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

T +63 2 8988 2288

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

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

Other Information

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

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

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

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

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 15 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under the Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. Such supplementary information required by the BIR is the responsibility of management and is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

PUNONGBAYAN & ARAULLO

By: **Romualdo V. Murcia III**
Partner

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

February 22, 2023

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

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

See Notes to Financial Statements.

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

1. CORPORATE INFORMATION

1.1 Corporate Information

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

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

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

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

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

1.2 Status of Operations

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

1.3 Approval of Financial Statements

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

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

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

(b) Presentation of Financial Statements

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

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

(c) Reclassification of Account

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

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

(d) Functional and Presentation Currency

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

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

2.2 Adoption of Amended PFRS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(c) Effective Subsequent to 2022 but not Adopted Early

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

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

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

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

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

2.3 Financial Instruments

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

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

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. The classification and measurement of financial assets are described in the succeeding page.

(i) *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)].

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

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

The Company's accounts for financial assets at fair value through other comprehensive income (FVOCI) if the assets meet the following conditions:

- they are held under a business model whose objective is to hold to collect the associated cash flows and sell ("hold to collect and sell"); and,
- the contractual terms of the financial assets give rise to cash flows that are SPPI on the principal amount outstanding.

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVTPL.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as Net Unrealized Gains (Losses) (NUGL) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in NUGL on Financial Assets at FVOCI account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value changes are reclassified to profit or loss.

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

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

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

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

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

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

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

(b) *Effective Interest Rate Method and Interest Income*

Interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and interest-bearing financial instruments at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive (negative) adjustment to the carrying amount of the asset in the statement of financial position with an increase (reduction) in Interest income. The adjustment is subsequently amortized through interest and similar income in the statement of income.

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

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) *Impairment of Financial Assets*

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

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

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

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

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

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

Measurement of ECL

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

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

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

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

  The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

(d) Derecognition of Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(e) Classification and Measurement of Financial Liabilities

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

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

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

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

(f) Derecognition of Financial Liabilities

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.4 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and, must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Other assets

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.6).

2.6 Impairment of Non-financial Assets

These assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

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

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.7 Current versus Non-current Classification

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

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

All other assets are classified as noncurrent.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases, where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that does not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Equity

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

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

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

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

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

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

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

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

2.10 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Company satisfy a performance obligation by transferring control of the promised services to the customer.

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Company first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

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

For revenues arising from various financing services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers and the related revenue recognition policies:

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

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

2.11 Foreign Currency Transactions and Translation

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

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

2.12 Employee Benefits

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

(a) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(b) *Compensated Absences*

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

(c) *Employee Stock Option Plan*

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

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

2.13 Income Taxes

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

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.14 Earnings Per Share

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

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

2.15 Related Party Transactions and Relationships

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

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

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

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

2.16 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgements in Applying Accounting Policies

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

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

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

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

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

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

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

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

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

(c) *Recognition of Provisions and Contingencies*

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

3.2 Key Sources of Estimation Uncertainty

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

(a) *Estimation of Allowance for ECL*

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

(b) Determining Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. In 2020, the management has derecognized all its deferred tax assets related to the tax bases of assets and liabilities sold and transferred as part of the restructuring of BDO Unibank Group's leasing business. As of December 31, 2022 and 2021, there were unrecognized deferred tax assets or liabilities arising from temporary differences at the end of the reporting period as it is unlikely to be recovered in the future.

4. RISK MANAGEMENT

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

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

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

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

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

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

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

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

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

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

4.1 Interest Rate Risk

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

4.2 Credit Risk

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

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

In addition to the above, credit portfolio review is another integral part of the Company's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Company using internal credit ratings.

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

4.2.1 Credit Quality Analysis

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

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

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

**No expected credit loss allowance*

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

4.2.2 Concentrations of Credit Risk

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

4.2.3 Amounts Arising from Expected Credit Losses

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

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

(a) Significant Increase in Credit Risk

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

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

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

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

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

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

(i) Credit Risk Grading

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

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

(ii) Generating the Term Structure of PD

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

(iii) Determining Whether Credit Risk has Significantly Increased

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

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

(b) Definition of Default

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; or,

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

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

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

(c) *Forward-looking Information*

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

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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

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

Management has also considered other FLIs not incorporated within the above economic scenarios, such as any regulatory, legislative, or political changes, but are not deemed to have a significant impact on the calculation of ECL. Management reviews and monitors the appropriateness of FLIs at least annually.

(d) *Measurement of ECL*

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

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

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

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

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

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

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

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

4.2.4 Liquidity Risk

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

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

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

4.2.5 Write-offs

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off. The Company still have enforceable right to receive payment even if the financial assets have been written off except in certain cases.

4.3 Price Risk

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

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

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

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

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

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

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

(i) Cash and Cash Equivalents and Money Market Placement

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

(ii) Financial Assets at FVTPL

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

(iii) Accounts Payable and Other Liabilities

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

5.2 Fair Value Measurement and Disclosures

5.2.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value.

The fair value hierarchy has the following levels.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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

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

5.2.2 Financial Instrument Measured at Fair Value

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

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

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

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

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

The following summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

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

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

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

(a) Financial Instruments in Level 1

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

(b) *Financial Instruments in Level 2*

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

(c) *Financial Instruments in Level 3*

The Company classifies financial instruments such as Accounts payable and other receivables, have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

5.2.4 Fair Value Measurement for Non-Financial Assets

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

5.3 Offsetting of Financial Instruments

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

6. CASH AND CASH EQUIVALENTS

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

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

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

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

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

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

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

7. FINANCIAL ASSETS AT FVTPL AND FINANCIAL ASSETS AT FVOCI

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

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

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

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

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

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

8. LOANS AND OTHER RECEIVABLES

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

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

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

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

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

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

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

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

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

9. ALLOWANCE FOR IMPAIRMENT

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

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

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

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

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

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

11. EQUITY

11.1 Capital Management Objectives, Policies and Procedures

The Company's capital management objectives are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and,

- to ensure the Company's ability to continue as a going concern.

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

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

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

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

11.2 Preferred Shares

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

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

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

11.3 Common Shares

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

11.4 Retained Earnings – Free

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

11.5 Retained Earnings – Reserves

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

11.6 Track Record of Registration of Securities

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

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

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

12. OTHER INCOME

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

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

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

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

13. EMPLOYEE BENEFITS

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

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

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

14. RELATED PARTY TRANSACTIONS

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

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

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

**Only until October 16, 2020*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

15. TAXES

15.1 Taxes and Licenses

This account is composed of the following:

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

15.2 Current and Deferred Taxes

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

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;

- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,

- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

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

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

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

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

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

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

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

In profit or loss:

Deferred tax assets:	
Allowance for impairment on:	
Loans and discounts	(P 93,882,068)
Accounts receivable	(8,684,708)
Investment properties and non-current assets held-for-sale	(7,550,547)
	(110,117,323)
Deferred tax liability – Others	(364,535)
Net deferred tax expense	(P 110,481,858)

In other comprehensive income:

Deferred tax income (expense) on:	
Net actuarial losses	(P 30,808,854)
Unrealized fair value gains on financial assets at FVOCI	3,705,249
Net deferred tax income (expense)	(P 27,103,605)

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

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

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

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

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

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

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

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

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

16. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

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

* net of treasury shares

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

17. CONTINGENT LIABILITIES AND COMMITMENTS

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

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

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