within one year	P 663.3	P 747.5
After one year but not more than five years	584.0	792.9
More than five years	68.1	79.3
	P 1,315.4	P 1,619.7

13. OTHER ASSETS

Other assets consist of the following in 2019:

	Notes	Group	Parent
Deferred input VAT	13.1	P 211.3	P -
Deferred tax assets – net	22	132.9	132.9
Prepaid expenses		20.7	20.3
Retirement benefit asset	20.2	13.5	13.5
Intangible assets – net	13.3	1.7	1.7
Non-current assets held-for-sale – net	13.4	1.3	1.3
Equity investments	13.2	-	486.7
Miscellaneous – net		0.5	0.3
		P 381.9	P 656.7

13.1 Deferred Input VAT

Deferred input VAT pertains to the VAT due or paid by the Group on purchases of capital assets for lease in the ordinary course of business wherein the application against the output VAT is amortized over the useful life of the asset or 60 months, whichever is shorter.

13.2 Equity Investments

	Subsidiary		Associate	
	2020	2019	**2020**	2019
Acquisition costs	**P 250.0**	P 250.0	**P -**	P 300.0
Accumulated equity in total comprehensive income				
Balance at beginning of year	**236.7**	235.7	**-**	(64.7)
Dividend income	**(200.0)**	-		-
Share in net profit (loss)	**21.3**	1.0	**-**	(41.6)
Share in other comprehensive income	**-**	-	**-**	(0.4)
Disposal	**(308.0)**	-	**-**	(193.3)
	(250.0)	236.7	**-**	(300.0)
	P -	P 486.7	**P -**	P -

As at December 31, 2019, the Parent Company holds 250 million common shares of BDO Rental representing 100% ownership. On October 12, 2020, the Company transferred its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308.0 as at that date, which resulted in a recognition of gain on disposal totaling P9.5 and is presented as part of Gain on sale of an investment in subsidiary account under Other Income account in the 2020 statement of income (see Notes 19 and 21).

On January 28, 2016, the Parent Company entered into an agreement with Sojitz Corporation, JACCS Co., Ltd. and Mitsubishi Motors Philippines Corporation, which resulted in the incorporation of MAFSC, as an associate of the Parent Company. MAFSC is registered with the SEC on May 31, 2016, to engage in extending credit facilities to individual and corporate buyers of Mitsubishi vehicles in the Philippines and commercial and industrial enterprises. Its principal office is located at 38th Floor, Robinsons Equitable Tower, ADB Avenue cor. Poveda St., Ortigas Center, Pasig City.

MAFSC started its commercial operations on June 1, 2016. The Parent Company owns 40% of MAFSC by making a capital contribution of P300.0 and has exercised significant influence over MAFSC in 2016. The Parent Company recognized share in MAFSC's net loss and is presented as part of Miscellaneous under Other Income account in the Group's and Parent Company's statements of income (see Note 19).

On July 4, 2019, the Parent Company sold its MAFSC shareholdings to JACCS Co., Ltd. This resulted in a recognition of loss on disposal totaling P27.6 and is presented as part of Loss on sale of an investment in an associate under Other Income – net account in the 2019 statement of income (see Note 19).

The summarized financial information in respect of the Group and the Parent Company's equity investments are set out below.

	Total Assets	Total Liabilities	Revenues	Net Profit (Loss)
December 31, 2019				
BDO Rental	P 2,512.1	P 2,025.4	P 906.5	P 1.0

In 2019, the Group and Parent Company have assessed that no impairment loss is necessary to be recognized for the equity investments.

13.3 Intangible Asset

Intangible Assets represent the unamortized cost of the leasing system of the Parent Company that was used starting 2015. Amortization expense on intangible asset amounted to P1.0 in 2020, P13.8 in 2019 and P13.9 in 2018, respectively, and is included as part of Occupancy and Equipment-related Expenses account in the statements of income.

In October 2020, the Parent Company irrevocably and absolutely agreed to assign to BDO Finance the intangible assets with a carrying amount of P0.8.

13.4 Non-current Assets Held-for-Sale

The gross carrying amounts and accumulated impairment losses of non-current assets held-for-sale in 2019 are shown below.

Cost	P	2.8
Accumulated impairment	(	1.5)
	P	1.3

A reconciliation of the carrying amounts of non-current assets held-for-sale at the beginning and end of 2019 is shown below.

Balance at January 1, net of accumulated impairment	P	3.6
Additions		0.6
Disposals	(	2.2)
Reclassifications (see Note 11)	(	0.7)
Balance at December 31, net of accumulated impairment	P	1.3

In October 2020, the Parent Company agreed to assign, transfer and covey certain foreclosed assets to BDO Unibank with a total carrying value of P3.7 as of September 30, 2020 (see also Note 21). No gain or loss was recognized during the sale.

14. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	Group 2020	Group 2019	Parent Company 2020	Parent Company 2019
Balance at beginning of year:					
Loans and other receivables	9	**P 594.7**	P 550.8	**P 594.5**	P 550.6
Investment properties	11	**23.6**	24.3	**23.6**	24.3
Other assets	13.4	**1.5**	2.2	**1.5**	2.2
		619.8	577.3	**619.6**	577.1
Impairment losses - net		**400.8**	63.5	**400.8**	63.5
Write-offs	9	**(19.4)**	(19.6)	**(19.4)**	(19.6)
Reversals		**(619.0)**	(1.3)	**(619.0)**	(1.3)
Disposals		**(382.2)**	(-)	**382.0)**	-
		(619.8)	42.6	**(619.6)**	42.6
Balance at end of year:					
Loans and other receivables	9	**-**	594.7	**-**	594.5
Investment properties	11	**-**	23.6	**-**	23.6
Other assets	13.4	**-**	1.5	**-**	1.5
		P -	P 619.8	**P -**	P 619.6

15. BILLS PAYABLE

In 2019, this account consists of:

	Group	Parent
Borrowings from:		
Banks	P 13,351.7	P 11,526.7
Others	6,734.4	6,734.4
Accrued interest	51.7	43.3
	P 20,137.8	P 18,304.4

Bills payable to banks and private institutions with their annual interest rates are presented below. These rates approximate prevailing market rates.

	Banks From	Banks To	Private Institutions From	Private Institutions To
2020	**3.0%**	**4.0%**	**4.0%**	**4.4%**
2019	3.9%	4.6%	4.0%	4.8%
2018	3.1%	7.2%	5.0%	6.7%

As of December 31, 2019, FVOCI with face amount of P597.5 was pledged as security on the Group's bills payable (nil in 2020) (see Notes 8).

Interest and financing charges consist of interest on:

	Notes	2020	2019	2018
Group				
Bills payable - banks		**P 483.9**	P 960.6	P 850.1
Bills payable - others		**33.7**	428.7	314.5
Amortization on lease deposits	17	**6.4**	7.7	5.6
Lease liabilities	12	**1.4**	2.2	-
Others		**0.6**	-	-
		P 526.0	P 1,399.2	P 1,170.2
Parent Company				
Bills payable - banks		**P 428.8**	P 843.8	P 758.9
Bills payable - others		**33.7**	428.7	314.5
Amortization on lease deposits	17	**1.3**	1.9	1.4
Lease liabilities	12	**1.4**	2.2	-
Others		**0.7**	-	-
		P 465.9	P 1,276.6	P 1,074.8

Presented below is the reconciliation of the liabilities arising from financing activities, which includes cash changes.

	Group	Parent Company
Balance as of January 1, 2020	P 20,137.8	P 18,304.4
Cash flows from financing activities:		
Repayments of bills payable	(136,534.4)	(121,897.0)
Additional borrowings	116,396.6	103,592.6
Balance at December 31, 2020	**P -**	**P -**
Balance as of January 1, 2019	P 28,977.8	P 26,723.9
Cash flows from financing activities:		
Repayments of bills payable	(170,266.1)	(157,200.6)
Additional borrowings	161,426.1	148,781.1
Balance at December 31, 2019	P 20,137.8	P 18,304.4
Balance as of January 1, 2018	P 30,478.3	P 28,278.3
Cash flows from financing activities:		
Repayments of bills payable	(174,115.4)	(161,900.3)
Additional borrowings	172,614.9	160,345.9)
Balance at December 31, 2018	P 28,977.8	P 26,723.9

16. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	Group				Parent Company			
	2020		2019		**2020**		2019	
Accrued taxes and other expenses	**P**	**10.6**		39.0	**P**	**10.6**		38.7
Accounts payable		**8.6**	P	265.0		**8.6**	P	187.0
Withholding taxes payable		**7.6**		15.4		**7.6**		14.5
Unapplied advance payments		**-**		88.0		**-**		85.8
Lease liabilities		**-**		27.8		**-**		27.8
Other liabilities		**0.7**		24.4		**0.7**		23.8
	P	**27.5**	P	459.6	**P**	**27.5**	P	377.6

On October 16, 2020, the Parent Company agreed to assign irrevocably and absolutely to BDO Finance certain accounts payables and other liabilities with total carrying amount of P244.6 (see Note 21).

In 2020, Other liabilities include, among others, payroll related accounts (SSS payable, HDMF payable and Philhealth payable). In 2019, Other liabilities include, among others, taxes, insurance, mortgage and other fees.

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.

17. LEASE DEPOSITS

In 2019, this account represents deposits on:

	Group		Parent	
Finance leases	P	4,626.2	P	4,626.2
Operating leases		110.0		-
	P	4,736.2	P	4,626.2

Lease deposits related to the core loans and receivables sold to related parties were accordingly transferred at the date of consummation of the related agreement (see Notes 9 and 21).

Interest expense on lease deposits are accrued using the effective interest method (see Note 15). These are included as part of Interest and Financing Charges under Operating Costs and Expenses in the Group and Parent Company's statements of income.

18. EQUITY

18.1 Capital Management Objectives, Policies and Procedures

The Group'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 Group's ability to continue as a going concern.

The Group sets the amount of capital in proportion to its overall financing structure and the Group 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 Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's capital and overall financing as of December 31, 2020 and 2019 are shown below.

	2020	2019
Total equity	**P 5,968.5**	P 5,614.3
Cash and cash equivalents	**(116.0)**	(130.0)
Net capital	**P 5,852.5**	P 5,484.3
Bills payable	**P -**	P 20,137.8
Lease deposits	**-**	4,736.2
Total equity	**5,968.5**	5,614.3
Overall financing	**P 5,968.5**	P 30,488.3
Capital-to-overall financing ratio	**0.98:1.00**	0.18:1.00

Under Republic Act No. 8556, the Group is required to maintain the following capital requirements:

(a) Minimum paid-up capital of P10.0 million; and,

(b) Additional capital requirements for each branch of P1.0 million for branches established in Metro Manila, P0.5 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

As of October 16, 2020 and December 31, 2019, the Group 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).

18.2 Preferred Shares

The Parent 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, 2020 and 2019.

18.3 Common Shares

As of December 31, 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.

18.4 Retained Earnings – Free

On February 21, 2018, the BOD approved declaration of cash dividends at P0.10 per share amounting to P216.2. The dividends were declared in favor of stockholders of record as of March 9, 2018 and were paid on March 27, 2018.

The Group's retained earnings are restricted to the extent of the cost of the treasury shares amounting to P81.8, share in net earnings of subsidiary and an associate as of the end of the reporting periods.

18.5 Retained Earnings – Reserves

In compliance with the requirements of the BSP, the Company appropriated P141.7 as of December 31, 2019 for GLLP to meet the 1% minimum provisions on loans (see Notes 2.13 and 9) and is presented under Retained Earnings – Reserves account. In 2019, the Group and Parent Company had excess appropriation of P5.3, which was transferred to Retained Earnings – Free account. The related appropriation is not available for dividend declaration.

As at December 31, 2020, the Parent Company appropriately reversed such appropriation totaling P141.7 since all of its loans and receivables subject to 1% GLLP were already sold.

18.6 Track Record of Registration of Securities

On January 6, 1997, the Parent 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, 2019, the Parent 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 2019. The total number of stockholders is 1,106 as of December 31, 2019.

On January 27, 2020, the PSE approved the request of the Parent 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, 2020, the trading of the Parent Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Parent Company's registration statement. The Parent 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 Parent 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 2020 financial statements.

19. OTHER INCOME

This account is composed of the following:

		Group		
	Notes	**2020**	2019	2018
Dividend income	8	**P 80.7**	P 159.4	P 206.0
Gain on sale of property and equipment and investment properties	10, 11	**35.8**	54.7	42.2
Gain on sale of investment in subsidiary	13	**9.5**	-	-
Gain on sale of financial assets	8	**8.9**	-	-
Day-one gains – net		**1.8**	9.9	13.2
Loss on sale of investment in an associate	13	**-**	(27.6)	-
Miscellaneous – net	12, 13, 21	**14.3**	3.7	48.7
		P 151.0	P 200.1	P 310.1

		Parent Company		
	Notes	**2020**	2019	2018
Dividend income	8	**P 80.7**	P 159.4	P 206.0
Gain on sale of investment in subsidiary	13	**9.5**	-	-
Gain on sale of financial assets	8	**8.9**	-	-
Gain on sale of investment properties	11	**6.8**	4.7	17.4
Loss on sale of investment in an associate	13	**-**	(27.6)	-
Day-one gains – net		**-**	0.1	4.5
Miscellaneous – net	13, 21	**34.5**	3.3	36.8
		P 140.4	P 139.9	P 264.7

Dividend income pertains to income earned from investments in Smart Note and SMC shares (see Note 8).

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.

20. EMPLOYEE BENEFITS

20.1 Employee Benefits

Expenses recognized for salaries and employee benefits for the Group and the Parent Company are presented below.

	Notes	**2020**	2019	2018
Salaries and wages		**P 123.3**	P 134.9	P 134.7
Bonuses		**42.6**	46.2	48.6
Retirement – defined benefit plan	20.2	**18.6**	17.8	18.1
Fringe benefits		**12.5**	14.0	10.3
Directors' fee		**4.4**	5.6	5.5
Social security costs		**4.9**	4.7	4.1
Employee stock option plan	21, 20.3	**3.5**	14.8	8.7
Other benefits		**5.1**	6.2	5.7
		P 214.9	P 244.2	P 235.7

The Employee benefits expense account includes the expense arising from Employee Stock Option Plan [see Note 2.18(e)] recognized by the Parent Company over the vesting period. The outstanding payable arising from this transaction as of December 31, 2019 (nil in 2020) is presented as part of Accounts payable under Accounts Payable and Other Liabilities account in the 2019 statement of financial position (see Note 16).

20.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a wholly-funded, tax-qualified, noncontributory and multi-employer retirement plan that is being administered by a trustee bank covering all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60 but not beyond 65 years of age, both subject to the approval of the Group's BOD.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the related amount of contributions. All amounts presented below are based on the actuarial valuation report obtained from an independent actuary in 2020 and 2019.

The amounts of retirement benefit asset presented under Other Assets account (see Note 13) of the Group and the Parent Company recognized in the statements of financial position are determined as follows:

	2020	2019
Fair value of plan assets	**P -**	P 289.5
Present value of the obligation	**-**	(275.3)
Effect of asset ceiling	**-**	(0.7)
Balance at end of year	**P -**	P 13.5

The movement in the fair value of plan assets is presented below.

	2020	2019
Balance at beginning of year	**P 289.5**	P 274.3
Interest income	**15.4**	20.6
Contributions to the plan	**19.0**	18.8
Return on plan assets (excluding amounts included in net interest)	**(7.3)**	(5.1)
Benefits paid	**(10.9)**	(19.1)
Transfer of the plan*	**(305.7)**	-
Balance at end of year	**P -**	P 289.5

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

	2020	2019
Balance at beginning of year	**P 275.3**	P 245.3
Current service cost	**18.6**	17.8
Interest expense	**14.4**	18.4
Benefits paid	**(10.9)**	(19.1)
Remeasurements:		
Actuarial losses (gains) arising from changes in:		
- experience adjustments	**(49.2)**	(5.9)
- financial assumptions	**(20.8)**	18.8
Transfer of the plan*	**(227.4)**	-
Balance at end of year	**P -**	P 275.3

**On October 16, 2020, the retirement benefit assets were also transferred to BDO Finance (see Note 21).*

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

	2020		2019	
Cash and cash equivalents	**P**	**-**	P	0.3
Unit investment trust funds		**-**		75.6
Loans		**-**		0.1
Equity instruments		**-**		5.1
Real estate		**-**		3.2
		-		84.3
Debt instruments:				
Government bonds		**-**		111.4
Other bonds		**-**		94.0
		-		205.4
Others		**-**	(	0.2)
	P	**-**	P	289.5

The retirement trust fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the retirement plan trustee may make changes at any time.

Actual return on plan assets amounted to P8.1 in 2020 and P15.5 in 2019.

Except for certain shares of stock of the Parent Company, plan assets do not comprise any of the Parent Company's own financial instruments or any of its assets occupied and/or used in its operations [see Note 21(i)].

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit plan are as follows:

	2020		2019	
Reported in profit or loss:				
Current service cost	**P**	**18.6**	P	17.8
Net interest income	**(**	**0.9)**	(	2.0)
	P	**17.7**	P	15.8
Reported in other comprehensive income:				
Actuarial losses (gains) arising from:				
- experience adjustments	**(P**	**49.2)**	(P	5.9)
- changes in financial assumptions	**(**	**20.8)**		18.8
Loss on plan assets (excluding) amounts included in net interest)		**7.3**		5.1
Effect of asset ceiling		**7.3**	(	2.3)
Effect of transfer of plan	**(**	**47.3)**		-
	(P	**102.7)**	P	15.7

Current service cost is presented as a part of Employee Benefits account. The net interest income is included as part of Interest and Discounts account in the statements of income.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment benefit obligation, the following significant actuarial assumptions were used:

	2020	2019
Discount rates	**3.9%**	5.2%
Expected rate of salary increases	**2%/3%/11%**	5%/6%/7% 8%/11%

Assumptions regarding future mortality are based on published statistics and mortality tables. The projected retirement date of the employees is at age 60 or at age of 50 with completion of 10 years of service, whichever is shorter. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the retirement benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan asset is concentrated in debt instruments, unit investment trust funds, cash and cash equivalents and loans. Due to the long-term nature of plan obligation, a level of continuing debt instruments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

(ii) Longevity and Salary Risks

The present value of the retirement benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(iii) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding page.

(iv) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of December 31, 2019:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
Discount rate	+/-1.0%	(P 16.2)	P 18.1
Salary growth rate	+/-1.0%	17.5	(16.0)

The table of sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the statements of financial position.

20.3 Employee Stock Option Plan

The ESOP expense, included as part of Employee benefits under Operating Costs and Expenses account in the Group's and the Parent Company's statements of income, amounted to P3.5, P14.8 and P8.7 in 2020, 2019, and 2018, respectively (see Note 20.1).

The related accrued liability from ESOP was included in the total liabilities transferred to BDO Finance on October 16, 2020.

21. RELATED PARTY TRANSACTIONS

The Group's and Parent 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 Group's and Parent Company's transactions with its related parties in 2020, 2019 and 2018 and the related outstanding balances as of December 31, 2020 and 2019 are shown below:

Related Party Category	Notes	Amount of Transaction 2020	2019	2018
Ultimate parent company (BDO Unibank)				
Interest income on savings and demand deposits	*(a)*	**P 1.6**	P 0.4	P 0.6
Interest expense on bills payable	*(b)*	**34.0**	58.0	120.6
Interest expense on lease liability	*(c)*	**1.4**	2.2	-
Depreciation	*(c)*	**11.8**	13.0	-
Rent expense	*(c)*	**-**	-	13.6
Gain on pre-termination of lease contracts	*(c)*	**1.0**		
Management fees	*(d)*	**14.7**	16.0	16.0
Sale of receivables	*(q)*	**14,125.4**	5,801.3	1,611.6
Gain on sale of receivables	*(q)*	**381.9**	-	-
Service charges and fees	*(e)*	**-**	13.4	1.4
Sale of financial assets under FVOCI	*(q)*	**1,138.0**	-	-
Gain on sale of debt securities under FVOCI	*(q)*	**8.9**	-	-
Loss on sale of equity securities under FVOCI	*(q)*	**(0.6)**	-	-
Service fees	*(f)*	**0.1**	0.1	0.1
Employee stock option plan	2.18, 20	**3.5**	14.8	8.7
UITF placement	8, *(p)*	**5,847.0**	-	-
Unrealized fair value gains	8, *(p)*	**5.7**	-	-
Gain on redemption of UITF	8, *(p)*	**0.1**	-	-
Sale of foreclosed assets– net	*(q)*	**212.8**	-	-
Subsidiary (BDO Rental*)				
Dividend income	*(j)*	**200.0**	-	35.0
Management fees	*(d)*	**0.3**	0.4	0.4
Rent income	*(c)*	**0.1**	0.1	0.1
Under common ownership				
Service and charges fees	*(g), (k)*	**2.1**	3.7	4.3
Interest expense on bills payable	*(l)*	**-**	203.3	145.0
Operating lease income	*(n)*	**40.6**	54.6	47.1
Insurance expense	*(m)*	**0.2**	0.8	0.3
Sale of receivables	*(q), (r)*	**8,946.1**	232.2	-
Gain on sale of receivables	*(q), (r)*	**128.1**	2.7	-
Sale of financial assets under FVOCI	*(q), (r)*	**1,997.5**	-	-
Gain on sale of equity securities under FVOCI	*(q), (r)*	**71.6**	-	-
Other related parties				
Loans	*(o)*	**40.0**	198.7	52.7
Key management personnel				
Short-term benefits	*(h)*	**47.2**	57.4	58.6
Post-employment benefits	*(h)*	**9.2**	8.3	8.7
Loans to officers	*(h)*	**1.9**	3.7	1.7

**Only until October 16, 2020*

Related Party Category	Notes	Outstanding Balance 2020		Outstanding Balance 2019	
Ultimate parent company (BDO Unibank)					
Savings and demand deposits	*(a)*	**P**	**116.0**	P	125.7
Right-of-use	*(c)*		**-**		27.0
Bills payable	*(b)*		**-**		229.0
Lease liability	*(c)*		**-**		27.8
Employee stock option plan	2.18, 16, 20		**-**		-
UITF	8, *(p)*		**5,752.7**		-
Under common ownership					
Accounts receivable	*(k)*		**-**		0.9
Accounts payable	*(r)*		**5.2**		-
Bills payable	*(l)*		**-**		997.1
Other related parties					
Loans	*(o)*		**-**		497.7
Key management personnel					
Loans to officers	*(h)*		**-**		5.9
Retirement benefit fund					
Shares of stock	*(i)*		**1.6**		1.0

(a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2020, and 2019, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position (see Note 7). These deposits generally earn interest at annual rates of 0.125% in 2020, 2019 and 2018. Interest income earned on these deposits in 2020, 2019 and 2018 is included as part of Interest and Discounts account under Revenues in the statements of income.

(b) The Group obtains short-term bills payable from BDO Unibank with annual interest rates ranging from in 3.0% to 4.75% 2020, 4.6% to 6.8% in 2019 and 2.2% to 6.5% in 2018. Total bill availments and payments amounted to P4,815.0 and P3,383.0, respectively, in 2020, respectively, P15,466.0 and P17,383.0 in 2019, and P34,050.6 and P36,715.7, respectively, in 2018. These bills payable are secured by certain financial assets at FVOCI with fair value of P617.4 as of December 31, 2019 (see Note 8). The amount outstanding from borrowings as of December 31, 2019 is presented under Bills Payable account in the statements of financial position (see Note 15). Interest expense incurred on these bills payable in 2020, 2019 and 2018 is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income.

(c) The Parent 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 Parent Company and BDO Unibank. Related rent expense incurred is presented as part of Occupancy and Equipment-related Expenses account under Operating Costs and Expenses account in the statements of income. On the other hand, the Parent 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 Parent Company's statements of income (see Note 19). In 2020, in line with the restructuring process, the Parent 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 and 19). There were no outstanding receivables and payables on these transactions as of the end of 2020 and 2019.

Starting 2019, upon adoption of PFRS 16 , the Parent Company recognized right-of-use assets which are included as part of Property and Equipment-net, and lease liabilities which is included as part of Accounts Payable and Other Liabilities in the statements of financial position. Related interest expense incurred on lease liability and depreciation 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.

(d) In 2019, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. Also, the Parent 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 Parent Company's statements of income (see Note 19). There are no outstanding receivables and payables on these transactions as of the end of 2020 and 2019.

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

(e) In 2020 and 2019, the Parent Company sold portion of its receivables to BDO Unibank. In 2019, the Parent Company charged BDO Unibank for service charges and fees which are presented as part of Other Income account in the statements of income. There were no outstanding receivable and payable on these transactions as of the end of 2020 and 2019 [see Note 9 and see also Note 21(o)].

(f) Starting 2018, the Parent Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Parent 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 2020 and 2019.

(g) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for services related to the Parent Company's issuance of short term commercial papers. Service charges and fees paid by the Parent Company to BDO Capital amounting to P0.1 for 2020, P2.1 for 2019 and P2.0 for 2018 are included as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding payables on this transaction as of the end of 2020 and 2019.

(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 Group and the Parent Company. Short-term employee benefits amounting to P47.2 in 2020, P57.4 in 2019 and P58.6 in 2018, include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. On the other hand, retirement benefits expense amounted to P9.2 in 2020, P8.3 in 2019 and P8.7 in 2018.

The Group 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. Outstanding loans to officers are presented as part of Accounts receivable under Loans and Other Receivables account (see Note 9). The Group assessed that these loans are not impaired as of December 31, 2019. There were no outstanding loans to officers as of December 31, 2020.

(i) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company as of December 31, 2019, which has a market value of P1.87 per share as of December 31, 2019 (see Note 20.2). The retirement fund does not hold any shares of stock of BDO Unibank. On October 16, 2020, the retirement fund was transferred to BDO Finance [see also Notes 20.2 and 21(r)].

(j) In 2020 and 2018, BDO Rental declared cash dividends amounting to P200.0 and P35.0 (received in 2020 and 2018, respectively). There was no declaration of cash dividends in 2019. As of the end of 2020 and 2019, there were no outstanding receivables on this transaction.

(k) Starting 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred and are included as part of Miscellaneous under Other Income account in the statements of income (see Note 19). This resulted to the outstanding receivable of the Parent Company from BDO Insurance in 2019, which is recorded as part of Accounts receivables under Loans, and Other Receivables account in the statements of financial position (see Note 9). These are receivable in cash and normally collectible within 12 months after reporting period. The Group assessed that such receivable are not impaired.

(l) The Parent 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 2020). Total availments and payments amounted to P5,324.3 and P6,323.8, respectively, in 2019 (nil in 2020) for BDO Strategic Holdings Inc. Total availments and payments amounted to P34,500.0 and P34,500.0, respectively, in 2019 (nil in 2020) for SM Prime Holdings, Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position (see Note 15). 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 and 2019, the Parent Company paid BDO Life for group life insurance of the Parent Company's employees. Insurance paid by Parent Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in the statements of income. There were no outstanding receivables and payables on this transaction as of the end of 2020 and 2019.

(n) In 2017, BDO Rental, entered into Operating Lease Agreement with BDO Nomura which commenced in 2018 (see Note 13.6). In 2018, BDO Rental, entered into Operating Lease Agreement with SM Prime Holdings, Inc. and Alfamart Trading Philippines, Inc. Operating lease income earned from these transactions are presented as part of Rent account in the Group's statements of income. There are no outstanding receivables on these transactions as of the end of 2019.

(o) The Group also granted loans to other related parties, which bear interest with a range of 4.2% to 11.0% per annum, 4.2% to11.0% per annum and 4.2% to 9.1% per annum in 2020, 2019 and 2018, respectively. Outstanding loans to other related parties are presented as part of Loans and Other Receivables-net account in the 2019 statement of financial position (see Note 9). There were no outstanding loans to other related parties as of December 31, 2020.

(p) On December 7, 2020, the Parent Company purchased P5,847.0 worth of UITF from BDO TIG of which P100.0 was redeemed on December 29, 2020 (see Note 8).

(q) In 2019, the Parent 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 Parent 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 9 and 21(r)]. There is no outstanding receivable on these transactions as of the end of 2020.

On various dates in 2020, the Parent 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 9) for debt securities while for equity securities gains (losses) were booked to Retained Earnings.

In October 2020, the Parent Company agreed to assign, transfer and covey certain foreclosed assets to BDO Unibank with a total carrying value of P212.8 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, 2020.

(r) On various dates in 2020, the Parent Company disposed portion of its core loans and receivables to BDO Finance with aggregate carrying amounts of P7,566.6 resulting to a recognition of gain on sale of loans and receivables totaling 89.5 which is presented separately under Revenues in the statements of income [see Notes 9 and 21(q)].

On October 12, 2020, the Parent Company sold its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308.0 which resulted to a recognition of gain on sale of investment in subsidiary totaling P9.5 as part of Other income account in the statements of income (see Notes 13.2 and 19).

On October 15, 2020, the Parent Company sold its SMC preferred shares classified as FVOCI to BDO Finance with aggregate carrying amounts of P597.5 (see Note 8). No gain or loss was recognized on the sale.

On October 16, 2020, the Parent Company agreed to assign irrevocably and absolutely to BDO Finance certain assets and liabilities with total proceeds equal to carrying value of P39.0 and P244.6, 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 assets and liabilities sold to BDO Finance on October 16, 2020.

	Notes		
Assets:			
Accounts receivables – net		P	13.7
Prepaid expenses			3.8
Property and equipment – net	10		6.2
Retirement assets	20.2, 21(i)		14.4
Other intangible asset – net	13.3		0.8
Other assets			0.1
		P	**39.0**
Liabilities:			
Accounts payable		P	169.1
Accrued other expenses payable			13.7
Unapplied advance payments			15.3
Deferred income tax payable		(	36.1)
Other liabilities			82.6
		P	**244.6**

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

22. TAXES

22.1 Taxes and Licenses

This account is composed of the following:

	Group		
	2020	2019	2018
Documentary stamp tax	**P 97.4**	P 188.2	P 215.2
Gross receipts tax	**76.8**	87.7	93.2
Local taxes	**19.5**	21.2	20.2
Others	**6.1**	12.4	16.6
	P 199.8	P 309.5	P 345.2

	Parent Company		
	2020	2019	2018
Documentary stamp tax	**P 88.5**	P 173.4	P 199.4
Gross receipts tax	**76.8**	87.7	93.2
Local taxes	**13.7**	13.3	12.5
Others	**6.1**	12.0	15.1
	P 185.1	P 286.4	P 320.2

22.2 Current and Deferred Taxes

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

	Group		
	2020	2019	2018
Reported in statements of income			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	**P 10.6**	P 18.3	P 86.5
Final tax at 20%	**14.2**	14.4	14.4
Minimum corporate income tax (MCIT) at 2%	**22.8**	0.4	0.2
	47.6	33.1	101.1
Deferred tax expense (income) relating to origination and reversal of temporary differences	**110.5**	0.5	(11.5)
	P 158.1	P 33.6	P 89.6
Reported in statements of comprehensive income			
Deferred tax income on:			
Net actuarial losses	**(P 30.7)**	P 4.7	P 0.5
Unrealized fair value gains on financial assets at FVOCI	**3.6**	2.5	4.1
Net deferred tax income (expense)	**(P 27.1)**	P 7.2	P 4.6

	Parent Company		
	2020	2019	2018
Reported in statements of income			
Current tax expense:			
MCIT at 2%	**P 22.8**	P -	P -
RCIT at 30%	**-**	18.3	86.5
Final tax at 20%	**14.2**	14.4	14.4
	37.0	32.7	100.9
Deferred tax expense (income) relating to origination and reversal of temporary differences	**110.5**	0.5	(11.5)
	P 147.5	P 33.2	P 89.4
Reported in statements of comprehensive income			
Deferred tax income on:			
Net actuarial losses	**(P 30.7)**	P 4.7	P 0.5
Unrealized fair value gains on financial assets at FVOCI	**3.6**	2.5	4.1
Net deferred tax income (expense)	**(P 27.1)**	P 7.2	P 4.6

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

	Group		
	2020	2019	2018
Tax on pretax profit	**P 123.2**	P 24.1	P 126.1
Adjustment for income subjected to lower tax rate	**(4.7)**	(7.2)	(7.2)
Tax effects of:			
Deductible temporary differences not recognized	**(167.1)**	-	(6.9)
Reversal of deferred tax liability	**110.5**	-	(7.2)
Unrecognized deferred tax assets on:			
Net operating loss carry-over (NOLCO)	**50.4**	0.7	4.2
MCIT	**22.8**	0.4	0.2
Non-deductible interest expense	**5.2**	9.4	8.8
Non-deductible expense	**4.2**	35.4	18.5
Non-taxable income	**3.4**	(29.2)	(46.9)
Others	**10.2**	-	-
	P 158.1	P 33.6	P 89.6

	Parent Company		
	2020	2019	2018
Tax on pretax profit	**P 120.0**	P 24.0	P 126.0
Adjustment for income subjected to lower tax rate	**5.5**	(7.2)	(7.2)
Tax effects of:			
Deductible temporary differences not recognized	**(167.1)**	-	(6.9)
Reversal of deferred tax liability	**110.5**	-	(7.2)
Unrecognized deferred tax assets on:			
Net operating loss carry-over (NOLCO)	**50.4**	-	-
MCIT	**22.8**	-	-
Non-deductible interest expense	**3.7**	7.7	7.7
Non-deductible expense	**4.2**	35.0	21.3
Non-taxable income	**(2.5)**	(26.3)	(44.3)
	P 147.5	P 33.2	P 89.4

The components of net deferred tax assets (see Note 13) as of December 31, 2019 follow:

	Group	Parent Company
Deferred tax assets:		
Allowance for impairment on:		
Loans and discounts	P 93.9	P 93.9
Investment properties and non-current assets held-for-sale	7.5	7.5
Accounts receivable	8.6	8.6
Retirement benefit obligation	26.2	26.2
	136.2	136.2
Deferred tax liabilities:		
Unrealized fair value gains on financial assets at FVOCI	(3.7)	(3.7)
Others	0.4	0.4
	(3.3)	(3.3)
Net deferred tax assets	P 132.9	P 132.9

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

The components of deferred tax income in profit and loss and in other comprehensive income for the years ended December 31, 2020, 2019 and 2018 follow:

	Group and Parent Company		
	2020	2019	2018
In profit or loss:			
Deferred tax assets:			
Allowance for impairment on:			
Loans and discounts	**(P 93.9)**	P 0.4	P 5.6
Accounts receivable	**(8.7)**	(0.4)	1.2
Investment properties and non-current assets held-for-sale	**(7.6)**	(0.4)	(1.4)
Retirement benefit obligation	**-**	(0.7)	(0.8)
Others	**0.1**	-	-
	(110.1)	(1.1)	4.6
Deferred tax liabilities:			
Lease income differential	**-**	-	7.2
Others	**(0.4)**	0.6	(0.3)
	0.4	0.6	6.9
Net deferred tax income (expense)	**(P 110.5)**	(P 0.5)	P 11.5
In other comprehensive income:			
Deferred tax income on:			
Net actuarial losses	**(P 30.7)**	P 4.7	P 0.5
Unrealized fair value gains on financial assets at FVOCI	**3.6**	2.5	4.1
Net deferred tax income (expense)	**(P 27.1)**	P 7.2	P 4.6

The Group is subject to MCIT, which is computed at 2% of gross income, as defined under tax regulations or RCIT, whichever is higher. In 2020, 2019 and 2018, the Group claimed itemized deductions in computing for its income tax due.

In 2019 and prior, the Group 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 2019, the Subsidiary's NOLCO can be claimed as deduction from future taxable income within three years from the year the taxable loss was incurred. Also, the Subsidiary's MCIT can be applied against RCIT for the next three consecutive years after the MCIT was incurred.

As of date of issuance of the 2020 financial statements of the Group, the Corporate Recovery and Tax Incentives (CREATE) bill is yet to be enacted into a law. The effective date on the current draft of CREATE bill for corporate income tax rate is July 1, 2020. When enacted, the effective tax rate from January 1, 2020 to June 30, 2020 and July 1, 2020 to December 31, 2020 will be 30% and 25%, respectively, of the taxable income for the year, which will be different from the rate used in the 2020 financial statements of 30%.

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

23. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	Group		
	2020	2019	2018
Net profit from:			
continuing operations	**P 5.7**	P -	P -
discontinued operations	**246.6**	46.8	330.7
Net profit	**252.3**	46.8	330.7
Divided by the weighted average number of outstanding common shares – net*	**2,162.0**	2,162.0	2,162.0
Basic earnings per share	**P 0.12**	P 0.02	P 0.15

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2020 and 2019.

24. CONTINGENT LIABILITIES AND COMMITMENTS

24.1 Others

In addition to those already mentioned in the preceding notes, in the ordinary course of business, the Group incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2020, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Group's financial position and results of operations.

24.2 Finance Lease – Parent Company as a Lessor

The Parent Company enters into a finance lease covering various equipment and vehicles with a lease term of one to five years. Future minimum lease payments receivable (MLPR) under this finance lease together with the PV of net minimum lease payments receivable (NMLPR) in 2019 follow:

	Future MLPR	PV of NMLPR
Within one year	P 5,376.5	P 5,311.0
After one year but not more than two years	4,182.9	4,013.2
After two years but not more than three years	3,006.8	2,608.6
After three years but not more than five years	2,458.3	1,838.4
Total MLP	15,024.5	13,771.2
Unearned lease income	(1,253.3)	-
Present value of MLPR	P 13,771.2	P 13,771.2

There were no outstanding finance lease receivables as of December 31, 2020.

24.3 Operating Lease Commitments – Group as Lessee

The Group leases the head office and certain branch offices from BDO Unibank. Total lease payments presented as part of Occupancy and Equipment-related Expenses account under Operating Costs and Expenses in the statements of income amounted to P13.6 in 2018.

Future minimum lease payments under these operating leases in 2018 follow:

Within one year	P 14.2
After one year but not more than five years	28.8
	P 43.0

25. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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

	2020					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Assets:						
Cash and other cash items	P 116.0	P -	P 116.0	P 116.0	P -	P 116.0
Financial assets at FVTPL	5,752.7	-	5,752.7	5,752.7	-	5,752.7
Loans and other receivables – Other receivables	127.3	-	127.3	127.3	-	127.3
	P 5,996.0	**P -**	**P 5,996.0**	**P 5,996.0**	**P -**	**P 5,996.0**
Liabilities:						
Accounts payable and other liabilities	**P 27.5**	**P -**	**P 27.5**	**P 27.5**	**P -**	**P 27.5**

	2019					
	Group			Parent Company		
	Within One Year	Beyond One Year	Total	Within One Year	Beyond One Year	Total
Assets:						
Cash and other cash items	P 130.0	P -	P 130.0	P 107.2	P -	P 107.2
Financial assets at FVOCI	1,579.6	1,611.3	3,190.9	1,579.6	1,611.3	3,190.9
Loans and other receivables – gross:						
Finance lease receivables	2,053.0	11,718.2	13,771.2	2,053.0	11,718.2	13,771.2
Loans and receivables	1,247.1	10,180.9	11,428.0	1,247.1	10,180.9	11,428.0
Other receivables	339.2	34.0	373.2	128.0	34.0	162.0
Other assets	102.8	279.1	381.9	22.0	634.7	656.7
	5,451.7	23,823.5	29,275.2	5,136.9	24,179.1	29,316.0
Allowance for credit and impairment losses			(594.7)			(594.5)
			28,680.5			28,721.5
Property and equipment – net	-	1,873.6	1,873.6	-	33.3	33.3
Investment properties - net	-	393.8	393.8	-	167.7	167.7
			P 30,947.9			P 28,922.5
Liabilities:						
Bills payable	P 20,137.8	P -	P 20,137.8	P 18,304.4	P -	P 18,304.4
Accounts payable and other liabilities	444.0	15.6	459.6	362.0	15.6	377.6
Lease deposits	1,230.0	3,506.2	4,736.2	1,195.8	3,430.4	4,626.2
			P 25,333.6			P 23,308.2

26. 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 Parent Company's financial performance:

	2020	2019
Return on average equity:		
Net income after income tax / Average total capital accounts	**4.36%**	0.85%
Return on average assets:		
Net income after income tax / Average total assets	**1.37%**	0.13%
Net interest margin:		
Net interest income / Average interest earning assets	**10.66%**	1.54%

(b) Capital Instruments Issued

As of December 31, 2020 and 2019, 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

The Parent Company's concentration of credit as to industry for its receivables from customers' portfolio (gross of allowance for ECL) 2019 follows:

	Amount	Percentage
Transportation and storage	P 3,904.2	15.49%
Wholesale and retail trade	3,582.1	14.22%
Construction	3,093.3	12.28%
Manufacturing	2,282.9	9.06%
Human health and social work activities	468.8	1.86%
Information and communication	282.1	1.12%
Real estate activities	148.1	0.58%
Agriculture, forestry and fishing	141.2	0.56%
Accommodation and food storage	55.7	0.22%
Financial and insurance activities	19.5	0.08%
Arts, entertainment and recreation	8.2	0.03%
Other service activities	11,212.9	44.50%
	P 25,199.0	**100%**

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

(d) Credit Status of Loans

The breakdown of total loans (receivable from customers, net of unearned interest or discounts) as to status in 2019 is shown below.

	Performing*	Non-performing	Total Loan Portfolio
Gross carrying amount:			
Corporate	P 15,684.5	P 1,133.1	P 16,817.6
Consumer	8,072.5	365.5	8,438.0
	23,757.0	1,498.6	25,255.6
Allowance for ECL			
Corporate	(56.0)	(418.4)	(474.4)
Consumer	(26.2)	(65.0)	(91.2)
	(82.2)	(483.4)	(565.6)
Net carrying amount	P 23,674.8	P 1,015.2	P 24,690.0

**Includes underperforming loans (or Stage 2 loans)*

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

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

The breakdown of total loans (receivable from customers, net of unearned interests or discounts and allowance for ECL) as to security in 2019 follows:

Secured:	
Chattel mortgage	P 15,006.8
Real estate mortgage	2,760.1
Other securities	53.7
	17,820.6
Unsecured	7,157.1
	P 24,977.7

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

(f) Information on Related Party Loans

In the ordinary course of business, the Parent Company has loan transactions with each other, their other affiliates, and with certain Directors, Officers, Stockholders and Related Interests (DOSRIs). Under existing policies of the Parent Company, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

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

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

	DOSRI Loans		Related Party Loans (inclusive of DOSRI)	
	2020	2019	**2020**	2019
Total outstanding loans	**P -**	P 5.9	**P -**	P 501.8
% of loans to total loan portfolio	**0.00%**	0.02%	**0.00%**	1.99%
% of unsecured loans to total loans	**0.00%**	0.00%	**0.00%**	0.00%
% of past due loans to total loans	**0.00%**	0.00%	**0.00%**	1.17%
% of non-performing loans to total loans	**0.00%**	0.00%	**0.00%**	0.43%

(g) Secured Liabilities and Assets Pledged as Security

Assets pledged by the Parent Company as security for liabilities in 2019 (nil in 2020) are shown below.

Aggregate amount of secured liabilities	P -
Aggregate amount of resources pledged as security	P 597.5

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

As of December 31, 2020 and 2019, there were no material commitments and contingent accounts arising from transactions not given recognition in the statements of financial position.

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

Punongbayan & Araullo
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The Board of Directors and the Stockholders
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 BDO Leasing and Finance, Inc. and subsidiary (the Group) and of BDO Leasing and Finance, Inc. (the Parent Company) for the year ended December 31, 2020, on which we have rendered our report thereon dated March 1, 2021. 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 consolidated financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Group's management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

BDO Leasing and Finance, Inc. and Subsidiary
SEC Supplementary Schedules
December 31, 2020

Table of Contents

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule A - Financial Assets
December 31, 2020
(Amount in Philippine Pesos)

Name of issuing entity and association of each issue [(i)]	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet* [(ii)]	*Valued based on the market quotation at balance sheet date* [(iii)]	*Income received and accrued*
Financial Assets at Fair Value Through Profit or Loss				
BDO Unibank Inc. - Trust and Investment Group	5,747	5,752.7	5,752.7	0.0
Total Financial Assets at FVOCI		5,752.6	5,752.6	0.0

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(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, 2020

(Amount in Philippine Pesos)

			Deductions		*Ending Balance*		
Name and designation of debtor (1)	*Balance at beginning of period*	*Additions*	*Amounts collected* (2)	*Amounts written off* (3)	*Current*	*Not current*	*Balance at end of period*
Total Oustanding DOSRI Loans							
Natividad, Joseph Jason Martinez	0.4		0.4		-		-
Tabanao, Dean Arvin D.	0.4		0.4		-		-
Magrata, Marlon F.	0.2		0.2		-		-
Jimenez, Frieda Concepcion T.	0.6		0.6		-		-
Cruz, Elmer J.	1.1		1.1		-		-
Perez, Vicente S.	3.2		3.2		-		-
Tad-y, Angelita C.	-	1.6	1.6		-		-
	5.9	1.6	7.5	-	-	-	-
	P 5.9	P 1.6	P 7.5	P -	P -	P -	P -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2020

(Amount in Philippine Pesos)

			Deductions					
Name and Designation of debtor	**Balance at beginning of period**	**Additions**	**Amounts collected (i)**		**Amounts written off (ii)**	**Current**	**Non-current**	**Balance at end of period**

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule D - Long-Term Debt
December 31, 2020
(Amount in Philippine Pesos)

Title of issue and type of obligation [i]	*Amount authorized by indenture*	*Amount shown under caption"Current portion of long-term debt" in related balance sheet* [ii]	*Amount shown under caption"Long-Term Debt" in related balance sheet* [iii]	*Interest Rate*	*Maturity Date*

- nothing to report -

(i) Include in the column each type of obligation authorized (I.e., loans, bonds, warrants, etc.)

(ii) This column is to be totalled to correspond to the related balance sheet caption.

(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity date.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule E - Indebtedness to Related Parties
December 31, 2020
(Amount in Philippine Pesos)

Name of related party (1)	*Balance at beginning of period*	*Balance at end of period* (2)

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule F - Guarantees of Securities of Other Issuers [1]
December 31, 2020
(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 [2]*	*Amount owned by person for which statement is filed*	*Nature of guarantee [3]*

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule G - Capital Stock [1]
December 31, 2020
(Amount in Philippine Pesos)

Title of Issue [2]	*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*	*Number of shares held by*		
				Related parties [3]	*Directors, officers and employees*	*Others*
Preferred Shares	0.2	-	-	-	-	-
Common shares	3,400.0	2,162		1,914.7	0.2	247.6
BDO Unibank Inc.				1,914.7		
*Determination of number of shares and outstanding						
Number of shares issued		2,225				
Less shares held in treasury		63				
		2,162				

Appendix I

BDO Leasing and Finance, Inc.
Ortigas Center, Mandaluyong City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2020
(Amounts in Millions)

Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year		P 2,789.0
Net Profit Per Audited Financial Statements		252.3
Non -actual/unrealized income, net of tax		
Equity in net loss of a subsidiary and associate	-	
Deferred tax income	(110.5)	
Net interest income on retirement	(0.9)	
Day-one gain	-	(111.4)
Net income actually earned during the year		140.9
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year		**P 2,929.9**

P&A Grant Thornton

An instinct for growth™

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Report of Independent Auditors on Components of Financial Soundness Indicators

The Board of Directors and the Stockholders
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 consolidated financial statements of BDO Leasing and Finance, Inc. and subsidiary (the Group) for the year ended December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, on which we have rendered our report thereon dated March 1, 2020. Our audit was made for the purpose of forming an opinion on the basic consolidated 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 Group'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 consolidated financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8533234, January 4, 2021, Makati City
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Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

BDO Leasing and Finance, Inc. and Subsidiary
Financial Ratios
December 31, 2020 and 2019
(Amounts in Millions of Philippine Pesos)

	2020	2019	**2020**	2019
I. Current/liquidity ratios				
Current ratio				
Total current assets	**5,996.0**	7,938.4	**218.04**	0.36
Total current liabilities	**27.5**	21,827.4		
Acid Test Ratio				
Quick assets	**5,996.0**	7,835.5	**218.04**	0.36
Total current liabilities	**27.5**	21,827.4		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
(After tax net profit + Depreciation)	**776.8**	840.6	**28.25**	0.03
Total liabilities	**27.5**	25,333.6		
Debt-to-equity ratio				
Total liabilities	**27.5**	25,333.6	**0.00**	4.51
Total equity	**5,968.5**	5,614.3		

	2020	2019	2020	2019
III. Asset-to-equity ratio				
Asset-to-equity ratio				
Total assets	**5,996.0**	30,947.9	**1.00**	5.51
Total equity	**5,968.5**	5,614.3		
IV. Interest coverage ratio				
Interest coverage ratio				
Earnings before interest and taxes	**936.5**	1,479.6	**1.78**	1.06
Interest expense	**526.0**	1,399.2		
V. Profitability ratios				
Net profit margin				
Net Profit	**252.3**	46.8	**10.66%**	1.54%
Interest income + Other operating income	**2,367.0**	3,031.9		
Return on equity				
Net profit	**252.3**	46.8	**4.36%**	0.85%
Average equity	**5,791.4**	5,478.7		
Return on assets				
Net profit	**252.3**	46.8	**1.37%**	0.13%
Average assets	**18,472.0**	36,244.1		

VI. Others

	2020	2019	2020	2019
Total real estate investments to Assets				
Total investment properties	**-**	393.8	**0.00%**	1.27%
Total assets	**5,996.0**	30,947.9		
Loans to Assets				
Total loans and other receivables	**127.3**	24,977.7	**2.12%**	80.71%
Total assets	**5,996.0**	30,947.9		
DOSRI to Net worth				
Receivables from Directors, Officers, Stakeholders and Related Interests	**-**	5.9	**0.00%**	0.11%
Total equity	**5,968.5**	5,614.3		
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation	**-**	527.9	**0.00%**	2.11%
Total loans and other receivables	**127.3**	24,977.7		

Sustainability Report

Annex A: Reporting Template

(For additional guidance on how to answer the Topics, organizations may refer to Annex B: Topic Guide)

Contextual Information

Company Details	
Name of Organization	**BDO LEASING AND FINANCE, INC.**
Location of Headquarters	**Please see details on the attached 2020 Sustainability Report of BDO Leasing & Finance, Inc.**
Location of Operations	**- DITTO -**
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	**- DITTO -**
Business Model, including Primary Activities, Brands, Products, and Services	**- DITTO -**
Reporting Period	**- DITTO -**
Highest Ranking Person responsible for this report	**- DITTO -**

**If you are a holding company, you could have an option whether to report on the holding company only or include the subsidiaries. However, please consider the principle of materiality when defining your report boundary.*

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]
Please see details on the attached 2020 Sustainability Report of BDO Leasing & Finance Inc.

[1] See *GRI 102-46* (2016) for more guidance.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Please see details on the attached 2020 Sustainability Report of BDO Leasing & Finance, Inc.

Disclosure	Amount	Units
Direct economic value generated (revenue)		PhP
Direct economic value distributed:		
a. Operating costs		PhP
b. Employee wages and benefits		PhP
c. Payments to suppliers, other operating costs		Php
d. Dividends given to stockholders and interest payments to loan providers		PhP
e. Taxes given to government		PhP
f. Investments to community (e.g. donations, CSR)		PhP

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Climate-related risks and opportunities[2]

Please see details on the attached 2020 Sustainability Report of BDO Leasing and Finance, Inc.

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities	Disclose the actual and potential impacts[3] of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	Disclose how the organization identifies, assesses, and manages climate-related risks	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material
Recommended Disclosures			
a) Describe the board's oversight of climate-related risks and opportunities	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	a) Describe the organization's processes for identifying and assessing climate-related risks	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process
b) Describe management's role in assessing and managing climate-related risks and opportunities	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b) Describe the organization's processes for managing climate-related risks	b) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2°C or lower scenario	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management	

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.
[3] For this disclosure, impact refers to the impact of climate-related issues on the company.

Procurement Practices

Proportion of spending on local suppliers

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Anti-corruption

Training on Anti-corruption Policies and Procedures

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to		%

Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to		%
Percentage of directors and management that have received anti-corruption training		%
Percentage of employees that have received anti-corruption training		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Incidents of Corruption

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption		#
Number of incidents in which employees were dismissed or disciplined for corruption		#
Number of incidents when contracts with business partners were terminated due to incidents of corruption		#

What is the impact and where does it occur? What is the organization’s involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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ENVIRONMENT

Resource Management

Energy consumption within the organization:

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Energy consumption (renewable sources)		GJ
Energy consumption (gasoline)		GJ
Energy consumption (LPG)		GJ
Energy consumption (diesel)		GJ
Energy consumption (electricity)		kWh

Reduction of energy consumption

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Energy reduction (gasoline)		GJ
Energy reduction (LPG)		GJ
Energy reduction (diesel)		GJ
Energy reduction (electricity)		kWh
Energy reduction (gasoline)		GJ

What is the impact and where does it occur? What is the organiation's involvement in the impact?	**Which stakeholders are affected?**	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization		

Water consumption within the organization

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Water withdrawal		Cubic meters
Water consumption		Cubic meters
Water recycled and reused		Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**

Identify the opportunity/ies related to material topic of the organization		

Materials used by the organization

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Materials used by weight or volume		
• renewable		kg/liters
• non-renewable		kg/liters
Percentage of recycled input materials used to manufacture the organization's primary products and services		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	(identify all sites)	
Habitats protected or restored		ha
IUCN[4] Red List species and national conservation list species with habitats in areas affected by operations	(list)	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

[4] International Union for Conservation of Nature

Environmental impact management

Air Emissions

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions		Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions		Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)		Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Air pollutants

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
NO_x		kg
SO_x		kg
Persistent organic pollutants (POPs)		kg
Volatile organic compounds (VOCs)		kg
Hazardous air pollutants (HAPs)		kg
Particulate matter (PM)		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Solid and Hazardous Wastes

Solid Waste

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Total solid waste generated		kg
Reusable		kg
Recyclable		kg
Composted		kg

Incinerated		kg
Residuals/Landfilled		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
What are the Risk/s Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Hazardous Waste

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Total weight of hazardous waste generated		kg
Total weight of hazardous waste transported		kg

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Effluents

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Total volume of water discharges		Cubic meters
Percent of wastewater recycled		%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Identify risk/s related to material topic of the organization		
What are the Opportunity/ies Identified?	**Which stakeholders are affected?**	**Management Approach**
Identify the opportunity/ies related to material topic of the organization		

Environmental compliance

Non-compliance with Environmental Laws and Regulations

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations		PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations		#
No. of cases resolved through dispute resolution mechanism		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*(e.g. employees, community, suppliers, government, vulnerable groups)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Identify the opportunity/ies related to material topic of the organization		

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Please see details on the attached 2020 Sustainability Report of BDO Leasing & Finance Inc.

Disclosure	Quantity	Units
Total number of employees[5]		
a. Number of female employees		#
b. Number of male employees		#
Attrition rate[6]		rate
Ratio of lowest paid employee against minimum wage		ratio

Employee benefits

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS			
PhilHealth			
Pag-ibig			
Parental leaves			
Vacation leaves			
Sick leaves			
Medical benefits (aside from PhilHealth))			
Housing assistance (aside from Pag-ibig)			
Retirement fund (aside from SSS)			

[5] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)

[6] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Further education support			
Company stock options			
Telecommuting			
Flexible-working Hours			
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
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Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Employee Training and Development

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees		hours
b. Male employees		hours
Average training hours provided to employees		
a. Female employees		hours/employee
b. Male employees		hours/employee

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain)	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)	
What are the Risk/s Identified?	**Management Approach**
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Labor-Management Relations

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements		%
Number of consultations conducted with employees concerning employee-related policies		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Diversity and Equal Opportunity

Please see details on the attached 2020 Sustainability Report of BDO Leasing & Finance Inc.

Disclosure	Quantity	Units
% of female workers in the workforce		%
% of male workers in the workforce		%
Number of employees from indigenous communities and/or vulnerable sector*		#

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
Safe Man-Hours		Man-hours
No. of work-related injuries		#
No. of work-related fatalities		#
No. of work related ill-health		#
No. of safety drills		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Labor Laws and Human Rights

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor		#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor		
Child labor		
Human Rights		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*

What are the Risk/s Identified?	Management Approach
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Supply Chain Management

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy: **None**

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance		
Forced labor		
Child labor		
Human rights		
Bribery and corruption		

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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Relationship with Community

Significant Impacts on Local Communities

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing		#
CP secured		#

What are the Risk/s Identified?	Management Approach
Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Customer Management

Customer Satisfaction

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction		

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Identify risk/s related to material topic of the organization	
What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	**None**	#
No. of complaints addressed	**None**	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Marketing and labelling.

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	**None**	#
No. of complaints addressed	**None**	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	**Management Approach**
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Identify the opportunity/ies related to material topic of the organization	

Customer privacy

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*		#
No. of complaints addressed		#
No. of customers, users and account holders whose information is used for secondary purposes		#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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What are the Opportunity/ies Identified?	**Management Approach**
Identify the opportunity/ies related to material topic of the organization	

Data Security

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts and losses of data		#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach

Identify the impact and where it occurs (i.e., primary business operations and/or supply chain) *Indicate involvement in the impact (i.e., caused by the organization or linked to impacts through its business relationship)*	*What policies, commitments, goals and targets, responsibilities, resources, grievance mechanisms, and/or projects, programs, and initiatives do you have to manage the material topic?*
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UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

As of December 31, 2020, BDOLF has already closed its five branches and has already ceased its leasing and financing operations. Below information can no longer be provided.

Key products and services and its contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*

2020 SUSTAINABILITY REPORT

About the Report

This report is the second Sustainability Report of BDO Leasing and Finance, Inc. outlining its economic, environmental, social, and governance performance from January to December 2020.

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Corporate Details

Name of Organization	**BDO LEASING AND FINANCE, INC.**
Location of Headquarters	**MANDALUYONG HEAD OFFICE** 39/F BDO Corporate Center Ortigas 12 ADB Avenue, Ortigas Center Mandaluyong City 1550 Telephone: (+632) 8688-1288 locals 65819, 65175, 4530339/F
Subsidiary	**BDO RENTAL, INC.** 39/F BDO Corporate Center Ortigas 12 ADB Avenue, Ortigas Center Mandaluyong City 1550 Telephone: (+632) 8688-1288 locals 65819, 65175, 4530339/F
Reporting Period	**2020**
Highest Ranking Person Responsible for this report	**MANUEL Z. LOCSIN, JR** Senior Vice President/Officer-in-Charge **KATHERINE U. RESARI** Compliance Officer

Corporate Profile

BDO Leasing and Finance Inc. (BDOLF) is a subsidiary of BDO Unibank Inc. (BDO Unibank), with an established track record of innovation in the leasing and finance industry. BDOLF is a recognized leader in the markets it serves, confirmed by its consistent financial results and growing clientele base.

Capitalizing on BDO Unibank's extensive market reach and its wide product range, BDOLF is among the industry's dominant players in terms of total assets and capitalization. The BDO brand strengthens BDOLF's position in the industry and revolutionizes its capability to meet new sets of challenges and expectations.

In light of new accounting standards (also known as PFRS 16 on Leases which took effect on January 01, 2019) requiring leases to be recognized on balance sheet similar to a loan facility, BDO Unibank initiated the restructuring of the leasing business of its subsidiaries/affiliates, in order to optimize the financial needs of clients. PFRS 16 made lease transactions a less attractive financing option to corporate borrowers and the volume of leasing business is expected to be affected going forward, thus no longer appropriate for a listed company. On December 9, 2019, a new and privately-held entity, BDO Finance Corporation, was established to assume the leasing business of BDOLF.

On January 31, 2020, the Board of Directors of BDOLF approved the sale of all or substantially all its assets to BDO Unibank and its subsidiaries, BDO Life and BDO Finance Corporation. In various dates in 2020, BDOLF disposed to related parties its core lease and loans receivables, and investments. On October 16, 2020, BDOLF assigned irrevocably and absolutely to BDO Finance certain assets and liabilities, including its ownership of 250,000,000 common shares of BDO Rental. Effective October 19, 2020, the operations of BDOLF fully transitioned to BDO Finance.

As of December 31, 2020, BDOLF already closed its five (5) branches. has already ceased to engage in leasing and financing business and will be re-purposed into a holding company, subject to regulatory approvals.

as of December 31, 2020

Market Capitalization	**Php**	**6.8 Billion**
Direct Economic Value Generated	**Php**	**2.4 Billion**
Total Assets	**Php**	**5.9 Billion**
Total Liabilities	**Php**	**27.5 Million**
Capital Base	**Php**	**5.9 Billion**
Net Income	**Php**	**252.3 Million**

Corporate Mission

We are in business for our customers, shareholders and employees.

We shall deliver creatively innovative products and cross-sell the BDO Unibank Group's services supported by procedures, systems and processes which will ensure utmost customer satisfaction.

We shall recognize and reward excellence in our employees and shall provide an environment conducive to maximizing their potentials as we work cohesively as a team.

We shall generate consistently high returns for our shareholders.

We shall maintain a prestigious and professional corporate image and shall actively fulfill our social responsibility.

Total Quality shall be the most important standard in all our activities.

Corporate Vision

We shall be at the forefront of the leasing and financing industry in the Philippines and in the Asia Pacific Region. We shall have the most extensive market reach and shall be composed of highly trained, technically competent and upright professionals working as a team and contributing to the growth of the nation and the communities we serve. Recognizing that the customer is the focus of our activities, we shall lead the industry in providing modern and relevant financial services which exceed their expectations.

Core Values

Commitment to Customers

We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer service, while remaining prudent and trustworthy stewards of their wealth.

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 employee's 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.

Products and Services

Prior to October 2020, the Company's principal business are the following:

Leasing

Preserving capital with these leasing options can drive one's business towards growth. Whether logistics, distribution, medical, pharmaceutical, construction or other industries that require the use of specific equipment, leasing is a viable financing option. It allows the procurement of much-needed equipment without the depletion of available cash or existing credit lines, thereby facilitating better management of cash flow and other financial resources. Leasing offers the following benefits:

- Higher amount financed
- Affordable monthly payments
- Tax-timing benefits
- No chattel mortgage fees

Finance Lease

Ideal for medium-term financing. With just a minimal capital outlay, essential and necessary heavy capital equipment can now be acquired and used upon demand.

Operating Lease

An operating lease is an off balance sheet lease where the leased asset is not reflected in the books of the lessee. The lessee only records rent expense which is a deductible expense in its Profit and Loss statement.

Amortized Commercial Loan (ACL)

Through the mortgage of collateral, whether in the form of real estate or equipment, ACLs can fulfill capital acquisition requirements through flexible payment options. With a low downpayment, a higher amount is financed and the client retains ownership of the asset.

Installment Paper Purchase (IPP)

IPPs can help generate ready cash for additional working capital or for various business requirements. Tied-up capital is easily liquidated through the sale of existing installment receivables, thus making available cash that can be used for other business needs. And with interest expense being an allowable deduction from taxable income, there is an additional benefit of tax savings.

Factoring of Receivables

A good alternative for short-term financing, factoring of receivables enables a business to work at full capacity with the immediate funds generated from it. Through the sale of local trade receivables with no required collateral, BDOLF advances up to 80% of the value of the invoices, thereby supplying immediate working capital. BDOLF's experienced team also handles the collection of these invoices.

Floor Stock Financing

Ideal for transport vehicle and equipment dealers, Floor Stock Financing is a revolving short-term credit facility that finances the purchase from manufacturers of inventory assets such as motor vehicles, medical equipment, trucks and heavy equipment. With Floor Stock Financing, inventory is guaranteed to be in place when sales opportunities arise, without the need to self-finance the purchase.

BDOLF Sustainability Philosophy

We seek to achieve strategic resilience by incorporating sustainability in the way we do business. We aim to embed sustainability principles when making decisions, assessing relationships and creating products.

Alignment with the United Nations Global Compact Principles

BDOLF supports the principles of the United Nations Global Compact. The Company upholds:

- Corporate Governance
- Climate-friendly solutions and opportunities for business
- Access to clean, renewable and reliable energy sources and services
- The adoption of instruments that help quantify, manage and report on the carbon footprint of its businesses
- The responsibility to protect the dignity of every person and uphold human rights
- The recognition of the role of women in achieving economic growth and poverty reduction
- The elimination of all forms of forced, compulsory and child labor

BDOLF Sustainability Framework

The Company's Sustainability Framework defines the strategies that serve as guideposts in its journey towards sustainability.

1. Product Sustainability Strategy

We develop capabilities to understand our customers and reach the underserved markets with relevant products and services that meet their unique needs and ways of doing business.

2. Human Capital Sustainability Strategy

We develop leaders in the sustainability movement. We aim to grow a "can lead' workforce that adapts a sustainability mind-set and thrives with innovative thinking and customer-focused attitude.

3. Governance-Based Sustainability Strategy

We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.

4. Disaster Response Sustainability Strategy

We leverage our resources towards the relief, rehabilitation and recovery of disaster-stricken communities.

5. Sustainability Contribution Strategy

We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities and disaster resilience initiatives.

Materiality

In identifying material topic, BDOLF applied the materiality principle based on influence on stakeholder or assessments and decisions, and significance of impact on the economy, environment and society.

Material Topic	Topic Boundary
Economic Performance How BDOLF delivers sustainable returns to its shareholders and attains consistent market growth	Within BDOLF and with key stakeholders
Lease & Financing Network and Access How BDOLF's branches and capitalizing on BDO Unibank's branches provide convenient and reliable access to its customers	Within BDOLF and with customers
Innovative Customer-Focused Products and Services How BDOLF innovates to meet the needs of its customers	
Green Financing How BDOLF provides financing in eco-friendly solutions and green facilities to promote clean energy	Within BDOLF and with partners and customers
Financing for Development Projects How BDOLF facilitates funding to large-scale development projects that support national economic growth	
MSME Financing How BDOLF creates finance and leasing products to help micro, small, and medium enterprise grow	Within BDOLF, with customers and regulators
Employee Integrity and Development How BDOLF develops a "can lead" mind-set able to innovate and maintain a customer-focused attitude	Within BDOLF
Employee Development and Training How BDOLF retains and develops employees, recognizes achievements, and provides long-term professional growth	
Community Involvement How BDOLF uplifts the lives of its communities through social development and disaster resilience program	Within BDOLF and with host communities
Regulatory and Legal Compliance How BDOLF complies with legal requirements and other relevant regulatory bodies	Within BDOLF and with regulators
Corporate Governance and Business Ethics How BDOLF operates on principles of accountability, transparency, integrity and fairness	Within BDOLF
Customer Rights, Privacy and Welfare How BDOLF protects the information of its customers, complies with Data Privacy Act, and protects the welfare of its customers	Within BDOLF and with regulators and customers

Stakeholder Engagement

Stakeholder Group	Relevance	Channels of Engagement	Relevant Topics	Our Commitment
Shareholder or Investor	▪ Providers of resources essential to BDOLF's goal to deliver results, enhanced economic returns and shared value	▪ Annual Stockholders' Meetings	▪ Economic Performance	▪ Provide transparent and timely disclosures
Employee	▪ Proponent of BDOLF's vision, mission and objectives	▪ Face-to-face meetings ▪ Annual performance appraisals	▪ Employee Integrity and Development	▪ Roll out leadership development programs, awards, recognition for employees
Customer or Client	▪ Patron of BDOLF's products and services	▪ Customer touchpoints ▪ Regular visits and briefings	▪ Branch Network and Access ▪ Customer Rights, Privacy and Welfare	▪ Provide timely feedback to customer concerns
Creditor	▪ Sources of assets that support BDOLF's business	▪ Regular correspondence and updates	▪ Corporate Governance and Business Ethics	▪ Meet contractual obligations
Service Provider or Supplier	▪ Suppliers and service providers vital to BDOLF	▪ Vendor accreditation process ▪ Regular correspondence	▪ Corporate Governance and Business Ethics	▪ Uphold policy and supplier accreditation
Regulator or Policy Maker	▪ Driver of regulations and policies that aid BDOLF in achieving its goals	▪ Formal and informal correspondence ▪ Regular audit	▪ Regulatory and Legal Compliance ▪ Corporate Governance and Business Ethics	▪ Comply with applicable laws and regulations, provide regulators with timely disclosures, and ensure quality of financial reports
Analyst or Association of Financing Companies and Media	▪ Partners in accurate reporting, upholding transparency and integrity	▪ Regular gatherings of members ▪ Media events	▪ Economic Performance ▪ Innovative Customer-Focused Products and Services	▪ Provide transparent and timely disclosures and updates

Economic Impact

BDOLF has, over the years, maintained its track record of service and innovation in the leasing and financing industry. As a wholly owned subsidiary of the nation's largest bank, BDOLF has leveraged on BDO Unibank's wide client base and strong corporate relationships by partnering with clients to secure their infrastructure and equipment needs. BDOLF plays a crucial role in regional economic expansion, providing leasing or financing primarily to clients in the transportation sector, local and multinational contractors, developers, and service providers that are competing for large Filipino infrastructure and PPP projects.

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	2018 (as of Dec 31, 2018) In millions of pesos	2019 (as of Dec 31, 2019) In millions of pesos	2020 (as of Dec 31, 2020) In millions of pesos
Direct economic value generated (revenue)	3,215.5	3,031.9	2,361.3
Direct economic value distributed:			
a. Operating Costs and Payments to Suppliers	1,044.1	998.6	1,016
b. Employee wages and benefits	235.7	244.2	214.9
c. Interest payments to loan providers and dividends to stockholders	1,170.2	1,399.2	526.0
d. Taxes given to government	434.8	343.1	357.9
Total Direct economic value distributed	1,714.6	2,985.1	2,114.8

BDOLF'S direct economic value generated decreased from Php 3.0 Bn in 2019 to 2.4 Bn in 2020 with the cessation of its leasing and financing operations in October 2020. Economic value distributed likewise declined from Php 3Bn in 2019 to 2.1 Bn in 2020. The bulk, or 48% of economic value distributed was accounted for by payments to suppliers and third-party service providers (embedded in other operating costs) that generate positive social and economic contribution to the communities where these businesses operate, 10 % to wages and benefits employees supporting their growth and development, and 25% to interest payments to loan providers. Lastly, BDOLF increased its payments to the government by 4 % in 2020.

Sustainability Strategies and Performance

Prior to October 2020, BDOLF offers leasing and financing products and services that anticipate the existing needs of its customers and support sustainable development goals. We are driven to empower our customers achieve growth and stability.

As of December 31, 2020, BDOLF no longer has any outstanding loans and other receivables from customers. All remaining loans and receivables from customers of BDOLF as of October 16, 2020 were sold to BDO Finance Corporation.

Disclosure	2018	2019
Total number of transactions	4,678	3,375
Total number of clients nationwide (as of 31 Dec 2020)	5,094	5,196
Total number of Individuals, Small & Medium Enterprises	4,734	4,046
Total amount of leases and loans availed/booked	P17.00B	P11.28B

Prior to October 2020, the Company's principal products are the following:

Leasing

The Company helps its customers preserve capital with either finance or operating lease that can drive one's business towards growth. Whether logistics, distribution, medical, pharmaceutical, construction or other industries that require the use of specific equipment, leasing is a viable option. It allows the procurement of much needed equipment without the depletion of available cash or existing credit lines, thereby facilitating better management of cash flow and other financial resources.

Some of the benefits that finance and operating lease offers are as follows:

- Higher amount financed
- Affordable monthly payments
- Tax-timing benefits
- No chattel mortgage fees

Amortized Commercial Loan (ACL)

BDOLF helps fulfill capital acquisition requirements through flexible loan payment options. With a low downpayment, a higher amount is financed and the client retains ownership of the assets.

Installment Paper Purchase (IPP)

BDOLF provides ready cash for additional working capital or for various business requirements through IPP. Tied-up capital is easily liquidated through the sale of existing installment receivables, thus making available cash that can be used by its customers for their other business needs. And with interest expense being an allowable deduction from the customer's taxable income, there is an additional benefit of tax savings.

Factoring of Receivables

Through factoring of receivables, BDOLF provides a good alternative for short-term financing which enables a business to work at full capacity with the immediate funds generated from it.

Floor Stock Financing

BDOLF provides a revolving short-term credit facility that finances the purchases from manufacturers of inventory assets such as motor vehicles, medical equipment, trucks and heavy equipment.

Human Capital
Sustainability Strategy (Social)

BDOLF develops leaders in the sustainability movement.

We aim to grow a "can lead" workforce that adapts a sustainability mind-set and thrives with innovative thinking and customer-focused attitude.

Employee Profile

In anticipation of the cessation of the leasing and financing business of BDOLF, in August 2020, a total of 23 BDOLF employees from provincial branches were redeployed to BDO Unibank, Inc., while in October 2020, 166 employees were absorbed by BDO Finance Corporation. One employee also retired, such that by December 31, 2020, the Company only has five (5) remaining manpower complement, who are all corporate officers: President, Treasurer, Corporate Secretary, Assistant Corporate Secretary and Compliance Officer.

BY GENDER

	Employee Count as of year-end			New Hires as of year-end			Employee Separations as of year-end		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
Male	60	49	3	3	5	0	5	12	46
Female	148	146	2	20	22	0	7	17	144
TOTAL	**208**	**195**	**5**	**23**	**27**	**0**	**12**	**29**	**190**

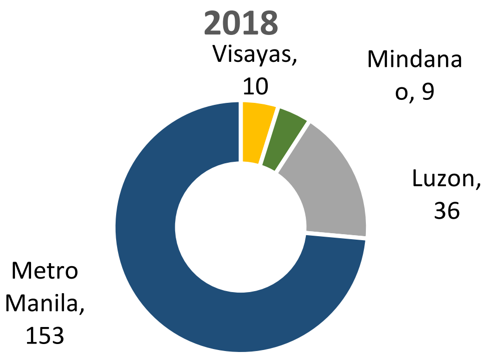
BY AGE

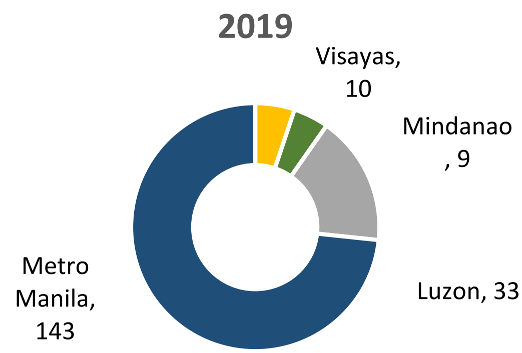
	Employee Count as of year-end			New Hires as of year-end			Employee Separations as of year-end		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**	**2018**	**2019**	**2020**
<30	75	82	0	21	24	0	3	11	82
30-50	114	95	1	2	2	0	7	16	94
>50	19	18	4	0	1	0	2	2	14
TOTAL	**208**	**195**	**5**	**23**	**27**	**0**	**12**	**29**	**190**

EMPLOYEE COUNT BY EMPLOYMENT STATUS

	Employee Count as of year-end 2018	2019	2020
Probationary	6	8	0
Regular	202	187	5
TOTAL	**208**	**195**	**5**

EMPLOYEE COUNT BY LOCATION





For the year-ending 2020, the Company only has 5 remaining senior officers who are all based in Metro Manila.

PERFORMANCE ASSESSMENT

	Per Employee	By Gender as of year-end		By Rank as of year-end		
		Male	Female	Rank-and-File	Junior Officers	Senior Officers
2018	100%	100%	100%	100%	100%	100%
2019	100%	100%	100%	100%	100%	100%
2020	100%	100%	100%	-	-	100%

Performance appraisal or assessment is done at all levels of the organization regardless of gender or rank.

Providing Equal Opportunity

BDOLF is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion, age, or sexual orientation. Employees are treated with respect, dignity, and fairness.

The Company ensures that employment practices and policies are in compliance with labor laws, regulations and standards in the countries where it operates. Employees are selected, engaged, compensated, and promoted, as the case may be, based on the merits of qualification and performance.

Employee Rights and Welfare

BDOLF is committed to promoting the physical, social, and mental well-being of its employees. It maintains positive, harmonious, and professional work environment with due importance accorded to the occupational health and safety of employees and related external parties.

The Company abides by the regulations defined by the Department of Labor and Employment (DOLE), including health and safety standards for its employees. BDOLF completed the DOLE inspection and was found compliant with both the General Labor Standards and the Occupational Health and Safety Standards.

BDOLF supports the rights of its employees to participate in a Collective Bargaining Agreement (CBA). It enjoys a constructive relationship with its duly recognized employee representative group.

BDOLF is an apolitical and non-partisan organization. It partners with government agencies and associations as a co-champion in the promotion of social development and environmental sustainability.

Employee Training and Development

BDOLF pursues an empowering work environment for its employees to demonstrate their full capability and talents. All BDOLF employees receive a variety of training including Officer Development Program, Manager Development Program, and other targeted training programs.

Employee Assessment and Professional Advancement

Every year, all BDOLF employee undergo an assessment process that encourages open communication between supervisor and team member. The Company prioritizes internal candidates for opportunities within the organization, including job rotation, to develop the skills necessary for a well-rounded employee.

BDOLF strives to build long-term relationships with its employees. It offers career development options and provides multiples training opportunities to equip its team members for professional advancement.

Cultivating the "Can Lead"
Culture of Excellence and Innovation

The capacity of BDOLF to innovate and anticipate transformations in the leasing and financing industry starts from its people's passion for excellence and innovation. At the core is BDOLF's commitment to its customers – to provide them with the highest level of customer service. This is summed up in BDO's service philosophy of "We Find Ways."

Customer-Focused

Everything each BDOLF employee does must have the customer's objective and interest in mind. It redefines the Company's role beyond simply providing financial services to fulfilling the objectives of the customers.

Out-of-the-Box Thinking

Every BDOLF employee is encouraged to challenge conventional leasing and finance practices, beliefs, and processes if there is a better way to achieve the client's objectives, without compromising quality, ethics or good governance.

Right Attitude

All BDOLF employees are encouraged to go the extra mile to meet the client's objectives. This is demonstrated in every BDOLF's customer service attitude, incorporated in BDOLF's human resource trainings is the development of values such as integrity, team spirit, hard work, and service. Complementing BDOLF's commitment to build long-term relationships with its customers is the Company's efficient business processes and seamless digital tools.

Excellent Execution

As one of the leading industry players in the field of leasing and financing in the Philippines, BDOLF is committed to doing it right, on time, and according to expectations every day.

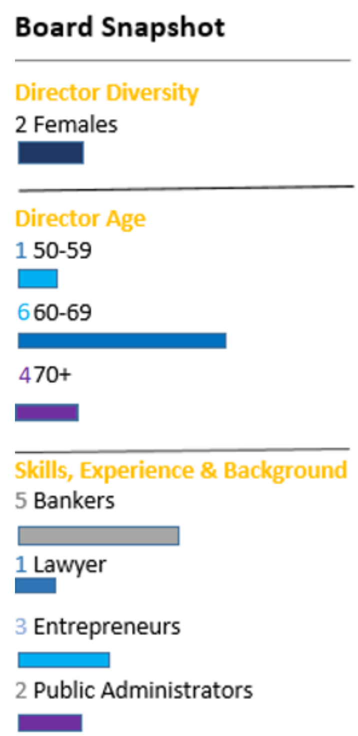
Fostering the Spirit of Volunteerism, Social Responsibility and Environmental Consciousness

The spirit of volunteerism and social responsibility is alive in each BDOLF employee. Working together with the BDO Group, the Company raises funds and builds multi-purpose halls all over the country to promote community spirit and unity. As of December 31, 2019, the BDO Group has 7,457 volunteers and has built 9 multi-purpose centers. Total funds donated by BDO Group employees reached Php19 Million in 2019.

Governance-Based Sustainability Strategy

BDOLF continuously enhances its corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.

Good Governance for a Sustainable Future



At BDOLF, corporate governance is about effective oversight, doing the right thing, and providing sustainable value creation to promote the best interest of our various stakeholders.

The Company continually enhances its corporate governance framework to sustain superior business performance anchored on the principles of **fairness, integrity, transparency, accountability and performance.** These principles are consistently applied throughout the institution to support our corporate objective of delivering long-term value. BDOLF's strong reputation is built on a culture of ethics and responsible business conduct, underpinned by a well-structured and effective system of governance.

Our Board of Directors

The diversity in skills, experience, gender, sexual orientation or preference, age, education, race, business and other related experiences are some of the key contributors to our successful Board oversight. We view this wide range of experiences and backgrounds as an essential element in maintaining strategic guidance and perspective for our growing business.

Board Structure

The Board is composed of eleven (11) members and aided by one (1) Adviser to the Board. The Directors are all professionals with expertise in banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations, and risk management. The Board is led by a Non-Executive Chairperson, and as members, are three (3) Independent Directors, two (2) Non-Executive Directors and five (5) Executive Directors. Non-Executive Directors including Independent Directors comprise 55% of board strength, meeting the requirement of the Securities and Exchange Commission (SEC) and the *Bangko Sentral ng Pilipinas* (BSP) as well as meeting global best practice. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined.

Our Directors

Name and Age	Role	Tenure	Independent	Nationality
Teresita T. Sy, 70	Chairperson	15		Filipino
Roberto E. Lapid, 64	Vice Chairman & President	10 6		Filipino
Jesse H.T. Andres, 56	Director	15	•	Filipino
Antonio N. Cotoco, 72	Director	19		Filipino
Ma. Leonora V. de Jesus, 70	Director	12	• Lead	Filipino
Jeci A. Lapus, 67	Director	6		Filipino
Vicente S. Perez, Jr., 62	Director	3	•	Filipino
Luis S. Reyes, Jr., 63	Director	8		Filipino
Nestor V. Tan, 62	Director	13		Filipino
Exequiel P. Villacorta, Jr. 76	Director	16		Filipino
Walter C. Wassmer, 63	Director	11		Filipino

Our Advisor

Name	Role	Nationality
Edmund L. Tan	Advisor	Filipino

Board Committees

The Board has established six (6) committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandate and scope of responsibilities are set forth in their respective Terms of Reference, which are subjected to annual review and may be updated or changed in order to meet the Board's needs or for regulatory compliance. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. As of December 31, 2020, five (5) of six (6) Board-level committees are chaired by Independent Directors.

THE BOARD OF DIRECTORS

- Responsibility for good governance lies with the Board.
- It is responsible for providing effective leadership and overall direction to foster the long-term success of the Company.
- It oversees the business affairs of the Company, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices.
- It oversees management performance, enterprise risk management framework, internal control system, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and CEO.
- It considers sustainability issues related to the environment and social factors as part of its sustainable financial institution practices
- It oversees management performance, enterprise risk management framework, internal control system, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and CEO.
- It considers sustainability issues related to the environment and social factors as part of its sustainable financial institution practices.

Executive Committee

- Acts as the main approving body for loans, credits, advances or commitments and property-related proposals. The Committee reviews major credit policies, including delegation of credit approval limits.
- Aside from credit-related matters, the Committee endorses to the Board for approval the establishment of new branches and subsidiaries as well as any amendment to the Company's Articles of Incorporation and By-laws.
- Performs oversight on the Company's sustainability program.

Related Party Transactions Committee

- 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.
- 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 of the Company's significant transactions with related parties

Audit Committee

- Oversees the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with governance policies, applicable laws, and regulations.

Corporate Governance Committee

- Primarily tasked to assist the Board in formulating governance policies and overseeing the implementation of governance practices
- Conducts the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and self-evaluation of its performance
- Oversees education programs of directors and key officers

Risk Management Committee

- 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
- Oversees the implementation and review of the risk management plan on an integral enterprise-wide basis. It is also responsible for reassessing the continued relevance, comprehensiveness, and effectiveness of the risk management plan and revises it when needed

Nominations Committee

- Leads the process for identifying and recommending possible Director candidates as well as positions requiring appointment by the Board of Directors
- Responsible for considering succession planning and the skills and competencies identified, and the search for candidates who are aligned with the Company's directors to fill the gaps

Code of Ethics

The BDOLF Code of Ethics is the ethical standards of the Company's officers and employees in all their activities. It outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in the workplace and the standards of behavior of its directors, officers, and employees in their activities and relationship with external stakeholders.

Data Privacy

BDOLF implements strict compliance with data privacy and protection laws. All personal data including sensitive and confidential information obtained in the course of employment, directorship, engagement of services, or other work or business-related relationship with BDOLF shall not be divulged unless authorized in accordance with internal and regulatory requirements, and shall not be used for any personal or financial gain. This is in compliance with the applicable information security risk policies of BDOLF4 and the data privacy and protection laws.

Internal Fraud, Breach of the Code, or Other Unethical/Illegal Activities

BDOLF believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any director or employee who becomes aware of the violations of law, regulations, or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting to violations should be done in good faith and without malice. This is embodied in the BDOLF Policy of Disclosure of Sensitive Confidential Matters to Management that governs the policies and procedures in handling the whistle blower cases.

Acceptance/Solicitation of Gifts, Bribery and Corruption

Employees, suppliers, partners, and other third parties must avoid giving or receiving gifts or entertainment if these might improperly influence the recipient's decision-making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment.

Anti-Money Laundering and Counter Terrorist Financing

The Company seeks to prevent money laundering, combat terrorist financing, and stop the flow of funds by detecting and reporting money laundering and terrorist financing red flags, and establishing policies and guidelines as articulated in a Board-approved Money Laundering and Terrorist Financing Prevention Program Manual (MTPP) aligned with anti-money laundering laws and BSP regulations, which frontliners and responsible company officers follow. The Company's MTPP supports the conduct of proactive and targeted monitoring initiatives to identify suspected money launderers and terrorists as well as terrorist-related transactional activities.

Disaster Response Sustainability Strategy

We leverage our resources towards the relief, rehabilitation and recovery of disaster-stricken communities.

Outreach Activity conducted by the officers of BDOLF Batangas (Taal Volcano Eruption)

As member of the BDO Group, BDOLF pursues its corporate citizenship initiatives through BDO Foundation, BDO's corporate social responsibility arm. Backed by the BDO community, the Foundation develops and implements programs designed to address the needs of the underprivileged and underserved members of the society. Its advocacies fall under two pillars: disaster response, which includes relief, rehabilitation, and reconstruction programs; and financial inclusion.

Relief Operations

In line with its disaster response advocacy, BDO Foundation mounted relief operations in provinces placed under state of calamity, mobilizing volunteers from BDO branches and subsidiaries all over the country to distribute relief goods containing food, rice, and drinking water. In areas inaccessible to volunteers, the Foundation's partner NGOs generously extended assistance. In 2019, the Foundation mobilized 947 BDO volunteers for 48 relief operations, benefiting 69,082 families.

Prior to the pandemic, BDO Foundation mobilized employee-volunteers from branches, subsidiaries and satellite offices. Led by region, area and branch heads, the volunteers visited evacuation sites in cities and towns hit hardest by the disasters to distribute hygiene kits and relief packs containing food, rice and drinking water. BDO personnel, some of whom served as first responders, immediately extended assistance even as they themselves were affected by the rains, floods and earthquakes. BDO personnel did not only volunteer, they also made generous monetary contributions to the relief operations.

As the quarantines were imposed all over the country, the foundation leveraged the support of partner non-governmental organizations, churches, police personnel, the military and local government units for aid distribution.

For more than a decade now, BDO Foundation has been conducting relief operations in underserved communities affected by natural disasters. Through these initiatives, BDO volunteers extended a helping hand to fellow Filipinos in their time of need.

Rehabilitation of Rural Health Units

BDO Foundation continued to rehabilitate rural health units across the country. The initiative helps improve the healthcare delivery system in the country, one of the goals under the Philippine Health Agenda. It keeps with UN SDG 3, ensuring healthy lives and promoting the well-being of people of all ages. In 2019, the Foundation completed the rehabilitation of 14 rural health units, benefiting a combined catchment population of 453,776 individuals.

Construction of School Buildings

BDO Foundation also constructed 2 school buildings in Lake Lanao National High School and Harat Medina Central Elementary School in Marawi City. The new classrooms enabled the schools to accept students displaced by the Marawi siege. An estimated 701 students stand to initially benefit from the initiative, which forms part of BDO Foundation's contribution to the efforts of DepEd, a member agency of Task Force Bangon Marawi, to rehabilitate public schools in the wake of recent conflict. Through these projects, the Foundation supports DepEd's Adopt-a-School program while addressing the need for more classrooms in the country.

In 2019, BDO Foundation constructed a 2-storey technical vocational facility at the Don Bosco Training Center in Mati City, Davao Oriental. The facility now serves as a workshop where students can learn technical-vocational skills. Around 560 disadvantaged and out-of-school youth in Mindanao stand to benefit from the project in the next 3 years. The corporate citizenship initiative is in line with UN SDG 8, promoting sustained economic growth, full and productive employment, and decent work conditions for all people.

Resettlement Homes

In 2019, BDO Foundation and UN-Habitat built 60 resettlement homes for families displaced by Typhoon Yolanda. Located in Tacloban City, the housing units were turned over to members of the Villa de Tacloban Homeowners Association, the beneficiaries of the project. BDO Foundation and UNHabitat have built a total of 100 houses for the project, the first 40 being turned over in 2018. With new homes, these families stand ready to rise from the rubble of the strongest typhoon ever recorded.

Corporate Social Responsibility

Sustaining social responsiveness amid a pandemic

It was a difficult year for the Philippines. Still reeling from the previous year's natural disasters, the nation and its people faced challenges that felt insurmountable — volcanic eruptions and earthquakes, typhoons reminiscent of Ondoy and Yolanda, the novel coronavirus pandemic and an economic downturn disrupted lives.

Despite the limited mobility caused by COVID-19, BDO Foundation, the corporate social responsibility arm of BDO Group, found ways to fulfill its advocacies in the areas of disaster response, rehabilitation and rebuilding, and financial inclusion. As it implemented core programs under very different circumstances, BDO Foundation also developed interventions to help address the effects of the pandemic for the benefit of vulnerable sectors of society most affected by the health crisis.

COVID-19 programs launched by BDO Group

As part of the BDO Group, BDOLF pursues programs designed to help contain COVID-19 through BDO Foundation and other BDO subsidiaries. BDO Foundation implemented programs to support frontliners and assist communities severely affected by the pandemic.

The foundation launched the Peso-for-Peso Donation Drive, inviting BDO personnel, clients, partners and the public to send donations, which the foundation matched peso for peso. The fundraising campaign raised P9.3 million, which helped finance the distribution of food packs to underserved families and the donation of test kits to hospitals in communities with high incidence of COVID-19. The initiative was supported by all BDO business units as well as BDO employees and clients.

BDO Foundation contributed to the government's RapidPass System, donating 300 smartphones with prepaid loads and 550 power banks to the Department of Science and Technology. The donation enabled the Armed Forces of the Philippines and Philippine National Police to safely scan QR codes at checkpoints and efficiently facilitate the passage of vehicles of more than 500,000 frontliners in compliance with the enhanced community quarantine. RapidPass enabled critical service personnel to pass through special lanes without the need for additional documents. The system minimized vehicle congestion at 180 control points and sped up the delivery of essential goods, which helped stimulate economic activity.

BDO Foundation also supported Relief Agad, a web application that automated and accelerated the distribution of financial assistance to beneficiaries of the government's Social Amelioration Program. The foundation helped facilitate one-time passwords to users of the app and ensured that millions of underserved Filipinos who lost their incomes due to the pandemic received subsidies in a timely and secure manner. Managed by the Department of Social Welfare and Development and the Department of Information and Communications Technology, ReliefAgad enabled the efficient collection of beneficiary information.

As part of efforts to support underserved communities affected by the pandemic, BDO Foundation donated 10,000 reverse transcription-polymerase chain reaction (RT-PCR) test kits to 10 hospitals, which agreed to use the kits for frontliners and patients who could not afford the high costs of testing. The recipients were as follows:

1. De La Salle University Medical Center, Cavite
2. DOH-Center for Health Development Northern Mindanao, Cagayan de Oro

3. Mercado General Hospital San Jose del Monte Inc., Bulacan
4. Ospital ng Imus, Cavite
5. Qualimed Health Network, Iloilo
6. Research Institute for Tropical Medicine, Metro Manila
7. The Medical City, Metro Manila
8. UERM Memorial Medical Center, Metro Manila
9. V. Luna Medical Center, Armed Forces of the Philippines Health Service Command, Metro Manila
10. Western Visayas Medical Center, Iloilo

The foundation also distributed 8,000 relief packs containing food, rice and drinking water to underprivileged families in cities with barangays still on lockdown. Beneficiaries included residents of the City of Bacoor, Cavite; City of Caloocan; City of San Jose del Monte, Bulacan; and City of Santa Rosa, Laguna.

Supported by BDO Foundation, BDO Remit donated 1,900 hygiene kits to overseas Filipino workers (OFWs) stranded at Terminals 1 and 2 of the Ninoy Aquino International Airport and passengers at the Parañaque Integrated Terminal Exchange. The hygiene kits, which were procured through the foundation, contained essential items to help beneficiaries cope with their extended stay in transport terminals.

The donation benefited repatriated OFWs (many of whom arrived from Japan, Qatar, Lebanon and Taiwan) and locally stranded individuals who could not travel back to their provinces due to quarantine restrictions. Cancelled flights forced many people to stay in airports and public spaces for days while waiting for the results of their COVID-19 tests.

Aware of the importance of mass testing in efforts to control the spread of the virus, BDO Foundation funded the pilot implementation of pooled testing in the Philippines. The foundation, in partnership with Go Negosyo, launched the initiative in three key cities: Makati, Cebu and Mandaluyong. Implementation was made possible by local government units, the Cebu Chamber of Commerce, Office of the Presidential Assistant for the Visayas, Philippine Children’s Medical Center, Philippine Society of Pathologists, University of Cebu Medical Center and Vicente Sotto Memorial Medical Center. The initiative targeted 18,000 market vendors, public utility vehicle drivers and medical frontliners in the aforementioned cities.

Go Negosyo commended BDO Foundation for being the first and biggest supporter of pooled testing in the country and for helping make the mass testing intervention accessible in disadvantaged communities. The results of the initiative served as reference for the Interim Guidelines on the Conduct of COVID-19 Pooled Testing, a Department of Health (DOH) memorandum that documents procedures on how pooled testing should be conducted.

Pooled testing combines swab samples from groups of 5, 10 or 20 people and examines them together using a single RT-PCR test kit. Considered a game changer in efforts to contain COVID-19, the testing strategy boosts capacities, expedites procedures and significantly reduces the cost of mass testing. The method is highly touted by the medical community as an effective approach.

As the year came to a close and vaccines started to become available, BDO Foundation partnered with pharmaceutical firm AstraZeneca, the National Task Force Against COVID-19, Go Negosyo and other companies. Through the foundation, BDO Unibank funded the donation of 200,000 doses of vaccines, which the government will make available to frontliners.

With the pandemic far from over, BDO Foundation affirmed its commitment to continue helping the nation recover from the health crisis.

Sustainability Contribution Strategy

We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.

Promoting Financial Inclusion

As part of the BDO Group, BDOLF pursues promotion of financial inclusion initiatives through BDO Unibank and its other subsidiaries. BDO Foundation launched its program on financial inclusion to help improve the financial literacy of underserved Filipinos. Under this program are two focus areas: financial education and capability-building for small entrepreneurs. It also extended its financial education program to farmers trained under SM Foundation's Kabalikat sa Kabuhayan farmers' training program.

Financial Inclusion
5 Financial education videos produced
150,000 Students engaged
3,000 Teachers engaged

To achieve a wide reach, BDO Foundation partnered with Bangko Sentral ng Pilipinas (BSP) and the Department of Education (DepEd) to introduce a financial education program for public school teachers, non-teaching personnel, and students. This initiative supports DepEd's efforts to strengthen the financial education in its K to 12 curriculum. It also contributes to the pillar on Financial Education and Consumer Protection of the BSP's National Strategy for Financial Inclusion.

For better comprehension and retention, BDO Foundation supplements its financial training with financial literacy videos which were produced in collaboration with the BSP and DepEd. The first batch completed in 2019 focused on topic of savings. This was followed by videos on financial management, investments, the responsible use of credit, and how to avoid scams which were released in 2019.

Lastly, BDO Foundation expanded its scope by partnering with the Philippine Army, Overseas Workers Welfare Administration (OWWA), and the BSP to include additional lessons on budgeting, loans, debt management, and retirement planning.

Through this advocacy, BDO Foundation hopes to promote financial inclusion particularly among educators, soldiers, OFWs, and the Filipino youth. It strives to contribute to the long-term development of a financially literate citizenry and nation-building

In support of the government's "Build, Build, Build" campaign, BDOLF leverages its resources to finance strategic development projects that accelerate economic activity and attract local and foreign investments to promote sustained growth for the country.

Harnessing Renewable Sources of Energy

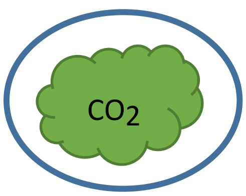
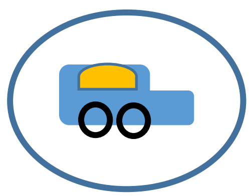
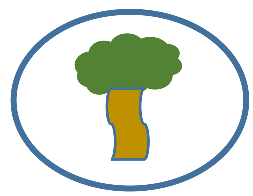
The devastating effect of climate change has taken center stage in the global arena in recent years. International agencies have campaigned to prioritize the mitigation of an environmental effects of industrialization. Under the Paris Agreement, 175 states committed to strengthen the global response to the threat of climate change.

In the context of sustainable development and efforts to address environmental concerns, BDOLF serves as one of the pioneers in instituting Sustainable Energy Finance in partnership with the International Finance Corporation as an effective approach to harnessing renewable sources of energy.

Sustainable Energy Finance strategies to address environmental concerns include:

- Reinforcing current Social and Environmental Management System (SEMS) Policy in lending operations
- Integrating environmental risk management in responsible finance

Environmental and Social benefits

 827,513 Tonnes of carbon dioxide avoided per year	 177,198 Passenger vehicles off the road per year	 21,218,290 Tree seedlings grown for 10 years

BDO Sustainable Corporate Initiatives

The **BDO Corporate Center Ortigas** has earned a certification on Leadership in Energy and Environmental Design (LEED) in 2017, making it the first high-rise office-commercial building in the Philippines to achieve a LEED Gold Certification under the “New Construction Category.” Various sustainable methods were implemented in the construction including the installation of automated monitoring and control systems such as CO2 sensors, occupancy sensors, daylight dimming, and timing switches. The same consciousness is practiced across BDO offices nationwide, incorporating environment-friendly designs and programs to achieve eco-efficient operations.