

SECURITIES AND EXCHANGE COMMISSION
SEC FORM – ACGR
ANNUAL CORPORATE GOVERNANCE REPORT


1. Report is Filed for the Year : **2013 (Information used are as of April 30, 2013)**
2. Exact Name of Registrant as Specified in its Charter : **BDO LEASING AND FINANCE, INC.**
3. **BDO LEASING CENTRE, CORINTHIAN GARDENS, ORTIGAS AVE. Q.C. 1100**
Address of Principal Office Postal Code
4. SEC Identification Number : **97869**
5. (SEC Use Only)
Industry Classification Code
6. BIR Tax Identification Number: **000-486-050-000** 
7. **(632) 840 7000**
Issuer's Telephone number, including area code
8. **Not applicable**
Former name or former address, if changed from the last report

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A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	11
Actual number of Directors for the year	11

- Composition of the Board

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID) ¹	Elected when (Annual/Special Meeting)	No. of years served as director
Teresita T. Sy	ED	BDO Unibank		September 2005	April 17, 2013	Annual Meeting	7
Roberto E. Lapid	ED	BDO Unibank		May 24, 2006	April 17, 2013	Annual Meeting	6
Georgiana A. Gamboa	ED	BDO Unibank		December 1, 2010	April 17, 2013	Annual Meeting	2
Jesse H.T. Andres	ID		Mannette D. Vicente/ no relation	September 20, 2005	April 17, 2013 (1 year)	Annual Meeting	7
Antonio N. Cotoco	ED	BDO Unibank		January 25, 2001	April 17, 2013	Annual Meeting	12
Ma. Leonora V. De Jesus	ID		Mannette D. Vicente/ no relation	May 12, 2008	April 17, 2013 (1 year)	Annual Meeting	4
Luis S. Reyes Jr.	ED	BDO Unibank		April 18, 2012	April 17, 2013	Annual Meeting	1
Nestor V. Tan	ED	BDO Unibank		January 23, 2007	April 17, 2013	Annual Meeting	6
Jesus G. Tirona	ID		Mannette D. Vicente/ no relation	July 30, 2007	April 17, 2013 (1 year)	Annual Meeting	5
Exequiel P. Villacorta Jr.	NED	BDO Unibank		May 24, 2006	April 17, 2013	Annual Meeting	6
Walter C. Wassmer	ED	BDO Unibank		November 17, 1999	April 17, 2013	Annual Meeting	13

- Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.
- Board Responsibilities

¹ Reckoned from the election immediately following January 2, 2012.

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS *(Reference: Corgov Manual)*

The specific duties and responsibilities of the Board shall be as follows:

1. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies.
2. Approve and monitor the implementation of strategic objectives.
3. Ensure that the Company has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy.
4. Approve and oversee the implementation of policies governing major areas of Company operations.
5. Approve and oversee the implementation of risk management policies.
6. Formulate and implement the necessary policies governing the Company's internal control system. Undertake the continuing review of such a system in order to maintain its adequacy and effectiveness.
7. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.
8. Oversee selection and performance of senior management.
9. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the Company's strategy and control environment and a fully funded employee pension fund.
10. Consistently conduct the affairs of the institution with a high degree of integrity.
11. Define appropriate governance policies and practices for the Company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
12. Constitute committees to increase efficiency and allow deeper focus in specific areas.
13. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
14. In group structures, define an appropriate corporate governance framework that shall contribute to the effective oversight over entities of the group.
15. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.

- **Stockholders' Rights** *(Reference: Corgov Manual)*

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

- The Board of Directors shall be committed to respect the following rights of the stockholders:
 - **Voting Rights.**
 - a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
 - b. Cumulative voting shall be used in the election of directors.
 - c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
- **Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

- **Right to Information**
 - a. The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.
 - b. The minority shareholders shall have access to any information relating to matters for which the management is accountable.
 - c. The minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.

- **Right to Dividends**
 - a) Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors.
 - b) The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except;
 - i. When the Company is prohibited by the BSP or under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.
 - ii. When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies.
 - iii. When justified by definite corporate expansion projects or programs approved by the Board.

- **Appraisal Right**

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

 - a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.
 - b) In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
 - c) In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

- B.** The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.
 1. The stockholders shall be encouraged to attend personally or by proxy such meetings of the stockholders.
 2. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.
 3. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.
 4. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval.

- Disclosure Transparency (*Reference: Corgov Manual*)

The essence of good corporate governance is transparency.

- 1) All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed.
 - 2) All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission.
- Stakeholders' Interests (*Reference: 2012 Annual Report*)

Rights and Equitable Treatment of Shareholders

The Company respects the inherent rights of shareholders in accordance with law. To this end, it has put in place various practices for the convenience of shareholders to exercise their rights such as announcing in advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting and disclosure of voting results. It also recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company by appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or Investor Relations Unit through the contact details provided in the Company's official website www.bdo.com.ph./business/leasing-financing.

The Annual Stockholders Meeting was held on April 18, 2012 and was attended by the Board Chair, President, all directors and chairmen of various board committees. The shareholders were allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinions and make suggestions on various issues as provided for in the minutes of last year's Annual Stockholders' Meeting.

Investors

Investor Relations (IR) is a key component of the Company's corporate governance framework, promoting transparency and active engagement with investors and analysts, as well as with Board members and key management.

To the investment community, IR articulates BDOLF's strategic directions as well as updates to investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through posting of disclosures at the Company's and Philippine Stock Exchange's (PSE) website. This ensures continuing access to both strategic and financial information about BDOLF.

To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company.

Shareholders

BDOLF adopts a pro-active relationship with its stockholders by directly addressing their concerns and queries. The Company directly liaises with its stock transfer agent on matters relating to stockholders' claims for cash dividends, updating of contact information and requests for documents and/or information regarding their stockholdings.

Declaration of cash/stock dividends is approved by the Board of Directors and is immediately disclosed with the PSE and the Securities and Exchange Commission (SEC). This disclosure is readily available at the websites of the PSE and the SEC, as well as of the Company. During the Annual Stockholders' Meeting, the President reports to the Stockholders the financial performance of the Company for the year. In addition, the Company files with the PSE and SEC quarterly reports on its financial performance.

Customers

Our clients provide the Company the business for which BDOLF is thankful. The Company is committed to meet their needs by providing them with high quality customer service and relevant

products and services. The Company maintained its network of branches in key areas nationwide. This is supported by modern technology, IT infrastructure, efficient systems and processes and a well functioning Customer Contact Center that manages and resolves customer complaints. The Company is managed by seasoned executives and manned by well-trained and knowledgeable officers and staff imbued with the BDO Group's "We Find Ways" service philosophy.

Other Creditors, Counterparties and Suppliers

The Company is committed to meet its contractual obligations with all creditors and counter parties. It has established appropriate policies that govern the accreditation, selection, bidding and approval processes.

In the conduct of its business dealings, the Company undertakes to honor all binding trade related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counter parties.

Employees

The Company equally gives importance to the betterment of its employees from the new hires, regular officers and staff, to senior management and the board of directors. We continue to hold training programs covering management development, product orientations, compliance training (updates on Regulatory Compliance, Anti-Money Laundering and Corporate Governance) and behavioral courses.

All new directors who joined the Board were also required to undergo an orientation program to familiarize them on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual. As required by the Bangko Sentral ng Pilipinas, the new directors also need to complete the Corporate Governance Course.

All directors were also encouraged to participate in the continuing education programs conducted by the Company to promote efficiency. In 2012, Board members of the Company and senior officers attended the training on Effective Risk Governance conducted by Ernst & Young.

The Company also provides free healthcare benefits and its employees enjoys access to use Parent Bank's health facilities such as a fitness center and five medical clinics manned by occupational health practitioners. In 2012, the Company participated in the Parent Bank's Human Resources Group various health and safety programs that included 20 corporate wellness lectures on various medical topics, basic life support training, evacuation and fire drill, preventive medical (vaccination) program, sports activities and a fun run participated in by 4,000 employees.

Society, Community and the Environment

Recognizing its role in social development, the Company, with the active involvement of its employees, instituted socio-civic programs thru active participation to various BDO Foundation Inc. initiatives geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's Parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the "BDO Greens NLEX_SCTEX" project by planting 2,012 local trees along NLEX Mexico Interchange.

■ Transparency and Disclosures

The Company is fully committed to provide its investors and other stakeholders full transparency and timely information disclosures through filings with the SEC and the PSE, as found in the following:

- General Information Sheet (GIS)
- Definitive Information Statement (DIS)
- SEC Form 17-A
- Audited Financial Statements (AFS)

Required disclosures relating to:

- Financial information is stated in the AFS and the DIS
- Shareholder matters are provided in the DIS
- Executive compensation policy is stated in the DIS
- Directors' fees are found in the DIS
- Corporate actions, among others, are provided in the PSE official website www.pse.com.ph

To ensure an even wider access by the investors and the public, these disclosures and other corporate information are also uploaded in the Company's official website www.bdo.com.ph/business/leasing-financing/about-us (See "Investor Relations" and "Corporate Governance"). The Company also uses its Annual Report to highlight its corporate governance practices and corporate social responsibility.

- How often does the Board review and approve the vision and mission? Five (5) years
- Directorship in Other Companies
 - (i) Directorship in the Company's Group²

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Teresita T. Sy	BDO Capital & Investment Corp.	Executive/Chairperson
	BDO Private Bank, Inc.	Executive/Chairperson
	BDO Foundation Inc.	Executive/Chairperson
	First Asia Realty Development Corp.	Executive
	Forsyth Equity Holdings, Inc	Executive
	Generali Pilipinas Holdings, Co., Inc.	Executive
	Generali Pilipinas Insurance Co., Inc.	Executive/Chairperson
	Generali Pilipinas Life Assurance Co., Inc.	Executive/Chairperson
	HFS Corporation	Non-executive
	Hotel Specialist, (Tagaytay) Inc.	Executive
	Intercontinental Development Corp.	Executive
	Marketwatch Investments Co., Inc.	Non-executive
	Meridien Business Leader, Inc.	Executive/Chairperson
	MH Holdings, Inc.	Executive/Chairperson
	Morrison Corporation	Executive/Chairperson
Multi Realty Development Corp.	Non-executive	

² The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	<p>Prime Metroestate Inc. (formerly Pilipinas Makro, Inc.) Premier Southern Corp. Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.) SM Investments Corporation SM Mart, Inc. SM Retail, Inc. SM Foundation, Inc. Sodexo Motivation Solutions Philippines, Inc. (formerly Sodexho Pass, Inc.) Sports Central Manila, Inc. Sunninghill Holdings, Inc. Sybase Equity Investments Corp. Syper Holdings, Inc. Sysmart Corporation Tangiers Resources Corp. West Avenues Theatres Corp. Kultura Stores, Inc. Bellevue Properties Inc. Romer Mercantile, Inc. Ivory Homes Inc.</p>	<p>Executive/Chairperson Executive/Chairperson Executive Executive/Vice Chairperson Executive/Chairperson Executive/Chairperson Executive/Vice Chairperson Executive/Chairperson Executive Executive/President Executive Non-executive Non-executive Executive/President Non-executive Executive Executive/President Non-executive Executive/Chairperson</p>
Nestor V. Tan	<p>BDO Private Bank, Inc. BDO Capital and Investment Corp. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. BDO Strategic Holdings, Inc. BDO Foundation Inc. Generali Pilipinas Insurance Co. Inc. Generali Pilipinas Life Assurance Company Inc. SM Keppel Land, Inc.</p>	<p>Executive/Vice Chairperson Executive/Vice Chairperson Executive Executive Executive/Chairman Executive Executive Executive Executive</p>
Roberto E. Lapid	BDO Rental, Inc.	Executive (Vice Chairman)
Georgiana A. Gamboa	BDO Rental, Inc.	Executive
Antonio N. Cotoco	<p>BDO Rental, Inc. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. Express Padala (Hong Kong) Limited Express Padala Frankfurt GmbH BDO Remit Limited BDO Remit (Macau)</p>	<p>Executive (Chairman) Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive</p>
Ma. Leonora V. De Jesus	BDO Capital & Investment Corporation	Independent
	BDO Elite Savings Bank, Inc.	Independent

Luis S. Reyes, Jr.	BDO Strategic Holdings Inc.	Non-Executive
Jesus G. Tirona	Armstrong Securities, Inc.	Independent
	BDO Capital & Investment Corporation	Independent
Walter C. Wassmer	BDO Elite Savings Bank, Inc.	Executive (Chairman)

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Teresita T. Sy	SM Investments Corporation	Executive (Vice Chairperson)
Walter C. Wassmer	Mabuhay Vinyl Corporation	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Teresita T. Sy	BDO Unibank, Inc.	All are executive officers of BDO Unibank, Inc.
Nestor V. Tan	BDO Unibank, Inc.	
Antonio N. Cotoco	BDO Unibank, Inc.	
Luis S. Reyes, Jr.	BDO Unibank, Inc.	
Walter C. Wassmer	BDO Unibank, Inc.	

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

(Reference : Corgov Manual)

Multiple Board Seats. Directors may concurrently serve in Boards of other corporations provided the provisions of SEC Memorandum Circular # 9 are strictly observed i.e. no limit if covered companies do not belong to a conglomerate and maximum of 5 companies of a conglomerate (parent company, subsidiary and affiliate). Provided further that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	applicable	same
Non-Executive Director	applicable	same
CEO	applicable	same

- Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Teresita T. Sy		100 (R)	0.0000046%
Roberto E. Lapid		100 (R)	0.0000046%
Georgiana A. Gamboa		100 (R)	0.0000046%
Jesse H.T. Andres		100 (R)	0.0000046%
Antonio N. Cotoco		115 (R)	0.0000053%
Ma.Leonora V. De Jesus		100 (R)	0.0000046%
Luis S. Reyes Jr.		100 (R)	0.0000046%
Nestor V. Tan		100 (R)	0.0000046%
Jesus G. Tirona		100 (R)	0.0000046%
Exequiel P. Villacorta Jr.		100 (R)	0.0000046%
Walter C. Wassmer		100 (R)	0.0000046%
TOTAL		1,115	0.0000513%

2. Chairman and CEO

1. Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes

No

Identify the Chair and CEO:

Chairman of the Board	Teresita T. Sy
President/CEO	Georgiana A. Gamboa

2. Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and President.

	Chairman	President
Role	<p><i>(Reference: Corgov Manual)</i></p> <ol style="list-style-type: none"> 1. Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members. 2. Ensure that the board takes an informed decision thru a sound decision making process, encourage and promote critical discussions, ensure dissenting views are expressed and fully considered. 3. Ensure that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company. 4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management. 5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company. 	<p><i>(Reference: Corgov Manual)</i></p> <p>The President acts within the delegated authority vested to him by the Board among others the following:</p> <ul style="list-style-type: none"> • Lead the senior management team in the day-to-day running of the Group's businesses. • Develop and present to the Board the strategy of the Group, medium and long-term plans and recommend annual operating and capital expenditure budgets. • Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board. • Report to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the Comapny for the preceding year at the annual stockholders' meeting. • In conjunction with the Board Chair, represent the Group to customers, regulators, shareholders, financial industry and the general public. • Receive instructions from the Board and ensure full compliance. • Accountable for the performance of the management team.

		<p><i>(Reference: Amended By-Laws)</i></p> <p>SECTION 4. The President shall be the chief executive officer of the Company. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall have general charge, directions and supervision of the business and affairs of the Company. He shall from time to time make such reports of the affairs of the Company as the Board of Directors may require and shall annually present a report of the preceding year's business at the stockholders' meeting. He shall sign all certificates of stock and all instruments to be executed on the part of the Company, except otherwise provided by the By-Laws or by the Board of Directors or the Executive Committee. He shall do and perform such other duties as may be from time to time assigned to him by the Board of Directors.</p>
Accountabilities	<p>Shareholder Meetings</p> <ul style="list-style-type: none"> • Chair all shareholder meetings • Review and approve minutes of all shareholder meetings <p>Manage the Board</p> <ul style="list-style-type: none"> • Chair all Board meetings • Provide leadership to the Board • In conjunction with the Corporate Governance Committee, ensure that processes to govern the Board's work are effective to enable the Board to exercise oversight and due diligence in the fulfillment of its mandate. • Manage Director and Board performance. • With the assistance of the Corporate Secretary, oversee the management of Board administrative activities (meeting schedules, 	<p>Strategic Planning</p> <ul style="list-style-type: none"> • Develop a well defined strategy • Establish management process and specific performance measures that clearly support the Company's long-term strategy • Assess performance and make timely changes in strategy, structure and resource allocations. <p>Financial Results</p> <ul style="list-style-type: none"> • Define appropriate long-term financial objectives and set annual goals consistent with the Company's business strategy. • Establish, monitor and maintain appropriate management systems to provide effective control of operations. • Demonstrate diligence in making the appropriate

	<p>agendas, information flow and documentation)</p> <ul style="list-style-type: none"> • Facilitate communication among Directors. • Review and approve minutes of all Board meetings prior to presentation to the Board for approval. <p>Develop a more effective Board</p> <ul style="list-style-type: none"> • Working with the Nominations Committee, plan Board and Committee composition, recruit Directors and plan for succession. • Working with the Corporate Governance Committee, participate in the Board effectiveness evaluation process and provide constructive feedback and advice. • • Review and approve requests for continuing education of the Board to improve their skills and competencies <p>Work with management</p> <ul style="list-style-type: none"> • Support and influence strategy. • With the assistance of the Corporate Governance Committee, lead the Board in evaluating the performance of the President • Provide advice and counsel to the President 	<p>certifications required under any governing securities, corporate legislation and regulatory requirements.</p> <p>Leadership</p> <ul style="list-style-type: none"> • Lead the Company with a clearly defined sense of business direction and purpose. • Effectively communicate BDOLF's vision and values to all employees. Serve as a role model for this vision and values and create and foster a culture of integrity throughout the organization. • Ensure that there is in operation an effective framework of governance which provides the direction and parameters within which business is to be conducted, align accountabilities and authorities and define any required policies, standards and guidelines. • Recruit senior Management and plan for succession. • Ensure programs are in place that will aid in retaining and motivating the senior Management team and attracting new executives as needed. • Promote the development of effective recruiting, training, retention and management development programs for all employees. • Effectively serve as liaison with the industry and the investor communities. <p>Board Relationship</p> <ul style="list-style-type: none"> • Establish effective
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		<p>working relationships collectively and individually with the Board.</p> <ul style="list-style-type: none"> • Keep the Board fully informed on all important issues facing the Company (internal and external) • Recommend appropriate policies for Board consideration.
Deliverables	Efficient and effective Board	Profitable and well managed Company

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

(Reference: Corgov Manual)

Management Succession Planning. The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

The Corporate Governance Committee has direct oversight of the succession planning. The President updated the Committee of this framework on May 23, 2013.

4. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Yes

(Reference: Corgov Manual)

Selection of Board members. In evaluating the suitability of individual board member, the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved. The Nominations Committee also considers the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. In the existing Board of Directors, one non-executive director and one independent director have actual experiences in the financial services industry.

1. Director Exequiel P. Villacorta, Jr. was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines (PDCP). He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom; and Adviser to the Board of PCI Capital Corporation.

2. Independent Director Jesus G. Tirona was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors

	Executive	Non-Executive	Independent Director
Role	<p>As an executive of the Company:</p> <ul style="list-style-type: none"> • responsible of the conduct of the general operations of the Company and management of its various businesses • exercise all the powers delegated to them by the Board <p>As member of the Board:</p> <ul style="list-style-type: none"> - performs oversight, control and approval functions as delegated to them thru the various committees 	<ul style="list-style-type: none"> - Bring specialist knowledge to the Board; - Provide a fresh and external perspective to the Board discussions and decision making - Provide independent monitoring and constructive criticism of the Company's strategy, performance, risk and personnel. - Perform oversight, control and approval functions as delegated to them thru the various committees either as Chairman or as member 	Same as the Non-Executive Directors
Accountabilities	Knowledge, Skills & Expertise	Same	Same

	<ul style="list-style-type: none"> • Each Director should be familiar with the Board Terms of Reference, the mandate of the Committees on which he/she serves, the Board's policies and other key documents that form part of the Board's corporate governance system. • Each director should be well informed on the major affairs and operations of the Company and the economic and political environment in which it operates and the regulatory requirements that fall within the mandate of any Committee of which he/she is a member. <p>Personal Qualities</p> <ul style="list-style-type: none"> • Each director should foster and promote integrity of the Board and a culture where the Board works for the long-term benefit of the Company and its shareholders. • Directors are selected for their integrity and character, sound 		
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	<p>and independent judgment, breadth of experience, insight and knowledge and business acumen. Directors are expected to bring these personal qualities to their role as a Director, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed counsel to senior Management.</p> <p>Integrity</p> <ul style="list-style-type: none"> • Directors are expected to possess and demonstrate the highest personal and professional integrity at all times, to adhere, in letter and spirit, to the Company's Code of Conduct. <p>Participation in Board and Committee Meetings</p> <ul style="list-style-type: none"> • Directors are expected to demonstrate their commitment to the Board through preparation for and participation in Board and Committee meetings. 		
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	<ul style="list-style-type: none"> • Directors are expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone. • Directors are expected to have reviewed the meeting materials prior to attendance at Board and Committee meetings and are expected to be prepared to engage in meaningful discussion and provide constructive and thoughtful feedback and commentary at such meetings, expressing opinions and asking questions to enable the Board to exercise its best business judgment in decision making and advising Management. • Each director should ensure that he or she is able to devote sufficient time and energy to carry out their duties effectively. • Directors are expected to actively, thoughtfully and 		
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	frankly participate in the Board performance self-assessment to promote continuous improvement of the governance process and the effectiveness of the Directors in fulfilling their roles.		
Deliverables	<ul style="list-style-type: none"> • Actual financial performance vs targets • Share price and dividends • Long-term shareholder value • Effective risk management system to manage the risk exposures of the Company. 	Same	Same

Provide the company's definition of "independence" and describe the company's compliance to the definition.

(Reference: Corgov Manual)

The Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws.

By definition, an independent director shall be any person who:

- a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- b. is not a director or officer of the related companies of the institution's majority stockholder;
- c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and

- f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Oversight and Corporate Governance Committee, without prior approval of the Monetary Board.

Compliance to the Definition

1. An independent director shall submit to the Corporate Secretary a certification that he/she possesses all the qualifications and none of the disqualifications to serve as independent director and that he holds no interests affiliated with BDO.

1. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year "cooling off period."

2. If the beneficial security ownership of an independent director in BDOLF or in its related companies shall exceed the limit of 2%, the Company will not consider him anymore as an independent director.

3. Executives of BDOLF may be elected as directors but cannot and shall not be considered as independent directors.

4. Person appointed as Adviser to the Board shall be subject to a one (1) year "cooling off period" prior to his/her nomination and election as an Independent Director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, the Company has a term limit of five (5) consecutive years for independent directors. But for the second term, the limit of five consecutive years is still applicable. This is in accordance with SEC Memo # 9 on Term Limits of Independent Directors.

(Reference: Corgov Manual)

In accordance with regulations, the Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. An independent director of a Company may only serve as such for a total of five (5) consecutive years with a "cooling off" period of 2 years after which, he/she could be elected for another final 5-year term. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws.

5. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Gerard Lee B. Co	Director	October 31, 2012	Resignation due to reduction in number of Directors from 15 to 11
Antonio A. Henson	Director	October 31, 2012	Resignation due to reduction in number of Directors from 15 to 11
Evelyn L. Villanueva	Director	October 31, 2012	Resignation due to reduction in number of Directors from 15 to 11
Edmundo L. Tan	Director	October 31, 2012	Resignation due to reduction in number of Directors from 15 to 11

a. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
<p>(i) Executive Directors</p> <p>Nomination Procedures:</p> <p>1.All nominations for directors shall be submitted in writing to the Corporate Secretary of BDOLF not earlier than 35 business days nor later than 27 business days prior to the date of the regular or special meeting of stockholders for the election of directors.</p> <p>2.Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of BDO. (par. 2 Section 17, By-Laws)</p> <p>3.All nominations shall be signed by the nominating stockholders together with the</p>	<p>Search Process:</p> <p>The selection of the new members of the Board is conducted by the Nominations Committee. The selection process consists of several steps:</p> <p>1.The Nominations Committee develops the list of skills, experiences, qualifications, industry, diversity and personal qualities desired in potential new Board members.</p> <p>2. Develops a list of potential candidates.</p> <p>3. Reviews the complete list of potential candidates. They then identify a</p>	<p><i>(Reference: Corgov Manual)</i></p> <p>Persons nominated to be a member of the Board should have all the qualifications and none of the disqualifications as prescribed in the Corporate Governance Manual:</p> <p>He/She must possess the following minimum qualification as prescribed by the Monetary Board:</p> <ol style="list-style-type: none"> 1. He shall be at least twenty-five (25) years of age at the time of his election or appointment. 2. He shall be at least a college graduate or have at least five (5) years experience in business. 3. He must have attended a special seminar on corporate governance for board directors.

<p>acceptance and conformity by the would-be nominees. (SRC Rule 38)</p> <p>4.The nominations received shall be submitted to the Nominations Committee, which shall determine the qualifications of the nominees for Directors and Independent Directors.</p> <p>5.The Nominations Committee meets at least twice a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board of Directors of BDOLF from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of BDOLF.</p> <p>6.The Nominations Committee shall pre-screen the nominees based on their qualifications as provided in BDOLF's Manual of Good Corporate Governance and (SRC Rule 38).</p> <p>7.The decision of the Nominations Committee concurred in by a vote of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the annual meeting. (par. 2 Section 17, By-Laws)</p> <p>8.The Nominations Committee shall be composed of at least 3 members, one of whom is an independent director:</p> <p>Voting Procedures:</p> <p>1.In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.</p> <p>2. There is no manner of voting prescribed in the By-Laws of</p>	<p>short list of potential candidates that they wish to pursue, make reference checks and consider whether the candidates can devote sufficient time and resources to his or her duties as a Board member.</p> <p>4. Recommends the final potential candidates for election by the stockholders.</p>	<p>4. He must be fit and proper for the position, and in this regard, the following shall be considered:integrity / probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience.</p> <p>5. He must have a practical understanding of the business of the Company.</p> <p>6. He must be a member of good standing in the relevant industry, business or professional organizations.</p>
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<p>BDOLF. Hence, voting may be done <i>viva voce</i>, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder</p> <p>3. The Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors</p> <p>4. Candidates receiving the highest number of votes shall be declared elected.</p> <p>5. Those elected to the Board as independent directors shall submit to the SEC Certification on the Qualifications and Disqualifications of Independent Directors</p>		
<p>(ii) Non-Executive Directors Same as above</p>	<p>Same as above</p>	<p>Same as above</p>
<p>(iii) Independent Directors Same as above</p>	<p>Same as above</p>	<p>Same as above and <i>(Reference: Corgov Manual)</i> By definition, an independent director shall be any person who:</p> <ul style="list-style-type: none"> a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election; b. is not a director or officer of the related companies of the institution's majority stockholder; c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;

		<p>d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;</p> <p>e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and</p> <p>f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.</p>
b. Re-appointment		
(i) Executive Directors Same as above		Same as above
(ii) Non-Executive Directors Same as above		Same as above
(iii) Independent Directors Same as above		Same as above

c. Permanent Disqualification

(i) Executive Directors
Disqualification Procedures:

1. The Board of Directors and management are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to BSP- SES within 72 hours from knowledge thereof.
2. On the basis of knowledge and evidence of existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return card at his/her last known address by the appropriate department of SES of the existence of the ground for his/her disqualification and shall be allowed to submit within 15 calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position.
3. Upon receipt of the reply explanation of the director concerned, the appropriate department of the SES shall proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself.
4. If no reply has been received from the director concerned upon the expiration of the period prescribed under item 2 above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence.
5. If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of 30 days to within which to settle said obligation or, restore

(Reference: Corgov Manual)

- a. Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft.
- b. Any person who has been convicted by final judgment by a court for violation of banking laws.
- c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract.
- d. A Director, Officer, or employee of a closed bank who was responsible for such Company's closure as determined by the Monetary Board.
- e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them.
- f. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the

<p>it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation of his disqualification and watchlisting is elevated to the Monetary Board.</p> <p>6. Recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/ officer concerned does not warrant disqualification.</p> <p>7. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items "a", "b", "c" and "d" above.</p> <p>8. Upon approval by the Monetary Board, the concerned director/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/ officer in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified.</p> <p>9. The board of directors of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/ officer involved.</p> <p>10. Persons who are elected or appointed as director or officer</p>		<p>Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities.</p> <p>g. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders.</p> <p>h. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.</p> <p>i. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above.</p> <p>j. Any person convicted by final judgment of an</p>
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<p>in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under Subsecs. X143.1 and X143.2, shall be afforded the procedural due process prescribed above.</p>		<p>offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election.</p>
<p>(ii) Non-Executive Directors Same as above</p>		<p>Same as above</p>
<p>(iii) Independent Directors Same as above</p>		<p>Same as above</p>
<p>d. Temporary Disqualification</p>		
<p>(i) Executive Directors Same disqualification procedures</p>		<p><i>(Reference: Corgov Manual)</i></p> <p>a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists.</p> <p>b. Any person who refuses to comply with the disclosure requirements of the SRC and its</p>

		<p>implementing rules and regulations. The disqualification shall be in effect as long as the refusal persists.</p> <p>c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election.</p> <p>d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists.</p> <p>e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory.</p> <p>f. Any director and officer of closed banks pending their clearance by the Monetary Board.</p> <p>g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board</p> <p>h. Any person</p>
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		<p>dismissed/terminated from employment for cause. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>i. Any person under preventive suspension.</p> <p>j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity.</p> <p>k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification.</p> <p>l. Any director who failed to attend special seminar for Board of Directors required under item "c" of Subsection X141.2 of the Manual of Regulations of Banks.</p> <p>m. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is</p>
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		<p>restrained by the court.</p> <p>n. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.</p> <p>o. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.</p>
(ii) Non-Executive Directors		Same as above
Same disqualification procedures		
(iii) Independent Directors		Same as above
Same disqualification procedures		
e. Removal		
(i) Executive Directors		
<p>Removal Procedures</p> <p>Only the stockholders have the power to remove the directors elected by them before his/her term is over. Removal may be</p>		

<p>with or without cause.</p> <p>The procedures to be followed are as follows:</p> <ol style="list-style-type: none"> 1. Any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting. 2. A special meeting of the stockholders for the purpose of removal of directors must be called by the Corporate Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. 3. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed in the Corporation Code. 		
<p>(ii) Non-Executive Directors Same as above</p>		
<p>(iii) Independent Directors Same as above</p>		
f. Re-instatement		
<p>(i) Executive Directors</p> <p>Reinstatement Procedures</p> <p>Whenever a director is cleared in the procedural due process, or when the ground for disqualification ceases to exist, he/she would be eligible to become director again only upon prior approval by the Monetary Board.</p> <p>2. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned</p>		

director and his/her delisting from the masterlist of watchlisted persons.		
(ii) Non-Executive Directors Same as above		
(iii) Independent Directors Same as above		
g. Suspension		
(i) Executive Directors Same as disqualification procedures		Same as disqualification criteria
(ii) Non-Executive Directors Same as disqualification procedures		Same as disqualification criteria
(iii) Independent Directors Same as disqualification procedures		Same as disqualification criteria

Voting Result of the last Annual General Meeting

Name of Director	Votes Received
Teresita T. Sy	It was manifested in the Annual Stockholders meeting held last April 17, 2013, that the total number of shares present represented in the meeting composed of 1,842,559,172 shares or 85.21% of the total outstanding shares, had been cast in favor of the nominees.
Roberto E. Lapid	
Georgiana A. Gamboa	
Jesse H.T. Andres	
Antonio N. Cotoco	
Ma.Leonora V. De Jesus	
Luis S. Reyes Jr.	
Nestor V. Tan	
Jesus G. Tirona	
Exequiel P. Villacorta Jr.	
Walter C. Wassmer	

6. Orientation and Education Program

A. Disclose details of the company's orientation program for new directors, if any.

All new directors who joined the Board undergo an orientation program to familiarize them on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Bank's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual. As required by the Bangko Sentral ng Pilipinas, the new directors also need to complete the Corporate Governance Course. All directors were also encouraged to participate in the continuing education programs conducted by the Bank to promote efficiency.

DIRECTOR ORIENTATION & CONTINUING EDUCATION POLICY

1. Philosophy

The Company believes that in order to maintain a current and effective Board, proper orientation and ongoing education are critical to ensure that members of the Board are well equipped in their role as stewards of the Company.

2. Purpose

The purpose of this policy is to formalize the orientation process of newly appointed directors to familiarize them with the role of the Company's Board of Directors, its committees and charters, the Company's business activities, the industry and regulatory environment. On continuing education, the policy also specifies the elements of the program that will be made available for the continued development of the Board.

3. Responsibility

The Corporate Governance Committee, in coordination with the Corporate Governance Office, is responsible for the implementation of the orientation program of new directors and continuing education of the Board.

4. Coverage

Orientation Program for New Directors

The formal program consists of meetings with the President and Corporate Secretary to discuss the roles and responsibilities of the Board of Directors and the corporate governance framework of the Company. A series of orientation sessions with key senior management executives will also be provided to discuss the core business activities and operations of the Company including industry and regulatory briefings. The Corporate Secretary will welcome the new directors initially thru a phone call and a letter will follow containing an information kit that includes the following:

- Corporate powers and limitations
- Board Structure and Composition, Board mandate, Board Committees and Charters
- Code of Conduct and other relevant policies adopted by the Board
- Directors' and Officers' Liability Insurance Coverage
- Schedule of Upcoming Board and Committee Meetings
- Annual Calendar of the Board
- Annual Reports
- Regulatory Disclosures
- Overview of the Company's business and local banking industry

B. State any in-house training and external courses attended by Directors and Senior Management³ for the past three (3) years:

Anti-Money Laundering Briefing(Ernst & Young)	2011
Risk Governance Training (Ernst & Young)	2012
Corporate Governance Orientation Program (ICD)	2010, 2011, 2012
Professional Directors Program (ICD)	2011, 2012
Risk Governance and Board of Directors (IFC)	2011

C. Continuing education programs for directors: programs and seminars and roundtables attended during the year.

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Luis S. Reyes Jr.	December 4, 2012	Corporate Governance Seminar	Institute of Corporate Directors
	October 25, 2012	Enterprise Risk Governance Training	Ernst & Young
Teresita T. Sy	January 28, 2012	Branch Profitability Analysis	BDO Unibank
	January 28, 2012	2012 Outlook/Economic Briefing	BDO Unibank
	February 25, 2012	Marketing Strategy/ Marketing Communications Update	BDO Unibank
	March 31, 2012	Digital Marketing Strategy	BDO Unibank
	June 30, 2012	Exposure to the real estate sector	BDO Unibank
	June 30, 2012	Update on Information Technology	BDO Unibank
	July 28, 2012	Regional economic update (Treasury Update)	BDO Unibank
	September 28, 2012	Mining sector in the Philippines Economic Briefing	BDO Unibank
	October 25, 2012	Enterprise Risk Governance Training	BDO Unibank
	October 26, 2012	American Depositary Receipt Program of other companies	Ernst & Young
December 8, 2012	Treasury Update	BDO Unibank	
Nestor V. Tan	January 7, 2012	Presentation of the 2012 Strategic Direction	BDO Unibank
	January 28, 2012	Branch Profitability Analysis	BDO Unibank
	January 28, 2012	2012 Outlook/Economic Briefing	BDO Unibank
	February 25, 2012	Marketing Strategy/ Marketing Communications Update	BDO Unibank
	March 31, 2012	Digital Marketing Strategy	BDO Unibank

	May 26, 2012	Remittance Strategy	BDO Unibank
	June 30, 2012	Exposure to the real estate sector	BDO Unibank
	June 30, 2012	Update on Information Technology	BDO Unibank
	July 28, 2012	Regional economic update (Treasury Update)	BDO Unibank
	September 28, 2012	Mining sector in the Philippines Economic Briefing	BDO Unibank
	October 25, 2012	Enterprise Risk Governance Training	Ernst & Young
	October 26, 2012	American Depositary Receipt Program of other companies	BDO Unibank
	December 8, 2012	Treasury Update	BDO Unibank
Roberto E. Lapid	October 25, 2012	Enterprise Risk Governance Training	Ernst & Young
Georgiana A. Gamboa	October 25, 2012	Enterprise Risk Governance Training	Ernst & Young
Walter C. Wassmer	October 25, 2012	Enterprise Risk Governance Training	Ernst & Young

Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

B. CODE OF BUSINESS CONDUCT & ETHICS

- 1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

(Reference: 2012 Annual Report)

Code of Business Conduct and Ethics

The Company institutionalizes the highest ethical standards through the strict implementation of the BDO Unibank Code of Conduct that outlines the principles and policies governing the activities of the institution, its directors, officers and employees.

1. Personal Trading Policy

It is in place to regulate buying and selling of shares by all directors, officers and employees of both the BDO Unibank and the Company to ensure that material, non-public, price-sensitive information on shares being traded are not being used for personal gain. This is to eliminate the possibility, or even the appearance, of insider trading.

2. Dealing with External Constituencies

The Code specifies the fair treatment of customers, suppliers, service providers, creditors, business partners and even competitors. It prohibits the acceptance, directly or indirectly, of gifts and access to certain transactions or information where there may exist potential conflict of interest.

3. Related Party Transactions

To maintain transparency of related party transactions between and among the Company, its Parent Bank and its subsidiaries, affiliated companies, directors, officers, stockholders, related interests (DOSRI), the Company complies fully with the legal and regulatory requirements pertaining to the proper approval and disclosure of such transactions.

Policies and procedures have been put in place to manage potential conflicts of interest arising from related party transactions such as credit accommodations, products or services extended by the Company to directors or officers in their personal capacity or to their company. The Executive Committee approves them. These transactions are then elevated to the Board for independent review and confirmation. All directors except the interested party could scrutinize the details of the transactions to ensure that these are done on an arms-length basis and in accordance with regulations. The details of the deliberations are included in the minutes of the Board meeting. Approved related party transactions are properly tagged for monitoring and reporting of exposures.

4. Responsibility to BDO Unibank and Company

The Code enjoins anybody who becomes aware of any violations of law, regulations or policies to report his suspicions to his superiors or to any of the designated office or individuals.

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	applicable	applicable	applicable
(b) Conduct of Business and Fair Dealings	applicable	applicable	applicable
(c) Receipt of gifts from third parties	applicable	applicable	applicable
(d) Compliance with Laws & Regulations	applicable	applicable	applicable
(e) Respect for Trade Secrets/Use of Non-public Information	applicable	applicable	applicable
(f) Use of Company Funds, Assets and Information	applicable	applicable	applicable
(g) Employment & Labor Laws & Policies	applicable	applicable	applicable
(h) Disciplinary action	applicable	applicable	applicable
(i) Whistle Blower	applicable	applicable	applicable
(j) Conflict Resolution	applicable	applicable	applicable

- 2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes
- 3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

(Reference: 2012 Annual Report)

IMPLEMENTATION

The Code of Conduct is being disseminated to all BDO employees thru the Company's intranet. This is also taken up during the Orientation Program of new employees and training programs for supervisory and management development programs.

MONITORING OF COMPLIANCE

This is being done thru independent checks by the following units:

Internal Audit

Under the direct supervision of the Board Audit Committee, the Internal Audit Division conducts independent assessment of adequacy and effectiveness of internal controls, risk management and governance processes of all units of the bank including subsidiaries and affiliates. It monitors also the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening of the control environment. Its closing report for 2012 highlighted that existing controls, risk management and governance processes in BDOLF is generally adequate.

Compliance Office and Anti-Money Laundering

The Company has a robust compliance program focused on enforcement of the Corporate Governance Manual, Code of Conduct, Personal Trading Policy and other regulatory requirements. Reporting directly to the Board Audit Committee, the Compliance Office ensures timely submission of reports, issues advisories on new regulations or amendments, initiates policy pronouncements and implementation, engages regulators on their onsite and offsite reviews, provides training to employees and reports on significant compliance issues to the management and the Board.

The Compliance Unit also handles the administration of the Company's compliance with Anti-Money Laundering Act (AMLA) and its implementing rules and regulations; and adherence to Know Your Client (KYC) policies, monitoring and reporting of transactions and the conduct of AML training. The Parent's Bank Anti-Money Laundering Unit provides oversight to ensure compliance with AML rules and regulations.

4) Related Party Transactions

1. Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions such as credit accommodations, products or services extended by the Company to directors or officers in their personal capacity or to their company. The Executive Committee approves them. These transactions are then elevated to the Board for independent review and confirmation. All directors except the interested party could scrutinize the details of the transactions to ensure that these are done on an arms-length basis and in accordance with regulations. The details of the deliberations are included in the minutes of the Board meeting. Approved related party transactions are properly tagged for monitoring and reporting of exposures.

RULES FOR DOSRI CREDIT ACCOMMODATIONS

All loans, other credit accommodations and guarantee to clients classified under DOSRI shall be subject to the provisions of Section 9 (c) of the Implementing Rules and Regulations of the Financing Company Act (RA No.8556) of Securities and Exchange Commission

Aggregate Ceiling of DOSRI Transactions, such must not exceed 15% of BDO Leasing's network.

Related Party Transactions	Policies and Procedures
(1) Parent Company	Cited policies and procedures on DOSRI are applicable.
(2) Joint Ventures	same
(3) Subsidiaries	same
(4) Entities Under Common Control	same
(5) Substantial Stockholders	same
(6) Officers including spouse/children/siblings/parents	same
(7) Directors including spouse/children/siblings/parents	same
(8) Interlocking director relationship f Board of Directors	same

2. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	none
Name of Officer/s	none
Name of Significant Shareholders	none

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Same with the DOSRI rules and guidelines in handling intra-group outsourcing
Group	- same -

5) Family, Commercial and Contractual Relations

- (a) Indicate, if applicable, any relation of a family,⁴ commercial, contractual or business nature⁴ that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

⁴ Family relationship up to the fourth civil degree either by consanguinity or affinity.

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
none		

- (b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
BDO Unibank, Inc.	BDOLF is 85.09% owned by BDO Unibank	BDOLF extends credit to BDO Unibank suppliers versus assignment of receivables of BDO Unibank
SM Group	The Chairperson is Board Director and Key Officer of SM Group	BDOLF extends credit to SM Group suppliers versus assignment of receivables of SM Group

- (c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
none	none	none

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

In May 2011, BDOLF adopted an Alternative Dispute Resolution System (ADR System) which will govern disputes between the Company and its stockholders, the Company and third parties, and the Company and Regulatory Authorities.

If the complaint is deemed proper for the ADR process, the Company will explore alternative means to settle the same (negotiation, mediation, arbitration). Disputes between the Company and its stockholders are monitored by the Office of the Corporate Secretary, disputes between the Company and third parties are monitored by the Legal Services Group (LSG), and disputes between the Company and Regulatory Authorities are monitored by the Compliance Office.

All disputes referred to the ADR System are reported to the Corporate Governance Committee.

Any settlement reached during the ADR process will be presented to the Corporate Governance Committee which will then endorse the same to the Board for approval.

	Alternative Dispute Resolution System
Corporation & Stockholders	applicable
Corporation & Third Parties	applicable

Corporation & Regulatory Authorities

applicable

C. BOARD MEETINGS & ATTENDANCE

- 1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Board meetings are scheduled at the beginning of the year.

- 2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held in 2012	No. of Meetings Attended	%
Chairman	Teresita T.Sy	April 18, 2012	15	12	80%
Member	Roberto E. Lapid	April 18, 2012	15	15	100%
Member	Georgiana A. Gamboa	April 18, 2012	15	14	93%
Member	Antonio N. Cotoco	April 18, 2012	15	11	73%
Member	Luis S. Reyes Jr.*	April 18, 2012	15	08	53%
Member	Nestor V. Tan	April 18, 2012	15	12	80%
Member	Exequiel P. Villacorta Jr.	April 18, 2012	15	15	100%
Member	Walter C. Wassmer	April 18, 2012	15	14	93%
Member	Gerard Lee B. Co**	April 18, 2012	15	04	27%
Member	Antonio A. Henson**	April 18, 2012	15	10	67%
Member	Edmundo L. Tan**	April 18, 2012	15	13	87%
Member	Evelyn L. Villanueva**	April 18, 2012	15	12	80%
Independent	Jesse H.T. Andres	April 18, 2012	15	14	93%
Independent	Ma. Leonora V. De Jesus	April 18, 2012	15	14	93%
Independent	Jesus G. Tirona	April 18, 2012	15	14	93%

*Mr. Luis S. Reyes Jr. was elected to the Board on April 18, 2012.

**Gerard Lee B. Co, Antonio A. Henson, Evelyn L. Villanueva, and Edmundo L.Tan resigned effective October 31, 2012 due to the reduced number of Board of Directors from 15 to 11 as approved by SEC on October 5, 2012.

- 3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times?

Under BDOLF's Manual on Corporate Governance, non-executive members of the Board will meet as needed in executive session with the external auditor and heads of the internal audit, compliance and risk management functions other than in meetings of the audit and risk oversight committees. These sessions will provide the opportunity to discuss topics and issues related to independent checks and balances that the non-executive directors may deem appropriate. For the year, the non-executive directors already met two (2) times.

- 4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The quorum requirement observed by BDOLF is majority of the members of the Board. However, based on the records of attendance for the past several years, more than 2/3 of the directors were present during Board meetings and all decisions reached had been unanimous.

5) Access to Information

- (a) How many days in advance are board papers⁵ for board of directors meetings provided to the board?

(Reference: Corgov Manual)

The agenda and information package of each board and committee should be sent to each director in writing or electronically at least 5 business days in advance of the board meetings, whenever possible and appropriate.

- (b) Do board members have independent access to Management and the Corporate Secretary?

YES

(Reference: Corgov Manual)

Directors' access to Senior Officers and Advisers. Group Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

To enable the members of the Company's Board of Directors to properly fulfill their duties and responsibilities, they shall be provided as follows:

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.
 2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
 3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.
 4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.
- (c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

(Reference: By-Laws)

According to Section 7 of the Amended By-Laws, The Secretary, who must be a citizen and resident of the Philippines, shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the stockholder. He shall attend to the giving and serving of all notices of the Company. He shall have charge of such books and papers as the Board of Directors or the Executive Committee may direct, and shall perform all of the duties incident to the office of Secretary and such other duties as may be assigned to him by the Board of Directors or by the Executive Committee.

⁵ Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(Reference: Revised Corporate Governance Manual)

Role of Corporate Secretary

The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. The duties and responsibilities of the Corporate Secretary shall be the following:

1. Issue advance notice of meetings and agenda, as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.
2. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company.
3. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.
4. Submit to the Securities and Exchange Commission at the end of the Company's fiscal year an annual certification on the attendance of the directors during the Board meetings.
5. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.
6. Attend all Board meetings.

The Corporate Secretary also attends and documents the meetings of the Board Audit Committee, Corporate Governance Committee, Risk Management Committee, and the Nomination Committee.

- (d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes. The Corporate Secretary is trained in legal, financial and company secretarial practices.

- (e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes

No

Committee	Details of the procedures
Executive	<p>(Reference: Corgov Manual)</p> <p>Board Meetings – Agenda and Materials. The Office of the Corporate is responsible for collating all materials for the meeting and furnishing the members of the committees at least 5 business days prior to the date of the meeting. The Directors and committee members have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any</p>

	director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.
Audit	Same as above
Nomination	Same as above
Remuneration	Same as above
Risk Management	Same as above
Corporate Governance	Same as above
Trust	Same as above

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Reference (Revised Corporate Governance Manual)

Directors' access to Senior Officers and Advisers. Group Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

Procedures	Details
External Consultant	Director to channel request thru the Corporate Secretary or Corporate Governance Officer. Approval of the President will be sought for the proposed engagement.

7) Change/s in existing policies

Existing Policies	Changes	Reason
none	none	none

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	See below	See below
(2) Variable remuneration	Not applicable	Not applicable

(3) Per diem allowance	Not applicable	Not applicable
(4) Bonus	See below	See below
(5) Stock Options and other financial instruments	See below	See below
(6) Others (specify)	Not applicable	Not applicable

- > Fixed Remuneration – existing salaries based on past performance including the general profitability of the company and the specific performance of the individual.
- > Bonus - based on latest compensation figure
- > Stock Options -As part the BDO Unibank Group, Senior Officers (from Vice Presidents and up) are entitled to the Employee Stock Option Program of the BDO Unibank. BDOLF does not have a similar program of its own.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Not applicable	Per diem	See below
Non-Executive Directors	Not applicable	Per diem	See below

Each director shall receive a reasonable per diem for attendance in every Board meeting. Each director receives a per diem allowance of PHP10,000 for attending board meetings and PHP 5,000 for Committee meetings. There is no distinction on the fee for a committee chairman and member. In addition, the Company grants directors fees other than per diem in accordance with law.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Please see below	Please see below

The acts of management and the Board regarding remuneration were approved and ratified by the Stockholders during every stockholders' meeting. The last was on April 17, 2013.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
A. Fixed Remuneration	Please see below	Please see below	Please see below
B. Variable Remuneration			
C. Per diem Allowance			
D. Bonuses			
E. Stock Options and/or other financial instruments			
F. Others (Specify)			
Total			

Consistent with our policy on non-disclosure of the details of the remuneration due to security risks, below is the table showing the compensation of directors and officers as a group as presented in the Definitive Information Statement:

	Year	Salary	Bonuses
Directors and all other Officers as a group Unnamed	2011	Php 57,854,025	Php 14,820,283
	2012	72,665,954	18,846,511
	2013*	79,932,549	20,731,162

*Estimated as of 2013

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not applicable	Not applicable	Not applicable
2) Credit granted	Employee Loan Program	If there is, treated as DOSRI loan	-same-
3) Pension Plan/s Contributions	Employee Retirement Plan	Not applicable	Not applicable
(d) Pension Plans, Obligations incurred	Not applicable	Not applicable	Not applicable
(e) Life Insurance Premium	Part of the total Group Life Insurance Plan	Applicable	Applicable
(f) Hospitalization Plan	Part of the Maxicare Group Health Insurance plan paid by the Bank	Applicable	Applicable

(g) Car Plan	Not applicable	Not applicable	Not applicable
(h) Others (Specify)	Not applicable	Not applicable	Not applicable
Total			

4) Stock Rights, Options and Warrants

1) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/Warrants	Number of Indirect Option/Rights/Warrants	Number of Equivalent Shares	Total % from Capital Stock
Please see below				

Except for the Executive Directors who are part of management, the Board of Directors, as a policy, is not covered under the Employee Stock Option Program of the BDO Unibank (as disclosed in p.46 hereof). For the Non-Executive Directors, other than the per diem allowances, they do not receive any share options, Stock rights or warrants over the company's and BDO Unibank's share as disclosed in the Definitive Information Statement.

Kindly refer to our Parent Bank disclosure letters for the required information.

2) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
none	none	none

5) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Please see below	Please see below

Consistent with our policy on non-disclosure of the details of the executive compensation due to security risk, below is the table showing the compensation of the executive officers as a group as presented in the Definitive Information Statement:

Name and Principal Position (CEO & Executive Officers)	Year	Salary	Bonuses
The President and four most highly compensated executive officers			
2011: Georgiana A. Gamboa (President) Roberto E. Lapid (Senior Vice President) Gerard M. Aguirre (First Vice President) Renato G. Oñate (First Vice President) Rosalisa K. Alindahao (Vice President)			
2012: Georgiana A. Gamboa (President) Gerard M. Aguirre (First Vice President) Renato G. Oñate (First Vice President) Rosalisa K. Alindahao (Vice President) Jennifer F. So (Vice President)			
TOTAL SALARY	2011	Php 15,982,900	Php 7,906,983
	2012	16,240,532	8,266,781
	2013*	17,864,585	9,093,459

*Estimated as of 2013

E. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

(Reference: 2012 Annual Report)

Committee	No. of Members			Committee Charter	Functions *	Key Responsibilities *	Power *
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				

Executive	Teresita T. Sy Roberto E. Lapid Georgiana A. Gamboa Antonio N. Cotoco Nestor V. Tan Walter C. Wassmer			Please see Annex "A"
Audit			Ma. Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex "A-1"
Nomination	Antonio N. Cotoco		Ma. Leonora V. De Jesus Atty. Jesse H.T. Andres	Please see Annex "A-2"
Corporate Governance	Antonio N. Cotoco		Ma. Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex "A-3"
Risk Management	Roberto E. Lapid Georgiana A. Gamboa Antonio N. Cotoco Nestor V. Tan			Please see Annex "A-4"

* Kindly refer to the Committee's Terms of Reference/Charter

2) Committee Members

(a) Executive Committee

Office	Name	Date of appointment	No. of Meetings Held in 2012	No. of Meetings Attended in 2012	%	Length of Service in the Committee
Chairman	Teresita T. Sy	September 20, 2005	52	41	79%	7
Member (ED)	Georgiana A. Gamboa	December 8, 2010	52	46	87%	2
Member (ED)	Roberto E. Lapid	May 24, 2006	52	46	87%	6
Member (NED)	Nestor V. Tan	January 23, 2007	52	38	73%	5
Member (NED)	Antonio N. Cotoco	April 17, 2002	52	44	85%	10
Member (NED)	Walter C. Wassmer	April 17, 2002	52	47	90%	10
Member (ID)						
Member						

(b) Audit Committee

Office	Name	Date of appointment	No. of Meetings Held in 2012	No. of Meetings Attended in 2012	%	Length of Service in the Committee
Chairman	Chairman	Ma. Leonora V. De Jesus	June 1, 2009	12	12	100%
Member (ED)	Member (ED)					
Member (NED)	Member (NED)					
Member (ID)	Member (ID)	Jesus G. Tirona	July 30, 2007	12	11	92%
Member (ID)	Member (ID)	Jesse H.T. Andres	May 24, 2006	12	12	100%

Disclose the profile or qualifications of the Audit Committee members.

(Reference: 2012 SEC 17-A and Definitive Information Statement)

Ms. Ma. Leonora V. De Jesus is presently the Chairperson of the BDO Leasing and Finance, Inc.'s Board Audit Committee, and a member of the Nomination Committee. She was elected as Independent Director of the company on May 12, 2008 and She is also an Independent Director of BDO Capital & Investment Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation. She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She is a professorial lecturer at the University of the Philippines, Diliman. In addition, she conducts training programs and consultancies on corporate governance best practices for banking institutions and other corporations. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor's, Masteral and Doctoral degrees in Psychology from the University of the Philippines.

Atty. Jesse H.T. Andres is presently a member of the BDO Leasing and Finance, Inc.'s Board Audit Committee, Corporate Governance Committee, and Chairman of the Nomination Committee. He was elected as Independent Director of the Company on September 20, 2005. In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee. Since July 1, 2011, he is the Managing Partner of the Andres Marcelo Padernal Guerrero and Paras Law Offices. He was also a Partner in the PECABAR Law Offices from 1996 to 2003 where he became Co-Head of the Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation. Atty. Andres holds a Bachelor of Arts Degree in Economics from the U.P. School of Economics and a Bachelor of Laws degree from the U.P. College of Law.

Mr. Jesus G. Tirona is currently a member of BDO Leasing and Finance, Inc.'s Board Audit Committee, and has been elected Independent Director to the Board of the Company since July 30, 2007. He is an Independent Director of BDO Capital & Investment Corp. and Armstrong Securities, Inc., and also formerly of American Express Bank Philippines (A Savings Bank, Inc.) and EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He is a Trustee of the BDO Foundation, Inc. He was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions. He is a scholar of the Asian Productivity Organization in Corporate Social Responsibility and is a Fellow of the Institute of Corporate Directors.

Describe the Audit Committee's responsibility relative to the external auditor.

(Reference: Terms of Reference)

The Audit Committee has the following duties and responsibilities over external audit and external auditors:

- It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
- It shall discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
- It shall review the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and Bangko Sentral's Report of Examination and recommendations before endorsing the same to the BOD for its approval.
- It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Jesse H.T. Andres	May 24, 2006	2	2	100%	6
Member (ED)	Antonio N. Cotoco	July 30, 2007	2	2	100%	5
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	2	2	100%	4
Member (NED)						
Member						

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2012	No. of Meetings Attended in 2012	%	Length of Service in the Committee
Chairman	Not Applicable					
Member (ED)						
Member (ED)						
Member (ED)						
Member (ID)						

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2012	No. of Meetings Attended in 2012	%	Length of Service in the Committee
Chairman	Nestor V. Tan	July 30, 2007	4	4	100%	5
Member (ED)	Georgiana A. Gamboa*	April 18, 2012	4	3	75%	1
Member (ED)	Roberto E. Lapid	May 12, 2008	4	4	100%	4
Member (ED)	Antonio N. Cotoco	May 24, 2006	4	4	100%	6
Member (ID)						
Member						

*Ms. Gamboa was appointed member of the Risk Management committee on April 18, 2012.

Provide the same information on all other committees constituted by the Board of Directors:

(f) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2012	No. of Meetings Attended in 2012	%	Length of Service in the Committee
Chairman	Jesus G. Tirona*	April 18, 2012	5	5	100%	1
Member (ED)	Antonio N. Cotoco	July 30, 2007	5	4	80%	5
Member (ED)						
Member (ID)	Jesse H.T. Andres	May 24, 2006	5	5	100%	6
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	5	5	100%	4

*Independent Director Mr. Jesus G. Tirona was appointed member of the Corporate Governance committee on April 18, 2012.

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	none	
Audit	none	
Nomination	none	
Remuneration	none	
Others (specify)	none	

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

(Reference: 2012 Annual Report)

Name of Committee	Work Done	Issues Addressed
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Executive	Approved/confirmed credit proposals, investments, disposal of acquired assets and other projects or initiatives that enhanced the Company's operating and service delivery capabilities.	To ensure proper approval of significant credit exposures, investments and sale of acquired assets.
Audit	<p>Reviewed and discussed with management the quarterly unaudited as well as the annual audited financial statements</p> <p>Reviewed and discussed with Internal and External Auditors the assessment of the adequacy of internal controls and the effectiveness of information technology security,</p> <p>Monitored management's corrective action on internal control and compliance issues and on audit findings.</p> <p>Reviewed and approved the scope and plans of Internal Audit and External Audit and likewise discussed and evaluated reports on the results of the Audit.</p> <p>Reviewed and approved the annual plans of Compliance and Anti-Money Laundering units and consistently monitored the timely submission of regulatory requirements.</p> <p>Ensured that the Internal Audit, Compliance and AML units are adequately staffed and provided with proficiency improvement programs.</p> <p>Audit Committee's self-assessment of the performance of Internal Audit, the Compliance and Anti-Money Laundering Unit and External Audit</p>	<p>To ensure compliance with accounting and reporting standards</p> <p>- same -</p> <p>To ensure rectification of audit exceptions and prevent recurrence</p> <p>To ensure adequate coverage of audit examination the business and operating units of the Company and subsidiaries</p> <p>To ensure the effectiveness of their plans in relation to their respective mandates</p> <p>To improve the knowledge, skills and competencies of officers and staff in these units</p> <p>To comply with regulatory requirements</p>
Nomination	<p>Approval of Terms of Reference</p> <p>BSP requirements for Nominations Committee</p> <p>Qualification of Directors and Independent Directors</p>	<p>To comply with BSP Circular 749</p> <p>To comply with the regulations under the manual on the revised code of corporate governance</p>

Risk Management	<p>It developed Company's risk policies, defined appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible for reassessing the continued relevance, comprehensiveness and effectiveness of the risk management plan, and revises it when needed.</p>	<p>To ensure that all risks faced by the Company are properly managed.</p>
Corporate Governance	<p>Revision of the Company's Corporate Governance Manual</p> <p>Definition of the roles of the Board Chair, President, Chief Compliance Officer, Chief Risk officer, Chief Internal Auditor, Senior Officers and Corporate Secretary</p> <p>Annual performance review of the Board as a whole, its Committees, individual directors and senior management</p> <p>Adoption and implementation of the Group Governance Oversight framework</p> <p>Continuing Education Program of the Board</p> <p>Gap Analysis of Asean Scorecard for Publicly Listed Companies</p>	<p>To include the comments of BSP</p> <p>To promote independent checks and balances</p> <p>To check Board effectiveness and surface issues and areas for improvement</p> <p>To ensure alignment and compliance with established governance policies and practices across the Group.</p> <p>To improve the skills and competencies of the members of the Board</p> <p>To pinpoint corporate governance practices and policies of the Company not yet aligned with the requirements of the Asean Scorecard.</p>

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	None	None
Nomination	None	None
Remuneration	None	None
Others - Corporate Governance	Continuing Education of Directors	To improve skills and competencies of board members

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company;

(Reference: DIS)

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

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

Internal Audit's closing report for 2012 addressed to the Board Audit Committee stated that:

- Existing controls, risk management and governance processes across BDOLF and its subsidiary is generally adequate. There is a strong tone at the top for resolving risk and control issues as indicated by the high resolution rate of audit findings.

(c) Period covered by the review; 2012

(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and : Once a year

(e) Where no review was conducted during the year, an explanation why not. : Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
	Adequately and consistently evaluate, manage, control,	<ul style="list-style-type: none"> Identify, measure, monitor and control the

Credit Risk, Market & Liquidity Risks, and Operational Risk	and monitor the risk profile of the Company balance sheet to optimize the risk-reward balance and maximize return on the Company's capital	<p>risks inherent in our business and portfolios.</p> <ul style="list-style-type: none"> • Communicate risk management philosophy and policies • Assist Risk Takers in understanding and measuring their risk/return profiles • Develop risk control and management structure
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(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
They could be out voted on major corporate actions.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk, Market & Liquidity Risks, and Operational Risk	<ul style="list-style-type: none"> • Establish risk management policies and procedures; • Identify and assess risks; • Analyze and measure risks, including development of new analytical methods; 	<p>Risk management and control for each of the risks are found below.</p> <p>The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the</p>

	<ul style="list-style-type: none"> Analyze exposure and recommend limits to the appropriate committees; Establish standards to monitor and report compliance with limits; Ensure compliance to approved limits and report all credit limit excesses 	<p>Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. The BOD, through the EXCOM, reviews and approves credit and investment proposals with the authorities that were granted to it by BOD. EXCOM also approves credit policies and/or manuals and amendments thereto as may be recommended by management.</p>
<p>Credit Risk</p>	<ul style="list-style-type: none"> Identification of credit risks both at the pre-approval and post-approval stage of the credit. The pre-approval credit risk assessment is undertaken during the initial credit engagement and every renewal thereafter. In general, the credit evaluation focuses on the financial condition of the counterparty and the determination of the adequacy of its cash flow for debt service requirements, financial capacity and commitment of its owners to support and sustain the viability of the business, quality and experience of its management team, the industry they operate in and the markets they deal with, and appropriateness of the credit facilities contemplated to be granted including the terms and conditions thereof. At the post-approval stage, a portfolio quality review is performed on a sample of randomly selected Unclassified Accounts and ALL Classified Accounts. Internal Credit Risk Rating is performed for loan accounts with facilities of more than P20Mn. For accounts with credit 	<p>The BOD, through the RMC, has responsibility for the development and oversight of the Company's portfolio credit risk management program.</p> <p>Risk Management Group (RMG)/Credit Risk Management (CRM) formulates credit policies and guidelines necessary to maintain a sound portfolio quality, ensures that the highest standards of credit due diligence is conducted on Corporate and Commercial Banking accounts with credit facilities of P50M and above, conducts post-approval random compliance check across lending groups/units to ensure adherence to approved credit and risk policies and guidelines, assesses the quality of the loan portfolio of the Company and recommends establishment of loan loss provisions as may be necessary in order that adequate reserves are maintained at all times.</p> <p>RMG/Risk Analytics Systems and Control Unit (RASCU) ensures the establishment, implementation, and monitoring of a risk management and analytics system, which will assist management in assessing its various businesses and the general risk level, which includes credit scorecards/risk rating</p>

	facilities below P20M, these are subjected to credit scoring.	models and credit portfolio analytics.
Market Risk	<ul style="list-style-type: none"> Identification of all market risks inherent in the Company's Trading and Company's Book; Quantification of market risks in the Trading Book using the Value-at-Risk (VAR) approach and interest rate risks in the Banking Book using the Earnings-at-Risk (EAR) approach. 	RMG, through Market and Liquidity Risk Management Unit (MLRMU), recommends policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.
Liquidity Risk	<ul style="list-style-type: none"> Identification of the Company's liquidity gap to be in a position to meet all obligations. Quantification of liquidity risks through the Maximum Cumulative Outflow (MCO) methodology. 	RMG, through MLRMU, recommends liquidity risk management policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved liquidity policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.
Operational Risk	<ul style="list-style-type: none"> Identification of Critical/Key Business Processes that have greater exposure to substantial losses. Measurement of operational risks through the Risk Control & Self-Assessment (RCSA) and Key Risk Indicators (KRI). 	RMG, through Operational Risk Management Unit (ORMU), recommends operational risk management policies and methodologies for approval by RMC and BOD. ORMU monitors the implementation of the operational risk management framework and policies, through the Operational Risk Management Coordinators (ORMC) of each of the business and operating units of the Company.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

(Reference: Corgov manual)

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	For a regular review and approval of the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company.	The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. It takes the lead in disseminating the institution's risk philosophy and control culture throughout the organization. It approves strategies and implementing policies affecting the management of all types of risks relating to the Company's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Company. It provides an environment that would allow the reporting of operational problems, violations and illegal actions, and non-compliance to regulations or code of conduct. It provides direction to the senior management on the necessary steps to take to control risks. Towards this end, it is regularly updated on developments that could materially affect the Company's liquidity position or the value of its resources. Likewise, it is responsible for overseeing the investment and credit activities of the Company. It formulates and oversees the implementation of the investment and credit strategies of the Company.
Risk Management Committee (RMC)	For a regular review and approval of the Company's risk management program	RMC is responsible for the development and oversight of the Company's risk management program. It shall oversee the system of limits of discretionary authority that the Board delegates to management. It shall ensure that the system of limits of discretionary authority

		remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It shall assess the probability of each identified risk exposure of the Company becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are costly when they happen. It shall develop a written risk management plan, defining the strategies for managing and controlling the major risks of the Company. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real. It shall communicate the risk management plan, and loss control procedures to concerned parties. It shall conduct regular discussions with management on the Company's current risk exposure based on regular management reports, and direct concerned units how to reduce these risks. It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit risk mitigating strategies, look for emerging or changing risk exposure or stay abreast of developments that affect the likelihood of harm or loss. It shall report regularly to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
Executive Committee (EXCOM) and	For the approval of credit exposure, investment sale of acquired assets and capital expenditures of the Company.	The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, disposal of acquired assets and other projects or initiatives to enhance the Company's operating and service delivery capabilities.
Management Credit Committee (MCC)	MCC approval is required to ensure proper review and approval of accounts	MCC shall approve credit and investment proposals within the authorities that were granted to it by

	with credit facility and within authorized limits.	the Board of Directors.
Asset & Liability Committee (ALCO)	To ensure at all times that the Company maintains adequate liquidity, sufficient capital and the appropriate funding to meet all business requirements within regulatory requirements and to establish asset/liability pricing policies consistent with the strategies for the Bank's balance sheet.	The Asset and Liability Committee is tasked with managing the Company's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital, and the appropriate funding to meet all business requirements within regulatory limits. It establishes pricing and other policies consistent with the overall asset-liability management strategy of the Company and supportive of profitability, capital, funding, and liquidity directions. It manages interest rate risks by changing the balance sheet structure to take advantage of change in rates. It is also responsible for the Company's liquidity strategies that ensure sound management of liquidity risks by ensuring diversity of funding sources and compliance with regulatory requirements.
Management Committee (MANCOM)	As this Committee comprises of all Heads of Business and Support Units, it allows for more coordinated and integrated resolution and monitoring of business and operational issues.	Management Committee (MANCOM) is the forum for discussing business and operational issues.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

- (a) Explain how the internal control system is defined for the company;
- There is a strong Board oversight thru the various board committees(Audit Committee, Risk Management Committee)
 - Maker-checker arrangement is always present in all processes.
 - There is proper setting of limits.
 - Information Security policies are robust.
- (b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;
- Internal Audit's closing report for 2012 states that:
Existing controls, risk management and governance processes across BDOLF and its subsidiary is generally adequate. There is a strong tone at the top for resolving risk and control issues as indicated by the high resolution rate of audit findings.

- (c) Period covered by the review; 2012
- (d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and: Yearly, using the Standard Evaluation Form wherein members of the Board Audit Committee were required to rate the oversight on the Company's system of internal control using the rating scale of 1 to 5 with 5 as the highest.
- (e) Where no review was conducted during the year, an explanation why not. Not applicable

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
<p>(Reference Corgov Manual)</p> <p>1. Develop and implement an effective annual internal audit program to be approved by the Audit Committee that covers the entire operations of the Company including subsidiary.</p>	<p>For Branches & Desk Audit:</p> <p>Regular Audit - to provide an objective evaluation of the branch's internal control and risk management processes including assessment of operational compliance with the Company's policies and procedures, regulatory policies and AMLA.</p> <p>Spot Audit - to do random check of compliance with the Company's established internal controls as required per policies, procedural guidelines, regulations and laws (particularly AMLA)</p> <p>For Head Office Units Audit:</p> <p>Auditable units are major business groups and support groups such Marketing Teams, Treasury &</p>	<p>In-house</p>	<p>Estrellita V. Ong</p>	<p>Internal Audit submits the annual audit plan for branches, head office units, subsidiaries and information systems.</p> <p>Board Audit Committee approves the plan.</p>

<p>Submit to the Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.</p> <p>2. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company including</p>	<p>Operations Department, Comptrollership & Operations and, Risk & Compliance Departments. Focus of audit would be on the risks associated with each auditable unit such as Liquidity Risk, Market Risk, Credit Risk, Operational Risk, Compliance Risk and Reputational Risk.</p> <p>For Information Systems Audit:</p> <p>Auditable units are the IT Operations Group, IT Development Group and Subsidiaries Business Applications.</p> <p>Focus of the audit would to assess Operational Risks, Technology Risks and Regulatory Risks associated with these units.</p> <p>Accomplishment for the year vs plans</p> <p>Summary of IAD Peer Evaluation Review and Self-Assessment Results</p> <p>Summary Resolution of Audit Findings</p> <p>BSP Examination Results on BDO Internal Audit</p> <p>Regular and Spot Audits of concerned units</p>			<p>Internal Audit submits its Closure Report for the year</p> <p>Board Audit Committee notes the report.</p> <p>Internal Audit submits report to the Board Audit Committee</p> <p>BAC notes the report</p> <p>Internal Audit submits the Status Report on Resolution of Findings for the year</p> <p>BAC notes the report</p> <p>Internal Audit reports its findings to the Board Audit Committee</p> <p>BAC notes the report</p>
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<p>subsidiary.</p> <p>3. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment.</p> <p>4. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities.</p> <p>5. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.</p>	<p>Audit Findings resolved by Management for the year</p> <p>Audit Findings to be resolved by Management for the year</p> <p>Regular and Spot Audits of auditable units</p>		<p>Ernst & Young</p>	<p>Internal Audit submits the EQAR and Board Assessment of the Internal Audit</p> <p>BAC notes the reports</p>
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- (b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? YES
- (c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? The Chief Internal Auditor reports directly to the Board Audit Committee. Yes, she has direct and unfettered access to the Board of Directors being independent from the Senior Management of the Company. In the conduct of their examination, Internal Audit has direct and unfettered access to all records, properties and personnel of the Company.
- (d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Edel Mary Vegamora	Resigned effective February 1, 2013
Estrellita V. Ong	Acted as OIC effective February 1,2013 and appointed Chief Internal Auditor in April 19, 2013

- (e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	100% completed
Issues ⁶	Compliance matters reported are included the Monthly Tracking Report. Status of resolution as indicated in the Findings.
Findings ⁷	85% resolution rate by BDOLF and Subsidiary for findings for which amount at risk is not available 89% resolution rate by management of BDOLF and subsidiaries for findings with available account balance/transaction value affected.
Examination Trends	Significant audit findings also included in the Monthly Tracking Report.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

- 1) Preparation of an audit plan inclusive of a timeline and milestones;
- 2) Conduct of examination based on the plan;
- 3) Evaluation of the progress in the implementation of the plan;
- 4) Documentation of issues and findings as a result of the examination;
- 5) Determination of the pervasive issues and findings ("examination trends") based on

⁶ "Issues" are compliance matters that arise from adopting different interpretations.

⁷ "Findings" are those with concrete basis under the company's policies and rules.

single year result and/or year-to-year results;

6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Audit Manual of Operations	Updated and approved by BAC
Audit Work Program Guides	Continuously updated

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
<p>Direct reporting of Internal Auditor to the Board Audit Committee;</p> <p>Appointment, removal and resignation of Internal Auditor to be approved by the Board</p> <p>Appointment/removal of External Auditor to be approved by the Stockholders</p> <p>Limitation of non-audit services to be provided by the External Auditor</p>	<p>The above parties render independent opinions about the Company and the Company does not in any way dictate the recommendations or decisions made by these parties given the following mechanism and safeguards:</p> <p>Access to info by these parties is the same as the general public, guided by regulatory disclosure requirements;</p> <p>Giving of material gifts and freebies is strictly prohibited by the Company;</p> <p>The Company pays for the necessary expenses for its meetings and visits and does not shoulder</p>		

	<p>any of the expenses of the above parties during their visits here or meetings abroad;</p> <p>Certain drafts are reviewed prior to publication only to give the Company the opportunity to correct factual errors. The financial analysts, investment banks, and credit rating agencies retain ultimate editorial control over the form and content of all its publications and do not accept changes that would alter the meaning or tone of their opinions or recommendations.</p>		
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(h) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance.

Ms. Teresita T. Sy, Chairperson and Ms. Georgiana A. Gamboa, President

H. ROLE OF STAKEHOLDERS

7) Disclose the company's policy and activities relative to the following:

	Policy	Activities
Customers' welfare	Our clients provide the Company the business for which we are	The Company is continuing to upgrade systems and procedures to

	<p>most thankful. BDOLF is committed to meet their needs by providing them with high quality customer service and relevant products and services.</p>	<p>improve processing and turn around time (TAT). These are supported by modern technology, redundant IT infrastructure, efficient systems and processes as well as a functioning Customer Contact Center that manages and resolves customer complaints. The Company is managed by seasoned executives and manned by well-trained and knowledgeable officers and staff imbued with the "We Find Ways" service philosophy.</p>
<p>Supplier/contractor selection practice</p>	<p>This is covered by the Parent Bank's General Procurement Guidelines</p>	<p>Sourcing of Vendors/Suppliers/Contractors</p> <ol style="list-style-type: none"> 1. As a general rule, vendors, suppliers, and contractors shall be sourced through research via trade organizations, publications (including the internet), professional bodies, and other external entities, and through market consultation. 2. The Bank's Procurement unit, the Procurement and Supply Management Division (PSMD), shall accept walk-in vendors/suppliers/contractors and entertain referral from units as possible sources of goods or services. <p>Vendor Accreditation</p> <p>Criteria shall include the following items:</p> <ol style="list-style-type: none"> a. financial, credit, and technical capability b. track record / reputation in the industry c. availability of capacity / network d. cost competitiveness e. business reciprocity with the Company
<p>Environmentally friendly value-chain</p>	<p>As part of BDO Group, BDOLF is equally committed to enhance sustainability of the environment thru information education and advocacies.</p>	<p>Recognizing its role in social development, the Company, with the active involvement of its employees, instituted socio-civic programs thru active participation to various BDO Foundation Inc. initiatives geared towards empowerment of marginalized communities and promoting environmental protection. The</p>

		Foundation which is 100% owned by BDOLF's Parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the "BDO Greens NLEX_SCTEX" project by planting 2,012 local trees along NLEX Mexico Interchange.
Community interaction	By adhering to good corporate governance, BDO Group strives to have a sustainable growing and progressive business for the community, which in turn allows us to create employment, support business and be a good role model to the public in general.	Together with the BDO Foundation, BDOLF employees participated in different socio-civic programs like Bahay ni Maria (c/o BDO Leasing San Pablo branch, Gawad Kalinga (c/o BDO Leasing Davao branch) and Gulong ng Palad c/o BDO Leasing CDO branch) wherein the Company donated needed furniture and fixtures. BDOLF also participated in the BDO Greens NLEX_SCTEX project by planting 2012 local trees along NLEX Mexico, Pampanga Interchange.
Anti-corruption programmes and procedures?	The Company, as an integral part of the BDO Group, institutionalizes the highest ethical standards through the strict implementation of the BDO Unibank Code of Conduct that outlines the principles and policies governing the activities of the institution, its directors, officers and employees.	In dealing with external constituencies, the Code prohibits the acceptance, directly or indirectly, of gifts and access to certain transactions or information where there may exist potential conflict of interest. The Code also enjoins anybody who becomes aware of any violations of law, regulations or policies to report his suspicions to his superiors or to any of the designated office or individuals.
Safeguarding creditors' rights	The Company is committed to meet its contractual obligations with bank creditors, STCP investors, suppliers and 3 rd party service providers. In accordance with law, they will be given the priority in payment of the Company's obligations in the normal course of business and in the event of liquidation.	The Company clearly stipulates the terms and conditions related to its borrowing, investment and fund raising activities.

8) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section? Yes

9) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

WORKPLACE SAFETY

The institution is committed to fair employment practices and a work place free from discrimination, harassment (including sexual harassment) or intimidation of employees.

The institution is committed to a workplace free from drug use or sale. The institution is committed to the safety of the employees and others in its premises.

TRAINING & DEVELOPMENT

The Company provides various in-house training programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget to cover internal training programs. E-learning is also being promoted initially on Anti-Money Laundering Prevention and Detection.

EMPLOYEE WELFARE

The Company also provides free healthcare benefits and its employees enjoys access to the Parent Bank's health facilities such as a fitness center and five medical clinics manned by occupational health practitioners.

(b) Show data relating to health, safety and welfare of its employees.

(Reference: DIS)

In 2012, the Company participated in the Parent Bank's Human Resources Group various health and safety programs that included 20 corporate wellness lectures on various medical topics, basic life support training, evacuation and fire drill, preventive medical (vaccination) program, sports activities and a fun run participated in by 4,000 employees.

(c) State the company's training and development programs for its employees. Show the data.

In consonance with the BDO Unibank employee training and development program, the Company equally gives importance to the betterment of its employees from the new hirees, regular officers and staff, to senior management. In coordination with the Human Resources Group of the Parent Bank, we continue to hold training programs covering management development, product orientations, compliance training (updates on Regulatory Compliance, Anti-Money Laundering and Corporate Governance) and behavioral courses.

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
STAFF	54.07	7
JAM	33.84	4
AM to SM	9.26	2
SENIOR OFFICER	5.89	1

(d) State the company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

BDOLF COMPENSATION POLICY

This covers the maintenance of a viable compensation plan for employees that achieves equity in pay for jobs of similar responsibilities and consistency in the pay differential between jobs. It is built on the principles of external competitiveness and pay for performance. This is intended to attract, retain, and motivate our workforce necessary to achieve the Company's short and long term business goals.

Employees' year end performance and significant contributions in the organization are recognized following the Company's Merit Increase/Promotions Program. Employees who exhibit readiness to assume higher responsibilities and consistently perform within the Company's standards could be eligible to participate in the BDO Group's Career Development Program such as Officers' Development Program (ODP) and Management Development Program (MDP).

- 10) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

The Company adopted the Bank's process wherein an employee or any aggrieved party may submit a report or complaint regarding any illegal or unethical behavior to the Cases Review Committee Secretariat. The CRC Secretariat then conducts an investigation whereby concerned parties are given the opportunity to explain. Results of the investigation are reported to the CRC for evaluation and decision. CRC's decision is provided in writing to the concerned parties. The case incident report and CRC's decision are treated with utmost confidentiality.

I. DISCLOSURE AND TRANSPARENCY

- 11) Ownership Structure

- (a) Holding 5% shareholding or more (As of April 30, 2013)

A. Common Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
BDO Unibank, Inc.	1,840,116,232	85.09%	BDO Unibank, Inc.
PCD Nominee Corp. (Filipino)	230,281,897	10.65%	Various Stockholders

B. Preferred Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
Not Applicable			

(Note: No Officer owns more than 5% of shares)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not applicable	Not applicable	Not applicable	

TOTAL			
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12) Does the Annual Report disclose the following:

Key risks	Yes, in the Notes to the Financial Statements
Corporate objectives	Yes
Financial performance indicators	Yes, in the Financial Highlights
Non-financial performance indicators	Yes, in the Corporate Website
Dividend policy	Yes, in the Corporate Website
Details of whistle-blowing policy	Yes, in the Corporate Governance Report
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes
Training and/or continuing education programme attended by each director/commissioner	Yes, in the Definitive Information Statement
Number of board of directors/commissioners meetings held during the year	Yes
Attendance details of each director/commissioner in respect of meetings held	Yes
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes, on an aggregate basis

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

13) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Punongbayan & Araullo, CPAs	Php 610,000	none

14) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Web, Definitive Information Statement, public disclosures, press releases and investors briefing

Date of release of audited financial report: April 23, 2013

15) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES

Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

16) Disclosure of RPT

RPT	Relationship	Nature	Value
Interest Income on savings and demand deposit	Ultimate Parent Company	Income	0.3
Interest Expense on bills payable	Ultimate Parent Company	Expense	98.3
Rent Expense	Ultimate Parent Company	Expense	11
Management Expense	Ultimate Parent Company	Expense	2.4
Interest Income on loans	Subsidiary	Income	0.7
Service Fees	Subsidiary	Income	8.4
Rent Income	Subsidiary	Income	0.4
Management Fees	Subsidiary	Income	0.4
Professional fees	Affiliate	Expense	2.8
Short-term Benefits	Key Management Personnel	Expense	57.7
Post-employment Benefits	Key Management Personnel	Expense	17
Advances to Officers	Key Management Personnel	Expense	1.7
Savings and Demand Deposit	Ultimate Parent Company	Asset	52.7
Bills Payable	Ultimate Parent Company	Liabilities	6,731.7
Advances to Officers	Key Management Personnel	Income	1.6
Loans to Officers and Employees	Retirement Benefit Fund		3.4
Loans to Members and Beneficiaries	Retirement Benefit Fund		2.4
Shares of Stock	Retirement Benefit Fund		0.09

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders? Please refer to the Rules on DOSRI LOANS and Intra-group outsourcing guidelines.

J. RIGHTS OF STOCKHOLDERS

3) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Section 4. Quorum. The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for the transaction of business, and every decision of majority of the quorum duly assembles as Board shall be valid as a corporate act; but one or more directors present at the time and place for which meeting shall been called may adjourn any meeting from time to time until a quorum shall be present.
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(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Stockholder ratification
Description	The corporate acts approved by the Board of Directors and all actions of Management are being presented to the stockholders during the Annual Meeting for ratification..

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
none	none

Dividends

Declaration Date	Record Date	Payment Date
April 18, 2012	May 31, 2012	June 27, 2012
April 17, 2013	May 17, 2013	June 13, 2013

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

6. Measures Adopted	7. Communication Procedure
Open forum during stockholders' meetings	Stockholders are encouraged and given the opportunity to ask questions relative to the company or any stockholder concern during stockholders' meetings and these questions are answered by the members of the Board or Management, and the concerns acted upon.
Stockholder relations desk	Staffs in the Office of the Corporate Secretary had been tasked to address queries from stockholders. Stockholders can either call the office or go there personally and they will be assisted.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

- a. Amendments to the company's constitution
- b. Authorization of additional shares
- c. Transfer of all or substantially all assets, which in effect results in the sale of the company

(Reference: DIS)

At each shareholders' meeting, holders of a majority of BDOLF's issued and outstanding voting shares who are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the shareholders are entitled to cumulate their votes.

There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done viva voce, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder.

BDOLF's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors. Securities Transfer Services, Inc., BDOLF's stock transfer agent, an independent party, is tasked to count votes on any matter properly brought to the vote of the shareholders, including the election of directors.

Shareholders holding BDOLF common shares as of record date are entitled to vote on the matters indicated in the Notice and Agenda.

3 .Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up?

Under the By-Laws of BDOLF, notices to stockholders should be sent out at least 30 days prior to the date of the stockholders' meeting.

d. Date of sending out notices:

March 15, 2013

e. Date of the Annual/Special Stockholders' Meeting: April 17, 2013

4.State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

- A stockholder inquired on the performance of BDOLF in terms of Net Income. The President replied that BDOLF attained 96% of its Net Income target for 2012.
- A stockholder asked if dividends would be declared considering that the income for the Fiscal Year ended December 31, 2012 was higher compared to the previous fiscal year. The Chairman said that the declaration would be made in the latter part of the meeting.
- A stockholder inquired if it would still be better for BDOLF to do business considering that the cost of money was going down. The Chairman replied that there were certain businesses that were turned-down due to pricing issues but the plan would be to expand the client base/market of BDOLF and tap other businesses/industries.

5. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
President's Report on the result of the operations of BDO Leasing and Finance, Inc. and the Audited Financial Statements for the year ended December 31, 2012	Minutes of the Annual Stockholders' Meeting held last April 18, 2012	none	none
Election of the Board of Directors	Ratification of actions taken by the Board of Directors, the duly constituted Committees, the Management and the officers of the Corporation since the last Annual Meeting of the Stockholders		
Appointment of the external auditor (Punongbayan & Araullo) of BDOLF for the year 2013.			

6.Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
April 17, 2013

f. Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
None	none

g. Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 19, 2013

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	<u>Board of Directors:</u> 1. Jesse H. T. Andres 2. Antonio N. Cotoco 3. Ma. Leonora V. De Jesus 4. Georgiana A. Gamboa 5. Roberto E. Lapid 6. Luis S. Reyes, Jr. 7. Teresita T. Sy 8. Nestor V. Tan 9. Jesus G. Tirona 10. Exequiel P. Villacorta, Jr. 11. Walter C. Wassmer <u>Officers:</u> ➤ Joseph Jason M. Natividad (Corp. Secretary) ➤ Rebecca S. Torres (Asst. Corporate Secretary) ➤ Elmer B. Serrano (CIO) ➤ Renato G. Oñate (FVP/Treasurer) ➤ Rodolfo M. Carlos, Jr. (VP/ Chief Risk & Compliance Officer) ➤ Rosalisa K. Alindahao (VP)	April 17, 2013		0.1026%	85.1034 %	85.2060%
Special						

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? YES

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of

shares, describe the voting rights attached to each class of shares. YES

Title of Each Class

Common

One (1) vote per share except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

h. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	A proxy which is regular on its face and apparently executed by a shareholder is presumed to be authentic and genuine and shall be accepted.
Notary	Proxy forms need no to be notarized.
Submission of Proxy	Seven (7) business days before Annual Stockholders' Meeting
Several Proxies	As a rule, a later proxy revokes an earlier one. The date of execution, the postmark date, and the postmark time are usually considered in determining which proxy is the later proxy.
Validity of Proxy	As specified in the proxy form
Proxies executed abroad	A proxy shall not be invalidated on the ground alone that it was executed abroad.
Invalidated Proxy	A proxy invalidated on proper grounds cannot be utilized at the meeting.
Validation of Proxy	A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by BDOLF's stock and transfer agent shall be convened. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.
Violation of Proxy	Any action of a proxy holder in violation of the shareholder's specific instructions written on the proxy shall not be recognized.

i. Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

(Reference: By-Laws)

Policies	Procedure
Notices to stockholders are sent at least 30 days prior to the date of the stockholders' meeting.	BDOLF entered into an agreement with STSI, its stock and transfer agent, for the sending of notices to its stockholders

j. Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,195
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 15, 2013
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 15, 2013
State whether CD format or hard copies were distributed	Hard copies of DIS were distributed
If yes, indicate whether requesting stockholders were provided hard copies	YES

k. Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES
Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

4) Treatment of Minority Stockholders

(a) State the company's policies with respect to the treatment of minority stockholders.

(Reference: Corgov Manual)

A) The Board of Directors shall be committed to respect the following rights of the stockholders:

- **Voting Rights.**

- a. Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
- b. Cumulative voting shall be used in the election of directors.
- c. A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

- **Power of Inspection**

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

- **Right to Information**

- a. The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.
- b. The minority shareholders shall have access to any information relating to matters for which the management is accountable.
- c. The minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.

- **Right to Dividends**

- Shareholders shall have the right to receive dividends subject to the discretion of the Board of Directors.
- The Company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital except;

i. When the Company is prohibited by the BSP or under any loan agreement with any financial institution or creditor to declare dividends without its consent and such consent has not been secured.

ii. When such retention is clearly necessary under special circumstances obtaining in the Company, such as a need for special reserves for possible contingencies.

iii. When justified by definite corporate expansion projects or programs approved by the Board.

- **Appraisal Right**

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

- a. In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.
- b. In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.
- c. In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.

1. The stockholders shall be encouraged to attend personally or by proxy such meetings of the stockholders.
2. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.
3. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval.

Policies	Implementation
<p>RIGHTS OF SHAREHOLDERS</p> <p>The Company recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company.</p>	<p>By appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or the Investors' Relations through the contact details provided in the website.</p>

- (b) Do minority stockholders have a right to nominate candidates for board of directors?
Yes

K. INVESTORS RELATIONS PROGRAM

- 1) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.
 - Investor Relations of BDOLF is already included and taken care of by the Parent Bank's Investor Relations Unit.
 - BDOLF strictly adheres to regulatory disclosure guidelines on material announcements or developments about the Company which are disclosed to the PSE and SEC within ten (10) minutes following Board meetings during regular business hours on weekdays, or the following trading day should the meeting fall on a weekend. After the submission of regulatory disclosures, these are then forwarded to the press and wire agencies, as well as promptly posted in the Company's website.
 - The Company's external and internal communications policies as well as major announcements about the Company are reviewed by the President and/or Board Chairperson.
- 2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

The Company's Investor Relation program is included in the Parent Bank's program as follows:

Details

(1) Objectives	<ul style="list-style-type: none"> • To foster effective communication with the Company's stockholders, other stakeholders, and the public in general, promote stakeholders' rights and interests, and enhance investor and shareholder relation • The Company employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Company. • Communication with the core audience is handled by the following: Investor Relations and Corporate Planning (IR and Corplan) for institutional investors and analysts; and the Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the Board members and key management. Also, communications requiring media involvement are done in conjunction with the Company's Corporate Communications Group (MCG).
(2) Principles	<ul style="list-style-type: none"> • The Company adheres to five (5) basic principles: accountability, fairness, integrity, transparency, and performance.
(3) Modes of Communications	<p><u>Investor Relations (IR)</u></p> <ul style="list-style-type: none"> • IR is a key component of the Company's corporate governance framework, promoting transparency and active engagement with investors and analysts, as well as with Board members and key management. • To the investment community, IR articulates the Company's strategic directions as well as updates investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through one-on-one meetings during conferences and roadshows, supplemented by periodic email broadcasts and posting of disclosures in the Company's website. This ensures continuing access to both strategic and financial information about BDOLF. • To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. IR likewise prepares and presents to the Board quarterly reports on institutional ownership, industry rankings, and comparative financial performance, as well as BDOLF's performance and share

	<p>price analysis/valuation, among others.</p> <ul style="list-style-type: none"> IR also maintains the IR page of the Company's website, and regularly updates its contents that include, among others, the Company's financial statements and reports, credit ratings, investor presentations, company stock valuation indicators, as well as dividend, capital and funding history. <p><u>CorSec</u></p> <ul style="list-style-type: none"> Corsec informs retail investors on recent developments about the Company (which include, among others, declaration of cash/stock dividends; venue, date, time, and agenda of the Company's annual meetings; explanation of each agenda item requiring shareholders' approval; explanation of the method of voting, and disclosure of voting results; quarterly reports on the Company's financial performance) and other relevant corporate information through timely disclosures posted in the websites of the PSE, SEC, as well as of the Company. To Board members and key management, CorSec provides minutes of Board and Board Committee meetings (specifically Audit, Corporate Governance, Nominations, and Risk Management). Corsec maintains a pro-active relationship with the Company's shareholders as it directly addresses their concerns and queries. It directly liaises with the Company's stock transfer agent on matters relating to stockholders' claims for cash dividends, updating of contact information, and requests for documents and/or information regarding their stockholdings.
(4) Investors Relations Officer	<p>Mr. Luis S. Reyes, Jr. Contact No.: 840-7142 Fax No.: 878-4151 Email: irandcorplan@bdo.com.ph</p> <p>Richard R. Tan Contact No.: 878-4809 Fax No.: 878-4151 Email: irandcorplan@bdo.com.ph</p>

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

The Company's Board of Directors may or may not appoint an independent party, depending on the size and complexity of the transaction. Evaluation of the transaction price is usually taken on a case-to-case basis.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Donated furnitures, fixtures and equipment	Bahay ni Maria (c/o BDO Leasing San Pablo branch)
	Gawad Kalinga (c/o BDO Leasing Davao branch)
	Gulong ng Palad (c/o BDO Leasing CDO branch)

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-Evaluation by all directors and advisers	Please refer to Annex A-5
Board Committees	Self-evaluation by Committee members and advisers	same
Individual Directors	Peer Evaluation by other directors and advisers	same
CEO/President	Self-Evaluation by other directors and advisers	Qualifications, Financial Results, Regulatory Compliance and Integrity

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Willful violations or non-compliance of the provisions of the Corporate Governance Manual	Subject to a penalty to be determined by the Board of Directors.



**TERMS OF REFERENCE
EXECUTIVE COMMITTEE**

I. Constitution

The Executive Committee shall be established by the Board of Directors (BOD) of Banco De Oro Unibank, Inc. (BDO Unibank). It is an extension of the BDO Unibank Board.

II. Objectives

The Executive Committee shall have the full authority to act on behalf of the Board of Directors on matters affecting the operations of the Bank subject to such limitations/ceilings that may be imposed by law, the Bank's by-laws, and the Bank's Board of Directors.

III. Duties and Responsibilities

- It shall have the authority to act on credit proposals as follows:
 1. Approval of credits above P50,000,000.00;
 2. Confirmation of all new accounts above P10,000,000.00;
 3. Confirmation of credits approved under delegated authorities above P25,000,000.00;
 4. Confirmation of SMB credits above P10,000,000.00;
 5. Confirmation of CLG credits above P25,000,000.00;
 6. Approval of Remedial proposals above P25,000,000.00; and
 7. Confirmation of Remedial proposals approved by the Management Credit Committee above P10,000,000.00
- It shall have the authority to approve technology-related projects or such other initiatives as may be recommended by management for the purpose of enhancing the Bank's operating and service delivery capabilities. Provided further, that it shall have the authority to approve the capital expenditures for such projects/initiatives in excess of US\$10 million but not to exceed US\$25 million or its equivalent.
- It shall have the authority to approve for implementation operating policies and/or manuals and amendments thereto as may be recommended by management.
- It shall endorse for the approval of the Board of Directors recommendations of management to establish domestic or foreign

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branch offices and/or extension offices at such places as will serve the public interest as well as the interest of the Bank.

- It shall endorse for the approval of the Board of Directors recommendations of management to establish domestic or foreign subsidiaries as will serve the interest of the Bank.
- It shall endorse for the approval of the Board of Directors recommendations of management on any amendments to the Bank's Articles of Incorporation and/or By laws.

IV. Membership

The Executive Committee shall be composed of at least three (3) directors and at least two (2) members of senior management who shall be appointed / designated by the Board of Directors.

V. Meetings

The Executive Committee shall convene weekly or as often as it may be necessary for the resolution of all matters referred to it.



TERMS OF REFERENCE BOARD AUDIT COMMITTEE

I. Constitution

The Board Audit Committee (BAC) shall be established by the Board of Directors (BOD) of BDO Leasing and Finance Corp. (BDOLF). BDOLF being a subsidiary of BDC, follows the rationale for the establishment of an audit committee as required and directed by the Bangko Sentral ng Pilipinas (BSP) Circular No. 450 Series of 2004 which amended Subsection X141.3.c (9) of the Manual of Regulations for Banks and BSP Circular No. 749 Series of 2012. As such, the BAC of the BDOLF is an extension of the BDOLF Board.

The BAC shall have the authority to investigate any matter within its terms of reference, full access to management and full discretion to invite any director, executive officer(s) and staff to attend its meetings. It shall be extended full cooperation by management and be provided with adequate resources to enable it to effectively discharge its functions.

It shall also oversee the company's compliance requisites as mandated by the appropriate regulatory bodies.

II. Objectives

- A. To provide oversight on the BDOLF financial reporting process, system of internal control, audit process and monitoring of compliance with applicable rules and regulation.
- B. To ensure that a review of the effectiveness of the company's internal controls, including financial, operational and compliance controls and risk management is conducted annually.
- C. To provide oversight functions over the company's internal and external audit functions.

III. Duties and Responsibilities

A. Over the Internal Audit Division

1. It shall be responsible for organizing the Internal Audit Division, and the appointment of the Internal Auditor who shall report directly to the Committee.
2. It shall perform oversight function over the Internal Audit.
3. It shall review the annual internal audit plan to ensure its conformity with the objectives of the company. The plan shall include audit scope, resources and budget necessary and timetable for its implementation
4. It shall ensure that Internal Audit Division examines, evaluates and improves the effectiveness of risk management, internal control and governance processes of the organization.
5. It shall review the internal audit reports and report major issues to the Board.

B. Over External Audit and External Auditors

1. It shall recommend to the BOD the appointment, re-appointment and/or change of external auditor.
2. It shall discuss with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work.
3. It shall review the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and Bangko Sentral's Report of Examination and recommendations before endorsing the same to the BOD for its approval.

4. It shall evaluate non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

C. Over Operational, Financial and Anti-Money Laundering Compliance.

1. It shall review and approve the annual plan of the Compliance Office
2. It shall review the quarterly, half-year and annual financial statements before their submission to the BOD.
3. It shall require the submission of reports on financial or administrative penalties incurred due to delayed/non-submission/erroneous submission of required regulatory reports.

D. Reporting Hierarchy.

The BAC shall report to the BOD minutes of its meeting.

IV. Authority

- A. The BAC shall ensure that the internal and external auditors are independently from each other and that both are given unrestricted access to all properties and personnel to enable them to perform their respective audit functions.
- B. The BAC shall review the company's processes that allow the employees to raise concerns, in confidence, about possible issues in financial reporting and/or other matters.



V. Membership

A. Members of the BAC shall be directors appointed by the company's BOD, with at least two independent directors, one of whom shall serve as BAC chair. Advisers may also be appointed to the company BAC by the BOD.

B. BAC members shall be preferably with accounting, auditing, or related financial management experience.

VI. Meetings

Frequency of Meetings – at least once a month with the presence of at least one independent director.

VII. Other Matters

At least once a year, review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval.

Respectfully submitted,


Ma. Leonora V. De Jesus, Chairperson


Jesus G. Tirona, Member


Atty. Jesse H.T. Andres, Member



**TERMS OF REFERENCE
BDO LEASING AND FINANCE, INC.
NOMINATION COMMITTEE**

I. Constitution

The Nomination Committee is a committee of the Board of Directors (BOD) of BDO Leasing and Finance, Inc. (BDOLF) from which it derives its authority and reports regularly. It was established in accordance with the regulatory requirements of the Securities and Exchange Commission (SEC).

II. Objectives

To ensure that the nominees for election to the Board of Directors of BDOLF and such other positions requiring election or appointment of the Board are qualified in accordance with the fit and proper rules of the regulators.

III. Duties and Responsibilities

- It shall review and evaluate the qualifications of all persons nominated for election to the BOD prior to BDOLF's annual stockholders' meeting in accordance with the Company's Bylaws.
- In the event of vacancies in the BOD, it shall review and qualify individuals nominated to become Directors of BDOLF, and recommend to the BOD such qualified person(s) for appointment.
- It shall review and evaluate the qualifications of corporate officers requiring appointment by the BOD.

IV. Reporting Hierarchy

The Nomination Committee shall report its discussion to the BOD by distributing the highlights thereof and where appropriate, by oral report of the Committee Chairman at the next Board meeting and submit the minutes of its meetings for notation. The minutes shall be noted by the Corporate Secretary and shall include recording of names of those present.

V. Membership

The Nomination Committee shall be composed of three (3) members, a majority of whom shall be independent directors.

VI. Frequency of Meetings

The Nomination Committee shall convene at least once a year or as may be required to perform its duties and responsibilities. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee. Ability to act on matters can be by verbal or written consent by majority of the Committee members. Less than 50% attendance at Committee meetings in one (1) year shall be considered automatic threshold for non-reappointment.

VII. SECRETARY

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Nominations Committee.

VIII. MINUTES OF THE MEETING

The minutes of the meeting shall also include the names of those present, noted by the Corporate Secretary and circulated to all attendees.

IX. DISCLOSURE

The membership of the Nominations Committee and its activities during the year shall be disclosed and published in the Annual Report of BDLF.

APPROVED BY:


JESSE H.T. ANDRES
CHAIRMAN


LEONORA M. DE JESUS
MEMBER


ANTONIO N. COTO
MEMBER



**TERMS OF REFERENCE
BDO LEASING AND FINANCE, INC.
CORPORATE GOVERNANCE COMMITTEE**

I. Constitution

The Corporate Governance Committee is a committee of the Board of Directors of BDO Leasing and Finance, Inc. (BDOLF) from which it derives its authority and reports to regularly. It was established by virtue of BSP Circular No. 456, as amended by BSP Circular No. 749 and BSP Circular No. 757, that directed the Board to do so and takes a leadership role in shaping the corporate governance policies and practices of BDOLF, recommending applicable guidelines and monitoring compliance.

II. Purpose

The Committee shall assist the Board in fulfilling its corporate governance responsibilities by providing a focus on governance that will enhance the Board's performance and effectiveness, taking into consideration governance best practices, as applicable. It shall also assist the Board in establishing BDOLF as a recognized financial institution for its good governance practices.

III. Objectives

The Committee, through the Corporate Governance Officer, shall have oversight responsibility over the compliance of corporate governance regulations of BDOLF and its authority shall extend to all subsidiaries and affiliates of the company.

IV. Duties and Responsibilities

The Committee shall perform the following:

- Review and assess the adequacy of BDOLF's policies and practices on corporate governance including the Corporate Governance Manual and recommend changes for approval of the Board;
- Advise the Board on any significant developments in the regulatory and best practices on corporate governance;
- Review the adequacy of the charters adopted by each committee of the Board and recommend changes as necessary;
- Review the Board Committee memberships to ensure adequacy of structure and composition. This shall include advising the Board on committee appointments, rotation of committee members and Chairpersons;
- Develop appropriate criteria and make recommendations to the Board regarding the definition of independent directors;
- Review the term limits and committee memberships of Board members and alert the Board as to which Committees will be affected;

- Review and redefine the criteria for the yearly board and director evaluation process;
- Conduct annual self-performance evaluation of the Board of Directors, its committees, executive management and each director using the approved criteria;
- Report annually to the Board the overall assessment of the Board and Directors' performance and effectiveness including recommendations for improvement;
- Make available a suitable induction and orientation process for new directors, and for the continuing education of existing directors, recommend the specific programs/topics and monitor its implementation;
- Review management's plan for succession to key leadership positions within BCOLF giving full consideration to the skills and expertise needed in the future;
- The Committee Chairman shall serve as a resource person in qualifying nominees to the Board, assignment to committees, succession plans for Board members and senior officers, and their remuneration commensurate with corporate and individual performance.
- Conduct an annual review of the Committee's performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes to the Board as needed;
- Report regularly to the Board on the Committee's activities;
- Develop and recommend a specific and clearly stated Corporate Governance Improvement Plan (CGIP) to be approved by the Board, periodically reviewed and amended as necessary;
- Perform any other duties and responsibilities expressly delegated by the Board to the Committee from time to time.

At least once a year, the Committee shall review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval.

V. MEMBERSHIP

The Committee shall be composed of at least three (3) directors up to a maximum of five (5) Directors, three (3) of whom shall be independent directors. They shall serve for a minimum term of one (1) year.

The Chairman of the Committee shall be one of the independent directors.

VI. MEETINGS

The Committee shall meet at least once every quarter with the presence of at least two (2) independent directors, with additional meetings at the discretion of the Committee Chairman. Meetings may be in person, by telephone, web, or other electronic means agreeable to the Committee. Ability to act on matters can be by verbal or written

consent by majority of the Committee members. Less than 50% attendance at Committee meetings in one (1) year shall be considered automatic threshold for non-reappointment.

VII. SECRETARY

The Corporate Secretary, and/or the Asst. Corporate Secretary shall attend all meetings of the Committee.

VIII. MINUTES OF THE MEETING

The minutes of the meeting shall also include the names of those present, noted by the Corporate Secretary and circulated to all attendees.

IX. REPORTING

The Committee shall report its discussion to the Board by distributing the highlights thereof and where appropriate, by oral report of the Committee Chairman at the next Board meeting.

X. DISCLOSURE

The membership of the Committee, its activities during the year and review of corporate governance shall be disclosed and published in the Annual Report of BDOLF.

APPROVED BY:



JESUÉ G. TIRONA
CHAIRMAN



JESSE H.T. ANDRES
MEMBER



ANTONIO N. COTUCO
MEMBER



LEONORA V. DE JESUS
MEMBER



**BDO LEASING AND FINANCE, INC.
TERMS OF REFERENCE
RISK MANAGEMENT COMMITTEE**

I. Constitution

The Risk Management Committee (RMC) shall be established by the Board of Directors (BOD) of BDO Leasing and Finance, Inc. (BDOLF). It is an extension of the BDOLF Board.

II. Objectives

The Risk Management Committee shall be responsible for the development and oversight of BDOLF's risk management program.

III. Duties and Responsibilities

- It shall oversee the system of limits of discretionary authority that the Board of Directors delegates to management.
- It shall ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached.
- It shall assess the probability of each identified risk exposure of the Corporation becoming a reality and shall estimate its possible effects and costs. Priority areas of concern are those risks that are most likely to occur and are costly when they happen.

Considering the importance of appropriately addressing credit risk, a separate Credit Committee created by the Board of Directors shall continue to function guided by the established credit policies, procedures and directives. Strategies for managing and controlling of credit risks shall be coordinated with and monitored by the Risk Management Committee.

- It shall develop a written risk management plan, defining the strategies for managing and controlling the major risks of the Corporation.
- It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real.
- It shall communicate the risk management plan, and loss control procedures to concerned parties.

- It shall conduct regular discussions with management on the Corporation's current risk exposure based on regular management reports, and direct concerned units on how to reduce these risks.
- It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.
- It shall revisit risk-mitigating strategies, look for emerging or changing risk exposures or stay abreast of developments that affect the likelihood of harm or loss.
- It shall report regularly to the Board of Directors the Corporation's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
- At least once a year, the Risk Management Committee shall review its own performance, constitution and terms of reference to ensure that these are operating at maximum effectiveness and to recommend any changes it considers necessary to the BOD for approval.

IV. Reporting Hierarchy

The Risk Management Committee shall report to the BOD minutes of its meeting.

V. Membership

The Risk Management Committee shall be composed of at least three (3) members of the Board of Directors who shall possess a range of expertise as well as adequate knowledge of the Bank's risk exposure.

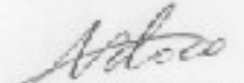
VI. Meetings

The Risk Management Committee shall convene at least once every quarter or as may be required to perform its duties and responsibilities.

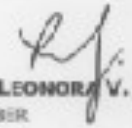
**RMC TOR
APPROVED BY:**



NESTOR V. TAN
CHAIRMAN



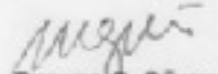
ANTONIO N. COTOCO
MEMBER



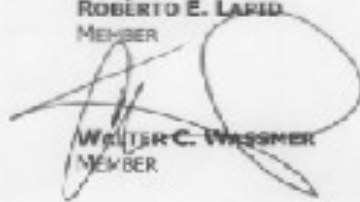
MA. LEONORA V. DE JESUS
MEMBER



ROBERTO E. LAPID
MEMBER



RENATO S. OÑATE
MEMBER



WALTER C. WASSMER
MEMBER



PART 1 – BOARD OF DIRECTORS/COMMITTEE PERFORMANCE EVALUATION

Background

As required by regulatory authorities and as a matter of good practice, the Board of Directors should conduct on a periodic basis, a review of its performance against established criteria, for purposes of assessing its effectiveness and as a tool in its efforts to improve its structure, composition, and practices and procedures.

Assessment Criteria

The following criteria assist in determining how effective the Board's performance is in:

- Leadership
- Stewardship
- Contributing to achievement of corporate objectives
- Review and approval of strategic and operational plans, objectives, budgets
- Regular monitoring of corporate results against projections
- Identify, monitor and mitigate significant risks
- Ensure consistency between the corporation's strategic and operational plans, on the one hand, and its risk appetite, on the other.
- Review management's succession plan
- Effective meetings
- Company's approach to governance
- Accountability
- Clearly defining roles and monitoring activities of committees
- Review of the Company's ethical conduct

PART 1 - BOARD OF DIRECTORS PERFORMANCE EVALUATION

Rating Scale:

On a scale of 1 to 4 with 1 being “Strongly Disagree” and 4 being “Strongly Agree” please rate the Board's performance against the following criteria.

Note: Additional comments are welcome.

	Assessment Criteria	Strongly Disagree 1	Disagree 2	Agree 3	Strongly Agree 4
Strategic Plan and Performance					
1	The Board understands the vision, mission and objectives of the Company.				
2	The Board is involved in the review and approval of corporate goals and objectives including overall operating and financial plans to achieve them.				
3	The Board focuses on strategic and long-term issues; spends adequate time to address them.				
4	The Board regularly monitors actual operating results against targets and takes appropriate action as required.				
5	The Board regularly assesses strategic and operating risks and takes appropriate action as required.				
6	The Board understands the statutory, regulatory requirements and obligations under which they act as a Board.				
7	The Board has reviewed the senior management succession plan and is satisfied with it.				
8	The Board is diligent in verifying the integrity of its financial and management controls and systems.				
9	The Board's performance in overseeing this area has improved over the course of the last 3 years.				
Additional Comments:					

	Assessment Criteria	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
Board of Directors Operations					
1	The Board is able to function independently of management and has the mechanisms in place to maintain that distinction.				
2	The Board understands the difference between its role and that of management.				
3	The Board has an adequate policy for the orientation and continuing education of directors.				
4	The number and length of Board meetings are appropriate.				
5	The subjects and issues discussed in Board meetings are of major importance.				
6	The Chair conducts the meeting in a respectful manner that ensures open communication and meaningful participation.				
7	The amount of information received in board packages is appropriate for discussion and decision making purposes.				
8	The Board materials are received sufficiently in advance to adequately prepare for meetings.				
9	Handling and disclosures of related party transactions are adequate and released on time.				
10	Conflicts of interest are properly disclosed.				
11	Vital issues elevated to the Board by management are discussed thoroughly and guidance given by the Board to management is appropriate.				
12	The Board has access to sufficient resources, both internal and outside advisers, to function effectively.				
13	The Board's performance in overseeing this area has improved over the course of the last 3 years.				
Additional Comments:					

	Assessment Criteria	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
Board Committees (Executive, Audit, Corporate Governance, Nomination and Risk)					
1	The Committee structure is appropriate and in accordance with regulatory requirements.				
2	The composition of the Committee is based on experience and credentials.				
3	The number and length of Committee meetings are appropriate and in accordance with their charter.				
4	The meetings are conducted in a manner that ensures open communication and meaningful participation.				
5	The amount of information received is appropriate for discussion and decision making purposes.				
6	The materials are received sufficiently in advance to adequately prepare for meetings.				
7	The Committee regularly reviews its mandate and performance.				
8	The Committee has access to sufficient resources, both internal and outside advisers, to function effectively.				
9	Each committee's reports (oral and written) to the Board reflect an adequate degree of diligence and deliberation and provide the full Board with an adequate understanding at the Committee's rationale for its recommendations.				
10	The Board's performance in overseeing this area has improved over the course of the last 3 years.				
Additional Comments:					

	Assessment Criteria	Strongly Disagree	Disagree	Agree	Strongly Agree
		1	2	3	4
Board's Oversight of Risks					
1	The Board has a clear picture of the Company's risk profile.				
2	The reports that the Board receives from the Company's Senior Risk Officer are sufficiently detailed to permit the Board to have a high degree of confidence that risks are effectively identified, measured and managed by the Company.				
3	The Board has sufficient resources and authority to ensure that an effective system of risk management is in place at the Company.				
4	The Board reviews, understands and approves the Company's risk appetite.				
5	The Board's performance in overseeing this area has improved over the course of the last three years.				
Additional Comments:					

PART 2 – DIRECTOR PEER PERFORMANCE EVALUATION

Background

The peer evaluation is intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the following rating scale and questions:

Rating Scale:

- 1 - Exceeds Expectation**
- 2 - Meets Expectation**
- 3 - Needs improvement**

Questions:

	The director:
1	Understands the vision, mission and objectives of the Company.
2	Understands the Company's organizational structure and culture.
3	Understands the business and regulatory environments in which the Company operates.
4	Demonstrates a solid understanding of his/her responsibilities as a Director, including his/her statutory and fiduciary roles; understands the distinction between governance and management and acts appropriately in his/her governance role.
5	Demonstrates high ethical standards in his/her personal and professional dealings.
6	Is willing to act and be accountable for his/her boardroom decisions.
7	Is diligent in preparing for board and committee meetings (knows the material; has well informed questions; has consulted other Directors and/or management, if required, to evaluate and add value to agenda items presented).
8	Contributes meaningfully and knowledgeably to board discussions; makes useful suggestions; provides strategic insight and direction.
9	Is willing to take a stand or express a view, even if it runs contrary to prevailing wisdom or the direction of the conversation; shows independent thinking.
10	Displays an understanding of strategy and vision; conceptualizes key trends; evaluates strategic decisions.
11	Demonstrates an ability to identify the costs, benefits and implications of board decisions.
12	Listens effectively to others' ideas and viewpoints; encourages contributions from other Directors.
13	Is financially literate; demonstrates a strong understanding of financial statements; has grasped not only the fundamentals, but can see the issues behind the numbers.
14	Appropriately questions data and information presented to the board for its deliberation.
15	Is a team player; works effectively with fellow Directors; tries to build consensus; manage conflict constructively.
16	Is sensitive to and supportive of the complex relationships that naturally exist among management,

	The director:
	the Board Chair, the independent Directors and the President.
17	Communicates persuasively and logically; voices concerns, raises tough questions in a manner that encourages open discussion.
18	Respects confidentiality of Company's information.
19	Participates on committees and is knowledgeable about the purpose and goals of each committee.
20	Understands his/her specific responsibilities as a committee member.
21	Understands the process of committee work, and the role of management and staff supporting the Committee.
22	Has the necessary time and commitment to fulfill his/her responsibilities as a Director and as a member of board committees.
23	Maintains an excellent attendance record at board and committee meetings.
24	Available when needed; accessible and approachable.
25	Actively seeks out ways to improve board and committee performance.
26	Has a personal track record of achievements, which lend credibility to his/her business judgment as board member.
27	Effectively applies his/her knowledge, experience and expertise to issues confronting the Company.
28	Overall, makes a valuable contribution to the functioning of the board.