

COVER SHEET

SEC Registration Number

3 4 0 0 1

Company Name

B D O U N I B A N K , I N C .

Principal Office (No./Street/Barangay/City/Town/Province)

B D O C O R P O R A T E C E N T E R , 7 8 9 9 M A K A T I A V E N U E , M A K A T I C I T Y

Form Type

1 7 - A

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's Email Address

Company's Telephone Number/s

(632) 8840-7000

Mobile Number

No. of Stockholders

Annual Meeting Month/Day

Fiscal Year Month/Day

December 31

CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Edmundo L. Tan

Email Address

tan.edmundo@bdo.com.ph

Telephone Number/s

+63 (2) 8878-4210

Mobile Number

Contact Person's Address

BDO Towers Valero, 8741 Paseo de Roxas, Makati City

Note: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: 31 December 2021
2. SEC Identification Number: 34001 3. BIR Tax Identification No. 000-708-174-000
4. Exact name of registrant as specified in its charter: BDO UNIBANK, INC.
5. Metro Manila, Philippines 6.  (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. BDO Corporate Center, 7899 Makati Avenue, Makati City 0726  
Address of principal office Postal Code
8. (632) 8840-7000  
Issuer's telephone number, including area code
9. N.A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

| <u>Title of Each Class</u>        | <u>Number of Shares</u>             |
|-----------------------------------|-------------------------------------|
| Common Stock, ₱10.00 par value    | 4,385,908,115 (as of April 5, 2022) |
| Preferred Stock, ₱10.00 par value | 515,000,000                         |

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

Yes [ X ] No [ ]

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

Philippine Stock Exchange 4,385,908,115 Common Shares (as of April 5, 2022)

12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes  No

- (b) has been subject to such filing requirements for the past ninety (90) days.

Yes  No

13. Aggregate market value of the voting stock held by non-affiliates: ₱233,654,121,072.70  
(₱120.70 BDO share price as of December 31, 2021)

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Sustainability Report



## PART I – BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### 1) Business Development

##### (a) Form and Year of Organization

BDO Unibank, Inc. (BDO or the "Bank"), originally known as Acme Savings Bank, was acquired by the SM Group in 1976. The SM Group is one of the largest conglomerates in the Philippines, with substantial interests in financial services, real estate development, and tourism and entertainment, founded around its core business in commercial centers and retailing. BDO listed its shares on the Philippine Stock Exchange (PSE) on 21 May 2002.

BDO is now the market leader in most of its core business lines following its merger with Equitable PCI Bank (EPCI) in May 2007. The Bank offers a complete array of products and services, i.e. Retail Banking, Lending (Corporate, Commercial, Consumer, and SME), Treasury, Trust, Credit Cards, Corporate Cash Management and Remittances. Through its subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Bancassurance, Insurance Brokerage and Stock Brokerage services. It has one of the largest branch networks, with 1,470 operating domestic branches (including 288 BDO Network Bank, Inc. (BDO Network) (formerly One Network Bank, Inc.) branches) and two full-service branches in Hong Kong and Singapore. As of 31 December 2021, its network includes 16 overseas remittance and representative offices across Asia, North America, Europe and the Middle East, and 4,484 automated teller machines (ATMs) (including 332 BDO Network ATMs), 624 cash deposit machines and 9 self-service teller machines.

Over the past several years, the Bank has experienced significant growth. This resulted from organic growth arising from a wider array of products and services, as well as through mergers and acquisitions of banks. Sustaining earlier gains, the Bank is currently the largest bank in the Philippines in terms of total assets, loans, deposits and trust assets as of 31 December 2021.

BDO's diverse subsidiaries and investments in allied undertakings provide an extensive range of banking and other financial services. The Bank's subsidiaries and associates as of 31 December 2021 are as follows:

| Philippine Subsidiaries     | % Interest Held |
|-----------------------------|-----------------|
| Averon Holdings Corp.       | 100%            |
| BDO Insurance Brokers, Inc. | 100%            |
| BDO Private Bank, Inc.      | 100%            |
| BDO Finance Corporation     | 100%            |

|   |                        |
|---|------------------------|
| BDO Rental, Inc.  | 100%                   |
| BDO Securities Corporation                                    | 99.99%*                |
| BDO Strategic Holdings, Inc.                                  | 100%                   |
| BDO Capital & Investment Corporation                          | 99.88%                 |
| BDO Life Assurance Company, Inc.                              | 97%                    |
| BDO Leasing and Finance, Inc.                                 | 87.43%                 |
| BDO Network Bank, Inc.  | 84.87%                 |
| Armstrong Securities, Inc.                                    | 80%                    |
| Equimark – NFC Development Corp.                              | 60%                    |
| <b>Foreign Subsidiaries</b>                                   | <b>% Interest Held</b> |
| BDO Remit (Canada), Ltd.                                      | 100%                   |
| BDO Remit (Japan), Ltd.                                       | 100%                   |
| BDO Remit (Macau), Ltd.                                       | 100%                   |
| BDO Remit (USA), Inc.   | 100%                   |
| BDO Remit (UK) Ltd.   | 100%                   |
| BDO Remit (Spain) S.A.  | 100%                   |
| CBN Greece S.A.   | 99.92%                 |
| BDO Remit Limited   | 100%                   |
| BDORO Europe Ltd.   | 100%                   |
| BDO Remit International Holdings B.V.                         | 96.32%                 |
| <b>Associates</b>   | <b>% Interest Held</b> |
| SM Keppel Land, Inc.  | 50%                    |
| Taal Land, Inc.   | 33.33%                 |
| Northpine Land, Inc.  | 20%                    |
| NLEX Corporation (formerly Manila North Tollways Corporation) | 11.70%                 |

\*97.35% owned via BDO Cap and 2.65% directly owned by BDO

None of the Bank's subsidiaries and associates is under any bankruptcy, receivership or similar proceedings. Further, such subsidiaries and associates have not engaged in any material reclassification, merger, consolidation or purchase or sale of a significant amount of assets that is not in the ordinary course of business.

## 2) **Business of Issuer**

### (i) **Principal Products and Services**

BDO offers a wide array of Peso, Dollar, and Third Currency deposit products and services catering to a broad and diversified client base. These products cut across all age groups and

customer profiles (such as kids, young professionals, entrepreneurs, OFWs and their beneficiaries and retirees). Further details on the Bank's various deposit products can be accessed at its website [www.bdo.com.ph](http://www.bdo.com.ph).

### **Remittance**

BDO's strength in providing top remittance services lies in its extensive international reach spanning Asia, Europe, North America, and the Middle East. On the distribution side, a strong domestic coverage consisting of the Bank's wide branch network and remittance partners that include, among others, ShoeMart (SM), thrift banks, pawnshops, as well as other financial service partners, complements the Bank's international presence. BDO also has tie-ups with SM and its partner establishments, as well as food outlets (like Jollibee and Max's) that provide clients with unique value-added services such as gift and food remittance delivery.

### **Trust Services**

BDO has created and grown its trust services and investment product offerings to provide solutions for every kind of client or investor need under a trust or an agency agreement. It is currently the dominant player in the local trust industry and is the first local financial institution to breach the PhP 1 trillion assets under management (AUM) threshold as of end-2016. In the Unit Investment Trust Fund business, BDO also has a lion's share, a testament to its investment expertise.

### **Treasury**

The Bank provides treasury products and services to clients ranging from retail, middle market and large corporates, both onshore and offshore. These services include purchase and sale of foreign exchange, fixed income securities as well as offering hedging tools (in the form of derivatives) to mitigate the clients' interest and foreign exchange risks. As the bank is committed to be its clients' partner for growth, the bank holds periodic economic briefings and forums to keep its clients abreast of the financial market conditions. This also serves as a venue for the bank to listen to the clients' needs and offer solutions. On several occasions, the Bank has been recognized and has been a recipient of various awards in the area of foreign exchange and fixed income securities.

### **Transaction Banking**

BDO's transaction-based services provide high value-added cash management government entities, and small- and medium-enterprises (SMEs). The Bank's electronic banking services, which include the Bank's over 4,439 ATMs nationwide (including 275 ATMs under BDO Network), 599 cash deposit machines and five self-service teller machines, as well as browser-based, mobile app, and landline banking facilities, allow customers to access their accounts and perform an extensive range of banking transactions at their convenience anytime and anywhere. Meanwhile, the Bank's debit card facility lets customers enjoy the

convenience of hassle-free cashless payment and easy cash access using either pre-loaded or account-funded cards

### **Credit Cards**

In the credit card industry, BDO issues the most brands in the country, namely Mastercard, Visa, JCB, UnionPay, Diners Club and American Express, including corporate and tie-up cards with different companies.

The bank likewise dominates the merchant acquiring business in the Philippines with BDO POS terminals being the pioneering terminals in the industry to accept the six (6) credit card brands and all locally issued ATM/Debit Cards.

### **Investment Banking**

Through its subsidiary, BDO Capital & Investment Corp., the Bank provides expertise and optimal solutions to address the capital raising needs of corporations and government entities plus meet the investment needs of retail and institutional investors. The Bank's strong origination and structuring capabilities, robust distribution network, dominant presence in both the equities and capital markets, and established track record all highlight BDO's brand of investment banking.

### **Insurance**

The Bank provides its clients non-life and group life insurance through BDO Insurance Brokers, Inc., a wholly owned subsidiary. The Bank also has a bancassurance license with BDO Life that permits it to market and sell individual life insurance products through its nationwide network, permitting customers access to a wide array of insurance products.

### **Trade Services**

Trade finance plays a key role in the Bank. BDO's commitment to the trade business is reflected in its significant investments in technology, processing capabilities and people. BDO's strategy is to be able to provide a variety of trade solutions that fit clients' requirements at the least cost possible. We take a proactive role in finding out what our clients need and customize trade solutions to meet these needs.

Given BDO's leading standing in the industry and broad client coverage, BDO is able to capture a significant market share of customers' trade finance transactions.

BDO has the ability to offer competitive pricing because of its access to low-cost funding as well as preferential pricing from its network of correspondent bank relationships.

Trade transactions are being serviced in 5 Trade Processing Centers geographically located across the country with 3 centers in Metro Manila and one each in Cebu and Davao. These

centers are manned by around 100 employees who are trained in all aspects of international trade processing. Moreover, each center has a dedicated Customer Service team who are equipped to provide prompt response to clients' inquiries and concerns. We have also implemented groundbreaking services in the Philippines which include weekend banking and extended banking hours for our domestic branch network.

BDO is also able to service trade requirements of clients who would like to open their Letters of Credit offshore through the trade capabilities of BDO Hong Kong and BDO Singapore branches.

BDO offers a wide variety of documentary products and services including: 1) Letters of Credit (LC); 2) Import LC Openings and Negotiations; 3) Domestic LC; 4) Standby LCs; 5) Trust Receipt Financing; 6) Export Letters of Credit; 7) Export LC Advising and Confirmation; 8) Export Advances; 9) Export Bills Purchase; 10) Non-Letters of Credit; 11) Open account remittances; 12) Documents against Acceptance; and, 13) Documents against Payment.

### **International Desks**

The International Desks (IDesks) of BDO's Institutional Banking Group comprise teams of relationship managers with international and local banking experience, dedicated to address the financial needs of foreign companies and nationals conducting business and/or with business interests, or residing in the Philippines, as well as embassies, diplomats, multilateral organisations, foreign chambers of commerce and international schools. IDesks' teams have been organized along geographic lines: ASEAN, China, EU, Japan, South Korea, North America/Australia and New Zealand, and Taiwan. Furthermore, several IDesks team members speak Japanese, Korean and the Chinese dialects of Mandarin and Fookien. In addition, IDesks' Multilateral and ECA (Export Credit Agency) Desk manage and facilitate specialized guarantee facilities and wholesale long term loan facilities for eligible clients and projects sourced from multilateral organizations such as the Asian Development Bank and the World Bank's International Finance Corporation; international export credit agencies such as the Japan Bank of International Cooperation and the Korea Export Import Bank; and domestically from the specialized lending facilities of the Development Bank of the Philippines, Land Bank, and the Social Security System.

### **Leasing**

BDO Leasing and Finance provides leasing and financing products to commercial clients. Leasing products include direct leases and sale and leaseback arrangements. Its financing products consist of commercial and consumer loans, installment paper purchases, receivables discounting and factoring. Assets financed include automobiles, trucks, office equipment, industrial, agricultural and office machinery, real property, and financial assets such as receivables.

## **(ii) Distribution Methods of Products or Services**

The Bank's products and services are available mainly through the branches, but select services are also accessible through other channels such as call centers, mobile and landline telephones, internet, and point-of-sale terminals. The Bank's extensive distribution network provides it good market coverage that is superior to many of its competitors. Aside from a branch in Hong Kong and Singapore, and a consolidated domestic network of 1,542 operating domestic branches (including of 351 branches of BDO Network Bank, Inc.), the Bank has 4,484 ATMs (including of 332 ATMs under BDO Network Bank), 624 Cash Deposit Machines and 9 self-service teller machines as of 31 December 2021.

The Bank's foreign operation is comprised of banking branches in Hong Kong and Singapore along with various remittance subsidiaries operating in Asia, Europe, and the United States.

**(iii) Status of Publicly Announced New Products or Service**

None

**(iv) Competition**

The Philippine universal and commercial banking sector consists of 21 universal and 25 commercial banks. Of the 21 universal banks, 12 are private universal domestic banks, 6 are branches of foreign universal banks and 3 are government-controlled universal banks. Of the 25 commercial banks, 5 are private commercial domestic banks, 18 are branches of foreign banks and 2 are subsidiaries of foreign banks.

The total assets of the universal/commercial banking system as of 31 December 2021 reached P19.25 trillion.

As of 31 December 2021, the liabilities and capital liabilities of the universal/commercial banking system amounted to P16.90 trillion, while total deposits were at P15.02 trillion. The total capital accounts of the universal/commercial banking system amounted to P2.35 trillion as of December 2021.

Note: All the data used in the discussion above are from the BSP.

**(v) Transactions with and/or Dependence on Related Parties**

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties, and with certain directors, officers, stockholders and related interest (DOSRI). These loans and other transactions are made on the same terms as with other individuals and businesses of comparable risks and in compliance with all regulatory requirements.

**(vi) Patents, Trademarks, Licenses, Franchises, Concession, Royalty Agreement or labor contracts including duration**

The Bank has registered the following trademarks with the Intellectual Property Office of the Philippines:

|    | <b>Trademarks</b>                           | <b>Duration</b>                          |
|----|---|--|
| 1  | Banco De Oro                                | May 12, 2011 to May 12, 2021             |
| 2  | BDO Kabayan Auto Loan                       | September 13, 2013 to September 13, 2023 |
| 3  | BDO Kabayan Home Loan                       | September 13, 2013 to September 13, 2023 |
| 4  | BDO Kabayan Loans                           | September 13, 2013 to September 13, 2023 |
| 5  | BDO Remit Cash Cards                        | September 13, 2013 to September 13, 2023 |
| 6  | BDO Remit & Device                          | September 13, 2013 to September 13, 2023 |
| 7  | BDO Kabayan Personal Loan                   | September 13, 2013 to September 13, 2023 |
| 8  | BDO Cash Management                         | September 13, 2013 to September 13, 2023 |
| 9  | BDO Asenso Kabayan and Logo                 | September 13, 2013 to September 13, 2023 |
| 10 | BDO Kabayan Savings                         | September 13, 2013 to September 13, 2023 |
| 11 | BDO Asenso Kabayan & Device                 | September 13, 2013 to September 13, 2023 |
| 12 | BDO Kabayan Bills Bayad                     | September 13, 2013 to September 13, 2023 |
| 13 | BDO Remit                                   | September 13, 2013 to September 13, 2023 |
| 14 | BDO Banco De Oro Kabayan Home Loan & Device | September 13, 2013 to September 13, 2023 |
| 15 | BDO (Stylized and In Color)                 | September 13, 2013 to September 13, 2023 |
| 16 | BDO On Site & Device                        | September 13, 2013 to September 13, 2023 |
| 17 | BDO Banco De Oro Kabayan Loan & Device      | September 13, 2013 to September 13, 2023 |
| 18 | BDO Banco De Oro Personal Loan & Device     | September 13, 2013 to September 13, 2023 |
| 19 | BDO Banco De Oro Auto Loan & Device         | September 13, 2013 to September 13, 2023 |
| 20 | BDO Remit & Device                          | September 13, 2013 to September 13, 2023 |
| 21 | BDO Banco De Oro in class 36                | September 13, 2013 to September 13, 2023 |
| 22 | BDO Unibank (wordmark)                      | September 13, 2013 to September 13, 2023 |

|    | <b>Trademarks</b>                                  | <b>Duration</b>                          |
|----|--|--|
| 23 | BDO Unibank (Stylized and in Color)                | September 13, 2013 to September 13, 2023 |
| 24 | BDO Unibank (Stylized and in Color) in class 16    | September 13, 2013 to September 13, 2023 |
| 25 | BDO (Stylized and in Color) in class 16            | May 9, 2014 to May 9, 2024               |
| 26 | BDO Banco De Oro device in class 16                | May 4, 2014 to May 4, 2024               |
| 27 | BDO Securities Corporation                         | April 29, 2014 to April 29, 2024         |
| 28 | BDO Capital & Investment Corporation               | May 4, 2014 to May 4, 2024               |
| 29 | BDO Foundation, Inc.                               | May 2, 2014 to May 2, 2024               |
| 30 | BDO Private Bank in class 16 & 36                  | May 4, 2014 to May 4, 2024               |
| 31 | BDO Leasing  | May 4, 2014 to May 4, 2024               |
| 32 | BDO Insurance Brokers, Inc.                        | May 4, 2014 to May 4, 2024               |
| 33 | bdo.com.ph   | May 4, 2014 to May 4, 2024               |
| 34 | BDORO Europe Ltd. (blue) in class 16 & 36          | April 3, 2014 to April 3, 2024           |
| 35 | BDORO Europe Ltd. (blue & yellow) in class 16 & 36 | April 3, 2014 to April 3, 2024           |
| 36 | BDORO (color) in class 16 & 36                     | May 8, 2014 to May 8, 2024               |
| 37 | BDORO (monochrome) in class 16 & 36                | May 8, 2014 to May 8, 2024               |
| 38 | Kabayan College Secure                             | June 30, 2008 to June 30, 2018           |
| 39 | Kabayan College Secure & Device                    | June 30, 2008 to June 30, 2018           |
| 40 | Kabayan Home Loan                                  | June 23, 2008 to June 23, 2018           |
| 41 | Kabayan Auto Loan                                  | June 23, 2008 to June 23, 2018           |
| 42 | Kabayan Personal Loan                              | June 30, 2008 to June 30, 2018           |
| 43 | We find ways                                       | November 20, 2014 to November 20, 2024   |
| 44 | BDO Banco De Oro (Stylized) in class 36            | May 7, 2015 to May 7, 2025               |
| 45 | #bdobancodeoro                                     | July 23, 2015 to July 23, 2025           |
| 46 | #bdounibank  | July 23, 2015 to July 23, 2025           |



|    | <b>Trademarks</b>  | <b>Duration</b>                        |
|----|--|--|
| 47 | BDO Padala & Device  | February 11, 2016 to February 11, 2026 |
| 48 | #bdowefindways   | December 17, 2015 to December 17, 2025 |
| 49 | #wefindways  | April 7, 2016 to April 7, 2026         |
| 50 | #bdoremit  | December 17, 2015 to December 17, 2025 |
| 51 | #bdo   | December 17, 2015 to December 17, 2025 |
| 52 | One Network A Rural Bank of BDO (horizontal)                     | June 2, 2016 to June 2, 2026           |
| 53 | One Network A Rural Bank of BDO (vertical)                       | June 2, 2016 to June 2, 2026           |
| 54 | One Network A Savings Bank of BDO (horizontal)                   | June 2, 2016 to June 2, 2026           |
| 55 | One Network A Savings Bank of BDO (vertical)                     | June 2, 2016 to June 2, 2026           |
| 56 | One Network A Rural Bank of BDO Unibank (horizontal)             | June 23, 2016 to June 23, 2026         |
| 57 | One Network A Rural Bank of BDO Unibank (vertical)               | June 2, 2016 to June 2, 2026           |
| 58 | One Network A Savings Bank of BDO Unibank (horizontal)           | June 23, 2016 to June 23, 2026         |
| 59 | One Network A Savings Bank of BDO Unibank (vertical)             | June 2, 2016 to June 2, 2016           |
| 60 | One Network A Rural Bank of BDO (in series horizontal)           | June 2, 2016 to June 2, 2026           |
| 61 | One Network A Rural Bank of BDO (in series vertical)             | June 2, 2016 to June 2, 2026           |
| 62 | One Network A Savings Bank of BDO (in series horizontal)         | June 2, 2016 to June 2, 2016           |
| 63 | One Network A Savings Bank of BDO (in series vertical)           | July 14, 2016 to July 14, 2026         |
| 64 | One Network A Rural Bank of BDO Unibank (in series horizontal)   | July 14, 2016 to July 14, 2026         |
| 65 | One Network A Rural Bank of BDO Unibank (in series vertical)     | July 14, 2016 to July 14, 2026         |
| 66 | One Network A Savings Bank of BDO Unibank (in series horizontal) | July 7, 2016 to July 7, 2026           |

|    | <b>Trademarks</b>  | <b>Duration</b>                        |
|----|--|--|
| 67 | One Network A Savings Bank of BDO Unibank (in series vertical) | July 7, 2016 to July 7, 2026           |
| 68 | ONB  | July 7, 2016 to July 7, 2026           |
| 69 | One Network  | July 28, 2016 to July 28, 2026         |
| 70 | BDO Life (wordmark)  | August 4, 2016 to August 4, 2026       |
| 71 | BDO Life (monochrome black)                                    | September 8, 2016 to September 8, 2026 |
| 72 | BDO Life (monochrome blue)                                     | September 8, 2016 to September 8, 2026 |
| 73 | BDO Life (reverse black)                                       | October 6, 2016 to October 6, 2026     |
| 74 | BDO Life (reverse blue)  | October 6, 2016 to October 6, 2026     |
| 75 | We Protect (monochrome black)                                  | September 1, 2016 to September 1, 2026 |
| 76 | We Protect (in color)  | September 1, 2016 to September 2, 2026 |
| 77 | We Protect (reverse)   | September 8, 2016 to September 8, 2026 |
| 78 | We Protect (word)  | September 8, 2016 to September 8, 2026 |
| 79 | BDO Life (in color)  | September 8, 2016 to September 8, 2026 |
| 80 | BDO Life (reverse in color)                                    | September 8, 2016 to September 8, 2026 |
| 81 | BDO Invest Online  | December 8, 2016 to December 8, 2026   |
| 82 | Master the Art of Trading                                      | December 8, 2016 to December 8, 2026   |
| 83 | Diamond Rewards  | November 5, 2015 to November 5, 2025   |
| 84 | Sapphire Rewards   | 20 February 2015 to 20 February 2025   |
| 85 | BDO Rewards (vertical)   | November 10, 2014 to November 10, 2024 |
| 86 | BDO Rewards (horizontal)                                       | November 10, 2014 to November 10, 2024 |
| 87 | Emerald Rewards  | November 10, 2014 to November 10, 2024 |
| 88 | Cash Agad (device)   | August 4, 2016 to August 4, 2026       |
| 89 | Cash Agad in Partnership with BDO                              | October 27, 2016 to October 27 2026    |
| 90 | www.e-onb.com.ph   | March 29, 2012 to March 29, 2022       |

|     | <b>Trademarks</b>              | <b>Duration</b>                        |
|-----|--------------------------------|--|
| 91  | www.onenetworkbank.com.ph      | March 29, 2012 to March 29, 2022       |
| 92  | my life my bdo vertical        | April 27,2017 to April 27, 2027        |
| 93  | my life my bdo horizontal      | April 27,2017 to April 27, 2027        |
| 94  | just debit with bdo horizontal | May 11,2017 to May 11,2027             |
| 95  | just debit with bdo vertical   | May 11,2017 to May 11,2027             |
| 96  | My Life, My BDO Debit          | December 28, 2017 to December 28, 2027 |
| 97  | My Life, My BDO Debit          | May 11, 2018 to May 11, 2028           |
| 98  | BDO Kabayan                    | March 1, 2018 to March 1, 2028         |
| 99  | BDO Kabayan                    | December 21, 2017 to December 21, 2027 |
| 100 | BDO Kabayan                    | December 21, 2017 to December 21, 2027 |
| 101 | BDO Kabayan                    | December 21, 2017 to December 21, 2027 |
| 102 | BDO Kabayan                    | December 21, 2017 to December 21, 2027 |
| 103 | BDO Kabayan                    | November 23, 2017 to November 23, 2027 |
| 104 | BDO Unibank                    | May 31, 2018 to May 31, 2028           |
| 105 | BDO Unibank (Device)           | May 31, 2018 to May 31, 2028           |
| 106 | BDO Banco De Oro (Device)      | May 31, 2018 to May 31, 2028           |
| 107 | BDO Remit (Device)             | May 31, 2018 to May 31, 2028           |
| 108 | BDO We Find Ways (Dreamline)   | February 3, 2018 to February 3, 2028   |
| 109 | BDO We Find Ways (Dreamline)   | February 3, 2018 to February 3, 2028   |
| 110 | BDO We Find Ways (Dreamline)   | February 3, 2018 to February 3, 2028   |
| 111 | BDO We Find Ways (Dreamline)   | February 3, 2018 to February 3, 2028   |
| 112 | myPERA                         | April 5, 2018 to April 5, 2028         |
| 113 | myBDOPERA                      | April 5, 2018 to April 5, 2028         |
| 114 | MyPERA                         | April 5, 2018 to April 5, 2028         |

|     | <b>Trademarks</b>  | <b>Duration</b>                        |
|-----|--|--|
| 115 | MyBDOPERA  | April 5, 2018 to April 5, 2028         |
| 116 | BDOPERA  | April 12, 2018 to April 12, 2028       |
| 117 | BDO Easy Retirement Plan   | October 14, 2018 to October 14, 2028   |
| 118 | ERP  | June 21, 2018 to June 21, 2028         |
| 119 | BDO ERP  | April 12, 2018 to April 12, 2028       |
| 120 | BDO NETWORK BANK   | August 29, 2019 to August 29, 2029     |
| 121 | BDO NETWORK BANK, A RURAL BANK   | August 29, 2019 to August 29, 2029     |
| 122 | BDO NETWORK, A RURAL BANK  | August 29, 2019 to August 29, 2029     |
| 123 | BDO NETWORK BANK, INC.   | August 29, 2019 to August 29, 2029     |
| 124 | WE FIND WAYS   | July 28, 2019 to July 28, 2029         |
| 125 | Insure me, insurance made easy (white background)                      | December 9, 2018 to December 9, 2028   |
| 126 | Insure me, insurance made easy (blue background)                       | December 9, 2018 to December 9, 2028   |
| 127 | Insure me, insurance made easy @SM (white background)                  | December 9, 2018 to December 9, 2028   |
| 128 | Insure me, insurance made easy @SM (blue background)                   | December 9, 2018 to December 9, 2028   |
| 129 | Insure me (white background)   | September 9, 2018 to September 9, 2028 |
| 130 | Insure me (blue background)  | September 9, 2018 to September 9, 2028 |
| 131 | <a href="http://WWW.INSUREME.NET.PH">WWW.INSUREME.NET.PH</a>           | December 30, 2018 to December 30, 2028 |
| 132 | <a href="http://WWW.INSUREME.ORG.PH">WWW.INSUREME.ORG.PH</a>           | December 30, 2018 to December 30, 2028 |
| 133 | BDO WE FIND WAYS<br>Application Number: 42019503945                    | November 7, 2019 to November 7, 2029   |
| 134 | BDO We find ways (in black)<br>Application Number: 42019503948         | November 7, 2019 to November 7, 2029   |
| 135 | BDO We find ways (in blue)<br>Application Number: 42019503950          | November 7, 2019 to November 7, 2029   |
| 136 | BDO We find ways (in blue & yellow)<br>Application Number: 42019503952 | December 5, 2019 to December 5, 2029   |

|     | <b>Trademarks</b>  | <b>Duration</b>                        |
|-----|--|--|
| 137 | WE FIND WAYS (wordmark)<br>Application Number: 42019503996                           | January 19, 2020 to January 19, 2030   |
| 138 | WE FIND WAYS<br>Application Number: 42019503997                                      | January 19, 2020 to January 19, 2030   |
| 139 | BDO (wordmark)<br>Application Number: 42019503940                                    | November 7, 2019 to November 7, 2029   |
| 140 | We find ways (in blue)<br>Application Number: 42019503941                            | November 7, 2019 to November 7, 2029   |
| 141 | We find ways (in yellow)<br>Application Number: 42019503942                          | November 7, 2019 to November 7, 2029   |
| 142 | <a href="http://WWW.BDOINSURE.COM.PH">WWW.BDOINSURE.COM.PH</a>                       | June 16, 2019 to June 16, 2029         |
| 143 | BDO Network Bank Device<br>Registration Number: 42018021523                          | August 8, 2019 to August 8, 2029       |
| 144 | BDO Network Bank Device (in blue bg)<br>Registration Number: 42018021524             | February 15, 2020 to February 15, 2030 |
| 145 | BDO Network Bank Device (in blue font)<br>Registration Number: 42018021525           | February 15, 2020 to February 15, 2030 |
| 146 | BDO Network Bank Device (in yellow bg)<br>Registration Number: 42018021526           | February 15, 2020 to February 15, 2030 |
| 147 | BDO Network Bank Device (in black font)<br>Registration Number: 42018021527          | December 1, 2019 to December 1, 2029   |
| 148 | BDO Network Bank Device (in black bg)<br>Registration Number: 42018021528            | December 1, 2019 to December 1, 2029   |
| 149 | BDO Network Bank Device (vertical)<br>Registration Number: 42018021529               | December 1, 2019 to December 1, 2029   |
| 150 | BDO Network Bank Device (vertical in blue bg)<br>Registration Number: 42018021530    | January 2, 2020 to January 2, 2030     |
| 151 | BDO Network Bank Device (vertical in blue font)<br>Registration Number: 42018021531  | December 1, 2019 to December 1, 2029   |
| 152 | BDO Network Bank Device (vertical in black bg)<br>Registration Number: 42018021532   | December 1, 2019 to December 1, 2029   |
| 153 | BDO Network Bank Device (vertical in black font)<br>Registration Number: 42018021533 | August 8, 2019 to August 8, 2029       |
| 154 | BDO Network Bank Device (vertical in yellow bg)<br>Registration Number: 42018021534  | August 8, 2019 to August 8, 2029       |

|     | <b>Trademarks</b>  | <b>Duration</b>                        |
|-----|--|--|
| 155 | BDO Network Bank Device (horizontal 1-liner)<br>Registration Number: 42018021535               | August 8, 2019 to August 8, 2029       |
| 156 | BDO Network Bank Device (horizontal 1-liner<br>blue bg)<br>Registration Number: 42018021536    | August 8, 2019 to August 8, 2029       |
| 157 | BDO Network Bank Device (horizontal 1-liner<br>blue font)<br>Registration Number: 42018021537  | August 8, 2019 to August 8, 2029       |
| 158 | BDO Network Bank Device (horizontal 1-liner<br>black font)<br>Registration Number: 42018021538 | August 8, 2019 to August 8, 2029       |
| 159 | BDO Network Bank Device (horizontal 1-liner<br>black bg)<br>Registration Number: 42018021539   | January 12, 2020 to January 12, 2030   |
| 160 | BDO Network Bank Device (horizontal 1-liner<br>yellow bg)<br>Registration Number: 42018021540  | January 12, 2020 to January 12, 2030   |
| 161 | WE FIND WAYS wordmark<br>Registration Number: 42019501752                                      | July 28, 2019 to July 28, 2029         |
| 162 | BDO Network Bank Device (horizontal 2-liner<br>yellow bg)<br>Registration Number: 42019012899  | April 4, 2020 to April 4, 2030         |
| 163 | BDO Network Bank Device (vertical 2-liner<br>yellow bg)<br>Registration Number: 42019012898    | April 4, 2020 to April 4, 2030         |
| 164 | FIND YOUR WAY wordmark<br>Registration Number: 42019505926                                     | June 28, 2020 to June 28, 2030         |
| 165 | BDO FINANCE wordmark<br>Registration Number: 42020502655                                       | November 20, 2020 to November 20, 2030 |
| 166 | BDO FINANCE CORP. wordmark<br>Registration Number: 42020502658                                 | November 20, 2020 to November 20, 2030 |
| 167 | BDO Finance Device Vertical<br>Registration Number: 42020502662                                | December 6, 2020 to December 6, 2030   |
| 168 | BDO Finance Device Horizontal<br>Registration Number: 42020502661                              | December 6, 2020 to December 6, 2030   |
| 169 | BDO Prime Device horizontal<br>Registration Number: 42020504860                                | December 18, 2020 to December 18, 2030 |

|     | <b>Trademarks</b>   | <b>Duration</b>                        |
|-----|---|--|
| 170 | BDO Prime Device horizontal<br>Registration Number: 42020504857   | December 18, 2020 to December 18, 2030 |
| 171 | BDO Prime Device horizontal (in black bg)<br>Registration Number: 42020504862   | December 18, 2020 to December 18, 2030 |
| 172 | BDO Prime Device A Service of BDO Securities Corporation horizontal (in black bg)<br>Registration Number: 42020504858 | January 15, 2021 to January 15, 2031   |
| 173 | WWW.BDO-INSURE.COM.PH<br>Registration Number: 42018503123   | June 16, 2019 to June 16, 2029         |
| 174 | WWW.BDO-INSUREME.COM.PH<br>Registration Number: 42018503124   | June 16, 2019 to June 16, 2029         |
| 175 | WWW.BDOINSUREME.COM.PH<br>Registration Number: 42018503126  | June 16, 2019 to June 16, 2029         |
| 176 | BDO Insure Device (horizontal logo blue bg)<br>Registration Number: 42018504220                                       | July 11, 2019 to July 11, 2029         |
| 177 | BDO Insure Device (horizontal)<br>Registration Number: 42018504221  | July 11, 2019 to July 11, 2029         |
| 178 | BDO Insure Device (vertical logo blue bg)<br>Registration Number: 42018504222   | July 11, 2019 to July 11, 2029         |
| 179 | BDO Insure Device (vertical logo)<br>Registration Number: 42018504223   | July 11, 2019 to July 11, 2029         |
| 180 | BDO INSURE wordmark<br>Registration Number: 42018504224   | July 11, 2019 to July 11, 2029         |
| 181 | BDO PRIME (wordmark)<br>Registration No. 42020504585  | February 26, 2021 to February 26, 2031 |
| 182 | BDO REMIT (wordmark)<br>Registration Number: 42019503943  | June 28, 2020 to June 28, 2030         |
| 183 | BDO Prime A Service of BDO Securities Corporation<br>Registration No: 42020504861                                     | February 26, 2021 to February 26, 2031 |
| 184 | BDO Prime A Service of BDO Securities Corporation<br>Registration No: 42020504859                                     | February 26, 2021 to February 26, 2031 |
| 185 | BDO Prime<br>Registration No: 42020506351   | August 6, 2021 to August 6, 2031       |
| 186 | BDO Prime<br>Registration No: 42020506353   | October 17, 2021 to October 17, 2031   |

|     | <b>Trademarks</b>   | <b>Duration</b>                          |
|-----|---|--|
| 187 | BDO Prime<br>Registration No: 42020506354   | August 29, 2021 to August 29, 2031       |
| 188 | BDO Prime (blue font)<br>Registration No: 42020506349   | August 13, 2021 to August 13, 2031       |
| 189 | BDO Prime (blue bg vertical)<br>Registration No: 42020506352  | August 6, 2021 to August 6, 2031         |
| 190 | BDO Prime (Device in color horizontal)<br>Registration No: 42020506350  | August 6, 2021 to August 6, 2031         |
| 191 | BDO Prime (Device in color horizontal blue bg)<br>Registration No: 42020506348                                | August 8, 2021 to August 8, 2031         |
| 192 | BDO PENSION 360<br>Registration No: 42021506817   | July 30, 2021 to July 30, 2031           |
| 193 | BDO PENSION 360°<br>Registration No: 42021506819  | July 30, 2021 to July 30, 2031           |
| 194 | BDO EASY INVESTMENT PLAN<br>Registration No: 42021506820  | July 30, 2021 to July 30, 2031           |
| 195 | BDO EASY INVEST PLAN<br>Registration No: 42021506818  | July 30, 2021 to July 30, 2031           |
| 196 | BDO EASY PENSION PAY<br>Registration No: 42021506816  | July 30, 2021 to July 30, 2031           |
| 197 | BDO Prime A Service of BDO Securities Corporation (black font vertical logo)<br>Registration No: 42021506515  | September 10, 2021 to September 10, 2031 |
| 198 | BDO Prime A Service of BDO Securities Corporation (blue font vertical logo)<br>Registration No: 42021506514   | September 10, 2021 to September 10, 2031 |
| 199 | BDO Prime A Service of BDO Securities Corporation (in color vertical logo)<br>Registration No: 42021506516    | September 10, 2021 to September 10, 2031 |
| 200 | BDO Prime A Service of BDO Securities Corporation (blue font horizontal logo)<br>Registration No: 42021506513 | September 10, 2021 to September 10, 2031 |
| 201 | BDO Prime A Service of BDO Securities Corporation (vertical logo blue bg)<br>Registration No: 42021506512     | September 10, 2021 to September 10, 2031 |
| 202 | BDO Prime A Service of BDO Securities Corporation (horizontal logo)   | August 29, 2021 to August 29, 2031       |



|     | <b>Trademarks</b>   | <b>Duration</b>                        |
|-----|---|--|
|     | Registration No: 42021506510  |  |
| 203 | BDO Prime A Service of BDO Securities Corporation (horizontal logo blue bg)<br>Registration No: 42021506509 | August 29, 2021 to August 29, 2031     |
| 204 | BDO Trade (horizontal logo black font)<br>Registration No: 42021515870                                      | November 25, 2021 to November 25, 2031 |
| 205 | BDO Trade (vertical logo black font)<br>Registration No: 42021515868  | November 25, 2021 to November 25, 2031 |
| 206 | BDO Trade (horizontal logo blue font)<br>Registration No: 42021515874                                       | November 25, 2021 to November 25, 2031 |
| 207 | BDO Trade (vertical logo blue font)<br>Registration No: 42021515873   | November 25, 2021 to November 25, 2031 |
| 208 | BDO Trade (horizontal logo blue bg)<br>Registration No: 42021515867   | November 25, 2021 to November 25, 2031 |
| 209 | BDO Trade (vertical logo blue bg)<br>Registration No: 42021515872   | November 25, 2021 to November 25, 2031 |
| 210 | BDO Trade (horizontal logo)<br>Registration No: 42021515876   | November 25, 2021 to November 25, 2031 |
| 211 | BDO Trade (vertical logo)<br>Registration No: 42021515871   | November 25, 2021 to November 25, 2031 |
| 212 | BDO Trade (horizontal logo white font blue bg)<br>Registration No: 42021515875                              | November 25, 2021 to November 25, 2031 |
| 213 | BDO Trade (vertical logo white font blue bg)<br>Registration No: 42021515869                                | November 25, 2021 to November 25, 2031 |
| 214 | BDO Network Bank, a<br>Savings Bank<br>Registration No: 42021518949   | November 12, 2021 to November 12, 2031 |
| 215 | BDO Network, a<br>Savings Bank<br>Registration No: 42021518948  | November 12, 2021 to November 12, 2031 |

(vii) **Governmental Approval of Principal Products or Services**

The Bank secures approval from the Bangko Sentral ng Pilipinas (BSP) for all its products and services, as required.

(viii) **Effect of Existing or Probable Governmental Regulations on the Business**

Being a banking institution subject to the General Banking Law and banking regulations, BDO is under the supervision of the BSP, whose approval BDO requires to undertake certain activities. BDO strictly complies with the BSP requirements in terms of reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other regulatory requirements.

(ix) **Estimate of Amount Spent for Research and Development Activities**

This is not applicable to the Bank.

(x) **Total Number of Employees**

The Bank has a total of 38,873 employees as of 31 December 2021 broken down as follows:

|                          | Non-Officers  | Officers      | TOTAL         |
|--------------------------|---------------|---------------|---------------|
| Total for Parent Company | 17,149        | 15,165        | 32,314        |
| Head Office              | 2,561         | 8,538         | 11,000        |
| Branches                 | 14,588        | 6,627         | 21,215        |
| Total for Subsidiaries   | 1,919         | 4,640         | 6,550         |
| <b>TOTAL EMPLOYEES</b>   | <b>19,068</b> | <b>19,805</b> | <b>38,873</b> |

The Bank's Collective Bargaining Agreement (CBA) with Banco De Oro Employees Association (BDOEA) covers staff level employees, except those as expressly excluded in the Agreement. The Agreement is effective for a period of five (5) years from 1 November 2020 to 31 October 2025. BDOEA is affiliated with Associated Labor Unions (ALU).

The Bank has not suffered any labor strikes in the past 30 years, and considers the maintenance of harmonious relations with its employees and the Union as one of its key human capital agenda.

The Bank anticipated having approximately 39,000 total employees (in all levels; including those not included in the CBA) by 31 December 2019.

(xi) **Risk Management**

Risk management at BDO begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors who is responsible for establishing

and maintaining a sound risk management system. The Board of Directors assumes oversight over the entire risk management process.

The Board of Directors has the ultimate responsibility for all risks taken by the Bank. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Bank. 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 Bank's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Bank. Towards this end, it is regularly updated on developments that could materially affect the Bank's liquidity position or the value of its resources. Likewise, the Board is responsible for overseeing the investment and credit activities of the Bank.

The Board of Directors has created committees tasked with key functions in the over-all risk framework of the Bank. The Risk Management Committee (RMC) is responsible for the development and oversight of the Bank's risk management program. The Executive Committee (EXCOM) has responsibility over the approval processes of the Bank's loans and investments, property-related proposals, as well as, other credit-related issues over a prescribed amount delegated by the Board of Directors. The Asset and Liability Committee (ALCO) is tasked with managing the Bank's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital and appropriate funding to meet all business requirements within regulatory limits. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e. credit, liquidity, market, interest rate, operational, and environmental and social risks).

The Bank operates an enterprise-wide risk management system to address the risks it faces in its banking activities, including credit, liquidity, market, interest rate, operational risks (including business continuity risk, IT risk, information security risk, data privacy risk, and social media risk), consumer protection risk, and environmental & social risks. The Bank's Risk Management Committee has overall responsibility for the Bank's risk management system and sets risk management policies across the full range of risks to which the Bank is exposed. It is responsible for approving the risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of the Bank. It oversees the system of limits of discretionary authority that the Board of Directors delegates to management under its purview, ensures that the system of limits of discretionary authority remains effective, that the limits are observed, and immediate corrective actions are taken whenever limits are breached. It is also responsible for evaluating the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.

The Risk Management Committee is a Board-Level Committee composed of three (3) members of the Board of Directors, with Vicente S. Perez, Jr. (Independent Director) as Chairman, and Nestor V. Tan and Dioscoro I. Ramos (Lead Independent Director) as

members. Christopher A. Bell-Knight and Jones M. Castro, Jr. serve as Advisors alongside Vipul Bhagat as Independent Advisor.

Below is the attendance of the members for the Committee meetings in 2021:

|                         | No. of Meetings Attended | Total No. of Meetings | Percentage |
|-------------------------|--------------------------|-----------------------|------------|
| Jones M. Castro, Jr.*   | 5                        | 5                     | 100%       |
| Vicente S. Perez, Jr.** | 7                        | 7                     | 100%       |
| Dioscoro I. Ramos       | 11                       | 11                    | 92%        |
| Nestor V. Tan           | 12                       | 12                    | 100%       |

\* RMC Chairman until 23 April 2021

\*\* RMC Chairman beginning 23 April 2021

## Item 2 – Properties

### Description of Property

#### 1) Principal Properties Owned

A. Presented below is a list of the Bank’s principal properties as of 31 December 2021 owned by the Bank and utilized as Head Offices:

| No. | NAME                                      | ADDRESS  |
|-----|---|--|
| 1   | BDO Building (Radio Marine - MTech)       | BDO Bldg., Sen. Gil Puyat Avenue corner Paseo de Roxas, Brgy. Bel-Air, Makati City |
| 2   | BDO Corporate Center – Makati North Tower | BDO Corporate Tower, 7899 Makati Avenue cor. H.V. Dela Costa St., Makati City      |
| 3   | BDO Corporate Center – Ortigas            | 12 ADB Avenue Ortigas Center Mandaluyong City                                      |
| 4   | BDO Salcedo Center                        | 156 Valero St. Salcedo Village Makati City   |

B. Presented below is a list of the Bank’s principal properties as of 31 December 2021 owned by the Bank which are utilized as Head Offices and partly tenanted:

| No. | NAME                 | ADDRESS  |
|-----|----------------------|--|
| 1   | BDO Towers Paseo     | 8741 Paseo de Roxas Cor. Villar St. Salcedo Village Makati                               |
| 2   | BDO Towers Valero    | Valero corner Villar St., Salcedo Village, Makati City, Metro Manila                     |
| 3   | Dagupan Vicar        | Vicar Hotel Bldg. along A.B. Fernandez Ave. Brgy. Herrero Perez Dagupan City, Pangasinan |
| 4   | Equitable Bank Tower | Equitable Bank Tower, 8751 Paseo de Roxas, Makati City                                   |
| 5   | Pacific Star         | Pacific Star Building, Makati Avenue, Makati City  |
| 6   | Robinsons Tower      | Robinsons PCIBank Tower, ADB Avenue, Ortigas Center, Pasig City                          |

C. Presented below is a list of the Bank's real properties as of 31 December 2021 owned by the Bank and utilized as BDO branches:

(a) Metro Manila Branches

| No. | BRANCH                           | ADDRESS   |
|-----|----------------------------------|---|
| 1   | A. Santos - St. James            | 8406 A. Santos Avenue, Sucat, Parañaque City 1700   |
| 2   | ADB Avenue Ortigas               | Robinson's PCIBank Tower, ADB Avenue, Ortigas Center, 1600 Pasig City   |
| 3   | Airport Road                     | Airport Road corner Quirino Avenue, Baclaran, Parañaque City  |
| 4   | Alfaro - Salcedo Village         | GF PCCI Bldg. , 118 Leviste Street (Formerly Alfaro St.) , Salcedo Village, Makati City   |
| 5   | Arranque - T. Alonzo             | 733 T. Alonzo St., Manila   |
| 6   | Asia Tower - Paseo               | G/F Asia Tower corner Paseo De Roxas & Benavides St., 1229 Makati City  |
| 7   | Aurora Blvd - Notre Dame         | 0137 Aurora Blvd. corner Notre Dame St. Cubao, 1110 Quezon City   |
| 8   | Aurora Blvd - Yale               | Aurora Blvd. corner Yale St. Cubao, Quezon City   |
| 9   | Baclaran - Redemptorist Road     | Redemptorist Road, Baclaran, Parañaque, MM  |
| 10  | Bagtikan - Chino Roces Avenue    | Unit 102 G/F Pryce Center Condominium, 1179 Chino Roces Avenue corner Bagtikan St., San Antonio Village, Makati City                    |
| 11  | BDO Corporate Center             | G/F, BDO Towers Paseo, 8741 Paseo de Roxas corner Villar St., Salcedo Village, Bel-Air, Makati City                                     |
| 12  | Bel Air - Gil Puyat              | Country Space 1 Condominium Bldg., Sen. Gil Puyat Avenue, Bel-Air Village, 1209 Makati City   |
| 13  | BGC – Fort Victoria              | Unit 108B, G/F, Fort Victoria Condominium, 5 <sup>th</sup> Avenue cor. Rizal Avenue, Bonifacio Global City, Fort Bonifacio, Taguig City |
| 14  | Bicutan – Doña Soledad Ave. Ext. | Lot 3 Block 1, Doña Soledad Avenue Extension, Better Living Subd., Brgy. Don Bosco, Parañaque City                                      |
| 15  | Blumentritt                      | 2325 Rizal Avenue corner Antipolo St. Sta. Cruz, Manila   |
| 16  | Blumentritt – Laong Laan         | Laong Laan St corner Blumentritt St., Brgy 516, Zone 051, Sampaloc, Manila  |
| 17  | Blumentritt - San Juan           | Lot 11-B, Blk. 127 Blumentritt corner Sto. Toribio St., San Juan, Metro Manila  |
| 18  | Boni - Maysilo                   | 74 Maysilo Circle corner Boni Avenue, Mandaluyong City  |
| 19  | C. Palanca - Quiapo              | 132 Carlos Palanca St., Quiapo, Manila  |
| 20  | C. M. Recto                      | CM Recto Avenue corner Nicanor Reyes St., Manila  |
| 21  | C. M. Recto - San Sebastian      | 2070 C.M. Recto St., 1008 Sampaloc, Manila  |
| 22  | Caloocan - Sangandaan            | No. 628 A. Mabini St., 1408 Sangandaan, Caloocan City   |
| 23  | Corinthian Gardens               | BDO Leasing Center, Ortigas Avenue, Quezon City   |

| No. | BRANCH                               | ADDRESS  |
|-----|--------------------------------------|--|
| 24  | Dasmariñas St. - Binondo             | BDO Bldg., Dasmariñas St., Binondo, 1006 Manila  |
| 25  | Dian - Gil Puyat                     | G/F EPCIB Bldg., Sen. Gil Puyat Avenue corner Dian St., Makati City                                |
| 26  | E. Rodriguez                         | 1162 E. Rodriguez Sr. Avenue, New Manila, Quezon City  |
| 27  | Edsa - Reliance St.                  | G/F Paragon Plaza, corner Reliance St., Mandaluyong City   |
| 28  | Fairview                             | Don Mariano Marcos Avenue Fairview, Quezon City  |
| 29  | Grace Park - 8th Avenue              | 259 Rizal Avenue Extension, Grace Park, Caloocan City  |
| 30  | Grace Park - 9th Avenue              | 414 Rizal Avenue Extension, Grace Park, 1400 Caloocan City   |
| 31  | Grace Park - 10 <sup>th</sup> Avenue | 359 Rizal Avenue Extension, Brgy. 62, Grace Park, Caloocan City                                    |
| 32  | Greenhills - Roosevelt               | EBC Bldg., Ortigas Avenue corner Roosevelt Avenue, Greenhills, San Juan, MM                        |
| 33  | Greenhills North                     | Unit 102-103 Sunrise Condominium, Ortigas Avenue, 1500 San Juan, MM                                |
| 34  | Ilaya - M. De Santos                 | 632 M. de Santos St., Manila   |
| 35  | Kalentong                            | MRDC Bldg., Shaw Blvd. corner Gen. Kalentong St., Mandaluyong City                                 |
| 36  | Las Piñas - Pamplona                 | Alabang-Zapote Road, Pamplona, Las Piñas   |
| 37  | Las Piñas - Philamlife Avenue        | Alabang-Zapote Road, Pamplona Tres, 1740 Las Pinas, MM   |
| 38  | Leveriza - Libertad                  | 212 Libertad St., Pasay City, Metro Manila   |
| 39  | Luneta - T.M. Kalaw                  | 707 T.M. Kalaw St. corner Churruga St. Ermita, Manila  |
| 40  | Makati - Pasay Road                  | 845 One Corporate Plaza Condominium, A. Arnaiz Avenue, San Lorenzo, Makati City                    |
| 41  | Makati – Rockwell Center B           | 2/F Lot 3 Block 7 Rockwell Drive, Rockwell Center, Poblacion, Makati City                          |
| 42  | Makati Avenue - Ayala                | L.V. Locsin Bldg., Ayala Avenue corner Makati Avenue, 1228 Makati City                             |
| 43  | Makati Cinema Square                 | Makati Cinema Square, Pasong Tamo, 1229 Makati City  |
| 44  | Malabon                              | 725 Rizal Avenue, San Agustin, Malabon City  |
| 45  | Malabon - Rizal Avenue               | 694 Rizal Avenue, 1470 Malabon, Metro Manila   |
| 46  | Marikina - Bayanbayanan              | 48 Bayanbayanan Avenue, Brgy. Concepcion Uno, Marikina City  |
| 47  | Marikina - Concepcion                | 17 Bayan-bayanan Avenue, Concepcion, Marikina City   |
| 48  | Marikina - Sumulong Highway          | Corner E. Dela Paz St. Amang Rodriguez Avenue, Sto. Nino, Marikina City                            |
| 49  | Marulas – MacArthur Highway          | Lot 16 & 17 McArthur Highway Valenzuela, Metro Manila  |
| 50  | Medical Plaza - Legaspi Village      | Unit 101, G/F Medical Plaza Makati, Amorsolo St. corner Dela Rosa St. Legaspi Village, Makati City |
| 51  | Greenhills - Missouri                | 12 Missouri St., Northeast Greenhills, Brgy. Greenhills, San Juan City                             |
| 52  | Muntinlupa - National Highway        | 8 National Highway cor. Aguila St., Brgy. Putatan, Muntinlupa                                      |

| No. | BRANCH                             | ADDRESS   |
|-----|------------------------------------|---|
| 53  | N. Domingo - Araneta Avenue        | 71 N. Domingo St. corner Katubusan St., Brgy. Rivera, San Juan City   |
| 54  | Novaliches - Forest Hills          | Lot 2 D 1 Quirino Avenue, Novaliches, Quezon City   |
| 55  | Ortigas Avenue                     | 209 Ortigas Avenue Greenhills, San Juan, MM   |
| 56  | Ortigas - Exchange Road            | G/F, PSE Center, Exchange Road, Ortigas Commercial Complex, Pasig City  |
| 57  | Paco - A. Linao                    | 1635-1641 A. Linao St., Paco, Manila  |
| 58  | Padre Faura - A. Mabini            | A. Mabini corner Padre Faura St., 1000 Ermita, Manila   |
| 59  | Pasay                              | Libertad corner Colayco St., Pasay City   |
| 60  | Paseo - Gil Puyat                  | BDO Building, 381 Sen. Gil Puyat Avenue corner Paseo de Roxas, Brgy. Bel-Air, Makati City                       |
| 61  | Paseo Tower - Makati               | Equitable Bank Tower, 8751 Paseo de Roxas, Makati City  |
| 62  | Pasig - Danny Floro                | 125 Shaw Blvd. corner Danny Floro St. Pasig City  |
| 63  | Pasig - Manggahan                  | Amang Rodriguez Avenue, Manggahan, Pasig City   |
| 64  | Pasig – Market Avenue              | 8 Market Avenue, Brgy. Palatiw, Pasig City  |
| 65  | Pasig - Sixto Antonio Ave. Pilapil | Lot 2 B, Sixto Antonio Ave., Brgy. Kapasigan, Pasig City  |
| 66  | Perea – Paseo                      | G/F Universal Re Bldg., 106 Paseo de Roxas 1228 Makati City   |
| 67  | Pioneer Highlands - Madison        | Unit 01 (facing Madison St.) LG/F Globe Telecom Plaza 1 Bldg., Pioneer St. Corner Madison St., Mandaluyong City |
| 68  | Pitimini - Roosevelt               | EBC Bldg. Roosevelt Avenue corner Pitimini St., SFDM, Quezon City   |
| 69  | Plaza Sta. Cruz - Dasmariñas St.   | 7/F, 321 Dasmariñas St., Cor. Marquina St., Brgy. 290, Binondo, Manila  |
| 70  | President's Avenue - BF Parañaque  | President's Avenue corner J. Elizalde St., BF Homes Parañaque, Metro Manila                                     |
| 71  | Quezon Avenue - Heroes Hill        | 1052 Quezon Avenue, 1103 Quezon City  |
| 72  | Quezon Avenue - West Triangle      | Lot 3-B, Quezon Ave. Extension, Brgy. West Triangle, Quezon City  |
| 73  | Quiapo - Quinta Market             | Quezon Blvd. corner C. Palanca St., Quiapo, Manila  |
| 74  | Reposo - Makati                    | EBC Bldg., JP Rizal corner N. Garcia (Formerly Reposo), Makati City   |
| 75  | Rizal Avenue                       | 2502-2504 Rizal Avenue corner Cavite St. Sta. Cruz, Manila  |
| 76  | Rockwell Center - Makati           | Lot 3 Block 7, Rockwell Drive, Rockwell Center, Poblacion, Makati City  |
| 77  | Shaw Blvd. - Stanford              | EBC Bldg., Shaw Blvd. corner Stanford St., Mandaluyong City   |
| 78  | St. Ignatius - Katipunan           | BDO Bldg., 137 Katipunan Avenue, St. Ignatius, Quezon City  |
| 79  | Strata 100 - Ortigas               | G/F Strata 100 Bldg., Don Francisco Ortigas Jr., Pasig City   |
| 80  | Taft Avenue – Estda St.            | 2F, Bankard Bldg., 2422 Taft Avenue, Brgy. 727, Zone 79, Malate, 1004, Manila                                   |

| No. | BRANCH                                     | ADDRESS   |
|-----|--|---|
| 81  | Taft - Vito Cruz                           | Bankard Bldg. 2422 Taft Avenue, 1004 Malate, Manila   |
| 82  | Timog – South Triangle                     | G/F President Tower, 81 Timog Ave. corner Scout Ybardolaza St., Brgy. South Triangle, Diliman, Quezon City                                  |
| 83  | Tomas Morato - Kamuning                    | Corner Kamuning & Tomas Morato, Quezon City   |
| 84  | Tutuban                                    | DS 17-18 Tutuban Primeblock, Tutuban Center, CM Recto, Manila   |
| 85  | U.N. Avenue - J. Bocobo                    | EBC Bldg., UN Avenue corner J. Bocobo St., Ermita, Manila   |
| 86  | V.A. Rufino – Valero                       | G/F Chattam House, Herrera St. corner Valero & San Agustin St., Salcedo Village, Makati City  |
| 87  | Valenzuela – Malanday<br>MacArthur Highway | 656 MacArthur Highway, Brgy. Malanday, Valenzuela City 1444   |
| 88  | West Trade Center - West Avenue            | Unit #1, G/F West Trade Center, West Avenue, Quezon City  |
| 89  | Yakal - Chino Roces Avenue                 | Units 2 & 3, G/F Tower 2 Bldg. Avida Towers Makati West Condominium cor. Yakal, Lumbayao and Malugay Sts., San Antonio Village, Makati City |

(b) Provincial Branches

| No. | BRANCH                      | ADDRESS   |
|-----|-----------------------------|---|
| 1   | Angeles – Balibago          | BDO Building along Ramon Tang Avenue, Diamond Subd., Balibago, Angeles City, Pampanga     |
| 2   | Angeles - MacArthur Highway | Lot 1, MacArthur Highway corner Magalang Avenue, Brgy. Salapungan, Angeles City, Pampanga |
| 3   | Angeles - Miranda           | BDO Bldg., Miranda St., Sto. Rosario, Angeles City, Pampanga                              |
| 4   | Antique                     | Corner Gov. Villavert St. & Gov. Gella St., San Jose, Antique 5700                        |
| 5   | Bacolod - Capitol Shopping  | Benigno Aquino Drive, Capitol Shopping 6100 Bacolod City, Negros Occidental               |
| 6   | Bacolod - Gatuslao          | 26 & 28 Gov. V. Gatuslao St., Bacolod City, Negros Occidental                             |
| 7   | Bacolod - Lacson            | Lacson corner Galo St., 6100 Bacolod City, Negros Occidental                              |
| 8   | Bacolod - Plaza             | Araneta corner Gonzaga St., 6100 Bacolod City, Negros Occidental                          |
| 9   | Bacolod - Rosario Lacson    | Lot 296-B-7, Lacson St. corner Rosario St., Bacolod City, Negros Occidental               |
| 10  | Balanga - A. Banzon         | A. Banzon St., City of Balanga, 2100 Bataan   |
| 11  | Baliwag – JP Rizal          | J.P. Rizal St., San Jose, Baliwag, Bulacan  |
| 12  | Batangas - Nasugbu          | JP Laurel St., Barangay Poblacion, Nasugbu, Batangas                                      |
| 13  | Batangas - Sto. Tomas       | Maharlika Highway, San Antonio, Sto. Tomas, Batangas                                      |



| No. | BRANCH                          | ADDRESS  |
|-----|---------------------------------|--|
| 14  | Batangas City - Rizal Avenue    | Rizal Avenue corner P. Burgos St., 4200 Batangas, Batangas City                              |
| 15  | Biñan                           | A. Bonifacio St. Barrio Canlalay, Biñan, Laguna  |
| 16  | Bukidnon - Valencia             | M.L. Quezon St. corner G. Laviña Avenue, Valencia City, Bukidnon 8709                        |
| 17  | Cabanatuan - Maharlika Road     | Maharlika Road, near corner Sanciangco St., Cabanatuan City                                  |
| 18  | Cabanatuan - Maharlika South    | BDO Building, Maharlika Highway, Barangay Dicarma, Cabanatuan City, Nueva Ecija              |
| 19  | Cagayan - Aparri                | Rizal St. corner R.F Balisi St., Aparri, Cagayan   |
| 20  | Cagayan de Oro - Lapasan        | C.M. Recto Highway, Lapasan, 9000 Cagayan de Oro City, Misamis Oriental                      |
| 21  | Cagayan de Oro - Velez          | Velez Road corner Abejuela St., Cagayan de Oro   |
| 22  | Calamba Crossing - North        | Calamba Crossing National Highway, 4027 Calamba, Laguna                                      |
| 23  | Cavite - Dasmariñas Techno Park | Governor's Drive, Brgy. Paliparan I, Dasmariñas, Cavite                                      |
| 24  | Cavite - General Trias Gateway  | Gateway Business Park, C. Delos Reyes Avenue, 4107 Gen. Trias, Cavite                        |
| 25  | Cavite – GMA Congressional Road | Lot 4 Block C-5-CL, Congressional Road, Brgy. Poblacion 1, Gen. Mariano Alvarez (GMA) Cavite |
| 26  | Cavite - Imus Anabu             | Gen. Aguinaldo corner Ambrosia Road Anabu I, Imus, Cavite                                    |
| 27  | Cavite City - P. Burgos         | Corner P. Burgos & P. Julio St., Caridad, 4100 Cavite City                                   |
| 28  | Cebu - Borromeo                 | Borromeo corner Magallanes St., Cebu City  |
| 29  | Cebu - F. Gonzales              | F. Gonzales corner Magallanes St., Cebu City   |
| 30  | Cebu - Gorordo                  | Gorordo Avenue, Lahug 6000 Cebu City, Cebu   |
| 31  | Cebu - Magallanes Plaridel      | Magallanes corner Plaridel St., 6000 Cebu City   |
| 32  | Cebu - North Reclamation        | Blk. 20-A corner Port Centre Avenue & Juan Luna Avenue, North Reclamation Area, Cebu City    |
| 33  | Cebu Mandaue – M.C. Briones     | M.C. Briones St., National Highway Brgy. Bakilid, Mandaue City, Cebu                         |
| 34  | Cotabato - Kidapawan            | Quezon Blvd., 9400 Kidapawan, North Cotabato   |
| 35  | Cotabato - Makakua              | Makakua St., 9600 Cotabato City, Maguindanao   |
| 36  | Dagupan - Fernandez             | A.B. Fernandez Avenue, 2400 Dagupan City, Pangasinan   |
| 37  | Davao JP Laurel                 | Landco-PDCP Corporate Center, JP Laurel Avenue, Bajada, Davao City                           |
| 38  | Davao - Claveria                | BDO Building No. 30 C.M. Recto Ave., Poblacion, Davao City                                   |
| 39  | Davao - C.M. Recto              | 383 Claro M. Recto St., Davao City   |
| 40  | Davao - Digos                   | Rizal Avenue, Zone II, Digos, Davao Del Sur  |
| 41  | Davao - Mati                    | Rizal corner Mabini St., 8200 Mati, Davao Oriental   |
| 42  | Davao - Tagum                   | 577 Rizal St., 8100 Tagum, Davao Del Norte   |
| 43  | Davao - Toril                   | Agton St., Toril, Davao City   |
| 44  | Dipolog – Quezon Ave.           | Quezon Avenue, 7100 Dipolog City, Zamboanga Del Norte  |

| No. | BRANCH                                | ADDRESS  |
|-----|---------------------------------------|--|
| 45  | Dumaguete – Colon                     | Colon St. fronting Bldg. V of City Public Market, Poblacion 003, Dumaguete City                            |
| 46  | General Santos – Makar                | Hadano Avenue (Makar Wharf), Purok Bagong Silang, Brgy. Labangal, General Santos City, South Cotabato 9500 |
| 47  | General Santos - Pioneer              | Pioneer Avenue, General Santos City, 9500  |
| 48  | General Santos – Quezon Avenue        | Lot 4670. Ts-217, Quezon Avenue, Brgy. Dadiangas West, General Santos City, South Cotabato                 |
| 49  | General Santos - Santiago St.         | Ireneo Santiago Blvd., 9500 General Santos St., South Cotabato   |
| 50  | Iligan - Del Pilar                    | BC Labao corner Del Pilar St., Iligan City   |
| 51  | Iloilo - Iznart                       | Iznart St., 5000 Iloilo City, Iloilo   |
| 52  | Iloilo - Valeria                      | Valeria St., Iloilo City   |
| 53  | Isabela - Roxas                       | 23 Osmeña Road., Bantug, Mallig Plain, 3320 Roxas, Isabela   |
| 54  | Isabela - Santiago Centro             | BDO Bldg. City Rd. cor. Guzman St., Calao West, Santiago City, Isabela                                     |
| 55  | Isabela Santiago - Maharlika Highway  | BDO Bldg., No. 57 Maharlika Highway cor. Quezon Ave. St., Santiago City, Isabela                           |
| 56  | Koronadal - Gensan Drive              | NE of Gensan Drive, Zone 1, Koronadal City, South Cotabato   |
| 57  | Koronadal – R. Alunan Avenue          | R. Alunan Avenue corner Osmeña St., 9506 Koronadal, South Cotabato   |
| 58  | La Union San Fernando – Quezon Avenue | Quezon Avenue, 2500 San Fernando, La Union   |
| 59  | Laoag - Balintawak                    | Corner Rizal & Balintawak St., 2900 Laoag City, Ilocos Norte   |
| 60  | Leyte - Maasin                        | Juan Luna St. cor. Enage St., Brgy. Tunga-tunga, Maasin, Southern Leyte                                    |
| 61  | Leyte - Ormoc                         | Corner Burgos & Rizal St., 6541 Ormoc City, Leyte  |
| 62  | Lipa – CM Recto                       | 131 C. M. Recto St., 4217 Lipa City, Batangas  |
| 63  | Lucena – Merchan                      | Lot 2903 Merchan St. cor. C.M. Recto St. cor. Cabana St., Brgy. IV, Lucena City                            |
| 64  | Malolos - Congreso                    | Paseo Del Congreso, San Agustin 3000 Malolos, Bulacan  |
| 65  | Meycauayan - Zamora                   | Zamora St., Barrio Calvario, Meycauayan, Bulacan   |
| 66  | Naga - Plaza Rizal                    | Gen. Luna St., 4400 Naga City, Camarines Sur   |
| 67  | Negros Occ - Cadiz                    | Cabahug St., 6121 Cadiz, Negros Occidental   |
| 68  | Negros Occ - Escalante                | National Highway, Escalante City, 6124 Negros Occidental   |
| 69  | Negros Occ - Kabankalan               | Guanzon St., Kabankalan, 6111 Negros Occidental  |
| 70  | Negros Occ – Silay                    | Figuerola corner Rizal St., Silay City, 6116 Negros Occidental   |
| 71  | Nueva Ecija - Gapan                   | Tinio St., 3105 Gapan, Nueva Ecija   |
| 72  | Nueva Ecija - Guimba                  | Afan Salvador St., 3115 Guimba, Nueva Ecija  |
| 73  | Nueva Ecija - Muñoz                   | T. delos Santos St., Science City of Munoz, Nueva Ecija  |
| 74  | Ozamiz – Gallardo                     | Cebedo St. corner Gallardo St. 50th District (Pob), Ozamiz City, Misamis Occidental                        |

| No. | BRANCH                       | ADDRESS   |
|-----|------------------------------|---|
| 75  | Pagadian                     | F.S. Pajares Avenue, Pagadian City, 7016 Zamboanga Del Sur                    |
| 76  | Pampanga – Apalit            | MacArthur Highway, Brgy. San Vicente, Apalit, Pampanga                        |
| 77  | Pampanga - Guagua            | Lot 4876 Plaza Burgos St., Guagua, Pampanga                                   |
| 78  | Puerto Princesa – Rizal      | 261 Rizal Avenue, 5300 Puerto Princesa City, Palawan                          |
| 79  | Quezon - Candelaria          | Rizal corner Valle St., Candelaria, Quezon 4323                               |
| 80  | Roxas - Roxas Avenue         | Roxas Avenue, Roxas City, Capiz   |
| 81  | San Pablo - Rizal St         | 2F Equitable PCI Bldg., Rizal St. corner P. Alcantara, San Pablo City, Laguna |
| 82  | Sta. Rosa - South Expressway | National Road Pulong Sta. Cruz, 4026 Sta Rosa, Laguna                         |
| 83  | Sultan Kudarat - Isulan      | 075 National Highway, Kalawag 2, Isulan, Sultan Kudarat                       |
| 84  | Sultan Kudarat - Tacurong    | Alunan Highway, 9800 Tacurong, Sultan Kudarat                                 |
| 85  | Tarlac – F. Tañedo           | 27 F. Tañedo St., Brgy. Poblacion, Tarlac City 2300                           |
| 86  | Tarlac - J. Luna             | J. Luna St. near corner MacArthur Highway, Brgy. Sto. Cristo, Tarlac City     |
| 87  | Tarlac - Luisita             | MacArthur Highway, Barangay San Miguel, Tarlac City                           |
| 88  | Tuguegarao - Bonifacio St.   | Bonifacio St., Tuguegarao, Cagayan  |
| 89  | Urdaneta - Alexander         | Alexander St., Urdaneta City, Pangasinan                                      |
| 90  | Vigan - Quezon Avenue        | Corner Bonifacio St. & Quezon Avenue, 2900 Vigan, Ilocos Sur                  |
| 91  | Zamboanga - Rizal St.        | Rizal St., Zamboanga City, 7000 Zamboanga Del Sur                             |

- D. Presented below is a list of the Bank’s real properties as of 31 December 2021 owned by the Bank and utilized as Warehouses and Staffhouses:

| No. | NAME                       | ADDRESS  |
|-----|----------------------------|--|
| 1   | Baguio Staffhouse          | Poblete Ext. South Drive, Baguio Country Club, Baguio City   |
| 2   | Howmart Warehouse          | 63 & 65 Howmart St., Brgy. Apolonio Samson, Quezon City  |
| 3   | Presidents Tower (Unit G3) | Ground Floor Presidents Tower, 81 Timog Ave. corner Scout Ybardolaza St., Brgy. South Triangle, Diliman, Quezon City |
| 4   | Taguig Warehouse           | Arturo cor. Franco Drive, Sta. Maria Industrial Estate, Barrio Bagumbayan, Taguig, Metro Manila                      |

- E. Presented below is a list of the Bank’s real properties (vacant lots and/or buildings) as of 31 December 2021 owned by the Bank reserved for future Branch or Regional use:

| No. | NAME              | ADDRESS  |
|-----|-------------------|--|
| 1   | Cebu – J. Mall    | National Highway, 6014 Mandaue City, Cebu                            |
| 2   | Gercon Plaza      | Lot 5 & 6 Gercon Plaza along Makati Ave., Brgy. Bel Air, Makati City |
| 3   | Juan Luna Binondo | J. Luna/Quintin Paredes & Hormiga Sts., Binondo, Manila              |

|    |   |   |
|----|---|---|
| 4  | Malabon General Luna                                | Gen. Luna St., Barangay San Agustin, Malabon City                                       |
| 5  | Malungon Gensan                                     | Brgy. Upper Balulang, Cagayan de Oro City   |
| 6  | Nuvali Sta. Rosa                                    | Lot 6 Block 9, Nuvali, Sta. Rosa, Laguna  |
| 7  | Premises Management Division (Binondo)              | 411 Quintin Paredes St., Binondo, Manila  |
| 8  | Premises Management Division (Cebu Fuente - Circle) | Fuente Osmena Rotonda, Cebu City  |
| 9  | Premises Management Division (Lipa - Rotonda)       | CM Recto Avenue, Lipa City  |
| 10 | Property Leasing Dept. (Potrero)                    | 110 MacArthur Highway corner Riverside St. Potrero Malabon                              |
| 11 | PSE Tower   | One Bonifacio High Street, 28th Street corner 5th Avenue, Bonifacio Global City, Taguig |
| 12 | RBSJ Tarlac Building (Monarch)                      | Lot 3-H & 3-I-2 Sto. Cristo, J.P. Rizal Extension, Tarlac City                          |

## (2) Leased Properties

BDO Unibank Group leases the premises of its head office and most of its branch offices for periods ranging from one to 30 years from the date of the contracts; terms are renewable upon the mutual agreement of the parties.

Lease liabilities amounting to P12,087 and P11,701 as at December 31, 2021 and December 31, 2020, respectively, for the BDO Unibank Group and P11,800 and P11,551, as of December 31, 2021 and December 31, 2020, respectively, for the Parent Bank.

A list of these leased properties is as follows:

### (a) Utilized as Head Offices as of 31 December 2021:

| No. | NAME                                     | ADDRESS   |
|-----|--|---|
| 1   | Customer Contact Center – Meridian Park  | 8th - 9th Floors Tower 1 Double Dragon Plaza, Meridian Park, Macapagal cor. Edsa Extn, Pasay City         |
| 2   | Customer Contact Center – SM North Tower | 12th floor SM North Tower 1 Edsa cor. North Ave. Quezon City  |
| 3   | The Podium West Tower                    | 37th-41st SMKL, The Podium West Tower, 12 ADB Avenue corner Julia Vargas, Ortigas Center Mandaluyong City |

### (b) Utilized as Representative Offices located abroad as of 31 December 2021:

| No. | NAME                        | ADDRESS  |
|-----|-----------------------------|--|
| 1   | Dubai Representative Office | Ground Floor, DUTCO House Building 44 Al Ittihad Road Diera, Dubai |

| No. | NAME                         | ADDRESS   |
|-----|------------------------------|---|
| 2   | Korea Representative Office  | 23 <sup>rd</sup> Floor Seoul Finance Center, 136 Sejongdaero Jung-gu, Seoul 100-768 Korea |
| 3   | Taipei Representative Office | Hung Kuo Building 7F-A-167 Tun Hua North Road, Song Shan District, Taipei, Taiwan         |
| 4   | Xiamen Representative Office | Unit 244-246, SM City Mall No.468- Jiahe Road, Xiamen No.1351 Xianyue Rd.                 |

(c) Utilized leased lot as ATM offsite location as of 31 December 2021:

| No. | NAME            | ADDRESS   |
|-----|-----------------|---|
| 1   | Clark Philexcel | Philexcel Business Park, M.A. Roxas Highway, ClarkFreeport Zone, Pampanga |
| 2   | Ebanking Center | 3rd Level Tower 1, The Enterprise Center, 6766 Ayala Avenue Makati City   |

(d) Utilized as Regional Offices as of 31 December 2021:

| No. | NAME                                  | ADDRESS  |
|-----|---------------------------------------|--|
| 1   | Cash Hub - Baguio                     | 4th Floor, National Life Bldg., Session Road Baguio City   |
| 2   | Cash Hub – FCIE                       | Governor's Drive, Brgy. Langkaan, Dasmariñas, Cavite   |
| 3   | CBG Office – Batangas P. Burgos       | PBC Building, Brgy. 13 P. Burgos St. Batangas City   |
| 4   | CBG Office – Cebu Ayala Business Park | 9th floor, Unit 905 FLB Corporate Center, Bohol Avenue and Archbishop Reyes Avenue, Cebu Business Park, Barangay Luz Cebu City |
| 5   | CBG Office – Cebu Sky Tower           | 9th Floor, Skytower Building, #88 Acasia St., Brgy. Kamputhaw, Cebu City, Cebu, Philippines                                    |
| 6   | CBG Office – Crosstown Mall Sta. Rosa | Crosstown Mall, Purok 4, Sta. Rosa Tagaytay Road, Pulong Sta. Cruz City, Sta. Rosa, Laguna                                     |
| 7   | CBG Office - Dagupan                  | 3F & 4F Rudel Building, Perez Blvd. Cor. Guilig St, Dagupan City   |
| 8   | CBG Office – Laoag Ilocos Norte       | G/F Insular Life Bldg, Balintawak St. Laoag City Ilocos Norte  |
| 9   | CBG Office - Legaspi Albay            | 2/F City Enterprise Building Landco Business Park F. Imperial St., Bgy. Capantawan, Legazpi City, Albay                        |
| 10  | CBG Office – Malolos Bulacan          | 2F of a Commercial Building, Mabini Street, Brgy. Guinhawa, Malolos City, Bulacan  |
| 11  | CBG Office - SM Cebu Consolacion      | Unit 282, 2F SM City Consolacion, National Road, Brgy. Lamac, Consolacion, Cebu City   |
| 12  | CBG Office – SM City Iloilo           | LG/F SM City Iloilo, Benigno Aquino Avenue, Barangay Boliao, Mandurriao, Iloilo City   |
| 13  | CBG Office - SM North Tower           | 10th & 11th Floor, SM North Tower 1, EDSA cor North Ave., Quezon City  |
| 14  | CBG Office – SM Olongapo              | 410B-410D, 4F, SM City Olongapo Magsaysay Drive cor. Gordon Ave. Brgy Pag-Asa, Olongapo City                                   |
| 15  | CBG Office - Tuguegarao               | 2F Sychangco Bldg. Bonifacio Street, Tuguegarao City Cagayan   |
| 16  | CBG Office – Waltermart Calamba       | 2nd Floor Waltermart Makiling, Brgy. Makiling National Highway Calamba Laguna  |

(e) Metro Manila Branches

1. Lot leased

| No. | BRANCH                          | ADDRESS  |
|-----|---------------------------------|--|
| 1   | Better Living                   | Doña Soledad Avenue corner France St., Better Living, Parañaque City   |
| 2   | BF Homes Aguirre – P. Corpuz    | L1 B5 A. Aguirre Ave. corner Pio V. Corpuz St., Brgy. BF Homes, Parañaque City   |
| 3   | Commonwealth Ave. - Holy Spirit | Lot 27 Commonwealth Avenue, Brgy. Holy Spirit, Quezon City   |
| 4   | Congressional - Mindanao Avenue | Congressional Avenue Extension corner Mindanao Avenue, Quezon City   |
| 5   | Isidora Hills                   | BDO Bldg., Pook Ligaya Riding Ground, Interneighborhood Road, Isidora Hills Subdivision, Barangay Holy Spirit, Quezon City |
| 6   | Las Piñas - BF Resort           | BDO Bldg., Blk 4 Lot 9 BF Resort Drive Phase 4, BF Resort Village, Las Piñas   |
| 7   | Makati - J.P. Rizal             | 872 JP Rizal St. Barangay Poblacion, Makati City   |
| 8   | Makati - P. Ocampo Sr.Ext.      | 243 P. Ocampo Sr. corner Flor de Lis St., Brgy La Paz, Makati City   |
| 9   | Marikina - Tañong               | 223 A. Bonifacio Avenue, Brgy. Tañong, Marikina City   |
| 10  | Mayon                           | 166 Mayon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City   |
| 11  | Mayon – Simoun                  | 116 Mayon St., Sta. Mesa Heights, Brgy. Lourdes, Quezon City   |
| 12  | Novaliches                      | 1016 Quirino Highway Town Proper, Barangay Monica, Novaliches, Quezon City   |
| 13  | Novaliches - Lagro              | Lot 2-B-6 (LRC) PSD-341349, Quirino Highway, Lagro, Novaliches, Quezon City  |
| 14  | Paso De Blas - North Expressway | Lot 921-B-1-B, Paso De Blas Road, Brgy. Paso De Blas, Valenzuela City  |
| 15  | Quezon City – Kalayaan Avenue   | 108 Kalayaan Avenue, Brgy. Central, Central, Quezon City   |
| 16  | Visayas Avenue - Project 6      | 57 Visayas Avenue (Near Sanville Subdivision), Quezon City   |

2. Building leased

| No. | BRANCH              | ADDRESS  |
|-----|---------------------|--|
| 1   | 6780 Ayala Avenue   | G/F 6780 Ayala Avenue Bldg., 6780 Ayala Avenue, Brgy. San Lorenzo, Makati City           |
| 2   | A Place - Coral Way | G/F A Place, Coral Way Drive, MOA Complex, Central Business Park 1, Island A, Pasay City |
| 3   | A. Arnaiz - Paseo   | G/F Joni's Bldg., 832 Arnaiz Ave. cor. Edades St., Brgy. San Lorenzo, Makati City        |

| No. | BRANCH                              | ADDRESS  |
|-----|-------------------------------------|--|
| 4   | A. Arnaiz - San Lorenzo Village     | L & R Bldg., 1018 A. Arnaiz Avenue, Makati City  |
| 5   | A. Bonifacio Ave. - Cloverleaf      | 2/F, Ayala Malls Cloverleaf, A. Bonifacio Avenue, Brgy. Balingasa, Quezon City   |
| 6   | A. Mabini – Gen. Malvar             | Unit R1 G/F, Hollywood Garden Square Bldg., 1709 A. Mabini St. corner Gen. Malvar St. Brgy. 699, Zone 076, Malate, Manila                                  |
| 7   | ABS CBN - Mother Ignacia St.        | Stall No. 22, East Wing, G/F ELJCC Bldg., Sgt. E.A. Esguerra Avenue corner Mother Ignacia St., Brgy. South Triangle, Quezon City                           |
| 8   | Acropolis - E. Rodriguez Jr.        | G/F The SPA Bldg., E. Rodriguez Jr. Ave., Bagumbayan, Quezon City  |
| 9   | Adriatico – Sta. Monica             | 1347 Adriatico near cor. Sta. Monica across Robinson's Place Manila, Brgy. 669, Ermita, Manila   |
| 10  | Alabang Hills                       | Unit G02 UGF Madison Galleries, No. 398 Don Jesus Blvd., Brgy. Cupang, Alabang Hills, Muntinlupa City  |
| 11  | Alabang – Finance Street            | Unit 3 & 4, Paz Madrigal Plaza, Alabang Zapote Road, corner Finance Street, Barangay Ayala Alabang, Madrigal Business Park, Ayala Alabang, Muntinlupa City |
| 12  | Alabang - Madrigal Avenue           | Molito 2 Bldg., Units 1, 2 & 3, Alabang-Zapote Road corner Madrigal Avenue, Alabang, Muntinlupa City   |
| 13  | Anonas - Kamias                     | Anonas St. corner K-6 St., East Kamias, 1102 Quezon City   |
| 14  | Araneta Center – Ali Mall II        | Level 2, #s A202019-202020R, Ali Mall II, P. Tuazon Avenue, Araneta Center, Brgy. Socorro, Cubao, Quezon City  |
| 15  | Araneta Center – Gateway Mall       | 00016 Gateway Mall, Gen. Malvar Avenue, Brgy. Socorro, Cubao, Quezon City  |
| 16  | Arranque                            | 1359-1361 Soler St., Sta. Cruz, Manila   |
| 17  | Arranque - Severino Reyes           | 1451-1457 C.M. Recto corner Severino Reyes St., Sta. Cruz, Manila  |
| 18  | Aseana – Monarch Parksuites         | Space 118 Monarch Parksuites, Bradco Avenue, Aseana Business Park, Brgy. Baclaran, Parañaque City  |
| 19  | Aurora Blvd. - Anonas               | Manahan Bldg., Aurora Blvd. corner Anonas Avenue, Quezon City  |
| 20  | Aurora Blvd. - Hemady               | 708 Aurora Blvd. corner Hemady St., New Manila, 1110 Quezon City   |
| 21  | Aurora Blvd. - New Manila           | 669 Aurora Blvd. Broadway Heights Bldg., Brgy. Mariana, New Manila, Quezon City  |
| 22  | Aurora Blvd. - Princeton Residences | SMDC Princeton Residences (LC 102a-103d), Aurora Blvd., Brgy. Valencia, Quezon City  |
| 23  | Ayala Alabang                       | G/F Condominium C Unioil Center Bldg. Acacia Avenue corner Commerce Avenue, Ayala Alabang, Muntinlupa  |
| 24  | Ayala Alabang - Richville Center    | Richville Center, 1314 Commerce Avenue Extension, Madrigal Business Park, Ayala Alabang, Muntinlupa  |
| 25  | Ayala Avenue                        | 6805 Multinational Bancorporation Bldg., Ayala, Makati City  |

| No. | BRANCH  | ADDRESS   |
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| 26  | Ayala Avenue - People Support                   | G/F People Support Center Amorsolo St. corner Ayala Avenue, Makati City   |
| 27  | Ayala Avenue - SGV 1 Bldg.                      | G/F SGV 1 Building, 6760 Ayala Avenue, Makati City  |
| 28  | Ayala Avenue Extension – Alphaland Makati Place | Unit G10-G11, The Shops at Alphaland Makati Place, 7232 Ayala Avenue Ext. cor., Malugay St., Brgy. Bel-Air, Makati City                                 |
| 29  | Ayala Triangle 1                                | GM-B G/F Tower 1, Ayala Triangle, Ayala Avenue, Makati City   |
| 30  | Ayala - Rufino                                  | G/F Rufino Bldg., Ayala Avenue corner Herrera St., 1226 Makati City   |
| 31  | Baclaran  | 2987 Taft Avenue Extension, Pasay City  |
| 32  | Balubaran – MacArthur Highway                   | G/F Bldg. 1, Arca Strip Commercial Center, 32 MacArthur Highway, Brgy. Dalandanan, Valenzuela City 1443   |
| 33  | Banawe - Agno                                   | 202-204 Banawe corner Agno St., 1103 Quezon City  |
| 34  | Banawe - Amoranto                               | 650 N. S. Amoranto Avenue corner Banawe St., Quezon City  |
| 35  | Banawe - Kitanlad                               | 23-25 Banawe corner Kitanlad, Quezon City   |
| 36  | Banawe - N. Roxas                               | 71 Nicanor Roxas St. corner Banawe St., Quezon City   |
| 37  | BDO Corporate Center Ortigas                    | G/F The Podium, ADB Avenue, Brgy. Wack-Wack, Mandaluyong City   |
| 38  | Bel-Air – SM Cyberzone 1                        | G/F SM Makati Cyberzone 1, along Sen. Gil Puyat Avenue, Makati City   |
| 39  | Better Living - Bicutan                         | 43 Doña Soledad Avenue, Better Living Subdivision, Don Bosco, Parañaque, MM   |
| 40  | BF Homes - Aguirre                              | RGM Bldg., 326 Aguirre Avenue, BF Homes, Parañaque  |
| 41  | BF Homes - Puregold Southpark                   | Units 4 & 5, G/F Puregold Avelino, President's Avenue, BF Homes, Parañaque City   |
| 42  | BF Homes – Teoville                             | G/F Aurora Comm Bldg., President's Ave., Teoville Subd., Brgy. BF Homes, Paranaque City   |
| 43  | BGC – Crescent Park West                        | Arthaland & Century Pacific Tower, 30th St. corner 4th Avenue, Crescent Park West, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig                  |
| 44  | BGC – Net Park                                  | Net Park, 4 <sup>th</sup> Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City  |
| 45  | BGC – One Park Drive                            | G/F Retail Unit Nos. 1 & 2, One Park Drive, 9 <sup>th</sup> Avenue cor 11 <sup>th</sup> Drive, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City |
| 46  | Bicutan – East Service Road                     | Prime Corporate Center, Km. 15 East Service Road corner Marian Road 2, Brgy. San Martin de Porres, Parañaque City                                       |
| 47  | Bicutan – Sun Valley                            | RA024-RA026, Aria A Amaia Steps Bicutan, Sun Valley Drive, Brgy. Sun Valley, Parañaque City   |
| 48  | Bicutan - West Service Road                     | HRDC Bldg., KM. 16 South Super Highway cor. Acisie Road, Severina Industrial Estate, Brgy. Marcelo Green, Parañaque                                     |



| No. | BRANCH                       | ADDRESS  |
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| 49  | Binondo                      | Lot 34 and 35, Blk. 2012, Quintin Paredes St., Brgy. 289, Zone 27, Binondo, Manila   |
| 50  | Binondo – Rosario            | 483 – 485 G/F Quintin Paredes St., Binondo, Manila   |
| 51  | Binondo – San Fernando       | Units 1-6, G/F, 500 San Fernando St., San Nicolas, 026, Brgy.282, Manila   |
| 52  | Bocobo - Pedro Gil           | G/F, Altra Center, 1663 Bocobo St., Brgy 698, Malate, Manila   |
| 53  | Boni – Dansalan              | G/F Exbonytz, Inc. Bldg., Boni Avenue corner M. Vicente St. (formerly Dansalan St), Mandaluyong City   |
| 54  | Boni - Ligaya                | 654 Boni Avenue, 1550 Mandaluyong City   |
| 55  | BGC - 9 <sup>th</sup> Avenue | Active Fun Bldg., 9 <sup>th</sup> Avenue corner 28 <sup>th</sup> St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City                     |
| 56  | BGC - Burgos Circle          | Unit 1-F & 1-E G/F, Crescent Park Residences, 2nd Avenue corner Burgos Circle, Bonifacio Global City, Taguig City                                  |
| 57  | BGC - Ecotower               | G/F Ecotower, 32nd St. corner 9th Avenue, Bonifacio Global City, Taguig City   |
| 58  | BGC - Fort Legends           | G/F Fort Legends Tower, corner 31st St. & 3rd Avenue, Bonifacio Global City, Taguig City   |
| 59  | BGC - Grand Hamptons Tower   | Grand Hamptons Tower, 1st Avenue corner 31st St., Bonifacio Global City, Taguig City   |
| 60  | BGC - Inoza Tower            | G/F, Inoza Tower, 39 <sup>th</sup> Street, Bonifacio North Triangle, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City                      |
| 61  | BGC - J.Y. Campos Center     | G/F J.Y. Campos Center, 30th St. corner 9th Avenue, Bonifacio Global City, Taguig City   |
| 62  | BGC - Market Market          | Space No. 101, Market Market, Bonifacio Global City, Fort Bonifacio, Taguig, MM  |
| 63  | BGC - MC Home Depot          | G/F MC Home Depot, 32nd St. corner Bonifacio Avenue, Bonifacio Global City, Taguig   |
| 64  | BGC - One Mckinley Place     | G/F One McKinley Place, 4th Avenue corner 25th St., Bonifacio Global City, Taguig  |
| 65  | BGC - Phil. Stock Exchange   | 5/F One Bonifacio High Street Bldg., 28 <sup>th</sup> St. corner 5 <sup>th</sup> Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City  |
| 66  | BGC - Picadilly Star         | G/F Picadilly Star Corporate Center, 4th Avenue corner 27th St., Bonifacio Global City, Taguig   |
| 67  | BGC – Shangri-La The Fort    | Unit GF 22, G/F Shangri-La at the Fort Manila, 30 <sup>th</sup> St. cor. 5 <sup>th</sup> Ave., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig |
| 68  | BGC - St. Luke's             | St. Luke's Medical Center, Rizal Drive corner 5th Avenue & 32nd St., Fort Bonifacio Global City, Taguig  |
| 69  | BGC - The Infinity Tower     | Unit 103 The Infinity Tower, 26th St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig   |
| 70  | BGC - University Parkway     | G/F Avecshares Center, 1132 University Parkway, Bonifacio North Triangle, Bonifacio Global City, Taguig  |

| No. | BRANCH                           | ADDRESS   |
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| 71  | BGC - World Plaza                | G/F, Unit 6, World Plaza, 4 <sup>th</sup> Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City            |
| 72  | Bonny Serrano Avenue             | Unit 11 & 12, Aguinaldo Corporate Centre 125 Col. Bonny S. Serrano Avenue Brgy. Socorro, Quezon City                  |
| 73  | Buendia - Taft                   | 401 Sen. Gil Puyat Ave. cor. Dominga St., Brgy. 48, Pasay City  |
| 74  | C. M. Recto - Reina Regente      | 1059 CM Recto Avenue corner Reina Regente St., Binondo, Manila  |
| 75  | Cainta – Sumulong Highway        | Along Sumulong Highway, Brgy. Balanti, Cainta, Rizal  |
| 76  | Calle Industria – Circulo Verde  | G/F Unit I-102, Industria, Circulo Verde, No. 70 Calle Industria, Brgy. Bagumbayan, Quezon City                       |
| 77  | Caloocan                         | Rizal Avenue Extension near corner 11th Avenue, Grace Park, Caloocan City   |
| 78  | Caloocan - A. Mabini             | G/F Corazon Bldg., 432 A. Mabini St., Poblacion, Caloocan City  |
| 79  | Caloocan – Maypajo               | G/F , Units 1-3, 237 A. Mabini St., Brgy. 26, Zone 3, District II, Caloocan City                                      |
| 80  | Caloocan – Primark Deparo        | Primark Town Center Gilmar’s Place Subd, BF Homes, Brgy. 168, Deparo, Caloocan City                                   |
| 81  | Caloocan 7th Ave.                | Rizal Avenue Extension corner 7th Avenue, Caloocan City   |
| 82  | Carmen Planas                    | Nos. 822, 824 & 826 Carmen Planas St., Brgy. 269, Zone 25, District 3, Manila   |
| 83  | Carmen Planas - P. Rada          | 1033-1035 C. Planas St., 1012 Tondo, Manila   |
| 84  | Carmen Planas - Zaragosa         | 921 Carmen Planas St. corner Zaragosa St., Tondo, Manila  |
| 85  | Cash & Carry                     | G/F Unit No. G01A, Cash & Carry Mall, South Super Highway & Filmore St., Makati City                                  |
| 86  | Central Market - V. Fugoso       | 1724 V. Fugoso St., Brgy. 311 Zone 31, District, 3 Sta. Cruz, Manila  |
| 87  | Chino Roces Avenue               | Units 3 & 4 La Fuerza Plaza, Chino Roces Avenue, Makati City  |
| 88  | Chino Roces Avenue – Dela Rosa   | Unit 101 & 102, G/F, One Oculus Center, 2120 Chino Roces Avenue, Makati City  |
| 89  | Chino Roces Avenue – V.A. Rufino | G/F Pacifica One Center, 2178 Don Chino Roces Avenue, Brgy. Pio Del Pilar (North Arnaiz), Makati City                 |
| 90  | Chino Roces Extension – Lumbang  | G/F Dacon Bldg., 2281 Chino Roces Ave., Ext., Brgy. Magallanes, Makati City   |
| 91  | City of Dreams Manila            | 2nd Level, City of Dreams Manila, Aseana cor. Roxas Blvd., Brgy. Tambo, Parañaque City                                |
| 92  | Commonwealth                     | G/F Teresita Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City   |
| 93  | Commonwealth - Don Antonio       | Don Antonio Sports Center, Don Antonio (former Holy Spirit Drive), Don Antonio Heights Subdivision, Quezon City       |
| 94  | Commonwealth – Ever Gotesco      | Ever-Gotesco Commonwealth Center, Don Mariano Marcos Avenue corner Don Antonio Road, Brgy. Batasan Hills, Quezon City |

| No. | BRANCH                                  | ADDRESS   |
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| 95  | Commonwealth – Shopwise                 | Units A3 and A4, G/F, Shopwise Commonwealth, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City  |
| 96  | Congressional Ave. Ext. – T.M. Kalaw    | Blk. 3 Lot 6 Mira Nila Homes, Congressional Ave. Ext., Brgy. Pasong Tamo, Quezon City   |
| 97  | Congressional Avenue                    | The Excelland System I, Congressional Avenue, Quezon City   |
| 98  | Congressional Avenue – Project 8        | 149 Congressional Ave., Brgy. Bahay Toro, Project 8, Quezon City  |
| 99  | Cubao - P. Tuazon                       | MEC Tower, P. Tuazon Ave. cor. 21st St., Cubao, Quezon City   |
| 100 | Dapitan St. - A. H. Lacson Ave.         | Dioresa Plaza, Dapitan St. corner A.H. Lacson Avenue, Sampaloc, Manila  |
| 101 | Del Monte Avenue                        | 63 Del Monte Avenue, Brgy. Manresa, Quezon City   |
| 102 | Del Monte - Araneta Avenue              | 641 Del Monte Avenue, San Francisco Del Monte, Quezon City  |
| 103 | Del Monte - Sienna                      | 409 Del Monte Avenue, Quezon City 1105  |
| 104 | Dela Rosa - Gallardo                    | G/F Unit 15 Tropical Palms Condominium, 103 Dela Rosa St. cor. Gallardo St. cor. Perea St., Brgy. San Lorenzo, Legaspi Village, Makati City |
| 105 | Dela Rosa - Rada                        | Ace Bldg., corner Dela Rosa & Rada St., Legaspi Village, 1229 Makati City   |
| 106 | Diliman - Capitol Hills                 | 16 Capitol Hills Drive, Old Balara, Diliman, Quezon City  |
| 107 | Diliman - Matalino                      | G/F Suntrust Capitol Plaza, Matalino St. cor. City Hall Drive cor. Makatarungan St., Brgy. Central, Diliman, Quezon City                    |
| 108 | Divisoria – Juan Luna                   | 744 - 746 Ilaya St., San Nicolas 025, Brgy. 268, Tondo, Manila  |
| 109 | Divisoria - Sta. Elena                  | 668 Sta. Elena St., Binondo, Manila   |
| 110 | Dr. A. Santos Ave.                      | LT Bldg., Dr. A. Santos Avenue, Paranaque City  |
| 111 | Dr. A. Santos Avenue – Amaia Steps      | Units R108-R112, Amaia Steps Sucat, Dr. A. Santos Ave., Brgy. San Antonio, Parañaque City   |
| 112 | Dr. A. Santos Avenue – Puregold Evacom  | Commercial Units No. 8-10, Puregold San Dionisio, Dr. A. Santos Avenue, Brgy. San Dionisio, Parañaque City                                  |
| 113 | Dr. A. Santos Avenue – UPS 5            | GF Omniworx Business Center, 0060 Dr. A. Santos Avenue, Brgy. San Isidro, Parañaque City  |
| 114 | E. Rodriguez - Welcome Rotonda          | G/F AEK Bldg., 40 E. Rodriguez Sr. Avenue, Don Manuel, Quezon City  |
| 115 | E. Rodriguez Jr. Ave. - Bridgetowne     | Shop 2-6 Tera Tower at Bridgetowne, E. Rodriguez Jr. Ave., Libis, Quezon City   |
| 116 | E. Rodriguez Sr. - Hillcrest            | G/F Rhodium Square Bldg., 1659 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Quezon City  |
| 117 | Eastwood City - E. Rodriguez Jr. Avenue | Magnitude Commercial Arcade, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City   |

| No. | BRANCH                          | ADDRESS  |
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| 118 | Eastwood City - IBM Plaza       | G/F IBM Plaza, Eastwood City, E. Rodriguez Jr., Avenue, Bagumbayan, Quezon City  |
| 119 | Eastwood City - Olympic Heights | G/F Olympic Heights, Eastwood City Cyberpark, Bagumbayan, Quezon City  |
| 120 | Echague                         | 116-120 C. Palanca St. Quiapo, Manila  |
| 121 | EDSA – Boni Avenue              | LG/F, Phinma Properties Center, 29 EDSA, Brgy. Barangka Ilaya, Mandaluyong City 1500                                   |
| 122 | EDSA Cubao                      | 596 Simeon Medalla Bldg., corner Gen. McArthur Avenue, EDSA, Quezon City   |
| 123 | EDSA East - Caloocan            | L & E Bldg. EDSA corner Gen. Concepcion St, Caloocan City  |
| 124 | EDSA POEA                       | POEA Bldg., EDSA corner Ortigas Avenue, Mandaluyong City   |
| 125 | EDSA - A. De Jesus              | 474 EDSA corner B. Serrano & A. De Jesus St, 1403 Caloocan City  |
| 126 | EDSA - Balintawak               | G/F, 1310 EDSA, Brgy Apolonio Samson, Balintawak, Quezon City  |
| 127 | EDSA - Bangkal                  | EDSA, Brgy. Bangkal, Makati City   |
| 128 | EDSA - East Avenue              | G/F Macdouton Building, 768 Edsa near cor. East Avenue, Brgy. Pinyahan, Cubao, Quezon City                             |
| 129 | EDSA - Eton Centris             | Retail B, Cyberpod Centris Three, Eton Centris, EDSA corner Quezon Ave., Brgy. Pinyahan, Quezon City                   |
| 130 | EDSA – Kalayaan Avenue          | G/F Palmyra Bldg., Kalayaan Avenue corner EDSA, Brgy. Pinagkaisahan, Makati City                                       |
| 131 | EDSA - New Farmers Plaza        | Unit FPGF038R & FPGF054R, G/F New Farmers Plaza, General Roxas Avenue, Araneta City, Brgy. Socorro, Cubao, Quezon City |
| 132 | EDSA – New York                 | EDSA corner New York St., Cubao, 1111 Quezon City  |
| 133 | EDSA – Ortigas                  | Maranaw Plaza, 187 Edsa, Brgy. Wack-Wack, Greenhills East, Mandaluyong City  |
| 134 | EDSA – Panorama Technocenter    | G-02 Panorama Technocenter, 1029 EDSA, Brgy Veterans Village I, Muñoz, Quezon City                                     |
| 135 | EDSA - Pasay                    | 507 EDSA corner B. Garcia St., 1300 Pasay City   |
| 136 | EDSA – Skysuites Towers         | 927 The Skysuites Towers, Quezon Ave. cor. EDSA, Brgy. West Triangle, District 1, Quezon City                          |
| 137 | Elcano                          | SHC Tower 619 Elcano St., San Nicolas, Manila  |
| 138 | Emerald Avenue                  | G/F Unit 101 Taipan Place, Don Francisco Ortigas Jr. Road, Pasig   |
| 139 | Escolta                         | 303 Escolta St., Brgy. 291, Binondo, Manila  |
| 140 | España                          | Carmen Bldg. Espana corner G. Tolentino St. Sampaloc, Manila   |
| 141 | España – Basilio                | España St. corner Basilio St. corner Instruccion St., Brgy. 512, Manila  |

| No. | BRANCH                            | ADDRESS  |
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| 142 | España – Blumentritt              | 2101-2103 España Avenue corner Blumentritt St. 1008 Sampaloc, Manila   |
| 143 | España – Grand Residences 2       | C1-C2, Grand Residences España Tower 2, 958 A.H. Lacson St., Brgy. 479, Zone 47, Sampaloc, Manila                                |
| 144 | España - M. Dela Fuente           | Esperanza Place, España Blvd. corner M. Dela Fuente St., Sampaloc, Manila  |
| 145 | Evangelista - Makati              | 1695 Evangelista St corner Gen. Lacuna St., Bangkal, Makati City 1233  |
| 146 | F. Ortigas Jr. Road               | G/F Ortigas Center Association, Inc. Bldg., F. Ortigas Jr. Road, Brgy. Oranbo, Ortigas Center, Pasig City                        |
| 147 | Fairview – Ayala Terraces         | UG/F Space No. U066, Ayala Fairview Terraces, Quirino Highway corner Maligaya Drive, Brgy. Pasong Putik, Novaliches, Quezon City |
| 148 | Fairview - Brittany Square        | GF IL 103, Brittany Square, Belfast St. corner Mindanao Avenue Extension, Brgy. Pasong Putik, Fairview, Quezon City              |
| 149 | Fairview – Doña Carmen            | Shopking Doña Carmen Commercial Center, Commonwealth Avenue, Brgy. North Fairview, Quezon City                                   |
| 150 | Fairview – Fairmont               | Regalado Avenue, Brgy. North Fairview, Novaliches, Quezon City.  |
| 151 | Fairview – Peacock Plaza          | Peacock Plaza, Lot 1 Bkl 2, Commonwealth Ave. cor. Peacock St., Brgy. Fairview Park, Quezon City                                 |
| 152 | Fairview – Regalado               | G/F Regalado Hive, Regalado Ave., Brgy Fairview, Quezon City   |
| 153 | Filinvest Avenue                  | G/F BC Group Bldg., Filinvest Ave. corner Commerce Ave., Brgy. Ayala Alabang, Filinvest Corporate City, Alabang, Muntinlupa      |
| 154 | Filinvest - Alabang               | G/F Tower 1, Insular Life Corporate Center, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City               |
| 155 | Filinvest – Civic Drive           | Units 7 & 8, AA Corporate Plaza, Civic Drive, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City                           |
| 156 | Filinvest – Northgate Aeon Center | Space 2, Aeon Center, Alabang Zapote Road corner North Bridgeway, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City       |
| 157 | Filinvest – Spectrum Midway       | Space 3 & 4, Polaris Bldg., Spectrum Midway St., Filinvest Corporate City, Brgy. Alabang, Muntinlupa City                        |
| 158 | FiveE-comCenter                   | G/F FiveE-com Center, Pacific Drive cor. Bayshore Ave., Brgy. 76, Zone 10, Mall of Asia Complex, Pasay City                      |
| 159 | Fort Bonifacio - Bayani Road      | Bayani Road corner M. Roxas St., Fort Bonifacio, Taguig  |
| 160 | Fort Bonifacio - Mckinley Hill    | G/F Three World Square, McKinley Hill, Fort Bonifacio, Taguig  |
| 161 | Fort Bonifacio – McKinley West    | LG/F Shops 3-5, Cyber Sigma, Lawton Avenue, McKinley West, Brgy. Fort Bonifacio, Taguig City                                     |
| 162 | G. Araneta - Brixton Hill         | G/F ILO Bldg., 195 G. Araneta Avenue, Quezon City  |
| 163 | Gandara                           | 811-813 Sabino Padilla St. (formerly Gandara St.) Sta. Cruz , Manila   |
| 164 | Gandara - Soler                   | 1268 Soler St. corner S. Padilla St., 1006 Binondo, Manila   |

| No. | BRANCH                           | ADDRESS   |
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| 165 | GC Corporate Plaza - Legaspi St. | 150 GC Corporate Plaza, Legaspi St., Legaspi Village, Makati City   |
| 166 | General Luis                     | 297 Gen. Luis St., Barrio Kaybiga, Caloocan City  |
| 167 | Gil Puyat - Filmore              | 1320 Filmore St., Brgy. Palanan, Makati City  |
| 168 | Gil Puyat - Harrison             | Unit IC, ID & IE, No. 53 Gil Puyat Avenue, Brgy. San Rafael, Pasay City   |
| 169 | Gil Puyat - Metro House          | Metro House Building, 345 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air, Makati City  |
| 170 | Gil Puyat - Taft                 | 336-338 Gil Puyat Avenue, Brgy. 49, Pasay City  |
| 171 | Gil Puyat – TechZone             | G/F TechZone Philippines Bldg., 213 Sen. Gil Puyat Ave., Brgy. San Antonio, Makati City   |
| 172 | Grace Park                       | G/F A & R Bldg., 213 Rizal Avenue Extension, Grace Park, Caloocan City  |
| 173 | Grace Park - 11th Avenue         | 1619 Rizal Avenue, Extension corner 11th Avenue, 1400 Caloocan City   |
| 174 | Grass Residences                 | Unit 101-102B, The Strip at Grass Residences, Misamis St. corner Nueva Ecija and Nueva Vizcaya Sts., Sto. Cristo 3, Quezon City |
| 175 | Greenbelt – Legazpi St.          | G/F 108 Legazpi St. corner Paseo de Roxas, Pioneer House Bldg., Legazpi Village, Makati City                                    |
| 176 | Greenhills Shopping Center       | G/F Jeweller Center, Greenhills Shopping Center, Ortigas Avenue, San Juan, Metro Manila   |
| 177 | Greenhills - Annapolis           | Unit 101, G/F Vasquez-Madrigal Plaza, Annapolis, Greenhills, San Juan   |
| 178 | Greenhills - Connecticut         | G/F Belomed Bldg., No. 49 Connecticut St., Brgy. Greenhills, San Juan City  |
| 179 | Greenhills - O Square            | G/F Unit OS-105, O Square Greenhills Shopping Center, Ortigas Avenue, Brgy. Greenhills, San Juan City                           |
| 180 | Greenhills - West                | 101 Limketkai Bldg., Ortigas Avenue, San Juan, MM   |
| 181 | Greenhills - Wilson              | 227 Wilson St. corner Don Miguel St., San Juan, MM  |
| 182 | H.V. Dela Costa                  | 120 Westgate Plaza Condominium, Salcedo Village, Makati City  |
| 183 | Ilaya                            | 1049-1051 Ilaya St., Divisoria, Manila  |
| 184 | Ilaya - Padre Herrera            | 1089 Ilaya St., Brgy.3, Zone 01, Tondo, Manila  |
| 185 | Intramuros                       | G/F Chamber of Commerce Bldg., #3 Magallanes Drive, Intramuros, Manila  |
| 186 | J. Abad Santos                   | G/F Ching Leong Temple, J. Abad Santos Avenue, Tondo, Manila  |
| 187 | JAS – Antipolo                   | G/F Intercast Corporate Tower 2230 J. Abad Santos Avenue, Tondo, Manila   |
| 188 | JAS – Padre Algue                | G/F, Unit C-4, Cintiley Residences, 1278 J. Abad Santos Ave., Brgy. 259, Zone 023, Tondo, Manila                                |

| No. | BRANCH                                   | ADDRESS   |
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| 189 | Juan Luna                                | 262 Juan Luna Street, Binondo, Manila   |
| 190 | Julia Vargas – IBP Tower                 | G/F IBP Tower, Doña Julia Vargas Avenue and Jade Drive, Ortigas Center, Brgy. San Antonio, Pasig City                 |
| 191 | Julia Vargas – Ortigas Technopoint One   | Unit Nos. G04-07, OTP Bldg. 1, No. 01, Julia Vargas Avenue, Ugong, Pasig City   |
| 192 | Julia Vargas – Valle Verde               | Units L1-01 & L1-02, Silver City, Frontera Verde, Brgy Ugong, Pasig City  |
| 193 | Jupiter - Reposo                         | G/F CEI Headquarters, 158 Jupiter St. corner N. Garcia St., Bel-Air Village, Makati City                              |
| 194 | Kamagong                                 | 2567 P. Ocampo (Vito Cruz Extension ) corner Madre Perla St. Manila   |
| 195 | Kamias Road                              | Trinidad Bldg., Kamias Road corner K- J St., Quezon City  |
| 196 | Karrivin Plaza - Chino Roces Avenue Ext. | G/F Building A, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City  |
| 197 | Karuhatan - MacArthur Highway            | KM. 13 MacArthur Highway, 1441 Karuhatan, Valenzuela, Metro Manila  |
| 198 | Katipunan                                | Regis Center, No. 327 Katipunan Avenue corner F. Dela Rosa St., Loyola Heights, Quezon City                           |
| 199 | Katipunan – Blue Ridge                   | G/F, Place One Building, 205 Katipunan Avenue, Brgy. Milagrosa, Quezon City   |
| 200 | Katipunan – Loyola Heights               | De Borja Commercial Bldg., 299 Katipunan Avenue, Brgy. Loyola Heights, Quezon City                                    |
| 201 | Katipunan – Xavierville                  | G/F Xavierville Square Condominium, 38 Xavierville Avenue, Loyola Heights, Quezon City                                |
| 202 | Katipunan Avenue – Blue Residences       | Strip at Blue, Blue Residences (LC 104-107A), Katipunan Ave. corner Aurora Blvd., Brgy. Loyola Heights, Quezon City   |
| 203 | Katipunan Avenue – U.P. Town Center      | Second Level, Phase 2, Space No. 278a, Ayala Malls U.P. Town Center, Katipunan Avenue, Brgy. U.P. Campus, Quezon City |
| 204 | Las Piñas - Almanza                      | Alabang-Zapote Road, Almanza Uno, Las Piñas, Metro Manila   |
| 205 | Las Piñas - Evia Daang Hari              | Evia Lifestyle Center, Daang Hari Road, Tindig na Mangga, Brgy. Almanza Dos, Las Piñas City                           |
| 206 | Las Piñas - J. Aguilar Avenue Casimiro   | Blk. 1 Lot 9 J. Aguilar Avenue, Casimiro Village 3, Brgy. BF International, Las Piñas City                            |
| 207 | Las Piñas - Marcos Alvarez Avenue        | B-2 L-19 Kimberkay Bldg., Marcos Alvarez Ave., Brgy. Talon Cinco, Las Piñas City                                      |
| 208 | Las Piñas - Naga Road                    | Near corner Naga Road and Main Access Road, E.T. Homes 2, Pulanglupa 2, Las Piñas City                                |
| 209 | Las Piñas - Pamplona Tres                | Unit 101-104, G/F, Lot G & H, Torre Sur, Alabang Zapote, Brgy. Pamplona Tres, Las Piñas City                          |
| 210 | Las Piñas - Talon                        | G/F Motiontrade Bldg, Alabang-Zapote Road, Talon, Las Piñas City  |

| No. | BRANCH                               | ADDRESS  |
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| 211 | Lavezares                            | 321-325 Garden City Condominium, corner Lavezares & Camba St., San Nicolas, Manila   |
| 212 | Legaspi Village - C. Palanca         | G/F Colonade Residences, No. 132 Legaspi Village, Makati City  |
| 213 | Legaspi Village - Gamboa             | KL Tower, 117 Gamboa Street, Legaspi Village, Brgy. San Lorenzo, Makati City   |
| 214 | Legaspi Village - Salcedo St.        | Maxicare Tower, 203 Salcedo St., Legaspi Village, Makati City  |
| 215 | Leon Guinto – Gen. Malvar            | Wynn Plaza Commercial Unit 2, 1674 Leon Guinto cor. Gen. Malvar & Agoncillo Sts., Brgy. 694, Zone 075, Malate, Manila                  |
| 216 | Leon Guinto – San Andres             | G/F Unit A Queen Rose Bldg, 911 San Andres St. cor. Leon Guinto St., Brgy 723, Malate, Manila  |
| 217 | Loyola Heights - Berkeley Residences | G/F Berkeley Residences, Katipunan Ave. corner Escaler St., Loyola Heights, Quezon City  |
| 218 | Macapagal Blvd. - Aseana 3           | G/F, Shop 3, Aseana 3, Pres. Diosdado Macapagal Blvd. Corner Asean Avenue, Aseana City, Brgy. Tambo, Parañaque City                    |
| 219 | Macapagal Blvd. - Bay Area           | Space Number 2013, Ayala Malls Manila Bay, Diosdado Macapagal Blvd. Corner Asean Avenue, Brgy. Tambo, Parañaque City                   |
| 220 | Macapagal Blvd. - Meridian Park      | G/F, Double Dragon Plaza, DD Meridian Park, Macapagal Ave. cor. EDSA Ext., Bay Area, Brgy. 76, Zone 10, Pasay City                     |
| 221 | Macapagal Blvd. - Pearl Drive        | Unit Nos. 105 & 106, Scape Bldg., Diosdado Macapagal Avenue corner Pearl Drive, Brgy. 76, San Rafael, Mall of Asia Complex, Pasay City |
| 222 | Macapagal Blvd. - W Mall             | G/F W-Mall, Diosdado Macapagal Avenue corner Coral Way, Brgy. 76, Zone 10, Pasay City  |
| 223 | Magallanes Village                   | Unit 104 The Gate Way Center, Paseo de Magallanes, Magallanes Village, Makati City   |
| 224 | Makati Avenue - Zuellig              | G/F Zuellig Building, Paseo de Roxas corner Makati Avenue, Makati City   |
| 225 | Makati Medical Center                | G/F Makati Medical Center Bldg., Salcedo St. corner Dela Rosa St., Legaspi Village, Makati City  |
| 226 | Makati Shangrila Hotel               | Unit 191 Shangrila Hotel Manila, Ayala Center, Makati City   |
| 227 | Makati – Circuit Mall                | Level 2, L2 049-L2 050, Ayala Malls Circuit, Circuit Makati, Hippodromo St., Brgy. Carmona, Makati City                                |
| 228 | Makati – Evangelista Macabulos       | G/F QS Bldg., Evangelista St. corner General Macabulos St., Brgy. Bangkal, Makati City   |
| 229 | Makati - Esteban                     | G/F A & V Crystal Tower, 105 Esteban St., Legaspi Village, Makati  |
| 230 | Makati – Gramercy Residences         | G/F Gramercy Residences, The Century City, Salamanca St., Brgy. Poblacion, Makati  |
| 231 | Makati – Jazz Residences             | G/F Jazz Residences, Jupiter St. corner N. Garcia St., Brgy. Bel-Air, Makati City  |
| 232 | Makati – Metropolitan Avenue         | G/F Metropolitan Terraces, Metropolitan Avenue corner Sacred Heart St., (formerly Dao St), Makati City                                 |



| No. | BRANCH                          | ADDRESS   |
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| 233 | Malabon – Concepcion            | G/F Teresita Bldg., No. 4 Gov. Pascual Avenue, Brgy. Baritan, Malabon City 1470   |
| 234 | Malabon - Fisher Mall           | Unit 1F, G/F Malabon – Fisher Mall, Circumferential Road 4 Dagat-Dagatan Avenue, Brgy Longos, Malabon City 1472   |
| 235 | Malabon - Gov. Pascual          | G/F MGC Veranda Bldg., 31 Gov. Pascual Avenue, Tenejeros, Malabon City  |
| 236 | Malanday - McArthur Highway     | G/F & 2/F, 584 MacArthur Highway, Brgy. Malanday, 1405 Valenzuela City  |
| 237 | Malate - Adriatico              | Adriatico Executive Center, Adriatico St., Ermita, Manila   |
| 238 | Mall of Asia – S Maison         | G/F S Maison, Marina Way, Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City   |
| 239 | Mall of Asia – Sea Residences   | Location Code 119-121, G/F Sea Residences, Pearl Drive corner Sunrise Drive, SM Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City                     |
| 240 | Mall of Asia – Shell Residences | SMDC Shell Residences (LC 123), EDSA corner Road 11, Brgy. 76, SM Mall of Asia Complex, Pasay City  |
| 241 | Mall of Asia – Shore Residences | Location 120-121, G/F, Shore 1 Commercial, Shore Residences, Seaside Blvd. Corner Sunrise Drive, SM Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City |
| 242 | Mandaluyong - Calbayog          | DMG Center, Libertad St. corner M. Cruz, Mandaluyong City   |
| 243 | Mandaluyong – Fame Residences   | Location Code 131 – 133a, 163-165, G/F Fame Residences, EDSA and Mayflower St., Brgy. Highway Hills, Mandaluyong City                                   |
| 244 | Mandaluyong - Libertad          | Sierra Madre St. corner Libertad St. Mandaluyong City   |
| 245 | Mandaluyong - Light Mall        | G/F Light Mall, Light Residences, EDSA corner Madison St., Brgy. Barangka Ilaya, Mandaluyong City   |
| 246 | Mandaluyong – Reliance          | G/F, Units 3 & 4 Launch Pad Bldg., Reliance corner Sheridan Sts., Brgy. Highway Hills, Mandaluyong City   |
| 247 | Mandaluyong – Rockwell Sheridan | Retail 10, G/F The Rockwell Business Center – Sheridan, Sheridan St. corner United St., Brgy. Highway Hills, Mandaluyong City                           |
| 248 | Manila - Otis                   | 1763 Paz Mendoza Guanzon St., Paco, Manila  |
| 249 | Marikina Heights                | G/F Commercial Unit No. 108-110, Puregold & Ayala Malls Marikina, Liwasang Kalayaan, Brgy. Marikina Heights, Marikina City                              |
| 250 | Marikina - Calumpang            | Florida 1 Bldg., J.P. Rizal corner M. A. Roxas St., Calumpang, Marikina City  |
| 251 | Marikina - Gil Fernando Ave.    | Gil Fernando Avenue corner Dragon St., Marikina City  |
| 252 | Marikina - JP Rizal             | 265 Jose Rizal St., Sta. Elena 1800, Marikina City  |
| 253 | Marikina - Katipunan            | G/F 107 Guerdon Commercial Center, Katipunan Avenue cor. Rainbow St., Brgy. Concepcion Dos, Marikina City   |
| 254 | Marikina - Lamuan               | J. P. Rizal St. near corner Malaya St., Brgy. Lamuan, Marikina City   |

| No. | BRANCH                              | ADDRESS   |
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| 255 | Marikina - Nangka                   | Unit 1A G/F Bldg 2 Citi Centre Nangka, J.P. Rizal Avenue corner Puerto Rico Avenue, Nangka, Marikina City           |
| 256 | Marikina - Parang                   | 105 Gen. B. G. Molina St., Brgy. Parang, Marikina City  |
| 257 | Marikina – Xeland Gil Fernando Ave. | LS1-04 Xeland, Mayor Gil Fernando Avenue, Brgy. Sto. Niño, Marikina City  |
| 258 | Masangkay                           | Lun Hong Townmates Association Bldg., 1226 Masangkay Sta. Cruz, Manila  |
| 259 | Masangkay - CM Recto                | 1029-1031 JP. Bldg., Masangkay corner Tronqued St., Sta. Cruz, Manila   |
| 260 | Masangkay - Luzon St.               | 907 Luzon St. corner Masangkay St., Tondo, Manila   |
| 261 | Mascardo - Chino Roces Avenue       | 1101 Chino Roces corner Mascardo St., Brgy Sta. Cruz, Makati City   |
| 262 | Mayon - N. Roxas                    | 241 Mayon Avenue corner Nicanor Roxas St., 1161 Quezon City   |
| 263 | Maysilo Circle – F. Martinez Avenue | 315 Maysilo Circle, Brgy. Plainview, Mandaluyong City   |
| 264 | Meralco - Ortigas                   | Meralco Compound, Ortigas Avenue, 1604 Pasig City   |
| 265 | Meralco Avenue – Millenium Place    | Unit 102 Millennium Place, Meralco Ave., Brgy. San Antonio, Pasig City  |
| 266 | Mezza Residences                    | G/F Mezza Residences, Aurora Blvd. corner Araneta Avenue, Guirayan St., Brgy. Doña Imelda, Quezon City              |
| 267 | Mindanao Ave. Ext. - Brittany       | EC Center Bldg., Mindanao Ave. Extension cor. Commonwealth Ave., Brgy. Pasong Tamo Putik, Quezon City               |
| 268 | Mindanao Avenue – Bagong Pag-asa    | Golden Sun Realty Bldg. II, No. 29 Mindanao Avenue, Brgy. Bagong Pag-asa, Quezon City                               |
| 269 | Mindanao Avenue - St. Charbel       | G/F, Lot 2 Block 1, Mindanao Avenue, Brgy. Tandang Sora, Quezon City  |
| 270 | Mindanao Avenue – Tandang Sora      | G/F & 2/F, No.18 Mindanao Avenue, Brgy. Tandang Sora, Quezon City   |
| 271 | Monumento                           | G/F Sunhope Bldg., 78 MacArthur Highway, Brgy. 81, Caloocan City  |
| 272 | Mother Ignacia – M Place            | SMDC M Place Sotuh Triangle (LC 106-107), Mother Ignacia corner Panay Avenue, Brgy. South Triangle, Quezon City     |
| 273 | Muñoz - Roosevelt                   | 328 Mesa Holding Bldg., San Francisco Del Monte, Quezon City  |
| 274 | Muntinlupa – East Bay Residences    | Ground Floor, East Bay Residences, KM21, East Service Road, Brgy. Sucat, Muntinlupa City                            |
| 275 | Muntinlupa - Poblacion              | G/F Elizabeth Center Bldg., National Road, Poblacion, Muntinlupa  |
| 276 | N. Domingo – Gilmore Avenue         | G/F Gilmore Tower, No. 2 Gilmore Ave. corner N. Domingo St., Brgy. Mariana, Brgy. Valencia, New Manila, Quezon City |
| 277 | N. Domingo - M. Paterno             | G/F Maxsteel Bldg., No. 266 N. Domingo St., Brgy. Pasadena, San Juan City   |

| No. | BRANCH                              | ADDRESS  |
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| 278 | NAIA 1                              | Arrival Area, Ninoy Aquino International Airport, Ninoy Aquino Avenue, 1705 NAIA, Parañaque City                         |
| 279 | NAIA 3                              | Stall No.13, Arrival Lobby of Terminal 3, Ninoy Aquino International Airport, Andrews Avenue, Brgy. Villamor, Pasay City |
| 280 | Navotas                             | 514 Northbay Blvd. Corner Lacson St., Brgy. Bangkulasi, Navotas City 1485  |
| 281 | Neptune - Makati Avenue             | 101 Neptune St. corner Makati Avenue 1209 Makati City  |
| 282 | New Manila - E. Rodriguez Sr.       | Unit 1G & 2E, 284 Dona Anita Bldg., E. Rodriguez Sr. Avenue, Quezon City   |
| 283 | Newport City                        | G/F Newport Office Building 1, Newport City, Pasay City  |
| 284 | Newport City – Plaza 66             | Unit Retail 13a, Plaza 66, Newport City, Manlunas St., Brgy. 183, Villamor Airbase, Pasay City                           |
| 285 | Northbay - Virgo Drive              | Melandra V Bldg., Honorio Lopez Blvd. near corner Virgo, North Bay, Navotas City   |
| 286 | Novaliches - Quirino Highway Bagbag | 612 Quirino Highway, Brgy. Bagbag, Novaliches, Quezon City   |
| 287 | Novaliches - Regalado Avenue        | G/F, Lot 11 Block 114 Regalado Avenue, Brgy. Greater Lagro, Novaliches, Quezon City                                      |
| 288 | Novaliches – S&R Commonwealth Ave.  | G/F, Unit 1, S&R Commonwealth, Commonwealth Avenue corner Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City    |
| 289 | Novaliches - Trees Residences       | The Strip at Trees Residences, Quirino Highway, Brgy. Pasong Putik, Novaliches, Quezon City                              |
| 290 | Novaliches - Zabarte                | G/F C.I. Plaza, 1151 Quirino Highway corner Zabarte Road, Brgy. Kaligayahan, Novaliches, Quezon City                     |
| 291 | Okada Manila Pearl Wing             | Hotel Pearl Wing, Okada Manila, Atlantic Drive, Asiaworld City, Boulevard 2000, Brgy. Tambo, Parañaque City              |
| 292 | Old Sta. Mesa - Albina              | Newton Plaza, Old Sta. Mesa corner Albina St., Sampaloc, Manila  |
| 293 | OneE-comCenter                      | G/F One E-com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City  |
| 294 | Ongpin                              | Unit ABC Imperial Sky Garden Ongpin St. corner T. Pinpin St. Binondo, Manila   |
| 295 | Ongpin - T. Alonzo                  | G/F Anchor Skysuites, No. 827 Ongpin St., Brgy.300, Zone 29, Sta. Cruz, Manila   |
| 296 | Ongpin-Tomas Mapua                  | 1004-1006 Ongpin St. Sta. Cruz, Manila   |
| 297 | Ortigas Avenue – E. Rodriguez, Jr.  | Units A-D, G/F L & Y Plaza Bldg., 120 E. Rodriguez Jr. Avenue corner Ortigas Avenue, Brgy. Ugong, Pasig City             |
| 298 | Ortigas Avenue Ext. - Pace Bldg     | Pace Bldg., 98 Granada St., Ortigas Avenue Extension, Barangay Valencia, Quezon City                                     |
| 299 | Ortigas Avenue Ext. - Pasig         | Along Ortigas Avenue Extension, Rosario, Pasig City  |
| 300 | Ortigas Avenue Ext. - St. Joseph    | 15 A, Ortigas Avenue Extension corner Monaco St., Pasig City   |

| No. | BRANCH                                 | ADDRESS   |
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| 301 | Ortigas – Garnet Road                  | Unit 1 G/F Cyberscape Alpha Bldg., Garnet & Sapphire Rds., Ortigas Central Business District, San Antonio, Pasig City   |
| 302 | Ortigas - Octagon Centre               | G/F Octagon Centre, San Miguel Avenue, Ortigas Center, Pasig City   |
| 303 | Pablo Ocampo Sr. St. - Arellano Avenue | Barko Bldg., P. Ocampo Sr. St. corner Arellano Avenue & Enrique St., Malate, Manila                                     |
| 304 | Pacific Star - Makati                  | G/F Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City   |
| 305 | Paco                                   | 1054-1060 Pedro Gil St., Paco, Manila   |
| 306 | Padre Rada                             | Gosiupo Bldg. 480-482 Padre Rada Corner Elcano St. Tondo, Manila  |
| 307 | Parañaque - La Huerta                  | 0422 Quirino Avenue corner J. Ferrer St., La Huerta, Parañaque City   |
| 308 | Parañaque - Moonwalk                   | G/F Seal I Bldg., Armstrong Avenue corner Yosemite St., Moonwalk Subdivision, Parañaque City                            |
| 309 | Parañaque - Moonwalk E. Rodriguez Ave. | 15413 A&M Bldg., E. Rodriguez Ave. cor. Daang Batang St., Brgy. Moonwalk, Parañaque City                                |
| 310 | Parañaque - NAIA Road                  | G/F Park N' Fly Carpark Bldg. 2, NAIA (MIA) Road cor. Mayuga St., Brgy. Tambo, Parañaque City                           |
| 311 | Parañaque - Pascor Drive               | Sky Freight Bldg., Ninoy Aquino Avenue near corner Pascor Drive, St. Niño, Parañaque City                               |
| 312 | Parañaque - San Antonio Valley 1       | San Antonio Plaza, Blk 6 Lot 20 & 21, San Antonio Ave., Brgy. San Antonio Valley 1, Sucat, Parañaque                    |
| 313 | Parañaque - Sto. Niño                  | Units U & V, Columbia Airfreight Complex, No. 707 Ninoy Aquino Avenue, Brgy. Sto. Niño, Parañaque City                  |
| 314 | Pasay - Domestic Road                  | Caltex Compound (PDSC/Park 'N Fly Bldg.), NAIA corner Domestic Road, 1300, Pasay City                                   |
| 315 | Pasay - Two Shopping Center            | 2nd Level. Retail Shops Area, Two Shopping Center, Taft Avenue, Pasay City  |
| 316 | Paseo de Roxas 2                       | G/F BDO Plaza, 8737 Paseo de Roxas St. Makati City  |
| 317 | Pasig - 106 Shaw Boulevard             | 106 Shaw Blvd., Brgy. Kapitolyo, Pasig City   |
| 318 | Pasig - A. Sandoval Ave.               | G/F Isagabanna Bldg., A. Sandoval Ave. corner Col. R. Fernandez St., Villa Alegre Subd., Brgy. Pinagbuhatan, Pasig City |
| 319 | Pasig - C. Raymundo Ave.               | JEMCO Bldg., Raymundo Ave. cor. Bernal St., Rosario, Pasig City   |
| 320 | Pasig – Amang Rodriguez Caruncho Road  | Retail 1, Acacia Escalades, Amang Rodriguez corner Caruncho Road, Brgy. Manggahan, Pasig City                           |
| 321 | Pasig - Capitol Commons Estancia       | Estancia Mall, Capitol Commons, Pasig City  |
| 322 | Pasig Blvd. - E. Rodriguez Jr.         | G/F P & J Bldg., Pasig Blvd corner E. Rodriguez Jr. Ave., Brgy. Ilog, Pasig City  |
| 323 | Pasig – Felix Ave. Karangalan          | G/F, Hanlu Bldg., Felix Avenue, Karangalan Village, Brgy. Manggahan, Pasig City   |

| No. | BRANCH                                      | ADDRESS  |
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| 324 | Pasig - Kapasigan                           | Mariposa Arcade, A. Mabini corner Dr. Pilapil St. Pasig City   |
| 325 | Pasig - Maybunga                            | G/F Armal Bldg. 3, Blk 1 Lot 1-3, C. Raymundo Avenue, Maybunga, Pasig City                                     |
| 326 | Pasig – San Antonio Meralco Ave.            | Iriz One Corporate Center, No. 35 Meralco Ave. cor. Gen. Segundo St., Brgy. San Antonio, Ortigas Center, Pasig |
| 327 | Pasig - Meralco Avenue                      | G/F One Corporate Centre, Julia Vargas Avenue corner Meralco Avenue, Pasig City                                |
| 328 | Pasig - Mercedes Avenue                     | 628 MK Building, Mercedes Avenue, Brgy. San Miguel, Pasig City   |
| 329 | Pasig - Oranbo Drive                        | G/F A.B. Sandoval Bldg., Shaw Blvd. corner Oranbo Drive, Pasig City  |
| 330 | Pasig - Pioneer                             | Pioneer Centre, Pioneer St. corner United & Brixton St., Kapitolyo, Pasig City                                 |
| 331 | Pasig - Pioneer Shaw Blvd.                  | CVFC Corporate Center, Pioneer St. corner San Rafael St., Brgy. Kapitolyo, Pasig City                          |
| 332 | Pasig - Puregold San Joaquin                | G/F Puregold, 165 M. Concepcion St., Brgy. Buting, Pasig City  |
| 333 | Pasig - Sixto Antonio Ave. Bedaña           | Sixto Antonio Avenue corner R. Bedaña St., Pasig City  |
| 334 | Pasig - Sixto Antonio Ave. - Stella Maris   | 478 G/F CLM Bldg., Dr. Sixto Antonio Avenue, Brgy. Maybunga, Pasig City  |
| 335 | Pasig – The 30 <sup>th</sup> Meralco Avenue | LG/F, Space No. L0060-61, Ayala Malls The 30 <sup>th</sup> , Meralco Avenue, Brgy. Ugong, Pasig City 1604      |
| 336 | Pasig - The Grove Rockwell                  | G/F The Grove by Rockwell, 117 E. Rodriguez Jr. Avenue, Brgy. Ugong, Pasig City                                |
| 337 | Pasig – E. Rodriguez Jr. Lanuza Ave.        | G/F Reliance Center, 99 E. Rodriguez Jr. Avenue, Barrio Ugong, Pasig City                                      |
| 338 | Pasig - Valle Verde Country Club            | Valle Verde Country Club, Capt. Henry P. Javier St. corner St. Martin St., Brgy. Oranbo, Pasig City            |
| 339 | Pasong Tamo Ext.                            | G/F Allegro Center, Pasong Tamo Extension, Makati City   |
| 340 | Pateros - Poblacion                         | 77 M. Almeda St., Brgy. San Roque, Pateros   |
| 341 | Pedro Gil - Adriatico                       | Adriatico St. near corner Pedro Gil St., Malate, Manila  |
| 342 | Pedro Gil - A. Mabini                       | 1567-1571 Salud Bldg., Pedro Gil corner A. Mabini St. Ermita, Manila   |
| 343 | Philam Tower – Valero                       | G/F Philamlife Tower, 8767 Paseo de Roxas, Brgy. Bel-Air, Makati City  |
| 344 | Plaza Calderon - Pedro Gil                  | G/F Unit C, Harmonic Seven Bldg., 2332- 2334 Pedro Gil corner Vesta St., Sta. Ana, Manila                      |
| 345 | Port Area - South Harbor                    | G/F Velco Center, R.S. Oca Corner A. C. Delgado St., Port Area, Manila   |
| 346 | Potrero                                     | G/F Panco Square, 67 MacArthur Highway, Malabon City 1475  |

| No. | BRANCH                           | ADDRESS  |
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| 347 | Quezon Avenue - Araneta          | G/F CSP Bldg., 815 Quezon Avenue, Quezon City  |
| 348 | Quezon Avenue - Cordillera       | 37 Quezon Avenue corner Cordillera St., Quezon City  |
| 349 | Quezon Avenue – D. Tuazon        | Unit 101 & 103, Bernmann Centre, No. 28 Quezon Ave., Brgy. Doña Josefa, Quezon City  |
| 350 | Quezon Avenue – Examiner         | G/F Maxmor Bldg., Examiner St. corner Quezon Ave., Brgy. West Triangle, Quezon City  |
| 351 | Quezon Avenue – Fisher Mall      | UB-Bank 1, Fisher Mall, Quezon Ave. corner Roosevelt Ave., Brgy. Sta. Cruz, Quezon City  |
| 352 | Quezon Avenue – Prima Residences | G/F Prima Residences, 243 Quezon Avenue, Brgy. Tatalon, Quezon City  |
| 353 | Quezon Avenue – South Triangle   | Unit LG02-03, SKC Service Center Bldg., 1320 Quezon Avenue, Brgy. South Triangle, Quezon City  |
| 354 | Quiapo - Quezon Blvd.            | Quezon Blvd., 1001, Quiapo, Manila   |
| 355 | Quintin Paredes                  | 524 Enterprise Bldg., Quintin Paredes St. corner Carvajal St., Binondo, Manila   |
| 356 | Quirino Paco                     | CRS Tower Corner, Perdigon St. Pres. Quirino Avenue, Paco, Manila  |
| 357 | Rada – Legaspi Village           | G/F One Legaspi Park, Rada St. Legaspi Village, Makati City  |
| 358 | Resorts World Manila             | Newport Blvd., Newport City, Pasay City  |
| 359 | Rizal Avenue - Bambang           | 1607 Alvarez St. corner Rizal Avenue, Sta. Cruz, 1003 Manila   |
| 360 | Rizal Avenue - Batangas St.      | 2200 Rizal Avenue corner Batangas St., Sta. Cruz, Manila   |
| 361 | Robinsons - Metro East           | Level 1 (L1 160 & 162), Robinsons Metro East Mall, Brgy. Dela Paz Marcos Highway, Pasig City 1611  |
| 362 | Robinsons – Magnolia             | Level 1, Unit 107B, Robinsons Magnolia, Aurora Boulevard corner Dona Hemady St., and N. Domingo St., Brgy. Kaunlaran, New Manila, Quezon City 1112 |
| 363 | Robinsons Galleria - Ortigas     | LG/F Basement Westwing, Robinsons Galleria Mall, Brgy. Ugong Norte Ortigas Avenue, 1602 Quezon City  |
| 364 | Robinsons Place - Manila         | G/F Robinsons Mall corner Pedro Gil, Maria Orosa Sts., Ermita, 072 Brgy. 669, Manila   |
| 365 | Roces Avenue                     | 57 (Don A.) Roces Avenue, Brgy. Laging Handa, Quezon City  |
| 366 | Rockwell - Ortigas               | Level 1, Tower 3 (South), The Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City  |
| 367 | Rockwell – Power Plant           | G/F Power Plant Mall, Rockwell Center, Amapola corner Estrella St., Makati City  |
| 368 | Roxas Blvd. - Admiral Baysuites  | G/F Admiral Baysuites, 2138 Aldecoa St. corner M.H. Del Pilar St., Brgy. 701, Malate, Manila   |
| 369 | Roxas Blvd. - Breeze Residences  | Unit 101-102, G/F SMDC Breeze Residences, Roxas Blvd., Brgy. 5, Zone 2, Pasay City   |
| 370 | Roxas Blvd. - Crowne Bay Tower   | Unit 101 Crowne Bay Tower, along Roxas Blvd., Brgy. Baclaran, Parañaque City   |

| No. | BRANCH                            | ADDRESS  |
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| 371 | Roxas Blvd. - R. Salas            | S & L Bldg., Roxas Blvd. St. corner Romero Salas St., Ermita, Manila   |
| 372 | Roxas Blvd. - Radiance Manila Bay | Retail No. 3, Radiance Manila Bay, Roxas Blvd., Brgy 001, Pasay City   |
| 373 | Salcedo - Dela Rosa               | Golden Rock Bldg., 168 Salcedo St., Legaspi Village, Makati City   |
| 374 | Salcedo - Gamboa                  | Optima Building, Salcedo St. near corner Gamboa St., Legaspi Village, Makati City                                  |
| 375 | Sales St. - Raon                  | 545 Sales St. corner G. Puyat St. (Raon) 1016 Sta. Cruz, Manila  |
| 376 | Sampaloc – A.H. Lacson            | G/F JHL Centre Bldg., #519 A.H. Lacson St., Brgy 434, Zone 44, Sampaloc, Manila                                    |
| 377 | Sampaloc – Legarda                | G/F Legarda Place Bldg., 2327 Legarda St., Sampaloc 042, Brgy. 416, Manila   |
| 378 | Sampaloc – Pureza                 | TP Building, No. 0414 Pureza Extension, Brgy. 425, Zone 043, Sampaloc, Manila                                      |
| 379 | Samson Road                       | G/F Ma. Cristina Bldg. Samson Road corner UE Tech. Caloocan City   |
| 380 | San Andres                        | San Andres corner A. Linao St., Malate, Manila   |
| 381 | San Juna – P. Guevarra            | G/F No. 299 P. Guevarra St., Brgy. Little Baguio, San Juan City  |
| 382 | San Juan – Pinaglaban             | G/F, Benson Apartelle, No. 627 & 629 Pinaglaban St., Brgy. Corazon de Jesus, San Juan City 1500                    |
| 383 | San Juan – Santolan Town Plaza    | G/F Santolan Town Plaza, 276 Santolan Road, Brgy. Little Baguio, San Juan City                                     |
| 384 | Savemore Novaliches               | Savemore Novaliches, General Luis St., Novaliches, Quezon City   |
| 385 | Savemore - Amang Rodriguez        | G/F Savemore Amang Rodriguez, GBU Bldg., Amang Rodriguez Avenue corner Evangelista St., Brgy. Santolan, Pasig City |
| 386 | Savemore - Marulas                | NF-5 & NF-6, G/F Savemore Marulas Valenzuela, 40 Pio Valenzuela St., Brgy. Marulas, Valenzuela City 1440           |
| 387 | Savemore - Nagtahan               | G/F Savemore Nagtahan, Magsaysay Blvd. corner Nagtahan Road, Brgy. 634 Sampaloc, Manila                            |
| 388 | Savemore - Project 8              | Savemore Project 8, Benefit St. corner Redemption and Grant St., Brgy. Sangandaan, Project 8, Quezon City          |
| 389 | Scout Albano - Quezon Avenue      | 1488 Quezon Avenue, 1103 South Triangle, Quezon City   |
| 390 | Scout Limbaga - T. Morato         | 102 & 103 The Forum, Tomas Morato Avenue corner Scout Limbaga St., 1103, Quezon City                               |
| 391 | Shangri-La Plaza Mall - EDSA      | Unit 516-517, Level 5 Shangri-La Plaza Mall, EDSA cor. Shaw Blvd., Brgy Wack-wack, Mandaluyong City                |
| 392 | Shaw - Pasig Blvd.                | 145 Shaw Boulevard, Pasig City   |
| 393 | Shaw Blvd. - Beacon Plaza         | UG 105-UG 106 Beacon Plaza, Shaw Blvd. corner Ideal St., Mandaluyong City  |
| 394 | Shaw Blvd.- High Pointe Center    | G/F Units 125 -128 High Pointe Center, Shaw Boulevard corner M. Yulo St., Brgy. Bagong Silang, Mandaluyong City    |

| No. | BRANCH                    | ADDRESS   |
|-----|---------------------------|---|
| 395 | Shaw Blvd. - Mandala Park | G/F Units 1 & 2, Bldg. B, Shaw Blvd, Mandala Park, Brgy. Pleasant Hills, Mandaluyong City   |
| 396 | Shaw Blvd.-Wack-Wack      | Unit A, BCC Showroom, 545 Shaw Blvd., Brgy Wack-Wack, Mandaluyong City  |
| 397 | Project 8 - Shorthorn     | BDO Bldg., No. 41 Shorthorn St., Barangay Toro, Project 8, Quezon City  |
| 398 | Silver City - Pasig       | G/F Silver City Building 3, Frontera Verde, Ortigas Center, Pasig City  |
| 399 | SM Aura Premier           | LG/F SM Aura Premier, Bonifacio Global City, Brgy Fort Bonifacio, Taguig City   |
| 400 | SM Center Las Piñas       | LGF SM Center Las Piñas, Alabang-Zapote Road, Barangay Pamplona Dos, Las Piñas City   |
| 401 | SM Center Muntinlupa      | UG/F SM Center Muntinlupa, Brgy. Tunasan, National Road, Muntinlupa City  |
| 402 | SM Center Sangandaan      | G/F SM Center Sangandaan, Marcelo H. Del Pilar St. corner Samson Road, Brgy. 003, 1408 Caloocan City                                      |
| 403 | SM Cherry Congressional   | LC 004-006 & 111-113, SM Cherry Congressional, Congressional Ave., Brgy. Bahay Toro, Quezon City  |
| 404 | SM Cherry Shaw            | SM Cherry Foodarama Shaw Blvd. (LC CS 1-09), Shaw Blvd. corner Old Wack-Wack Rd., Brgy. Pleasant Hills, Mandaluyong City                  |
| 405 | SM City BF Parañaque      | G/F SM City BF Parañaque, Dr. A. Santos Avenue, Brgy. BF Homes, Sucat, Parañaque City   |
| 406 | SM City Bicutan           | UGF/LG/F and MF SM City Bicutan, Dona Soledad Avenue corner West Service Road, Paranaque City   |
| 407 | SM City East Ortigas      | SM City East Ortigas (LC180-183) , Ortigas Avenue Extension, Brgy. Sta. Lucia, Pasig City   |
| 408 | SM City Fairview A        | Location Code AX3 175-179, LG/F SM City Fairview, Quirino Highway corner Regalado St., Brgy. Greater Lagro, Fairview, Quezon City         |
| 409 | SM City Fairview B        | SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City   |
| 410 | SM City Fairview C        | LGF, Annex 2, SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City   |
| 411 | SM City Grand Central     | LC 024B; 025-027, LG/F, SM City Grand Central, Rizal Avenue Extension, Grace Park East, Brgy. 88, Zone 8, District II, Caloocan City 1403 |
| 412 | SM City Manila            | LG/F SM City Manila, Concepcion corner Arroceros and San Marcelino St. Manila   |
| 413 | SM City Marikina          | G/F SM City Marikina, Barangay Calumpang, Marikina City   |
| 414 | SM City North EDSA A      | G/F The Block SM City North, EDSA corner North Avenue, Quezon City  |
| 415 | SM City North EDSA B      | SM City North EDSA Annex I Bldg., North Avenue corner EDSA, Quezon City   |



| No. | BRANCH                       | ADDRESS  |
|-----|------------------------------|--|
| 416 | SM City North EDSA C         | SM Center Complex North EDSA, 1105 Quezon City   |
| 417 | SM City North EDSA D         | G/F BPO Tower 3, SM City North EDSA Complex, EDSA corner North Avenue, Brgy. Bagong Pag-asa, Quezon City                   |
| 418 | SM City Novaliches           | G/F SM City Novaliches, Quirino Highway, Novaliches, Quezon City   |
| 419 | SM City San Lazaro           | Felix Huertas corner A.H. Lacson St. Sta. Cruz, Manila   |
| 420 | SM City Sta. Mesa            | SM City Sta. Mesa Annex Bldg. Aurora Blvd. Quezon City   |
| 421 | SM City Sucat A              | G/F SM Supercenter Sucat, Paraque City   |
| 422 | SM City Sucat B              | G/F Annex Bldg. B SM City Sucat, Dr. A Santos Avenue, Parañaque City   |
| 423 | SM City Valenzuela           | Unit 126 G/F SM City Valenzuela, McArthur Highway, Brgy. Karuhatan Valenzuela City 1441                                    |
| 424 | SM Retail HQ Bldg. B         | SM Retail Headquarters Bldg. B LC 106-110B Sunrise Drive corner Bayshore Avenue Mall of Asia Complex, Brgy. 76, Pasay City |
| 425 | SM Cubao                     | G/F SM Cubao, Cubao, Quezon City   |
| 426 | SM Hypermarket Adriatico     | G/F SM Hypermarket Adriatico, M. Adriatico St., Manila   |
| 427 | SM Hypermarket Cubao         | EDSA corner Main Street, Cubao, Quezon City  |
| 428 | SM Hypermarket FTI Taguig    | G/F SM Hypermarket FTI Taguig, Lot 85 A & B, DBP Avenue, FTI Complex, Brgy. Western Bicutan, Taguig City                   |
| 429 | SM Hypermarket Makati        | SM Hypermarket Makati, 5560 Osmeña Highway corner Finlandia St, San Isidro, Makati City                                    |
| 430 | SM Hypermarket Novaliches    | G/F SM Hypermarket Novaliches, No. 402 Quirino Highway, Brgy. Talipapa, Novaliches, Quezon City                            |
| 431 | SM Center Pasig              | G/F SM Supercenter Pasig, Frontera Verde, Ortigas Center, Pasig City   |
| 432 | SM Hypermarket Sucat – Lopez | SM Hypermarket Sucat-Lopez (LC102-103), Dr. A. Santos Ave., Brgy. San Isidro, Sucat, Paranaque City                        |
| 433 | SM Makati                    | G/F (GF05) Shoemart Bldg., Ayala Center, Brgy. San Lorenzo, Makati City  |
| 434 | SM Mall of Asia A            | LC 3133-3135 MM, 3/F Main Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City    |
| 435 | SM Mall of Asia B            | G/F Entertainment Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Pasay City                     |
| 436 | SM Megamall A                | UG/F SM Megamall Bldg. A (LC121a-1 & 121a-2), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City           |
| 437 | SM Megamall B                | Upper & Lower Ground Floors, SM Megamall Bldg. B Julia Vargas corner EDSA Ortigas Center, Mandaluyong City                 |
| 438 | SM Megamall C                | UG/F SM Megamall Bldg. A (LC 115A), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City                     |
| 439 | SM Southmall A               | UG/F SM Southmall, Alabang - Zapote Road Las Piñas City  |
| 440 | SM Southmall B               | UG/F SM Southmall, Alabang - Zapote Road, Las Piñas City   |

| No. | BRANCH                        | ADDRESS  |
|-----|-------------------------------|--|
| 441 | SM Retail HQ Bldg. A          | SM Retail Headquarters Bldg. A Location Code 104-105 A J. W. Diokno corner Seaside Blvd. Mall of Asia Complex, Brgy. 76 Pasay City |
| 442 | Solaire - Manila Resort       | Solaire Manila, Bagong Nayong Pilipino Entertainment City, Parañaque City  |
| 443 | Solaire - The Shoppes         | Solaire Resorts and Casino Manila, Ang Bagong Nayong Pilipino Entertainment City, Brgy. Tambo, Parañaque City                      |
| 444 | Soler                         | U-1118 & 1120 Gracetown Bldg. corner Soler & Alvarado St. Binondo, Manila  |
| 445 | Soler - Reina Regente         | 1087 Soler St., Binondo, Manila  |
| 446 | Southgate Mall - EDSA         | G/F Southgate Mall, EDSA corner Pasong Tamo Ext., Makati City  |
| 447 | Sta. Ana – Xentro Mall        | Space No. LS-02, Xentro Mall Sta. Ana City Market, Pedro Gil St., Brgy 876, Zone 96, Sta. Ana, Manila                              |
| 448 | Sta. Mesa – V. Mapa           | G/F & MF, Units H,I,J, LJS Logistics Center, No. 3331, V. Mapa St. cor. Second St., Brgy. 601, Sta. Mesa, Manila                   |
| 449 | Sta. Mesa – Silk Residences   | G/F Retail 5, The Silk Residences, Ramon Magsaysay Boulevard corner Santol St., Zone 057, Brgy. 586, Sta. Mesa, Manila             |
| 450 | Sta. Mesa Heights – D. Tuazon | G/F, Unit ABC, TCC Center, 190 D. Tuazon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City                                      |
| 451 | Starmall - Alabang            | Unit G33 Manuela Metropolis, South Superhighway, Alabang Interchange, Muntinlupa City  |
| 452 | Sto. Cristo                   | 475-477 Kim Siu Ching Foundation Bldg., Sto. Cristo St., Binondo, Manila   |
| 453 | Sto. Cristo - Comercio        | 686 Sto Cristo St., Binondo, Manila  |
| 454 | Sto. Domingo                  | 6 Sto. Domingo Avenue, Quezon City   |
| 455 | Sto. Niño St. - Roosevelt     | 284 Roosevelt Avenue, San Francisco Del Monte, 1105 San Antonio, Quezon City   |
| 456 | Sucac - Villa Mendoza         | Dr. A. Santos Avenue corner Villa Mendoza Subdivision, Sucac Road, Parañaque City 1700   |
| 457 | Sun Residences                | G/F Sun Residences, España Blvd. corner Mayon St., Brgy. Sta. Teresita, Quezon City  |
| 458 | Tabora                        | 859-861 L & J Bldg. Tabora St., Divisoria, Manila  |
| 459 | Taft - Libertad               | 2250 MCF Bldg., Taft Avenue corner College Road, Pasay City  |
| 460 | Taft - Pedro Gil              | 1430 Taft Avenue, Manila   |
| 461 | Taft Avenue - J. Nakpil       | 1747 Taft Avenue Corner J. Nakpil St., Manila  |
| 462 | Taft Avenue - Pres. Quirino   | G/F FFW Bldg., 1943 Taft Avenue, Malate, Manila  |
| 463 | Taguig – Grace Residences     | Grace Residences (Location Code 131-132), Levi B. Mariano Avenue, Brgy. Ususan, Taguig City  |
| 464 | Taguig - Levi Mariano Avenue  | 160 Levi Mariano Avenue, Brgy Ususan, Taguig City  |
| 465 | Taguig – Vista Mall           | GF-108A Vista Mall Taguig, Camella Road, Brgy. Tuktukan (formerly Brgy. Sta. Ana), Taguig City                                     |

| No. | BRANCH                               | ADDRESS  |
|-----|--------------------------------------|--|
| 466 | Tandang Sora - Commonwealth          | Tierra Commercial Center Bldg., Commonwealth Ave. corner Tandang Sora Ave., Quezon City  |
| 467 | Tandang Sora – Culiat                | Royal Midway Plaza, No. 419 Tandang Sora Avenue, Brgy. Culiat, Quezon City   |
| 468 | Tandang Sora – San Vicente de Paul   | ERN Commercial Complex, Tandang Sora Avenue, Brgy. Tandang Sora, Quezon City   |
| 469 | Tandang Sora - Tagumpay              | M & J Bldg., 578 Tandang Sora Avenue corner Tagumpay St., Brgy. New Era, Quezon City   |
| 470 | Tayuman                              | G/F Delton Bldg., 1808 Rizal Avenue, Sta. Cruz, Manila   |
| 471 | Teacher's Village                    | 115 Maginhawa St., Brgy Teacher's Village, Quezon City   |
| 472 | ThreeE-comCenter                     | Location Code 107, G/F, Three E-com Center, Block 21 Harbor Drive corner Bay Shore, Mall of Asia Complex, Brgy. 76 Zone 10, Pasay City |
| 473 | Timog                                | 26 Cedar Executive Building, Timog Avenue corner Scout Tobias St., Quezon City   |
| 474 | Timog - EDSA                         | G/F GEMPC Bldg., 132 Timog Avenue, Brgy. Sacred Heart, 1103 Quezon City  |
| 475 | Timog - Rotonda                      | G/F Imperial Palace Suites, Tomas Morato corner Timog Avenue, South Triangle, Quezon City  |
| 476 | Timog - Scout Torillo                | Unit 11& 12, Timog Arcade, Timog Avenue corner Scout Torillo, Brgy. South Triangle, Quezon City  |
| 477 | Timog - Victoria Towers              | Unit F-2 & F-3 Victoria Towers, Timog Avenue corner Panay Avenue, Quezon City  |
| 478 | Tomas Morato – Metrofocus Commercial | G/F, Units 101 & 102, Metrofocus Commercial Bldg., Tomas Morato Avenue, Brgy. Kristong Hari, Quezon City                               |
| 479 | Tondo - Gagalangin                   | 2459 Juan Luna St. corner Paez St., Gagalangin, Tondo, Manila  |
| 480 | Tondo - Pritil                       | 1815 N. Zamora St., 1012 Tondo, Manila   |
| 481 | Tordesillas - Gallardo               | G/F Cambridge Centre, 108 Tordesillas corner Gallardo St. Salcedo Village, Makati City   |
| 482 | Tordesillas - The Orient Mansion     | G/F The Orient Mansion Condominium, 118 Tordesillas St. near corner H.V. dela Costa, Brgy. Bel-Air, Salcedo Village, Makati City       |
| 483 | Trident - Gil Puyat                  | G/F Trident Tower Bldg., 312 Sen. Gil. Puyat Avenue, Makati City   |
| 484 | UN Avenue                            | Puso ng Maynila Bldg., UN Avenue corner A. Mabini St., Ermita, Manila  |
| 485 | UN Avenue – Times Plaza              | Units 16 & 17 G/F, Units SC-3A & SC-8B 2F, Times Plaza Bldg., U.N. Avenue corner Taft Ave., Brgy. 666, Ermita, Manila                  |
| 486 | V. Luna - Kalayaan Avenue            | Unit 101 Kalayaan Center Bldg., 65-67 V. Luna Road corner Kalayaan Avenue corner Maginoo St., Brgy. Pinyahan, Quezon City              |
| 487 | V - Mall                             | G/F New V- Mall, Greenhills Shopping Center, San Juan, MM  |
| 488 | V.A. Rufino - Dela Rosa              | GF Unit 103 Plaza 100 Building, Rufino St. cor. Dela Rosa St., Brgy. San Lorenzo, Makati City  |

| No. | BRANCH                              | ADDRESS  |
|-----|-------------------------------------|--|
| 489 | V. A. Rufino - Sotto                | 115 YL Building, V.A. Rufino cor. Sotto St. Legaspi Village Brgy. San Lorenzo, Makati City                           |
| 490 | V.A. Rufino - Tuscan                | G/F Tuscan Condominium, 114 V. A Rufino St., Legaspi Village, Makati City  |
| 491 | Valenzuela                          | Km. 15 MacArthur Highway, Dalandanan Valenzuela  |
| 492 | Valenzuela - Gateway Complex        | Valenzuela Gateway Complex, 318 GS Paso De Blas St., Brgy. Paso De Blas, Valenzuela City                             |
| 493 | Valenzuela - Gen. T. De Leon        | Gen. T. De Leon St., Valenzuela City   |
| 494 | Valenzuela – Happy Go Shopping Mall | Shop 2, Happy Go Shopping Mall, Ibaba St., Brgy. Bignay, Valenzuela City   |
| 495 | Valero - Salcedo Village            | G/F Pearlbank Center, 146 Valero St. Salcedo Village, Makati City  |
| 496 | Villar - Salcedo Village            | Eurovilla III Condominium, 154 Villar St. corner L.P. Leviste St., Salcedo Village, Makati City                      |
| 497 | Visayas Avenue                      | 30 Visayas Ave. near corner Congressional Ave., Brgy. Bahay Toro, Quezon City  |
| 498 | Waltermart - North EDSA             | G/F Walter Mart Center - North EDSA, Dangay St., Veterans Village, Quezon City                                       |
| 499 | Waltermart - Bicutan                | G/F Waltermart Bicutan, Km 16 East Service Road corner Mañalac Avenue, Brgy San Martin de Porres, Bicutan, Parañaque |
| 500 | Waltermart – E. Rodriguez           | WQCC 019, Waltermart E. Rodriguez, No. 222 Pacific Center E. Rodriguez Sr. Avenue, Brgy. Kalusugan, Quezon City      |
| 501 | Waltermart - Sucat                  | G/F Waltermart Sucat, Dr. A Santos Ave, Paranaque City   |
| 502 | Washington - Gil Puyat              | G/F Keystone Bldg., 220 Gil Puyat Avenue, Makati City  |
| 503 | West Avenue - Baler                 | G/F 118 Jafer Bldg., 118 West Avenue, Quezon City  |
| 504 | West Avenue - Del Monte             | 40 West Avenue, 1104 West Triangle, Quezon City  |
| 505 | West Avenue-East Maya               | 160 Ground floor Columbian Bldg., Near corner EDSA, West Avenue corner East Maya Drive, Philam, Quezon City          |
| 506 | Zabarte – Kaligayahan               | Lot 16 Block 5, Zabarte Road, Brgy. Kaligayahan, Quezon City   |
| 507 | Zurbaran                            | Rizal Avenue corner Fugoso St., Sta. Cruz, Manila  |

(e) Provincial Branches:

1. Lot leased

| No. | BRANCH                             | ADDRESS  |
|-----|------------------------------------|--|
| 1   | Angono - National Highway          | Lot 3 Blk. 4, M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal                  |
| 2   | Bacoor - New Molino Blvd.          | New Molino Blvd., Brgy. Molino 3, Bacoor, Cavite                                   |
| 3   | Bacoor Molino - Bahayang Pag - asa | L-20 B-5 Avenida Rizal St., Bahayang Pag-asa Subd., Brgy. Molino 5, Bacoor, Cavite |

| No. | BRANCH                                | ADDRESS   |
|-----|---------------------------------------|---|
| 4   | Baliwag - Poblacion                   | B.S. Aquino corner J. Buizon, Brgy. Poblacion, Baliwag, Bulacan   |
| 5   | Bataan - Mariveles FAB                | Avenue of the Philippines cor. 8th Avenue, Freeport Zone of Bataan (the FAB), Mariveles, Bataan                   |
| 6   | Batangas - Mabini                     | National Road, Brgy. Pulong Niogan, Mabini, Batangas  |
| 7   | Batangas - Rosario                    | BDO Bldg., G. Carandang St., Barangay C Poblacion, Rosario, Batangas  |
| 8   | Bocaue - MacArthur Highway            | MacArthur Highway, Brgy. Wakas, Bocaue, Bulacan   |
| 9   | Bohol Tagbilaran - Visarra            | C.P. Garcia Avenue near corner Visarra St., Bohol, Tagbilaran City  |
| 10  | Bulacan - Obando                      | 224 J.P. Rizal St., Brgy Pag-asa, Obando, Bulacan   |
| 11  | Cabanatuan - Sanciangco               | Sanciangco St., Cabanatuan City   |
| 12  | Cagayan De Oro - Bulua                | Zone 3 Upper Bulua, Butuan-Cagayan de Oro-Iligan Rd., Cagayan de Oro City, 9000 Misamis Oriental                  |
| 13  | Cagayan De Oro - Limketkai            | L-6 B-2, Limketkai Ave., Limketkai Commercial Complex, Brgy. 31, Poblacion, Cagayan De Oro City, Misamis Oriental |
| 14  | Cavite - Dasmariñas Aguinaldo Highway | Gen. Emilio Aguinaldo Highway corner Natividad St., Dasmariñas, Cavite  |
| 15  | Cavite - Dasmariñas FCIE              | Governor's Drive, Barangay Langkaan, Dasmariñas, Cavite   |
| 16  | Cavite - EPZA                         | Cavite EPZA Compound, 4106 Rosario, Cavite  |
| 17  | Cavite - Naic                         | Governor's Drive corner Soriano Highway, Naic, Cavite   |
| 18  | Cavite - Silang                       | J.P. Rizal St. cor. Kiamzon St., Brgy. Poblacion III, Silang, Cavite  |
| 19  | Cebu - Carcar                         | Dr. Jose Rizal St., Barangay Poblacion, Carcar City, Cebu   |
| 20  | Cotabato - Kabacan                    | Rizal Avenue, National Highway, 9407 Kabacan, North Cotabato  |
| 21  | Cotabato Midsayap – Quezon Avenue     | Quezon Avenue, Brgy. Poblacion 5, Midsayap, North Cotabato  |
| 22  | Dumaguete - Silliman Campus           | North National Highway, Dumaguete City, Negros Oriental   |
| 23  | Iloilo - Central                      | Iznart St. Lot 317-B-2-A-1, 5000 Iloilo City, Iloilo  |
| 24  | Iloilo - Molo                         | M.H. Del Pilar St., corner Jocson St., Molo, Iloilo City  |
| 25  | Kawit - Binakayan                     | Lot 305 – B-3, 140 National Road, Brgy. Binakayan, Kawit, Cavite  |
| 26  | Mactan - EPZA 1                       | Mactan-EPZA Compound, 6000 Lapu-Lapu City, Cebu   |
| 27  | Masbate                               | Quezon St., Brgy. Pating, Masbate City  |
| 28  | Meycauayan - MacArthur Highway        | MacArthur Highway, Brgy. Calvario, Meycauayan, Bulacan  |
| 29  | Ozamiz – Rizal Avenue                 | J.P. Rizal Avenue corner H.T. Feliciano St., 50 <sup>th</sup> District, Ozamiz City, Misamis Occidental           |
| 30  | Pangasinan – Lingayen                 | 80 Avenida Rizal East, Lingayen, Pangasinan   |
| 31  | Quezon – Sariaya                      | Maharlika Road corner Rizal St. corner Quezon St., Brgy. Poblacion, Sariaya, Quezon                               |

| No. | BRANCH                        | ADDRESS   |
|-----|-------------------------------|---|
| 32  | San Pedro - Rosario Complex 1 | Lots 11 & 12, Rosario Avenue Complex 1, San Pedro, Laguna   |
| 33  | Tarlac – Paniqui              | M. H. Del Pilar St., McArthur Highway, 2307 Paniqui, Tarlac |

## 2. Building leased

| No. | BRANCH                                 | ADDRESS  |
|-----|--|--|
| 1   | Abra - Bangued                         | Unit 12 The Rosario Bldg., Taft St. corner Magallanes St., 2800 Bangued, Abra  |
| 2   | Agusan del Sur – San Francisco Gaisano | G/F Stall 28 & 29, Gaisano Grand Mall San Francisco, Davao-Agusan National Highway, Brgy. 5, San Francisco, Agusan del Sur |
| 3   | Aklan - Kalibo                         | Along XIX Martyrs St., Kalibo, Aklan 5600  |
| 4   | Aklan - Boracay                        | Station 2, Brgy. Balabag, Boracay Island, Malay, Aklan   |
| 5   | Aklan - CityMall Boracay               | Units 5-6 & 11-12 CityMall Boracay Sitio Diniwid, Brgy. Balabag, Boracay Island, Malay, Aklan                              |
| 6   | Aklan - CityMall Kalibo                | Units 123-125 CityMall Kalibo, F. Quimpo St., Brgy. Andagao, Kalibo, Aklan   |
| 7   | Albay - Daraga                         | Rizal St. corner Burgos St., Brgy Centro Ilawod, Daraga, Albay   |
| 8   | Albay – Polangui                       | Provincial Road corner Brgy. Road, Brgy. Ubaliw, Polangui, Albay   |
| 9   | Albay - Tabaco                         | Along Ziga Avenue, Tabaco, Albay   |
| 10  | Angeles - Friendship Highway           | ECCO Bldg., Fil-Am Friendship Highway, Brgy. Anunas, Angeles City, Pampanga  |
| 11  | Angeles – Marquee Mall                 | Level 1, Space No. 1070, Marquee Mall, A. Gueco St., Brgy. Pulung Maragul, Angeles City, Pampanga 2009                     |
| 12  | Angeles - Nepo Mart                    | Entec Bldg., Teresa Avenue, Nepo Mart Complex, Brgy. Cutcut, Angeles City, Pampanga  |
| 13  | Angeles - Sto. Domingo                 | Bee King Bldg., MacArthur Highway, Brgy. Sto. Domingo, Angeles City, Pampanga  |
| 14  | Angono – Xentro Mall                   | G/F AB Commercial Plaza, M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal   |
| 15  | Antipolo Plaza                         | Gatsby Bldg. II, M. L. Quezon St., Antipolo  |
| 16  | Antipolo - B. V. Soliven               | Blk 24, Lot 1, Benito V. Soliven Avenue, Greenheights Subdivision, Brgy. Mayamot, Antipolo City                            |
| 17  | Antipolo - Circumferential Rd.         | G/F 1 Cirq Bldg., Circumferential Road, Bgy. San Roque, Antipolo City  |
| 18  | Antipolo – M.L. Quezon St.             | 151 M.L. Quezon St., Brgy. San Roque, Antipolo City  |
| 19  | Antipolo - Sumulong Highway            | BDO Bldg., Sumulong Highway, Masinag, Mayamot, Antipolo  |
| 20  | Antipolo – Xentro Mall                 | LS01-05, Xentro Mall Antipolo, Sumulong Highway, Brgy. Mambugan, Antipolo City   |

| No. | BRANCH                              | ADDRESS   |
|-----|-------------------------------------|---|
| 21  | Bacoor – Puregold Panapaan          | G/F Commercial Unit No. 2-4, Puregold Bacoor Cavite, Aguinaldo Highway, Brgy. Panapaan, Cavite      |
| 22  | Bacoor – Zapote                     | Zapote Centre, Aguinaldo Highway, Zapote Road, Barangay Zapote 4, Bacoor, Cavite                    |
| 23  | Bacolod - Araneta                   | Cineplex Complex, Araneta St., Bacolod City   |
| 24  | Bacolod - East Block IT Park        | G/F Villa Angela East Block Bldg A, The Block IT Park, Carlos Hilado National Highway, Bacolod City |
| 25  | Bacolod - Goldenfield               | Building 1, Goldenfield Commercial Complex, Araneta St., Brgy. Singcang, Bacolod City               |
| 26  | Bacolod - Gonzaga                   | Gonzaga - Lopez Enterprise Bldg., Gonzaga St. Bacolod City  |
| 27  | Bacolod - Hilado                    | Hilado corner F. Y. Manalo St., 6100 Bacolod City, Negros Occidental                                |
| 28  | Bacolod - Libertad                  | Corner Hernaez St. & Lopez Jaena St., Bacolod City, Negros Occidental                               |
| 29  | Bacolod - Mandalagan                | G/F Sta. Clara Estate Bldg., Lacson St., Mandalagan, Bacolod City                                   |
| 30  | Baguio - Abanao Square              | Abanao Square, Abanao corner Zandueta St., Baguio City  |
| 31  | Baguio - Bokawkan Road              | 69 Bokawkan Road, Brgy. Dizon Subdivision, Baguio City  |
| 32  | Baguio - Harrison Road              | G/F Our Lady of Lourdes Bldg., No.7 Harrison Rd., Brgy. Harrison Carantes Claudio, Baguio City      |
| 33  | Baguio - Kennon Road                | C & Triple A Bldg., Kennon Road corner Parisas St., Camp 7 Brgy. Baguio City                        |
| 34  | Baguio - Legarda                    | Our Lady of Fatima Bldg. Yandoc St. Kayang Extension, Baguio City                                   |
| 35  | Baguio – Leonard Wood Road          | ETCC Commercial Complex, Leonard Wood Road, Brgy. Cabinet Hill – Teachers Camp, Baguio City         |
| 36  | Baguio - Luneta                     | Luneta Hill corner Gov. Pack Road, Session Road, Baguio City  |
| 37  | Baguio - Marcos Highway Balsigan    | G/F ECCO Bldg., No. 39 Marcos Highway, Brgy. Imelda Village, Baguio City                            |
| 38  | Baguio - Marcos Highway Centerpoint | G/F Centerpoint Plaza, Marcos Highway, Brgy Bakakeng Central, Baguio City                           |
| 39  | Baguio - Session Road               | G/F National Life Bldg., Session Road, Baguio City  |
| 40  | Balanga - Capitol Drive             | G/F CT Edifice, Capitol Drive corner Kinatawan Road, Balanga City, Bataan                           |
| 41  | Bataan - Orani                      | Provincial Road corner Calle Coronel Leyba, Brgy. Parang-Parang, Orani, Bataan                      |
| 42  | Batangas - Balayan                  | Antorcha St., Balayan, Batangas   |
| 43  | Batangas - Bauan                    | Kapitan Ponso St., Bauan, Batangas  |
| 44  | Batangas - Diego Silang             | Tom's Place, Diego Silang St. corner Maria de Jesus, Brgy. 15, Batangas City                        |

| No. | BRANCH                                 | ADDRESS  |
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| 45  | Batangas - First Phil. Industrial Park | G/F Administration Bldg., First Philippine Industrial Park, Brgy. Sta. Anastacia, Sto. Tomas, Batangas           |
| 46  | Batangas - Gulod                       | MB Bldg., Batangas Tabangao-Lobo Road, Brgy. Gulod Labac, Batangas City, Batangas                                |
| 47  | Batangas - Kumintang                   | Along National Highway, Brgy. Kumintang Ilaya, Batangas City, Batangas   |
| 48  | Batangas - Lemery Ilustre              | Ilustre Avenue corner Lakandula St., Lemery, Batangas  |
| 49  | Batangas - Lemery Xentro Mall          | G/F Xentro Mall Lemery, Brgy. Malinis, Lemery, Batangas  |
| 50  | Batangas - Lima Technology Center      | Units R08-S02, Block E, The Outlets at Lima Technology Center, Brgy. Bugtong na Pulo, Lipa City, Batangas 4217   |
| 51  | Batangas - P. Burgos                   | P. Burgos St. corner Evangelista St., Brgy. Poblacion, Batangas City   |
| 52  | Batangas - San Juan                    | Marasigan corner Kalayaan St., San Juan, Batangas  |
| 53  | Benguet - La Trinidad                  | G/F VC Arcadain Bldg., Km. 5, La Trinidad, Benguet   |
| 54  | Biñan Central Mall                     | G/F Biñan Central Mall, Units 8 & 9, Malvar St. corner Old National Highway, Biñan, Laguna                       |
| 55  | Biñan - A. Mabini                      | Rey Bldg., A. Mabini St., Poblacion, 4024 Binan, Laguna  |
| 56  | Biñan – San Antonio                    | Alalmeda 2 Arcade, Tulay Bato Old National Highway, Brgy. San Antonio, Biñan City, Laguna                        |
| 57  | Bohol - Panglao                        | G/F Units 1-5, Hennis Resort Commercial Bldg., Panglao Circumferential Road, Brgy. Tawala, Panglao Island, Bohol |
| 58  | Bohol - Tagbilaran                     | CP Garcia Avenue., 6300 Tagbilaran City, Bohol   |
| 59  | Bohol – Tubigon                        | Holy Cross Academy, National Highway, Brgy. Centro, Tubigon, Bohol   |
| 60  | Bulacan - Balagtas                     | McArthur Highway, Brgy. San Juan, 3016 Balagtas, Bulacan   |
| 61  | Bulacan - Bocaue                       | MacArthur Highway, Brgy. Biñang 1st, Bocaue, Bulacan   |
| 62  | Bulacan - Bustos                       | LRM Complex, Hilario St., Brgy. Poblacion, Bustos, Bulacan   |
| 63  | Bulacan - Hagonoy                      | Provincial Road, Brgy. Sto. Niño, Hagonoy, Bulacan   |
| 64  | Bulacan - Norzagaray                   | G/F Price Ken Bldg. II Circle, Gen. Alejo G. Santos Highway, Brgy. Partida, Poblacion, Norzagaray, Bulacan       |
| 65  | Bulacan - Primark Plaridel             | Primark Plaridel, Cagayan Valley Road, Brgy. Banga 1 <sup>st</sup> , Plaridel Bulacan                            |
| 66  | Bulacan - Pulilan                      | Doña Remedios Trinidad Highway, Sto. Cristo, Pulilan, Bulacan  |
| 67  | Bulacan - Puregold Baliwag             | G/F Puregold Baliwag, Benigno S. Aquino Ave., Brgy. Bagong Nayon, Baliwag, Bulacan                               |
| 68  | Bulacan - Puregold Bulakan             | G/F Commercial Unit 1, Puregold Bulakan, Brgy. Bagumbayan, Bulakan, Bulacan                                      |
| 69  | Bulacan - San Jose Del Monte           | National Highway, Tungkong Mangga, San Jose Del Monte City, Bulacan  |



| No. | BRANCH                               | ADDRESS   |
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| 70  | Bulacan - San Miguel                 | Maharlika Highway, Brgy. Camias, San Miguel, Bulacan  |
| 71  | Bulacan - San Rafael                 | Km. 59.5, Cagayan Valley Road, Brgy. Maguinao, San Rafael, Bulacan  |
| 72  | Bulacan - Sapang Palay               | G/F Elizabeth Place 1 Bldg., Bagong Buhay Ave., Brgy. Sapang Palay, San Jose Del Monte City, Bulacan        |
| 73  | Bulacan - Sta. Maria M.G. De Leon    | 15 M.G. De Leon St., Poblacion, 3022 Sta. Maria, Bulacan  |
| 74  | Bulacan - Sta. Rita Guiguinto        | 126 Cagayan Valley Road, Brgy. Sta. Rita, Guiguinto, Bulacan  |
| 75  | Bulacan Sta. Maria - Bagbaguin       | NEM Bldg., Gov. F. Halili Avenue, Bagbaguin, Sta. Maria, Bulacan  |
| 76  | Bulacan Sta. Maria - Pulong Buhangin | GRECON Bldg., Km. 38 National Road, Brgy. Pulong Buhangin, Sta. Maria, Bulacan                              |
| 77  | Butuan - Estacio Village             | Butuan Doctor's College, J.C. Aquino Ave. cor. Victoria St., Brgy. Bayanihan, Butuan City, Agusan del Norte |
| 78  | Butuan - J.C. Aquino Avenue          | D & V Plaza II Bldg., J.C. Aquino Avenue, Butuan City   |
| 79  | Butuan - Montilla                    | Montilla Blvd. near corner Lopez Jaena St., Butuan City, Agusan Del Norte                                   |
| 80  | Cabanatuan - Maharlika Highway North | G/F DGS Bldg., Along Maharlika Road, Bitas, Cabanatuan City   |
| 81  | Cabanatuan - Paco Roman              | Along Paco Roman St., Cabanatuan City, Nueva Ecija  |
| 82  | Cagayan – CityMall Aparri            | CityMall Aparri, Cagayan Valley Road, Barrio of Macanaya, Cagayan   |
| 83  | Cagayan de Oro - Carmen              | Max Y. Suriel St. corner V. Neri St., Carmen, Cagayan de Oro  |
| 84  | Cagayan de Oro - Cogon               | JR Borja St., Cogon, Cagayan de Oro City  |
| 85  | Cagayan de Oro - Hayes               | G/F Trendline Department Store, Arch James Hayes St., Cogon, Cagayan de Oro City                            |
| 86  | Cagayan de Oro - Osmeña              | Pres. S. Osmeña corner Ramon Chavez St., Cogon, 9000 Cagayan de Oro City                                    |
| 87  | Cagayan de Oro - R.N. Pelaez Blvd.   | Georgetown Cyber Mall, Rodolfo N. Pelaez Blvd., Kauswagan, Cagayan de Oro City                              |
| 88  | Cagayan De Oro - Xavier              | Library Annex Bldg. Corrales Avenue, Cagayan de Oro City  |
| 89  | Cainta Junction                      | Hipolito Bldg., Ortigas Avenue Extension Cainta Junction, Cainta, Rizal                                     |
| 90  | Cainta - A. Bonifacio Ave.           | Ledor Commercial Center, A. Bonifacio Avenue corner Samonte St., Brgy. San Juan, Cainta, Rizal              |
| 91  | Cainta – Felix Avenue                | Felix Avenue near Cainta Junction, Brgy. Sto. Domingo, Cainta, Rizal  |
| 92  | Cainta – Puregold                    | Puregold Cainta Junction, A. Bonifacio Ave., Brgy. Sto. Domingo, Cainta, Rizal                              |
| 93  | Calamba – CityMall                   | National Highway, Brgy. Lecheria, Calamba City, Laguna  |

| No. | BRANCH                            | ADDRESS  |
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| 94  | Calamba – Halang National Highway | D'Verde Commercial Bldg., National Highway, Brgy. Halang, Calamba City, Laguna   |
| 95  | Calamba - Paseo Uno               | G/F Paseo Uno de Calamba, National Highway, Brgy. Paciano, Calamba City, Laguna  |
| 96  | Mindoro – Puregold Calapan        | Puregold Calapan Mindoro, J.P. Rizal St., Brgy Camilmil, Calapan City, Oriental Mindoro  |
| 97  | Camarines Norte - Daet            | J. Lukban St. corner Moreno St., Poblacion, Daet, Camarines Norte  |
| 98  | Camarines Sur - Calabanga         | Galleria de Calabanga, Lot 2, Provincial Road, Brgy. San Francisco, Calabanga, Camarines Sur                                       |
| 99  | Camarines Sur - Nabua             | Lot 374 CZA Bldg., National Rd. near cor. Maganda St., Brgy. San Antonio, Poblacion, Nabua, Camarines Sur                          |
| 100 | Camarines Sur - Pili              | Santiago, Pili, Camarines Sur  |
| 101 | Canlubang iMall                   | Don Bosco Ave. corner Silangan Industrial Park Road, Brgy. Canlubang, Calamba City, Laguna   |
| 102 | Catanduanes - Virac               | Rizal Avenue, Brgy. San Pedro, Virac, Catanduanes  |
| 103 | Cavite - Dasmariñas Central Mall  | Central Mall Dasmariñas, Emilio Aguinaldo Highway cor. Salitran St., Dasmariñas, Cavite  |
| 104 | Cavite - Dasmariñas Salawag       | EVY Commercial Bldg., Molino-Paliparan Rd., Brgy. Salawag, Dasmariñas, Cavite  |
| 105 | Cavite - General Trias Manggahan  | New Hall Commercial Center, Governor's Drive corner Crisanto delos Santos Ave., Brgy, Manggahan, General Trias, Cavite             |
| 106 | Cavite - Gen. Trias San Francisco | Lot 1, along Arnaldo Highway, Brookside Lane, Brgy. San Francisco, Gen. Trias, Cavite  |
| 107 | Cavite - Imus Aguinaldo Highway   | G/F DCR Bldg., Aguinaldo Highway, 4103 Imus, Cavite  |
| 108 | Cavite - Imus Nueno Avenue        | 358 Exodus Bldg., Nueno Avenue, Imus, Cavite   |
| 109 | Cavite - Puregold Buhay na Tubig  | G/F Commercial Unit Nos. 4, 5 and 3A, Puregold Buhay na Tubig, Buhay na Tubig, Imus, Cavite  |
| 110 | Cavite – Puregold GMA             | Ground Floor and Second Floor, Puregold Building, Brgy. San Gabriel, Governor's Drive, GMA, Cavite                                 |
| 111 | Cavite - Puregold Noveleta        | Puregold Noveleta Cavite, National Road, Brgy. Magdiwang, Noveleta, Cavite   |
| 112 | Cavite - Puregold Tanza           | G/F Puregold Tanza, Provincial Road, Tanza, Cavite   |
| 113 | Cavite - Silang Aguinaldo Highway | LS 42-43: CS-03 Premier Plaza, Emilio Aguinaldo Highway, Brgy. Lucsuhin, Silang, Cavite  |
| 114 | Cavite - Trece Martires           | L Paseo Arcade, near corner Indang-Trece Road, Trece Martires City, Cavite   |
| 115 | Cavite Imus – The District        | Ground Floor Unit 109 Ayala Malls The District Imus, Aguinaldo Highway corner Daang Hari Road, Brgy. Anabu II-D, Imus City, Cavite |
| 116 | Cebu IT Park – TGU Tower          | G/F TGU Tower, Salinas Drive corner J. M. Del Mar St., Asiatown IT Park, Apas, Cebu City   |

| No. | BRANCH                              | ADDRESS  |
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| 117 | Cebu - Ayala Business Park          | Cebu Towers, Mindanao corner Bohol Avenue, Cebu Business Park, Cebu City   |
| 118 | Cebu - Ayala Mall                   | Stall R106 Ground Level, ACC Corporate Center, Ayala Center Cebu, Cebu Business Park, Cebu City                      |
| 119 | Cebu - Banilad                      | Gov. M. Cuenco Avenue, Banilad, Cebu City  |
| 120 | Cebu - Bogo                         | P. Rodriguez corner San Vicente St., 6010 Bogo, Cebu City  |
| 121 | Cebu - Capitol                      | Osmeña Blvd. corner Ma. Cristina St., 6000 Cebu City, Cebu   |
| 122 | Cebu - CityMall Danao               | T 10-12 CityMall Danao, Olivar Sr. Extension corner F. Ralota St., Brgy. Poblacion, Danao City, Cebu                 |
| 123 | Cebu - Colon                        | 279 Colon St., Brgy. Kalubihan, Cebu City  |
| 124 | Cebu - Consolacion                  | G/F Annex Bldg. Fooda Saversmart, Consolacion, Cebu  |
| 125 | Cebu - Elizabeth Mall               | G/F Elizabeth Mall, Leon Kilat corner South Expressway, Cebu City  |
| 126 | Cebu - Escario                      | Escario St., Cebu City   |
| 127 | Cebu - F. Cabahug                   | Unit 10 Northwood Square, F. Cabahug St., Brgy. Kasambagan, Panagdait, Cebu City                                     |
| 128 | Cebu - F. Ramos                     | 134 Borromeo Bldg., F. Ramos corner Arlington Pond, Cebu City 6000   |
| 129 | Cebu - Gaisano Minglanilla          | UG/F Gaisano Grand Mall Minglanilla, Poblacion, Minglanilla, Cebu City   |
| 130 | Cebu - Guadalupe                    | R. Duterte corner V. Rama St., Guadalupe, Cebu City  |
| 131 | Cebu - Insular Life Business Centre | G/F Insular Life Cebu Business Centre, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City            |
| 132 | Cebu - J. Mall                      | Unit 1 & 2 LGF, J Centre Mall, A.S. Fortuna St., Bakilid, Mandaue City 6014  |
| 133 | Cebu - Legaspi                      | Legaspi corner Zamora St. Cebu City  |
| 134 | Cebu - Magallanes                   | Plaridel St. corner Magallanes St. Cebu City   |
| 135 | Cebu - Mambaling                    | Grand Orchard Commercial Bldg., C. Padilla St., Mambaling, Cebu City   |
| 136 | Cebu - Osmeña                       | JR Martinez Bldg., Osmena Blvd., Sta. Cruz, Cebu City  |
| 137 | Cebu - Parkmall                     | Unit 29 - 31 Parkmall, No. 168 Ouano Avenue, Mandaue Reclamation Road, Mandaue City, Cebu                            |
| 138 | Cebu - Philam Life Center           | Units 6 & 7, Philam Life Center, Cardinal Rosales Avenue corner Samar Loop, Cebu Business Park, Brgy. Luz, Cebu City |
| 139 | Cebu - Plaridel                     | 21 Dy Bldg., Plaridel St., Cebu City   |
| 140 | Cebu - Tabo-an                      | T. Abella St., San Nicolas Central 6000 Cebu City  |
| 141 | Cebu IT Park – HM Tower             | Units G01 and G02 HM Tower, Abad corner Geonzon St., Cebu IT Park, Brgy. Apas, Cebu City                             |
| 142 | Cebu Mandaue – A. C. Cortes         | Units 1-4 Ibabao Square, A. Cortes Avenue, Brgy. Ibabao, Mandaue City, Cebu  |

| No. | BRANCH                              | ADDRESS   |
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| 143 | Cebu Mandaue - A. S. Fortuna        | RKD Bldg., 867 A.S. Fortuna St., Brgy. Banilad, Mandaue City, Cebu  |
| 144 | Cebu Mandaue - North Road           | G/F North Road Plaza, National Highway, Labogon, Mandaue City, Cebu   |
| 145 | Cebu Mandaue - Subangdaku           | La Fuerza Compound, Subangdaku, Mandaue City, Cebu  |
| 146 | Cebu Mandaue - U.N. Avenue          | The North Park, U.N. Avenue, Brgy. Alang-Alang, Mandaue City, Cebu  |
| 147 | Cebu Tabunok                        | PBS Bldg., 2668 National Highway Tabunok Talisay, Cebu City   |
| 148 | Clark – Philexcel Business Park     | Philexcel Business Park, Manuel A. Roxas Highway, Clark Freeport Zone, Pampanga                                 |
| 149 | Clark SEZ - Centennial              | Facility No. N5315 along Centennial Road, Clark Special Economic Zone, Clarkfield, Pampanga                     |
| 150 | Cotabato - CityMall                 | Unit 157 CityMall Cotabato, Gov. Guitierrez Avenue, Brgy. Rosary Heights 7, Cotabato City                       |
| 151 | Cotabato - Midsayap                 | Jaycee St., 9410 Midsayap, North Cotabato   |
| 152 | Cotabato – S. K. Pendatun           | G/F Insular Life Bldg., Salipada K. Pendatun Ave., Brgy. Poblacion 5, Cotabato City, Maguindanao                |
| 153 | Dagupan - Mayombo                   | G/F BHF Family Plaza, MacArthur Highway, Brgy. Mayombo, Dagupan City, Pangasinan                                |
| 154 | Dagupan - Perez                     | 386 Perez Blvd., Dagupan City   |
| 155 | Dagupan - Tapuac                    | Unit 8,9,10 Mother Goose Play School Bldg., MacArthur Highway, Tapuac District, Dagupan City, Pangasinan        |
| 156 | Davao Magsaysay                     | Ramon Magsaysay Avenue, Davao City  |
| 157 | Davao - Agdao                       | Lapu- Lapu St., 8000 Agdao, Davao City  |
| 158 | Davao - Bangoy                      | R. Magsaysay Avenue corner C. Bangoy St., 8000 Davao City   |
| 159 | Davao - Buhangin                    | KSS Bldg., Buhangin Road cor. Olive St., Brgy. Buhangin, Davao City   |
| 160 | Davao – Gaisano Grand Citygate Mall | G/F Gaisano Grand Citygate Mall, Cabantian corner Tigatto Roads, Brgy. Buhangin, Davao City 8000, Davao Del Sur |
| 161 | Davao - Calinan                     | WTKC Realty Bldg., Davao-Bukidnon National Highway, Brgy. Calinan, Davao City                                   |
| 162 | Davao - Felcris Centrale            | Felcris Centrale, Quimpo Boulevard, Brgy. Bucana, Davao City  |
| 163 | Davao - Lanang Insular Village      | SJRDC Bldg., Insular Village 1 Commercial Area, Lanang, Davao City  |
| 164 | Davao - Lizada                      | Ramon Magsaysay Avenue corner Lizada St., 8000 Davao City, Davao del Sur  |
| 165 | Davao – Monteverde Gov. Sales       | G/F Felcris Supermarket, Inc. Building, Gov. Sales Street, Brgy. 27 – C, Davao City, Davao Del Sur              |
| 166 | Davao - Narra                       | Tomas Monteverde Avenue corner Narra St., Davao City  |
| 167 | Davao - Panabo                      | National Highway, Brgy. Sto. Niño, Panabo City, Davao del Norte   |

| No. | BRANCH                                  | ADDRESS   |
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| 168 | Davao - Quirino Avenue                  | Nicolas 1 Bldg., Quirino Avenue, 8000 Davao City  |
| 169 | Davao - Rizal                           | 365 Farmar Building, Rizal St., Brgy. 3-A Poblacion, Davao City   |
| 170 | Davao - Sta. Ana                        | Monteverde corner F. Bangoy St., 8000 Davao City, Davao del Sur   |
| 171 | Davao - Sta. Ana Gempesaw               | Sta. Ana Avenue corner Gempesaw St., Brgy. 015, Davao City  |
| 172 | Davao - Toril Gaisano Grand Mall        | GFS 01-02, Gaisano Grand Toril, National Highway corner Saavedra St., Brgy. Lizada, Toril, Davao City                           |
| 173 | Davao - Wood Lane Diversion Road        | Unit 1B G/F Bldg. 2, The Shoppes at Wood Lane, Diversion Road (Carlos P. Garcia Highway), Brgy. Ma-a, Davao City, Davao del Sur |
| 174 | Davao Digos - San Jose                  | G/F Ladera Bldg., Rizal Avenue, Brgy. Zone III, Digos City, Davao Del Sur   |
| 175 | Davao Tagum - National Highway          | BIBU Square, Liwayway Commercial Area, National Highway, Brgy. Magugpo East, Tagum City, Davao del Norte                        |
| 176 | Dipolog – Rizal Avenue                  | Rizal Avenue near corner Gonzales St., Brgy. Central, Dipolog City  |
| 177 | Dumaguete – CityMall                    | Unit 03 CityMall Dumaguete, North National Highway, Brgy. Daro, Dumaguete City  |
| 178 | Gaisano Grand Mall - Cotabato Kidapawan | G/F Gaisano Grand Mall Kidapawan, Quezon Blvd., Purok 1, Brgy. Lanao, Kidapawan City, North Cotabato                            |
| 179 | General Santos                          | Santiago Blvd. corner J.P. Laurel St., General Santos City  |
| 180 | General Santos - National Highway       | Tandem Center, Pasiliao Subdivision, National Highway, Brgy. City Heights, General Santos City, South Cotabato                  |
| 181 | General Santos – Robinsons Place        | Level 1, Robinsons Place General Santos, J. Catolico Sr. Avenue, Purok 4 Brgy. Lagao, General Santos City                       |
| 182 | Iligan – Andres Bonifacio Avenue        | Unit 101, Solana District, Andres Bonifacio Avenue, Brgy. San Miguel, Iligan City, Lanao Del Norte                              |
| 183 | Iligan - Quezon Avenue                  | Quezon Avenue, 9200 Iligan City, Lanao Del Norte  |
| 184 | Ilocos Norte - Batac                    | Aoigan Bldg., Washington St., Batac 2906, Ilocos Norte  |
| 185 | Ilocos Sur - Cabugao                    | MacArthur Highway, Brgy. Baclig, Cabugao, Ilocos Sur  |
| 186 | Ilocos Sur - Candon                     | National Highway corner Abaya St., 2710 Candon, Ilocos Sur  |
| 187 | Ilocos Sur – Narvacan                   | National Road, Brgy. Sta Lucia, Narvacan, Ilocos Sur  |
| 188 | Iloilo - Arevalo                        | Calle M.L. Quezon corner Gen. Yulo Drive, Brgy. Quezon, Arevalo, Iloilo City  |
| 189 | Iloilo - CityMall Pavia                 | G/F, Units 01 & 02, Citymall Pavia, Iloilo R3 Road corner C1 Road, Brgy. Ungka, Pavia, Iloilo                                   |
| 190 | Iloilo - General Luna                   | 48 LPHTP Bldg., General Luna St., Iloilo City, 5000   |
| 191 | Iloilo - Jaro                           | NB Bldg., Lopez Jaena St., Jaro, Iloilo City  |
| 192 | Iloilo - La Paz                         | G/F INJAP Bldg., corner Luna St. & Huervana St., La Paz, Iloilo City  |

| No. | BRANCH                               | ADDRESS  |
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| 193 | Iloilo - Ledesma                     | G/F Esther Bldg., Ledesma St., Iloilo City   |
| 194 | Iloilo - Passi                       | G/F Fronthub Ventures Bldg., Simeon Aguilar St. (National Road) corner Commonwealth Drive, Brgy Ilawod, Passi City, Iloilo |
| 195 | Iloilo - Quezon St.                  | Lots 3 & 5 Quezon St., Iloilo City   |
| 196 | Iloilo - Tabuc Suba                  | Roger's Bldg., McArthur Highway, Tabuc Suba, Iloilo City   |
| 197 | Iloilo Jaro - CityMall Tagbak        | UO2 CityMall Tagbak Jaro Iloilo, MacArthur Highway, Brgy. Tagbak, Jaro, Iloilo City  |
| 198 | Iriga City                           | Iriga Plaza Hotel, Msgr. Lanuza St., San Francisco, Iriga City, Camarines Sur  |
| 199 | Iriga City – Puregold                | G/F Commercial Unit 1, Puregold Iriga City, Highway 1, San Roque, Iriga City 4431  |
| 200 | Isabela - Ilagan                     | Along Maharlika Highway, Calamagui 2nd, Ilagan, Isabela  |
| 201 | Isabela - Primark Cauayan            | Primark Town Center, Maharlika Highway corner Cortes St., Brgy. San Fermin, Cauayan City, Isabela                          |
| 202 | Isabela - Primark Cordon             | G04, G/F, Primark Cordon Isabela, Pan Philippine Highway, Brgy. Roxas, Cordon, Isabela                                     |
| 203 | Isabela - Tumauni                    | National Highway, Brgy. San Pedro, Tumauni, Isabela  |
| 204 | Isabela Cabagan - Xentro Mall        | G/F Xentro Mall, Brgy. Ugad, Cabagan, Isabela  |
| 205 | Isabela Santiago - Xentro Mall       | G/F Xentro Mall corner National Highway & 4 Lanes Rd., Brgy. Villasis, Santiago City, Isabela                              |
| 206 | Kawit – Centennial Road              | Unit 102, V Central Mall, Centennial Road, Brgy. Magdalo Putol, Kawit, Cavite  |
| 207 | La Union - Agoo                      | Along National Highway, Brgy. San Nicolas, Agoo, La Union  |
| 208 | La Union San Fernando - Manna Mall   | G/F Manna Mall, National Highway corner Diversion Road, Brgy. Pagdaraosan, San Fernando City, La Union                     |
| 209 | La Union San Fernando - Rizal Avenue | Rizal Avenue corner Ortega St., San Fernando, La Union   |
| 210 | Laguna - Alaminos                    | KCD Commercial Complex, National Highway, Brgy. II Poblacion, Alaminos, Laguna   |
| 211 | Laguna - Cabuyao                     | G/F Lim-Bell Business Center, J.P. Rizal St., Cabuyao, Laguna  |
| 212 | Laguna - Carmelray I                 | Administration Bldg., Carmelray Industrial Park I, Carmeltown, Canlubang, Calamba, Laguna                                  |
| 213 | Laguna - Carmelray II                | Administration Bldg., Carmelray Industrial Park II, Km. 54 National Highway, Brgy. Milagrosa, Calamba City                 |
| 214 | Laguna - Pagsanjan                   | JP Rizal St. corner F. De San Juan St., Brgy. Dos, Poblacion, Pagsanjan, Laguna  |
| 215 | Laguna - Sta. Cruz                   | Along Regidor St., Sta. Cruz, Laguna   |

| No. | BRANCH                              | ADDRESS   |
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| 216 | Laguna - Sta. Cruz National Highway | G/F E Home Town Center, National Highway, Brgy. Pagsawitan, Sta. Cruz, Laguna                                     |
| 217 | Laguna - Technopark                 | G/F Laguna Technopark, Admin. Bldg. 1, North Main Avenue, Laguna Technopark Biñan, Laguna                         |
| 218 | Laoag - Castro                      | Pichay Bldg., J.P. Rizal corner A. Castro St., Laoag City   |
| 219 | Legazpi City - Albay District       | G/F & Mezzanine Floor, ZPC Bldg., Rizal St., Brgy. Baño, Old Albay, Legazpi City, Albay                           |
| 220 | Legazpi City - Rizal St.            | Rizal corner Gov. Imperial St., Legaspi City  |
| 221 | Legazpi City - Rotonda              | Rizal St., 4500 Legaspi City, Albay   |
| 222 | Legazpi City - Tahao                | AGR Building, Alternate Road, Tahao, Legazpi City   |
| 223 | Leyte - Ormoc Gaisano               | G/F Gaisano Capital Ormoc Riverside, Brgy. Alegria, Ormoc City, Leyte   |
| 224 | Lipa - Ayala Highway                | Casa Esperanza Bldg., Pres. JP Laurel Highway, Brgy. Mataas na lupa, Lipa City                                    |
| 225 | Lipa – High 5 Square                | High 5 Square, Ayala Highway, Mataas na Lupa, Lipa City, Batangas   |
| 226 | Lipa – J. P. Laurel                 | J.P. Laurel St., Brgy Tambo, Lipa City, Batangas  |
| 227 | Lipa – Puregold                     | G/F Puregold Lipa, Gen. Luna St., cor. D.P.Laygo St. & H.La Torre St., Brgy. 10, Lipa City, Batangas              |
| 228 | Los Baños                           | Olivarez Plaza Cinema & Supermarket Complex, along National Highway, Brgy. Batong Malake, Los Baños               |
| 229 | Lucena - Enriquez                   | Enriquez corner Evangelista St., Lucena City  |
| 230 | Lucena - Gulang-Gulang              | 505 Quezon Avenue Extension, Barangay Gulang-gulang, Lucena City  |
| 231 | Lucena - Iyam                       | Space 4-6, Kester Bldg., Maharlika Highway corner Love St., RosarioVillage Subd., Brgy. Ilayang Iyam, Lucena City |
| 232 | Lucena - Quezon Avenue              | Quezon Avenue corner Profugo St., Lucena City, Quezon   |
| 233 | Lucena - Tagarao                    | M.L. Tagarao St., Brgy. 5, Lucena City  |
| 234 | Mactan - EPZA 2                     | Unit 204 NGA Bldg. 2, Pueblo Verde MEZ II, Basak, Lapu Lapu City  |
| 235 | Mactan – Lapu-lapu GMC              | Unit 9, The Arcade, ML Quezon Highway, Pajo, Lapu-lapu City   |
| 236 | Mactan – Pajo National Highway      | Hofuna Cresente Building, 2783 ML Quezon National Highway, Sangi, Pajo, Lapu-lapu City                            |
| 237 | Malolos - Crossing                  | G/F Margen Bldg., MacArthur Highway, Sumapang Matanda, Malolos City, Bulacan                                      |
| 238 | Marcos - Sumulong Highway           | Kingsville Commercial Arcade, Marcos Highway, 1870 Antipolo, Rizal  |
| 239 | Marcos Highway                      | Town & Country Commercial Arcade, Marcos Highway corner Narra St., Cainta, Rizal                                  |

| No. | BRANCH                           | ADDRESS  |
|-----|----------------------------------|--|
| 240 | Marcos Highway – Feliz Mall      | G/F Space No. 171, Ayala Malls Feliz, Marcos Highway, Brgy. Dela Paz, Pasig City   |
| 241 | Marcos Highway - Vermont Park    | Park Place Building, Marcos Highway corner Vermont Park, Brgy Mayamot, Antipolo City   |
| 242 | Marilao - MacArthur Highway      | Unit 1-3 Cecilia Commercial Complex, Abangan Norte, MacArthur Highway, 3019 Marilao, Bulacan                                       |
| 243 | Meycauayan - Malhacan            | Supima Square Commercial Complex, Lukytex Compound, Malhacan Road, Meycauayan, Bulacan   |
| 244 | Mindoro – Calapan                | J.P. Rizal St., 5200 Calapan, Oriental Mindoro   |
| 245 | Mindoro – CityMall Calapan       | T-3, T-4 & T-5 CityMall – Calapan, A. Bonifacio corner Roxas Drive, Brgy. Ilaya, Calapan City, Oriental Mindoro                    |
| 246 | Misamis Occ. - Oroquieta         | Mayor A. Enerio St., Oroquieta City, 7207 Misamis Occidental   |
| 247 | Misamis Oriental - Gingoog       | National Highway, Gingoog City, Misamis Oriental   |
| 248 | Montalban – Puregold             | G/F Units 3-5, Rodriguez Highway, Brgy. Rosario, Montalban, Rizal  |
| 249 | Naga - Concepcion Grande         | G/F Commercial Bldg., Maharlika Highway, Brgy. Concepcion Grande, Naga City  |
| 250 | Naga - Diversion Road            | Building 5, Stalls A and B, M Plaza Roxas Avenue, Diversion Road, Concepcion Pequeña, Naga City                                    |
| 251 | Naga - Elias Angeles             | Chua O. Co Bldg., Elias Angeles St., Brgy. San Francisco, Naga City, Camarines Sur   |
| 252 | Naga - General Luna              | Nos. 80-82 General Luna St., Dinaga, Naga City   |
| 253 | Naga - Magsaysay Avenue          | One Magsaysay Bldg., Magsaysay Avenue corner Reno St., Brgy. Concepcion Pequeña, Naga City   |
| 254 | Naga - Panganiban Drive          | G/F DECA Corporate Center, Panganiban Drive, Brgy Tinago, Naga City, Camarines Sur   |
| 255 | Naga - San Francisco             | Barangay San Francisco, Peñafrancia Avenue, Naga City  |
| 256 | Negros Occ - Bago                | Araneta Avenue cor. Gen. Luna St., Bago City, Negros Occidental 6101   |
| 257 | Negros Occ - Binalbagan          | Biscom Compound, Binalbagan, Negros Occidental   |
| 258 | Negros Occ – CityMall Kabankalan | Unit 07 & 08, CityMall – Kabankalan, Justice Perez Highway corner Noceco Road, Brgy. Talubangi, Kabankalan City, Negros Occidental |
| 259 | Negros Occ - Hinigaran           | Aguinaldo corner Rizal St., Hinigaran, 6106 Negros Occidental  |
| 260 | Negros Occ - La Carlota          | Yunque St. corner Gurrea St., Brgy. 1, La Carlota City, Negros Occidental  |
| 261 | Negros Occ - San Carlos          | S. Carmona St. corner Rizal St., San Carlos City, Negros Occidental  |
| 262 | Negros Occ - Talisay             | Paseo Mabini St., Brgy. Poblacion, Zone 9, Talisay City, Negros Occidental   |
| 263 | Negros Occ - Victorias           | Osmeña Avenue, Victorias City, Negros Occidental, 6119   |



| No. | BRANCH                                    | ADDRESS  |
|-----|---|--|
| 264 | Negros Oriental - Bayawan                 | G/F NVF Bldg., 441 National Highway, Brgy. Poblacion, Negros Oriental                                  |
| 265 | Nueva Ecija - Gapan Maharlika Highway     | Units 3-7, Maharlika Highway corner Sampaguita St., Brgy. Bayanihan, Gapan, Nueva Ecija                |
| 266 | Nueva Ecija – Primark Gapan               | Primark Gapan, Maharlika Highway corner Abad Santos Avenue, Brgy. San Vicente, Gapan City, Nueva Ecija |
| 267 | Nueva Ecija - San Jose                    | Maharlika Road, 3121 San Jose City, Nueva Ecija  |
| 268 | Nueva Ecija - Sta. Rosa                   | Along Maharlika Highway, Sta. Rosa, Nueva Ecija  |
| 269 | Nueva Ecija - Talavera                    | G/F RDL Square 1 Bldg., Maharlika Highway, Brgy. Marcos District, Poblacion, Talavera, Nueva Ecija     |
| 270 | Nueva Ecija – CityMall Sta. Rosa          | T-23 & 24, CityMall-Sta. Rosa, Maharlika Highway, Brgy. Rizal, Sta. Rosa City, Nueva Ecija             |
| 271 | Nueva Ecija – Primark Cabiao              | G/F Primark Cabiao, Jose Abad Santos Avenue, Brgy. San Roque, Cabiao, Nueva Ecija                      |
| 272 | Nueva Ecija – Zaragoza                    | Along Tarlac-Sta. Rosa Road, Brgy. Del Pilar East, Zaragoza, Nueva Ecija                               |
| 273 | Nueva Vizcaya - Solano                    | National Highway, Solano, Nueva Vizcaya  |
| 274 | Pampanga – Guagua Town Center             | GTC Building, Lot 2, Olongapo-Gapan & Provincial Road, Brgy. San Matias, Guagua, Pampanga              |
| 275 | Pampanga - Lubao                          | Olongapo-Gapan Road, Sta. Cruz, Lubao, Pampanga  |
| 276 | Pampanga - Magalang                       | Pablo Luciano Avenue, Brgy. San Pedro 1, Poblacion, Magalang, Pampanga                                 |
| 277 | Pampanga – Puregold Dau                   | G/F & 2/F Puregold Dau, Mac Arthur Highway, Brgy. Dau, Mabalacat, Pampanga                             |
| 278 | Pampanga San Fernando - Dolores           | MacArthur Highway, Dolores 2000 City of San Fernando (Pampanga)  |
| 279 | Pampanga San Fernando - MacArthur Highway | G/F Doña Isa Fel Bldg. II, MacArthur Highway, Dolores, San Fernando City, Pampanga                     |
| 280 | Pampanga San Fernando - Sindalan          | Palm Bldg., MacArthur Highway, Sindalan, San Fernando City, Pampanga                                   |
| 281 | Pampanga San Fernando – San Isidro        | Kingspire Business Center, Mac Arthur Highway, Brgy. San Isidro, City of San Fernando, Pampanga        |
| 282 | Pangasinan - Alaminos                     | Marcos Avenue, Palamis 2404 Alaminos, Pangasinan   |
| 283 | Pangasinan - Calasiao                     | GF Señor Tesoro Academy Bldg., San Miguel, Calasiao, Pangasinan  |
| 284 | Pangasinan - Carmen                       | McArthur Highway, Carmen East 2441 Rosales, Pangasinan   |
| 285 | Pangasinan - Mangaldan                    | Along Rizal Avenue, Poblacion, Mangaldan, Pangasinan   |
| 286 | Pangasinan - San Carlos                   | Palaris St., 2420 San Carlos City, Pangasinan  |
| 287 | Pangasinan - Tayug                        | Along Quezon Blvd., Poblacion Tayug, Pangasinan  |

| No. | BRANCH                             | ADDRESS   |
|-----|------------------------------------|---|
| 288 | Pangasinan – Bayambang             | 206 Rizal Avenue, Brgy. Poblacion, Bayambang, Pangasinan  |
| 289 | Pangasinan – Malasiqui             | ARLU Bldg., Magsaysay St., Brgy Poblacion, Malasiqui, Pangasinan  |
| 290 | Pangasinan San Carlos – Magic Mall | G/F, Magic Mall, Roxas Blvd. Corner Zamora St., Brgy. Roxas Blvd., San Carlos City, Pangasinan 2420                                     |
| 291 | Puerto Princesa – San Pedro        | G/F Palawan Uno Hotel, National Highway, Brgy. San Pedro, Puerto Princesa City, Palawan   |
| 292 | Quezon – CityMall Tiaong           | Units T 3-5 CityMall- Tiaong, Maharlika Highway, Brgy. Lalig, Tiaong, Quezon  |
| 293 | Quezon – Gumaca                    | JT Bldg., Maharlika Highway, Brgy. Peñafrancia, Gumaca, Quezon  |
| 294 | Rizal - Montalban                  | G/F Montalban Town Center, Rodriguez Highway corner Lardizabal St., Brgy. San Jose, Rodriguez, Rizal                                    |
| 295 | Rizal – Primark Cainta             | G05-G06, Primark Cainta Rizal, Ortigas Avenue Extension cor. Don Celso Tuazon Ave., Brgy. San Juan, Cainta, Rizal                       |
| 296 | Rizal – Primark Teresa             | G03, Primark Teresa Rizal, R. Magsaysay Ave., Brgy. San Gabriel, Teresa, Rizal  |
| 297 | Rizal - Tanay                      | Tanay Town Center, Sampaloc Road corner F.T. Catapusan St., Plaza Aldea, Tanay, Rizal   |
| 298 | Rizal – Binangonan                 | Lexar Building, Manila East Road, Brgy. Calumpang, Binangonan, Rizal  |
| 299 | Rizal – Morong                     | G/F & 2/F Morong Centerpoint, No. 58 T. Claudio St., Brgy. San Juan, Morong Rizal   |
| 300 | Rizal – San Mateo                  | G/F & Mezzanine Flr., Doña Isabel Bldg., No. 29 Gen. Luna St., Brgy. Guitnang Bayan 1, San Mateo, Rizal                                 |
| 301 | Robinsons – Dumaguete              | Robinsons Dumaguete, Dumaguete Business South Road, Calingdagan, Dumaguete City   |
| 302 | Robinsons Place - Lipa             | Level 1, Space L1- 177, Robinsons Place-Lipa, Lipa Highway, Brgy. Mataas na Lupa, Lipa City, Batangas                                   |
| 303 | Robinsons Place - San Nicolas      | Unit 1-00144, Robinsons Place Ilocos, Brgy. 1 San Francisco, San Nicolas, Ilocos Norte  |
| 304 | Robinsons Place – General Trias    | Level 1 130-133, Robinsons Place General Trias, Antero Soriano Highway, EPZA, Bacao Diversion Road, Brgy. Tejero, General Trias, Cavite |
| 305 | Robinsons Place – Tuguegarao       | Level 1 Tenant 1085-1086, Robinsons Place Tuguegarao, Maharlika Highway, Brgy. Tanza, Tuguegarao City, Cagayan                          |
| 306 | Robinsons Townville – Cabanatuan   | G/F Unit RA1, Robinsons Townville, Brgy. H. Concepcion, Km. 111, Maharlika Highway, Cabanatuan City                                     |
| 307 | Roxas – CityMall                   | CityMall-Roxas, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz  |
| 308 | Roxas – Pueblo De Panay            | G/F Hotel Veronica Bldg., Immaculate Heart of Mary Ave., Pueblo de Panay, Brgy. Lawa-an, Roxas City                                     |

| No. | BRANCH                               | ADDRESS   |
|-----|--------------------------------------|---|
| 309 | Samar – Calbayog                     | Magsaysay Blvd. Corner Burgos St., Brgy. East Awang, Calbayog City, Samar   |
| 310 | Samar - Catbalogan                   | Del Rosario St. corner Allen Avenue, 6700 Catbalogan, Samar   |
| 311 | Samar – Catarman                     | E.B. Moore St. corner Anunciacion St., Brgy Lapu-Lapu, Catarman, Northern Samar   |
| 312 | San Pablo - Maharlika Highway        | G/F BienPaz Arcade, Maharlika Highway Junction, San Rafael, San Pablo City  |
| 313 | San Pablo - Paulino                  | M. Paulino St., San Pablo City  |
| 314 | San Pedro                            | National Highway Junction & Mabini St., Brgy. Nueva, San Pedro, Laguna  |
| 315 | San Pedro – Robinsons Galleria South | Level 2 Robinsons Galleria South, National Highway, Brgy. Nueva, San Pedro City   |
| 316 | San Pedro - Pacita                   | GF M. Allen Bldg., Km 31, Old National, National Highway, San Pedro, Laguna   |
| 317 | Savemore Market – EPZA               | G/F Savemore Market EPZA General Trias, Diversion Road, EPZA, Brgy. Bacao Dos, General Trias, Cavite                                    |
| 318 | SM CDO Downtown Premier              | Location Code 112-114, G/F, SM CDO Downtown Premier, C.M. Recto corner Osmeña Sts., Brgy. Lapasan, Cagayan de Oro City                  |
| 319 | SM Center Angono                     | UG/F SM Center Angono, Manila East Road, Brgy. San Isidro, Angono, Rizal  |
| 320 | SM Center Dagupan                    | Location Code 115, G/F, SM Center Dagupan, Herrero St., Brgy. Herrero- Perez, Dagupan City, Pangasinan                                  |
| 321 | SM Center Imus                       | G/F, SM Center Imus (LC 163-164a, 173-174a), NIA and Alapan Road, Brgy, Bucandala, Imus, Cavite   |
| 322 | SM Center Lemery                     | Location Code 127-130, G/F SM Center Lemery, Illustre Avenue corner Calle P. Gomez St., Brgy. District IV, Lemery, Batangas             |
| 323 | SM Center Ormoc                      | G/F SM Center Ormoc (Location Code 123-125), Real St., Brgy. District 14, Ormoc City, Leyte   |
| 324 | SM Center Pulilan                    | Location Code 140-142, G/F SM Center Pulilan, Plaridel-Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan, Bulacan                      |
| 325 | SM Center Tuguegarao Downtown        | Location Code 117-119, G/F & 246B-247B & 247A, 2/F, SM Center Tuguegarao Downtown, Luna corner Mabini Sts., Brgy. Ugac, Tuguegarao City |
| 326 | SM Cherry Antipolo                   | UGF 122, 123 & 124, SM Cherry Foodarama Antipolo, Marcos Highway, Brgy. Mayamot, Antipolo City  |
| 327 | SM City Bacolod                      | GF South Wing Bldg. SM City Bacolod, Poblacion Reclamation Area, Bacolod City   |
| 328 | SM City Bacolod North                | G/F SM City Bacolod North Wing Bldg., Brgy. 12, Poblacion, Reclamation Area, Bacolod City   |
| 329 | SM City Bacoor                       | UG/F SM City Bacoor Gen. Aguinaldo Highway corner Tirona Highway Bacoor, Cavite   |

| No. | BRANCH                   | ADDRESS   |
|-----|--------------------------|---|
| 330 | SM City Baguio           | Location Code 176-179, Upper Ground Floor, SM City Baguio, Luneta Hill, Upper Session Road, Brgy. Session Road-Governor Pack Road, Baguio City 2600 |
| 331 | SM City Baliwag          | G/F SM City Baliwag (LC EX 101-102,105a-107a), DRT Highway, Brgy. Pagala, Baliwag, Bulacan  |
| 332 | SM City Batangas         | GF SM City Batangas, Brgy. Pallocan West, Batangas City   |
| 333 | SM City Butuan           | Location Code 178-181 A, Ground Floor, SM City Butuan, Jose C. Aquino Avenue corner Jose Rosales Avenue, Brgy. Lapu Lapu, Butuan City               |
| 334 | SM City Cabanatuan       | UG/F SM City Cabanatuan, Maharlika Highway, Brgy. Hermogenes C. Concepcion Sr., Cabanatuan City, Nueva Ecija  |
| 335 | SM City Cagayan De Oro   | G/F SM City Cagayan de Oro, Pueblo de Oro Business Park, Upper Canituan, Cagayan de Oro, Misamis Oriental   |
| 336 | SM City Calamba          | G/F SM City Calamba, National Highway, Brgy. Real, Calamba City, Laguna   |
| 337 | SM City Cauayan          | G/F & 2/F SM City Cauayan, Maharlika Highway, Brgy. San Fermin, Cauayan, Isabela  |
| 338 | SM City Cebu             | SM City Cebu North Reclamation Area, Cebu City  |
| 339 | SM City Cebu B           | UG/F The Northwing - SM City Cebu, North Reclamation Area, San Jose dela Montaña corner M.J. Cuenco Avenue, Cebu City                               |
| 340 | SM City Clark A          | G/F SM City Clark, Clark Field, Pampanga  |
| 341 | SM City Clark B          | G/F SM City Clark BPO Tower 1&2 (LC B1-101-107), Brgy. Malabnias, Pampanga  |
| 342 | SM City Consolacion Cebu | G/F SM City Consolacion Cebu, Cebu North Road, Brgy. Lamac, Consolacion, Cebu   |
| 343 | SM City Daet             | G/F, SM City Daet, Purok 1, Brgy. Lag-on, Vinzons Avenue, Daet, Camarines Norte   |
| 344 | SM City Dasmariñas A     | Upper Ground Floor, SM City Dasmariñas, Barrio Pala-Pala, Dasmariñas, Cavite  |
| 345 | SM City Dasmariñas B     | LGF SM City Dasmariñas, Governor's Drive, Brgy. Pala-Pala, Dasmariñas, Cavite   |
| 346 | SM City Davao            | UG/F SM City Davao Brgy. Matina, Davao City   |
| 347 | SM City Davao Annex      | GF/MF Annex Bldg., SM City Davao, Brgy. Matina, Davao City  |
| 348 | SM City General Santos   | G/F SM City General Santos, Santiago Boulevard corner San Miguel St., General Santos City   |
| 349 | SM City Iloilo           | UG/F SM City Iloilo, Benigno Aquino Avenue, Mandurriao, Iloilo City   |
| 350 | SM City Iloilo B         | UGF SM City Iloilo Expansion Bldg. (LC1053A-1053F), Benigno Aquino Avenue, Brgy. Bolilao, Mandurriao, Iloilo City 5000                              |
| 351 | SM City Legazpi          | G/F SM City Legazpi (Location Code 1045-1047), Imelda Roces Avenue, Zone 9, Brgy. 37 Bitano, Legazpi City, Albay                                    |

| No. | BRANCH                     | ADDRESS   |
|-----|----------------------------|---|
| 352 | SM City Lipa               | G/F SM City Lipa, Ayala Highway, Lipa City, Batangas  |
| 353 | SM City Lucena             | G/F SM City Lucena (LC - 177- 178) Pagbilao National Road, Lucena City  |
| 354 | SM City Marilao            | G/F SM City Marilao, MacArthur Highway, Marilao, Bulacan  |
| 355 | SM City Masinag            | G/F SM City Masinag, Marcos Highway, Mayamot, Antipolo City   |
| 356 | SM City Mindpro            | Ground Floor, SM City Mindpro, La Purisima Street, Brgy. Zone III, Zamboanga City                                       |
| 357 | SM City Molino             | G/F SM City Molino, Brgy. Molino 4, Bacoor, Cavite  |
| 358 | SM City Naga               | G/F SM City Naga, Brgy. Triangulo, Central Business District II, Naga City  |
| 359 | SM City Olongapo           | G/F SM City Olongapo (Location Code EXP 105-106), Magsaysay Drive corner Gordon Ave., Pag-asa, Olongapo City, Zambales  |
| 360 | SM City Olongapo Central   | Location Code 125-129, G/F, SM City Olongapo Central, Rizal Avenue, Brgy. East Tapinac, Olongapo City                   |
| 361 | SM City Pampanga A         | G/F SM City Pampanga, San Fernando, Pampanga  |
| 362 | SM City Pampanga B         | G/F SM City Pampanga Annex Bldg. 4, San Fernando, Pampanga  |
| 363 | SM City Puerto Princesa    | LG/F SM City Puerto Princesa, Malvar corner Lacao Sts., Brgy. San Miguel, Puerto Princesa City, Palawan                 |
| 364 | SM City Rosales            | SM City Rosales, Carmen East, Rosales, Pangasinan   |
| 365 | SM City Rosario            | G/F SM City Rosario, General Trias Drive, Brgy. Tejero, Rosario, Cavite   |
| 366 | SM City San Fernando       | G/F SM City San Fernando, V. Tiomico St., Brgy. Poblacion, San Fernando, Pampanga                                       |
| 367 | SM City San Jose Del Monte | SM City San Jose Del Monte, Quirino Highway, Brgy. Tungkong Mangga, San Jose Del Monte City, Bulacan                    |
| 368 | SM City San Mateo          | SM City San Mateo, General Luna, Brgy. Ampid 1, San Mateo, Rizal  |
| 369 | SM City San Pablo          | G/F SM City San Pablo, National Highway, Barangay San Rafael, San Pablo City, Laguna                                    |
| 370 | SM City Sta. Rosa          | G/F SM City Sta. Rosa, Barrio Tagapo, Sta. Rosa, Laguna   |
| 371 | SM City Tarlac             | UG & LGF, SM City Tarlac, MacArthur Highway, San Roque, Tarlac City   |
| 372 | SM City Taytay             | G/F Bldg. A, SM City Taytay, Manila East Road, Brgy. Dolores, Taytay, Rizal   |
| 373 | SM City Telabastagan       | 184-185, Ground Floor, SM City Telabastagan, MacArthur Highway, Brgy. Telabastagan, 2000 City of San Fernando, Pampanga |
| 374 | SM City Trece Martires     | UG/F SM City Trece Martires (LC 33A-135A), Brgy. San Agustin, Trece Martires, Cavite                                    |

| No. | BRANCH                             | ADDRESS   |
|-----|------------------------------------|---|
| 375 | SM City Urdaneta Central           | LC 155-157, G/F SM City Urdaneta Central, MacArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan        |
| 376 | SM Delgado                         | G/F SM Delgado Bldg. Valeria St. Iloilo City  |
| 377 | SM Hypermarket Cainta              | SM Hypermarket Cainta, Felix Huerta Ave., Cainta, Rizal   |
| 378 | SM Hypermarket Daet                | G/F SM Hypermarket Daet, Vinzons Avenue, Brgy. IV, Daet, Camarines Norte  |
| 379 | SM Hypermarket Mabalacat           | G/F SM Hypermarket Pampanga, MacArthur Highway, Brgy. Camachiles, Dau, Mabalacat, Pampanga                      |
| 380 | SM Lanang Premier                  | UGF SM Lanang Premier, J.P. Laurel Avenue, Brgy. San Antonio Bajada, Lanang, Davao City                         |
| 381 | SM Market Mall Dasmariñas          | G/F Dasmariñas Bagong Bayan Resettlement Project Area B (DBB-B), Congressional Road, Kadiwa, Dasmariñas, Cavite |
| 382 | SM Megacenter Cabanatuan           | UG/F SM Megacenter Cabanatuan, Gen. Tinio & Melencio Sts., San Roque Norte, Cabanatuan City                     |
| 383 | SM Savemore Davao Bangkal          | G/F SM Savemore Market Bangkal, Davao Km. 7 MacArthur Highway, Brgy. Bangkal, Davao City                        |
| 384 | SM Savemore Tacloban               | G/F SM Savemore Tacloban, Justice Romualdez St., Brgy. 13, Tacloban City  |
| 385 | SM Seaside City Cebu A             | LG/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City                              |
| 386 | SM Seaside City Cebu B             | 2/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City                               |
| 387 | Sorsogon – Primark J.P. Rizal      | Primark Sorsogon 3, J.P. Rizal St. corner De Vera St., Brgy. Talisay, Sorsogon City                             |
| 388 | Sorsogon City                      | Son Bldg., R. Magsaysay Avenue, Sorsogon City   |
| 389 | South Cotabato – Gaisano Polomolok | GFS 3, 5 and 6 Gaisano Grand Mall Polomolok, National Highway, Brgy. Magsaysay, Polomolok, South Cotabato       |
| 390 | Sta. Lucia East - Cainta           | Sta. Lucia East Grand Mall, Marcos Hi-Way corner Felix Avenue, 1900 Cainta, Rizal                               |
| 391 | Sta. Lucia East – Felix Avenue     | G/F Phase 1, Sta. Lucia Grand Mall, Marcos Highway corner Felix Avenue, Cainta                                  |
| 392 | Sta. Rosa – Arcadia                | Unit Anchor 2, Arcadia Bldg., Greenfield City, Tagaytay- Balibago Road, Brgy. Don Jose, Sta. Rosa City, Laguna  |
| 393 | Sta. Rosa - Don Jose               | PCC Bldg., Sta. Rosa Tagaytay Road, Barangay Don Jose, Sta. Rosa, Laguna  |
| 394 | Sta. Rosa - Puregold Tagapo        | Puregold Sta. Rosa - Tagapo, Rizal Blvd., Brgy Tagapo, Sta. Rosa, Laguna  |
| 395 | Subic - Rizal Highway              | Subicworx Building, 1056 Rizal Highway, Subic Bay Freeport Zone, Olongapo City, Zambales                        |
| 396 | Subic - Times Square               | 420 Rizal Highway, Subic Bay Freeport Zone, 2200 Olongapo City, Zambales  |

| No. | BRANCH                            | ADDRESS  |
|-----|-----------------------------------|--|
| 397 | Sultan Kudarat – Primark Tacurong | G10, G/F, Primark Town Center, Magsaysay Avenue corner Bonifacio St., Purok 1, Brgy. Poblacion, Tacurong City Sultan Kudarat |
| 398 | Surigao                           | Magallanes corner San Nicolas St., 8400 Surigao City   |
| 399 | Tacloban - Justice Romualdez      | Philamlife Bldg., Justice Romualdez St. corner P. Paterno St., Tacloban City   |
| 400 | Tacloban - Rizal Avenue           | Rizal Avenue, Brgy. 41, Tacloban City  |
| 401 | Tacloban - Zamora                 | Carlos Chan Bldg. P.Zamora St. Tacloban City   |
| 402 | Tagaytay - Mendez Junction        | E. Aguinaldo Hi-way, Mendez Crossing, Tagaytay City  |
| 403 | Tagaytay - Rotonda                | Frablyn Tower (Tolentino Bldg.), Emilio Aguinaldo Highway, Tagaytay (near Tagaytay Rotonda)                                  |
| 404 | Tagaytay - Wind Residences        | G/F Tower 2, SM Wind Residences, Aguinaldo Highway, Brgy. Maharlika West, Tagaytay City                                      |
| 405 | Tanauan - A. Mabini               | A. Mabini St., Tanauan, 4232 Batangas  |
| 406 | Tanauan - JP Laurel Highway       | Pres. J. P. Laurel Highway corner Sixto Castillo St., Poblacion, Tanauan, Batangas   |
| 407 | Tarlac - Camiling                 | Romulo St., Barangay Poblacion, A. Camiling, Tarlac  |
| 408 | Tarlac - Capas                    | San Trope Bldg., 57 McArthur Highway, Brgy. Sto. Domingo 1 <sup>st</sup> , Capas Tarlac                                      |
| 409 | Tarlac - Concepcion               | L. Jaena cor. L. Cortes St., San Nicolas, 2316 Concepcion, Tarlac  |
| 410 | Tarlac – MacArthur Highway        | Block 7, MacArthur Highway, Brgy. San Nicolas, Tarlac City   |
| 411 | Tarlac - San Roque                | 1567 Zamora St., Brgy. San Roque, Tarlac City, Tarlac  |
| 412 | Tarlac – CityMall                 | T-01, CityMall-Tarlac, MacArthur Highway, Brgy. San Rafael, Tarlac City  |
| 413 | Tarlac – Gerona                   | Nick Hotel Commercial Complex, MacArthur Highway, Brgy. Abagon, Gerona, Tarlac   |
| 414 | Taytay - National Highway         | Korte Rosario Restaurant, Taytay National Highway, Ilog Pugad, Barangay San Juan, Taytay Rizal                               |
| 415 | Taytay - Manila East Road         | BDO Bldg., East Road, Taytay, Rizal  |
| 416 | Tuguegarao – Buntun               | Luna St., Brgy. Buntun, Tuguegarao City, Cagayan   |
| 417 | Tuguegarao – CityMall             | CityMall Tuguegarao, Pan-Philippine Highway, Brgy. Leonarda, Tuguegarao City, Cagayan  |
| 418 | Urdaneta - MacArthur Highway      | 182 LIS Bldg., MacArthur Highway, San Vicente, Urdaneta  |
| 419 | Urdaneta – Nancayasan             | 58 7 MacArthur Highway, Phinma Upang College Building, Brgy. Nancayasan, Urdaneta City, Pangasinan                           |

| No. | BRANCH                         | ADDRESS  |
|-----|--------------------------------|--|
| 420 | Vigan - Plaza Maestro          | G/F Plaza Maestro Commercial Complex, Burgos & Florentino St., Vigan City, Ilocos Sur                        |
| 421 | Vigan – Puregold               | Puregold Vigan, Jose Singson St., Brgy VIII, Sta. Elena, Vigan City, Ilocos Sur                              |
| 422 | Virac Town Center              | G/F Virac Town Center, Rizal Avenue, Brgy. Gogon Sirangan, Virac, Catanduanes                                |
| 423 | Waltermart – Antipolo          | G/F, Waltermart Antipolo, L. Sumulong Memorial Circle, Brgy. San Roque, Antipolo City                        |
| 424 | Waltermart – Bacoor            | Ground Floor, Waltermart Bacoor, Molino Blvd., Brgy. Mamabog IV, Bacoor City, Cavite                         |
| 425 | Waltermart – Balanga           | Location Code WBLN 040, G/F, Waltermart Balanga, Roman Superhighway, Brgy. Tenejero, Balanga City, Bataan    |
| 426 | Waltermart – Batangas City     | G/F, Waltermart Batangas, P. Burgos St., Brgy. Calicanto, Batangas City, Batangas                            |
| 427 | Waltermart - Bel-Air Sta. Rosa | G/F Waltermart Bel-Air Sta. Rosa, Tagaytay National Highway, Brgy. Pulong , Sta. Cruz, Sta. Rosa, Laguna     |
| 428 | Waltermart – Candelaria        | Ground Floor, Waltermart Candelaria, Sambat, Maharlika Highway, Barangay Malabanban Norte, Candelaria Quezon |
| 429 | Waltermart – Capas Tarlac      | G/F Waltermart Capas, MacArthur Highway, Brgy. Sto. Domingo 1, Capas, Tarlac 2315                            |
| 430 | Waltermart - Guiguinto         | Waltermart Guiguinto Bulacan, MacArthur Highway, Brgy. Ilang-ilang, Guiguinto, Bulacan                       |
| 431 | Waltermart – Malolos           | G/F, Waltermart Malolos, Km 44, MacArthur Highway, Brgy. Longos, Malolos City Bulacan                        |
| 432 | Waltermart - Pampanga          | G/F Waltermart Pampanga, MacArthur Highway, San Agustin, San Fernando, Pampanga                              |
| 433 | Waltermart - Sta. Maria        | G/F Waltermart Sta. Maria, Provincial Road corner By Pass Road, Brgy. Sta. Clara, Sta. Maria, Bulacan        |
| 434 | Waltermart - Sta. Rosa         | San Lorenzo Drive corner Balibago Road, Brgy. Balibago, 4026 Sta. Rosa, Laguna                               |
| 435 | Waltermart – Balayan           | G/F Waltermart Balayan, Balibago-Balayan Highway corner Paz St., Brgy. Caloocan, Balayan, Batangas           |
| 436 | Waltermart – Cabanatuan        | G/F Waltermart Cabanatuan, Brgy. Dicarma, Cabanatuan City, Nueva Ecija                                       |
| 437 | Waltermart – Carmona           | G/F Waltermart Carmona, Macaria Business Center, National Highway, Brgy. Mabuhay, Carmona, Cavite            |
| 438 | Waltermart – Concepcion Tarlac | G/F Waltermart Concepcion (LC WCON 033), L. Cortez St., Brgy. Alfonso, 2316 Concepcion, Tarlac               |
| 439 | Waltermart – Dasmariñas        | G/F Waltermart Dasmariñas, National Highway, Brgy. Barrio Buro, Dasmariñas, Cavite                           |
| 440 | Waltermart – Nasugbu           | Location Code WNAS 017, G/F Waltermart Nasugbu, J.P. Laurel Highway, Brgy. Lumbangan, Nasugbu, Batangas      |



| No. | BRANCH                       | ADDRESS   |
|-----|------------------------------|---|
| 441 | Waltermart – Paniqui         | G/F, Waltermart Paniqui, MacArthur Highway, Brgy. Estacion, Paniqui, Tarlac 2307                      |
| 442 | Waltermart – San Jose        | G/F, Waltermart San Jose, Pan Philippine Highway, Brgy. Malasin, San Jose, Nueva Ecija                |
| 443 | Waltermart – Subic           | G/F Waltermart Subic, Subic National Highway, Brgy. Mangan Vaca, Subic, Zambales                      |
| 444 | Waltermart – Talavera        | Unit WMT G-32, G/F Waltermart Talavera, Maharlika Highway, Brgy. La Torre, Talavera, Nueva Ecija 3114 |
| 445 | Waltermart – Tanauan         | G/F Waltermart Tanauan, Pres. J.P. Laurel Highway, Brgy. Darasa, Tanauan City, Batangas               |
| 446 | Waltermart – Taytay          | LG/F Waltermart Taytay, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal                     |
| 447 | Waltermart Center - Makiling | G/F Waltermart Center Makiling, National Highway, Brgy. Makiling, Calamba, Laguna                     |
| 448 | Waltermart Center – Cabuyao  | G/F Waltermart Center Cabuyao, Km 47 National Highway, Brgy. Banlic, Cabuyao, Laguna                  |
| 449 | Zambales - Castillejos       | G/F RM Mall, National Highway, Brgy San Nicolas, Castillejos, Zambales                                |
| 450 | Zambales - Iba               | Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales                                   |
| 451 | Zamboanga - Ipil             | National Highway, Ipil, 7001 Zamboanga Del Sur  |
| 452 | Zamboanga – Canelar          | Mayor Jaldon Avenue, Brgy. Canelar, Zamboanga City  |
| 453 | Zamboanga – City Mall Tetuan | U33 CityMall Tetuan Zamboanga, Gov. Alvarez Extension, Tetuan, Zamboanga City                         |
| 454 | Zamboanga – La Purisima      | La Purisima St., Brgy. Zone II, Zamboanga City  |
| 455 | Zamboanga – Veterans Avenue  | G/F Wee Agro Commercial Bldg., Veterans Avenue, Brgy Camino Nuevo, Zamboanga City                     |

### 3) Limitations on Property

Other than the properties owned by the Bank, the other properties utilized by the Bank are subject to the respective terms of lease.

### 4) Properties to be acquired

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

### 5) Properties of Subsidiaries

The Bank's subsidiaries own and lease several real properties for use as main and branch offices.

Lease on such premises are for various periods and terms, and are renewable upon the mutual agreement of the parties. Lease terms ranges from 5 to 10 years. Some contracts provide for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to Notes 2.20, 13, and 34.2 of the accompanying Notes to Financial Statements for further details on Lease.

## **6) Limitations on Property**

The properties leased and utilized by the subsidiaries are subject to the respective terms of lease and, to the best of the subsidiaries knowledge, are not subject to any mortgage, lien or encumbrance.

## **Item 3. Legal Proceedings**

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. Following existing regulatory requirements, no such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. A discussion of the other legal proceedings of the Bank is found in Note 34.1 of the accompanying Notes to Financial Statements as of the year ended 31 December 2021.

## **Others**

The Group is also a defendant in various cases pending in courts for alleged claims against the Group, the outcome of which are not fully determinable at present. As of 31 December 2021 management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of the Group and will be taken up if and when a final resolution by the courts is made on each claim.

## **Item 4. Submission of Matters to a Vote of Security Holders**

To be presented for shareholders' approval at this year's annual meeting is the declaration of twenty percent (20%) stock dividends approved by the Board of Directors during its meeting held on 26 March 2022. A total of 877,158,203 common shares, based on a total outstanding common shares of 4,385,791,015 as of date of 30 March 2022, shall be issued as stock dividends. However, the number is subject to change should BDO's total outstanding common shares move due to additional share issuances pursuant to BDO's employee stock option plan prior to determination of the record date upon securing necessary regulatory approvals.

The increase of the authorized capital stock of BDO from 5,500,000,000 to 8,500,000,000 common shares, and the corresponding amendment to the Seventh Article of BDO's Amended Articles of Incorporation to reflect the increase in the Authorized Capital Stock, will likewise be endorsed for ratification by the shareholders at the annual meeting.

Approval and ratification by the shareholders will be sought to amend the Articles of Incorporation of BDO to increase the authorized capital stock. The Board approved and endorsed to the stockholders

for their approval and ratification the proposed amendments at its meeting on 26 March 2022. Shares to be issued pursuant to the stock dividends shall be applied as subscription to the increase.

Required vote: Vote of shareholders representing at least two-thirds of outstanding capital stock.

The increase of BDO's authorized capital stock is for the purpose of giving BDO flexibility to increase its capital during periods of rapid organic growth or in the event of inorganic opportunities. Proposed changes shall not have any effect on the current rights enjoyed by shareholders.

## PART II - OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuers Common Equity and Related Stockholder Matters

#### 1) Stock Prices

The Bank's common shares are traded at the Philippine Stock Exchange, Inc. The high and low sales prices for each quarter within the last two (2) fiscal years are as follows:

|                     | High   | Low    |
|---------------------|--------|--------|
| First Quarter 2020  | 157.50 | 75.00  |
| Second Quarter 2020 | 114.00 | 85.60  |
| Third Quarter 2020  | 102.30 | 85.00  |
| Fourth Quarter 2020 | 115.40 | 86.55  |
| First Quarter 2021  | 113.50 | 99.00  |
| Second Quarter 2021 | 118.10 | 98.50  |
| Third Quarter 2021  | 117.10 | 102.00 |
| Fourth Quarter 2021 | 135.00 | 111.00 |

Source: [www.edge.pse.com.ph](http://www.edge.pse.com.ph)

As of December 31, 2021, the closing price of the Bank's common shares is ₱ 120.70.

#### 2) Holders of Securities

The number of common shareholders of record as of December 31, 2021 was 12,390. Common shares outstanding as of December 31, 2021 stood at 4,385,519,015. The top twenty (20) common shareholders are as follows:

| Rank | Name of Stockholder                          | Nationality  | No. of Shares Owned | % of Ownership |
|------|--|--------------|---------------------|----------------|
| 1    | SM Investments Corp.                         | Filipino     | 1,787,180,649 *     | 40.75%         |
| 2    | PCD Nominee Corp. (Non-Filipino)             | Non-Filipino | 1,099,584,793       | 25.07%         |
| 3    | PCD Nominee Corp. (Filipino)                 | Filipino     | 755,988,956 **      | 17.24%         |
| 4    | Multi-Realty Development Corporation         | Filipino     | 291,513,036 *       | 6.65%          |
| 5    | Sybase Equity Investments Corporation        | Filipino     | 240,010,292 *       | 5.47%          |
| 6    | Shoemart, Inc. (now SM Prime Holdings, Inc.) | Filipino     | 90,024,395          | 2.05%          |
| 7    | DFC Holdings, Inc.                           | Filipino     | 30,430,341          | 0.69%          |
| 8    | Dacon Corporation                            | Filipino     | 25,377,549          | 0.58%          |
| 9    | Sysmart Corporation                          | Filipino     | 10,095,661 *        | 0.23%          |
| 10   | Executive Optical Inc.                       | Filipino     | 2,724,575 *         | 0.06%          |

| Rank  | Name of Stockholder              | Nationality | No. of Shares Owned | % of Ownership |
|-------|----------------------------------|-------------|---------------------|----------------|
| 11    | Edilberto Narciso                | Filipino    | 2,615,452           | 0.06%          |
| 12    | La Filipina Uy Gongco Corp.      | Filipino    | 2,597,540           | 0.06%          |
| 13    | Lucky Securities, Inc.           | Filipino    | 2,393,828           | 0.05%          |
| 14    | DHS Investment                   | Filipino    | 2,337,769           | 0.05%          |
| 15    | Felicidad T. Sy                  | Filipino    | 1,133,837           | 0.03%          |
| 16    | Cedar Commodities                | Filipino    | 1,050,146 *         | 0.02%          |
| 17    | Ernest Lee Go                    | Filipino    | 1,042,124           | 0.02%          |
| 18    | Hong Eng Tan                     | Filipino    | 863,500             | 0.02%          |
| 19    | Jonathan Dee Co                  | Filipino    | 800,000             | 0.02%          |
| 20    | Regina Capital Development Corp. | Filipino    | 603,812             | 0.01%          |
| Total |                                  |             | 4,348,368,255       | 99.15%         |

\* Inclusive of PCD-lodged shares

\*\* Exclusive of PCD-lodged shares of SM Investments Corporation, Multi-Realty Development Corporation, Sybase Equity Investments Corporation, Sysmart Corporation, Executive Optical Inc., and Cedar Commodities, Inc.

The material information on the current shareholders and voting rights are discussed in Items 4(d) and 4(c), respectively, of the Information Statement.

In particular, the following are known to BDO to be directly or indirectly the record and/or beneficial owners of more than 5% of BDO's voting securities:

| Title of Class | Name, address of record owner and relationship with BDO   | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|----------------|---|---|-------------|--------------------|---------|
| Common         | SM Investments Corp.<br>10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/ Parent Company | Sy Family<br>(Substantial Stockholders)                     | Filipino    | 1,787,180,649 *    | 40.75%  |
| Common         | PCD Nominee Corp. (Non-Filipino)<br>29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City/Various stockholders    | Various stockholders  | Foreign     | 1,099,584,793      | 25.07%  |
| Common         | PCD Nominee Corp. (Filipino)<br>29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City/ Various stockholders       | Various stockholders  | Filipino    | 759,527,805**      | 17.32%  |

| Title of Class | Name, address of record owner and relationship with BDO   | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|----------------|---|---|-------------|--------------------|---------|
| Common         | Multi-Realty Development Corporation<br>10 <sup>th</sup> Floor L.V. Locsin Building,<br>6752 Ayala Ave., Makati City/<br>Stockholder  | SM Investments Corp.<br>(Subsidiary)                        | Filipino    | 291,513,036 *      | 6.65%   |
| Common         | Sybase Equity Investments Corporation<br>10 <sup>th</sup> Floor L.V. Locsin Building,<br>6752 Ayala Ave., Makati City/<br>Stockholder | Various corporate stockholders                              | Filipino    | 240,010,292 *      | 5.47%   |
| TOTAL (COMMON) |   |   |             | 4,177,816,575      | 95.26%  |

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

\*\* Exclusive of PCD-lodged shares of SMIC, MRDC and SEIC.

|                   |  |   |          |             |         |
|-------------------|--|---|----------|-------------|---------|
| Preferred         | Sybase Equity Investments Corporation<br>10 <sup>th</sup> Floor L.V. Locsin Building, 6752 Ayala Ave.,<br>Makati City/ Stockholder | Various corporate stockholders          | Filipino | 391,400,000 | 76.00%  |
| Preferred         | SM Investments Corp.<br>10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A,<br>Pasay City/ Parent Company   | Sy Family<br>(Substantial Stockholders) | Filipino | 123,600,000 | 24.00%  |
| TOTAL (PREFERRED) |  |   |          | 515,000,000 | 100.00% |

The persons authorized to vote the shares of SM Investments Corporation, Multi-Realty Development Corporation and Sybase Equity Investment Corporation are Ms. Teresita T. Sy and/or Mr. Henry T. Sy, Jr. and/or Mr. Harley T. Sy.

As of December 31, 2021, the following are known to BDO as the PCD participants holding 5% or more of BDO's voting securities:

| Member                    | Name and Address  | No. of Shares | Percent of Shareholdings |
|---------------------------|---|---------------|--------------------------|
| BDO Sec Clients' Accounts | BDO Securities Corporation<br>33rd Floor BDO Towers Valero<br>8741 Paseo de Roxas, Salcedo Village,<br>Makati City 1226 | 338,402,568   | 7.72%                    |

| Member                | Name and Address  | No. of Shares | Percent of Shareholdings |
|-----------------------|---|---------------|--------------------------|
| SCBK Clients' Account | Standard Chartered Bank<br>Standard Chartered Bank Building 6788<br>Ayala Avenue, Makati City | 289,005,008   | 6.59%                    |
|                       | TOTAL   | 627,407,576   | 14.31%                   |

- The PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares. The beneficial owners, such as the clients of PCD, have the power to decide how their shares are to be voted.

(NOTE: There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with BDO nor has there been any change in control of BDO. BDO is also not aware of any contractual arrangement or otherwise between its shareholders and/or third parties, which may result in change in control of BDO).

On voting rights, each shareholder holding Common Shares and Series A Preferred Shares (each, a "Voting Share/s") as of the record date is entitled to as many votes as there are directors to be elected. Thus, if there are eleven (11) directors to be elected, each Voting Share is entitled to eleven (11) votes. Such shareholder may cumulate and cast all his votes in favor of one candidate or distribute them among as many candidates as he shall see fit, provided that the total number of votes cast by him does not exceed the number of shares owned by him multiplied by the number of directors to be elected.

As of 31 December 2021, the Bank has a public float level of 44.14%.

### 3) Dividends

The Bank's Board of Directors is authorized to declare dividends annually. Stock Dividend declarations require further approval of stockholders representing not less than two-thirds (2/3) of all stocks outstanding and entitled to vote. Such stockholders' approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from surplus profits after making proper provisions for necessary reserves in accordance with applicable laws and the regulations of the BSP.

On March 26, 2022, the Board of Directors approved the declaration of stock dividends equivalent to twenty percent (20%) of BDO's outstanding capital stock, to be issued pursuant to BDO's increase of authorized capital stock. The record and payment date shall be determined upon securing the necessary regulatory approvals.

On February 24, 2022, the Board of Directors approved the declaration of cash dividends on common shares in the amount of Php0.30 per share for the 1st Quarter of 2022 payable on March 31, 2022 to all stockholders of record as of March 14, 2022.

On January 30, 2021, the Board of Directors of BDO approved the declaration of annual cash dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P340 million. The dividends were paid on February 22, 2021.

The Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first, second, third and fourth quarters of 2021 on February 24, 2021, May 29, 2021, August 27, 2021 and December 4, 2021, respectively. The dividends were paid on March 25, 2021, June 25, 2021, September 24, 2021 and December 29, 2021, respectively.

On February 1, 2020, the Board of Directors of BDO approved the declaration of annual cash dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339 million. The dividends were paid on February 21, 2020.

The Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first, second, third and fourth quarters of 2020 on February 27, 2020, May 30, 2020, August 29, 2020 and December 5, 2020, respectively. The dividends were paid on March 27, 2020, June 29, 2020, September 28, 2020 and December 29, 2020, respectively.

On January 26, 2019, the Board of Directors of BDO approved the declaration of annual cash dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339 million. The dividends were paid on March 8, 2019.

The Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first, second, third and fourth quarters of 2019 on February 23, 2019, May 25, 2019, August 31, 2019 and December 7, 2019, respectively. The dividends were paid on March 25, 2019, June 24, 2019, September 30, 2019 and December 27, 2019, respectively.

#### **4) Recent Sales of Unregistered Securities (within 3 years)**

On January 28, 2022, the Bank issued P52.7 billion Peso-denominated fixed rate ASEAN Sustainability Bonds to diversify its funding sources and finance/refinance eligible assets under the Bank's Sustainable Finance Framework.

On February 3, 2020, the Bank issued P40.1 billion fixed rate bonds to diversify funding sources and support its lending activities.

On July 3, 2020, the Bank issued P36.0 billion in Fixed Rate Peso Bonds to diversify its funding sources and support its lending activities.

On July 13, 2020, the Bank issued \$600 million in Fixed Rate Senior Notes to tap longer-term funding sources to support dollar-denominated projects.



On February 11, 2019, the Bank issued P35.0 billion of fixed rate bonds to diversify funding sources and support business expansion.

On April 12, 2019, the Bank issued P7.32 billion worth of Long-Term Negotiable Certificates of Deposit (LTNCD) to lengthen the maturity of its funding sources and support business expansion plans.

On September 27, 2019, the Bank issued P6.5 billion worth of LTNCD to diversify the maturity of its funding sources and support business expansion plans.

## **Item 6 – Management’s Discussion and Analysis or Plan of Operations**

### **1) Management’s Discussion and Analysis**

#### **Balance Sheet – 2021 vs. 2020**

Total Resources expanded 7% to P3.6 trillion as Gross Loans rose 6% to P2.4 trillion and Investment Securities jumped 21% to P616.3 billion. Cash and Other Cash Items went down 8% to P69.1 billion while Due from Other Banks went up 7% to P70.1 billion owing to higher placements and working balances with correspondent banks.

Equity Investments increased 7% to 5.2 billion owing to earnings from associates. Investment Properties also rose 19% to P18.8 billion from an investment in prime real estate in Makati. Deferred Tax Assets dropped 14% to P6.8 billion mainly due to loan write-offs. Other Assets dropped 13% to P36.9 billion on reduced levels of foreign currency notes and coins, retirement and miscellaneous assets.

Deposit Liabilities climbed 8% to P2.8 trillion from an expansion in Demand and Savings deposits of 29% and 11%, respectively, as the Bank continued its low cost deposit marketing efforts. Insurance Contract Liabilities hiked 12% to P65.3 billion from sustained BDO Life business volumes.

Total Equity increased 8% to P424.5 billion from bottomline profits.

#### **Contingent Accounts – 2021 vs. 2020**

Total Contingent Accounts rose 9% to P2.7 trillion owing to the following accounts:

- Trust Department Accounts grew 9% to P1.8 trillion from a larger portfolio of funds managed.
- Unused L/Cs and Outstanding Guarantees Issued soared 46% and 21% to P75.8 billion and P4.2 billion, respectively, owing to higher volume of trade transactions.
- Export L/Cs Confirmed, Bills for Collection, as well as Late Deposits and Payments Received, fell 26%, 41% and 63% to P4.6 billion, P8.7 billion and P461 million, respectively, after lower outstanding transactions as of year-end 2021.

- Increased treasury trading activities yielded an increase in Spot Exchange Bought and Sold, Forward Exchange Bought and Sold, and Interest Rate Futures Sold. On the other hand, Interest Rate Swap Receivable and Payable went down year-on-year.

### **Income Statement – For the years Ended December 31, 2021 vs. 2020**

The Bank posted a Net Income attributable to Equity holders of the Parent Company of P42.8 billion in 2021, a 51% improvement from previous year's P28.2 billion. Net Interest Income slightly dipped by 2% to P131.3 billion owing to a general decline in lending rates as well as the rate cap imposed by BSP on credit card receivables. Other income grew 11% to P61.4 as Service Charges, Trust Fees, FX Gain, Insurance Premiums and Miscellaneous Income all posted year-on-year increases as the economy recovered from the business slowdown in 2020.

Operating Expenses went up 6% to P119.9 billion owing to the following:

- Employee Benefits increased 12% primarily from salary increases and benefits extended due to the pandemic.
- Taxes and Licenses dropped 12% due to lower Documentary Stamp Tax on Time Deposits.
- Insurance expenses increased 5% from higher deposit levels.
- Litigation/Assets Acquired expenses hiked 29% from higher costs associated with litigation and maintenance of acquired assets.
- Insurance Policy Reserves, Benefits and Claims climbed 19% from higher BDO Life business volumes.
- Other Operating Expenses rose 6% owing to increased business volumes year-on-year.

Tax Expense fell 27% to P12.9 billion primarily due to lower tax rates resulting from the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE).

### **Comprehensive Income – For the years Ended December 31, 2021 vs. 2020**

From a Consolidated Net Income of P42.9 billion, Total Comprehensive Income for 2021 registered at P37.0 billion, inclusive of a decrease in net gains on FVOCI Securities of P5.8 billion, a P92 million translation adjustment related to foreign operations, an actuarial loss on remeasurement of retirement benefit obligation amounting to P6.0 billion, a remeasurement of life insurance reserves of P5.7 billion, a reversal of revaluation increment of P55 million, a P135 million increase in unrealized gains on equity investments at FVOCI and a negative P6 million share in Other Comprehensive Income of affiliates. The Total Comprehensive Income represents a 35% improvement from P27.5 billion in 2020.

### **Key Performance Indicators – 2021 vs. 2020**

|                                 | 2021  | 2020 | Inc/(Dec) |
|---------------------------------|-------|------|-----------|
| Return on Average Common Equity | 10.5% | 7.6% | 2.9%      |
| Return on Average Equity        | 10.4% | 7.5% | 2.9%      |
| Return on Average Assets        | 1.2%  | 0.9% | 0.3%      |

|                                 |        |        |        |
|---------------------------------|--------|--------|--------|
| Net Interest Margin             | 4.0%   | 4.4%   | -0.4%  |
| Capital to Risk Assets          | 14.6%  | 14.4%  | 0.2%   |
| Basic Earnings Per Share        | 9.68   | 6.37   | 3.31   |
| Liquidity Ratio                 | 32.2%  | 30.8%  | 1.4%   |
| Solvency Ratio (Debt-to-Equity) | 753.6% | 758.7% | -5.1%  |
| Asset-to-Equity Ratio           | 853.6% | 858.7% | -5.1%  |
| Interest Rate Coverage Ratio    | 512.0% | 297.3% | 214.7% |
| Profit Margin                   | 20.8%  | 13.3%  | 7.5%   |

Return on Average Common Equity, Return on Average Equity, Return on Average Assets and Basic Earnings Per Share improved to 10.5%, 10.4%, 1.2% and 9.68, respectively, owing to a higher Net Income.

Net Interest Margin was lower at 4.0% from the general decline in lending rates as well as the rate cap imposed by BSP on credit card receivables.

Capital to Risk Assets went up to 14.6% as the increase in capital outpaced the growth in risk weighted assets.

Liquidity Ratio rose to 32.2% as excess funds were channeled to liquid assets.

Solvency Ratio and Asset-to-Equity Ratio went down to 753.6% and 853.6%, respectively, as the growth in total equity outpaced the increases in both liabilities and total assets.

Interest Rate Coverage soared to 512.0% on higher profits and lower interest expense from an improved funding mix.

Profit Margin climbed to 20.8% on higher bottomline profits.

### **Balance Sheet – 2020 vs. 2019**

Total Resources increased 6% to P3.4 trillion as Gross Loans went up 3% to P2.3 trillion and Investment Securities expanded 17% to P508.8 billion. Cash and Other Cash Items grew 17% to P74.9 billion resulting from deposit expansion. Due from Other Banks jumped 68% to P65.3 billion owing to higher placements and working balances with correspondent banks.

Bank Premises and Net Finance Lease went down 5% to P44.3 billion on account of depreciation of facilities and equipment. Investment Properties dropped 6% to P15.9 billion on lower levels of ROPA and reclassification to Bank Premises of some branch sites. Deferred Tax Assets declined 11% to P7.9 billion owing to the amortization of past service cost. Other Resources climbed 12% to P42.4 billion mainly from an increase in foreign currency notes and coins on hand as of year-end 2020.

Deposit Liabilities grew 5% to P2.6 trillion as Demand and Savings deposits soared 35% and 14% to P314.3 billion and P1.8 trillion, respectively, driven by the Bank's continued

accessibility through its branches, ATMs and digital channels. Bills Payable jumped 25% to P209.7 billion on peso and USD bond issuances, while the Bank redeemed its P10.0 billion Subordinated Notes Payable in March 2020. Insurance Contract Liabilities hiked 38% to P58.4 billion due to re-measurement of life insurance reserves given the decline in interest rates as well as sustained BDO Life business volumes. Other Liabilities slid 8% to P103.6 billion owing to reduced Bills Purchased contra account and lease and security deposits.

Total Equity increased 6% to P393.0 billion from profitable operations.

### **Contingent Accounts – 2020 vs. 2019**

Total Contingent Accounts climbed 15% to P2.5 trillion owing to the following accounts:

- Trust Department Accounts surged 22% to P1.6 trillion on higher level of assets managed.
- Outstanding Guarantees Issued and Bills for Collection grew 18% and 35% to P3.5 billion and P14.6 billion, respectively.
- Unused L/Cs, Export L/Cs Confirmed, as well as Late Deposits and Payments Received, were lower by 3%, 20% and 60% at P52.0 billion, P6.3 billion and P1.3 billion, respectively, on lower outstanding transactions as of year-end 2020.
- Increased treasury trading activities yielded an increase in Forward Exchange Bought and Sold and Interest Rate Futures Sold, while Spot Exchange Bought and Sold as well as Interest Rate Swap Receivable and Payable declined year-on-year.
- Other Contingent Accounts went up 5% to P436.2 billion following growth in Committed Credit Lines.

### **Income Statement – For the years Ended December 31, 2020 vs. 2019**

The Bank posted a Net Income attributable to Equity holders of the Parent Company of P28.2 billion in 2020, 36% lower than previous year's P44.2 billion. This was due to the P30.2 billion Provision for Impairment Losses in anticipation of an increase in non-performing loans due to the COVID-19 pandemic and the resulting Enhanced and General Community Quarantine (ECQ / GCQ) imposed across the country. Pre-provision Operating Income, however, remained strong, growing by 17% year-on-year to P76.3 billion, as the Bank's core businesses exhibited resilience despite the pandemic.

Net Interest Income increased 12% to P133.7 billion owing to an expansion in margins as well as growth in interest-earning assets. Other income went down 8% to P55.2 due to the pandemic and the resulting slowdown in business activity. Service Charges, FX Gain and Miscellaneous Income dropped 22%, 54% and 13%, respectively. However, Trading Gain, Trust Fees and Insurance Premiums increased 310%, 8%, and 2%, respectively.

Operating Expenses were lower by 2% to P112.6 billion due to the following:

- Employee Benefits rose 6% from a higher manpower count as well as allowances and benefits to employees during the ECQ /GCQ period.
- Taxes and Licenses dropped 10% owing to lower Documentary Stamp Tax on reduced Time Deposit levels.

- Insurance expenses rose 6% following continued deposit expansion.
- Litigation/Assets Acquired expenses went up 10% from higher costs relating to litigation and maintenance of acquired assets.
- Advertising expenses declined 38% on lower marketing, promotional and advertising expenditures.
- Policy Reserves as well as Insurance Benefits and Claims increased 19% and 34%, respectively, reflecting adverse market movements and sustained business volumes of BDO Life. Policy reserves relating to the revaluation of unit linked investments (ULs) have been offset against the corresponding trading gain/loss starting 2020, to reflect the net impact in the income statement, rather than on a gross basis. The income statements for prior years have likewise been adjusted to a net basis, with no change in the net income numbers.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses dropped 8% and 11%, respectively, from scaled down business operations during the middle of the year

Tax Expense increased 18% to P17.8 billion on a higher taxable income base.

### Comprehensive Income – For the years Ended December 31, 2020 vs. 2019

From a Consolidated Net Income of P28.3 billion, Total Comprehensive Income for 2020 stood at P27.5 billion, inclusive of an increase in net gains on FVOCI Securities of P4.1 billion, a negative P44 million translation adjustment related to foreign operations, an actuarial gain on remeasurement of retirement benefit obligation amounting to P764 million, a remeasurement of life insurance reserves of negative P6.1 billion, a P579 million increase in unrealized gains on equity investments at FVOCI and a negative P10 million share in Other Comprehensive Income of affiliates. The Total Comprehensive Income registered a 38% decline from P44.7 billion in 2019.

### Key Performance Indicators – 2020 vs. 2019

|                                 | 2020   | 2019   | Inc/(Dec) |
|---------------------------------|--------|--------|-----------|
| Return on Average Common Equity | 7.6%   | 12.8%  | -5.2%     |
| Return on Average Equity        | 7.5%   | 12.6%  | -5.1%     |
| Return on Average Assets        | 0.9%   | 1.4%   | -0.5%     |
| Net Interest Margin             | 4.4%   | 4.2%   | 0.2%      |
| Capital to Risk Assets          | 14.4%  | 14.2%  | 0.2%      |
| Basic Earnings Per Share        | 6.37   | 10.02  | -3.65     |
| Liquidity Ratio                 | 30.8%  | 27.8%  | 3.0%      |
| Solvency Ratio (Debt-to-Equity) | 758.7% | 760.5% | -1.8%     |
| Asset-to-Equity Ratio           | 858.7% | 860.5% | -1.8%     |
| Interest Rate Coverage Ratio    | 297.3% | 245.5% | 51.8%     |
| Profit Margin                   | 13.3%  | 20.0%  | -6.7%     |

Return on Average Common Equity, Return on Average Equity, Return on Average Assets and Basic Earnings Per Share declined to 7.6%, 7.5%, 0.9% and 6.37, respectively, owing to lower Net Income, due to the pre-emptive provisions set aside for the potential increase in delinquencies from the pandemic.

Net Interest Margin improved to 4.4% given modest growth in interest-earning assets and an improvement in funding mix.

Capital to Risk Assets inched up to 14.4% as the increase in capital slightly outpaced the growth in risk weighted assets.

Liquidity Ratio rose to 30.8% owing to an increase in liquid assets and slower loan growth.

Solvency Ratio and Asset-to-Equity Ratio went down to 758.7% and 858.7%, respectively, as capital increased at a slightly faster rate than both liabilities and total assets.

Interest Rate Coverage Ratio improved to 297.3% following a decline in interest rates.

Profit Margin dropped to 13.3% on lower bottomline profits.

### **Balance Sheet – 2019 vs. 2018**

Total Resources grew 6% to P3.2 trillion as both Investment Securities and Gross Loans climbed 13% and 9% to P435.9 billion and P2.2 trillion, respectively. Cash and Other Cash Items went up 19% to P64.1 billion from deposit expansion. Due from BSP went down 13% to P309.0 billion owing to the reduction in reserve requirement implemented during the year. Due from Banks slid 30% to P39.0 billion on lower placements and working balances with correspondent banks.

Bank Premises and Net Finance Lease inflated 38% to P46.6 billion due to the newly implemented lease accounting standard as well as reclassifications from Investment Properties. Consequently, Investment Properties dropped 15% to P16.9 billion. Deferred Tax Assets rose 7% to P8.9 billion resulting from the Bank's retirement obligation. Other Resources went up 7% to P37.8 billion primarily owing to higher levels of outstanding credit card transactions.

Deposit Liabilities grew 3% to P2.5 trillion as Demand and Savings deposits expanded 29% and 6%, respectively. Meantime, Time deposits declined 10%, year-on-year as the Bank reduced its reliance on more expensive funding sources. Bills Payable hiked 17% to P167.5 billion from the issuance of the P35.0 billion fixed rate bonds. Insurance Contract Liabilities soared 49% to P42.5 billion on higher BDO Life business volumes. Other Liabilities climbed 23% to P113.0 billion due to the recognition of finance lease payment payable from the newly implemented lease accounting standard as well as increases in accounts payable and other accrued expenses, outstanding checks as of the cut-off date.

Total Equity increased 13% to P370.6 billion from the Bank's continued profitability.

### **Contingent Accounts – 2019 vs. 2018**

Total Contingent Accounts grew 14% to P2.2 trillion due to material movements from the following accounts:

- Trust Department Accounts hiked 15% to P1.3 trillion from a larger portfolio of funds managed.
- Unused L/Cs, Outstanding Guarantees Issued and Export L/Cs Confirmed surged 10%, 72% and 27% to P53.7 billion, P2.9 billion and P7.9 billion, respectively, owing to higher volume of trade transactions.
- Late Deposits and Payments Received went up 19% to P3.2 billion as more transactions were received from clients after clearing cut-off time.
- Increased treasury trading activities yielded growth in Spot and Forward Exchange Bought and Sold. Meantime, Interest Rate Swap Receivable and Payable declined year-on-year.
- Other Contingent Accounts climbed 15% to P415.6 billion from expansion in Committed Credit Lines.

### **Income Statement – For the years Ended December 31, 2019 vs. 2018**

The Bank recorded a Net Income attributable to Equity holders of the Parent Company of P44.2 billion in 2019, 35% higher than previous year's P32.7 billion. Net Interest Income climbed 22% to P119.9 billion owing to an expansion in margins as well as growth in interest-earning assets. The Bank prudently set aside P6.2 billion in provisions for loans, securities, ROPA and other assets.

Other income also hiked 19% to P60.1 billion as Service Charges, Trust Fees, and Insurance Premiums increased 16%, 7%, and 25%, respectively, showing strong growth across the Bank's main business lines. The Bank likewise recorded a Trading Gain of P1.4 billion vis-à-vis a Trading Loss of P864 million the previous year.

Operating Expenses went up 16% to P114.6 billion owing to the following:

- Employee Benefits rose 16% from salary increases and an increasing manpower count coming from business expansion.
- Taxes and Licenses jumped 21% attributed to Gross Receipts Tax (GRT) on higher income.
- Insurance expenses increased 9% following continued deposit expansion.
- Policy Reserves soared 41% reflecting higher business volumes of BDO Life.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses went up 7% and 20%, respectively, owing to an expanded distribution network as well as increased business volumes.

Tax Expense jumped 36% to P15.0 billion following a higher pre-tax income.

### **Comprehensive Income – For the years Ended December 31, 2019 vs. 2018**

From a Consolidated Net Income of P44.2 billion, Total Comprehensive Income for 2019 stood at P44.7 billion. This included an increase in net gains on FVOCI Securities of P7.8 billion, a negative P1 million translation adjustment related to foreign operations, an actuarial loss on retirement benefit asset amounting to P2.4 billion, a remeasurement of

life insurance reserves of negative P5.0 billion, a P79 million rise in unrealized gains on equity investments at FVOCI and a P14 million share in Other Comprehensive Income of affiliates. The Total Comprehensive Income registered a 60% improvement from P27.9 billion in 2018.

### Key Performance Indicators – 2019 vs. 2018

|                                 | 2019   | 2018   | Inc/(Dec) |
|---------------------------------|--------|--------|-----------|
| Return on Average Common Equity | 12.8%  | 10.7%  | 2.1%      |
| Return on Average Equity        | 12.6%  | 10.6%  | 2.0%      |
| Return on Average Assets        | 1.4%   | 1.1%   | 0.3%      |
| Net Interest Margin             | 4.15%  | 3.64%  | 0.51%     |
| Capital to Risk Assets          | 14.2%  | 13.8%  | 0.4%      |
| Basic Earnings Per Share        | 10.02  | 7.40   | 2.62      |
| Liquidity Ratio                 | 27.8%  | 30.4%  | -2.6%     |
| Solvency Ratio (Debt-to-Equity) | 760.5% | 821.0% | -60.5%    |
| Asset-to-Equity Ratio           | 860.5% | 921.0% | -60.5%    |
| Interest Rate Coverage Ratio    | 245.5% | 241.9% | 3.6%      |
| Profit Margin                   | 20.0%  | 18.2%  | 1.8%      |

Return on Average Common Equity, Return on Average Equity, Return on Average Assets and Basic Earnings Per Share climbed to 12.8%, 12.6%, 1.4% and 10.02, respectively, owing to higher Net Income.

Net Interest Margin improved to 4.15% given higher asset yields in 2019 and growth in earning assets.

Capital to Risk Assets hiked to 14.2% as capital went up at a faster pace than risk weighted assets.

Liquidity Ratio declined to 27.8% on sustained loan expansion.

Solvency Ratio and Asset-to-Equity Ratio dropped to 760.5% and 860.5%, respectively, as capital went up at a faster rate than both liabilities and total assets.

Interest Rate Coverage Ratio moved up to 245.5% following high revenue growth.

Profit Margin improved to 20.0% as revenue increase outpaced cost growth.

## (2) Past and Future Financial Condition and Results of Operations

BDO Unibank, Inc. (BDO) delivered a net income of P42.9 billion in 2021 compared to P28.3 billion the previous year, on the Bank's resilient business franchise and normalized provisions. Earnings normalized to pre-pandemic levels, showing stable quarter on quarter business performance with loan growth turning positive. Asset quality remains stable with NPL ratio at 2.8% and NPL coverage at 111%.



Gross customer loans outpaced the industry with a 6% year-on-year increase while total deposits went up by 8% year-on-year, driven by the 13% expansion in Current Account/Savings Account (CASA) deposits that now comprise 85% of total deposits. Non-interest income increased by 11% year-on-year while trading and forex gains normalized to P3.8 billion.

The Bank sustained investments in its IT/digital infrastructure and expanded its digital capabilities to further elevate customer experience and raise productivity. The Bank launched during the year its mobile wallet BDO Pay. In addition, BDO clients can now enjoy paperless in-branch transactions, card-less ATM transactions using biometrics and QR codes, and fully digital account opening.

Total capital base strengthened to P424.5 billion, with Common Equity Tier 1 ratio at 13.5%, well above regulatory minimum. Return on Average Common Equity improved to 10.5% from 7.6% the previous year.

### **Prospects for the Future/Plans of Operation**

The Bank's base case scenario forecasts 2022 Philippine GDP growth of 6.5%, an improvement compared to the 5.6% growth reported in 2021. The acceleration in this year's GDP growth is underpinned by broadening consumption activity as government policymakers signal a further easing of Covid-19 quarantine protocols. The 2022 GDP outlook also incorporates expectations of continued resilience in the economic contributions of overseas worker remittances and the business process outsourcing sector

A continuation of the Philippine economic recovery into this year, however, assumes that expanding vaccine coverage reduces risks of severe outcomes from Covid-19 infections. Otherwise, policymakers may be forced to delay the easing of restrictions. It is also assumed that inflation headwinds are largely limited to the early part of 2022, with commodity price base effects to eventually normalize over the course of the full year.

Downside risks that may hinder the recovery include potential delays in vaccine procurement and the immunization timetable, vaccine resistant Covid-19 variants, and geopolitical events that can cause unexpected spikes in commodity prices and accelerate inflation. The upcoming May 2022 Philippine Presidential election may also raise uncertainties regarding the trajectory of government economic policy.

### **3) Material Changes**

#### **(a) Any Known Trends, Events or Uncertainties (material impact on Liquidity)**

None.

**(b) Internal and External Sources of Liquidity**

The internal and external sources of liquidity are discussed under item 6(2) of SEC Form 17-A of the Bank.

**(c) Any Material Commitments for Capital Expenditure and Expected Funds**

None.

**(d) Any Known Trends, Events or Uncertainties (material impact on sales)**

Trends, events or uncertainties, which can have a material impact on sales, are explained under item 6(2) of SEC 17-A of the Bank.

**(e) Causes for any Material Changes from Period to Period of Financial Statements**

The causes for any material changes from 2018-2021 are explained in item 6(1) of SEC Form 17-A of the Bank.

**(f) Seasonal Aspects that has material Effect on the Financial Statements**

None.

**Item 7. Financial Statements**

The consolidated financial statements and schedules are filed as part of this Form 17-A. See attachment for further information.

**Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

BDO's present external auditor, Punongbayan & Araullo, Grant Thornton will be recommended to the shareholders for re-appointment as the external auditor for the ensuing year. Representatives of the said firm are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders.

Punongbayan & Araullo, Grant Thornton was first appointed external auditor of BDO in 2000 and has not resigned, been dismissed, or its services ceased since its appointment. BDO has had no material disagreement with Punongbayan & Araullo, Grant Thornton on any matter of accounting principle or practices or disclosures in BDO's financial statements. To comply with the requirement of SRC Rule 68 (3)(b)(ix) on the five (5) year Rotation of External Auditors Signing Partner, Mr. Romualdo V. Murcia III has been the Signing Partner of the financial audit since 2020. Mr. Leonardo D. Cuaresma, Jr., Partner of Punongbayan & Araullo, Grant Thornton, handled the financial audit from years 2017-2019.

The Audit Committee endorses for approval of Board of Directors (BOD) the appointment and removal of BDO's internal and external auditor.

Audit and Audit-Related Fees

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor amounted to ₱11,369,392.77 for the year 2021, ₱14,059,783.54 for the year 2020, and ₱18,085,815.89 for the year 2019. These fees cover services rendered by the external auditor for audit of the financial statements of BDO and other services in connection with statutory and regulatory filings for fiscal years 2021, 2020, and 2019.

Tax Fees and Other Fees

No other fees were paid to Punongbayan & Araullo, Grant Thornton for the last two (3) fiscal years.

It is the policy of BDO that all audit findings are presented to the Board Audit Committee which reviews and makes recommendations to the Board on actions to be taken thereon. The Board of Directors passes upon and approves the Audit Committee's recommendations.

The members of the Audit Committee of BDO are as follows:

1. Jose F. Buenaventura - Chairman (Independent Director)
2. Jones M. Castro, Jr. - Member (Lead Independent Director until April 23, 2021; Reclassified to Non-Executive Director )
3. Vicente S. Pérez, Jr. - Member (Independent Director)
4. Corazon S. de la Paz – Bernardo - Advisor
5. Christopher A. Bell-Knight - Advisor
6. Jesus A. Jacinto, Jr. - Advisor

Below is the attendance of the members for the Committee meetings held as of December 2021:

|                       | <u>No. of Meetings<br/>Attended</u> | <u>Total No. of<br/>Meetings</u> | <u>Percentage</u> |
|-----------------------|-------------------------------------|----------------------------------|-------------------|
| Jose F. Buenaventura  | 12                                  | 12                               | 100%              |
| Jones M. Castro, Jr.  | 12                                  | 12                               | 100%              |
| Vicente S. Pérez, Jr. | 12                                  | 12                               | 100%              |

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

#### 1) Directors and Executive Officers

The Board of Directors is empowered to direct, manage and supervise, under its collective responsibility, the affairs of BDO. It is also responsible for the proper administration and management of BDO's trust business. The members of the Board are elected annually by the stockholders to hold office for a term of one (1) year, and shall serve until their respective successors have been elected and qualified.

The Board of Directors meets monthly to discuss BDO's operations and approve matters requiring its approval. Materials containing matters to be taken up during the Board meeting are distributed to the directors at least five (5) days prior to the scheduled Board meeting.

Following is the list of the members of the Board, and the corporate officers and their business experience during the past five (5) years:

#### ***Director Orientation and Continuing Education***

All newly-elected directors are required to undergo an orientation program within three (3) months from date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, BDO's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at BDO's expense to maintain a current and effective Board. In 2021, all directors of BDO Unibank complied with the annual corporate governance training requirement of four (4) hours. Nine (9) directors attended the in-house corporate governance seminar facilitated by Gartner Executive Programs last September 1, 2021. It concentrated on the impact of geopolitics on digital business, design and delivery for customer facing digital products, and digital leadership. Two (2) directors attended the corporate governance seminar facilitated by the Institute of Corporate Directors last September 30, 2021 with topics on sustainability, artificial intelligence, and digitalization, among others. The Board also held strategic meetings and received regular economic briefings and briefings on new regulatory issuances.

Below is the list of the members of the Board as of December 31, 2021, and the corporate officers and their business experience during the past five (5) years:

**Teresita T. Sy**  
**Chairperson**  
**Non-Executive Director**  
**Filipino, 71 years old**

Teresita T. Sy has been a member of the Board of Directors of BDO Unibank, Inc. (BDO) since 1977, and currently serves as Chairperson of the Board. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO: BDO Private Bank, Inc., BDO Leasing & Finance, Inc., BDO Finance Corporation, BDO Capital & Investment Corporation, BDO Foundation, Inc., and BDO Life Assurance Company, Inc. Ms. Sy also serves as Advisor to the Board of BDO Network Bank, Inc.

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

**Jesus A. Jacinto, Jr.**  
**Vice Chairman**  
**Executive Director**  
**Filipino, 74 years old**

Jesus A. Jacinto, Jr. was elected to the Board of Directors of BDO Unibank, Inc. on May 25, 1996, and has since been Vice Chairman of the Board. He is concurrently the Chairman and President of BDO Insurance Brokers, Inc. He also heads Jaces Corp. as Chairman and President, and Janil Realty, Inc. and JAJ Holdings, Inc. as President. Formerly, he was Director and Executive Vice President of CityTrust Banking Corporation; Director of CityTrust Investments Philippines and CityTrust Finance Corporation; and Vice President and Managing Partner of Citibank N.A. He holds a bachelor's degree in Business Administration from Fordham University in New York City and an MBA in International Business from Columbia University, New York City.

**Nestor V. Tan**  
**President & Chief Executive Officer**  
**Executive Director**  
**Filipino, 64 years old**

Nestor V. Tan is the President and CEO of BDO Unibank, Inc. He was elected to the Board of Directors on June 27, 1998. In addition to his role in BDO Unibank, Inc., he also holds the following positions in the BDO Group: Chairmanship of BDO Strategic Holdings, Inc. and BDO Network Bank, Inc.; Vice chairmanships and/or directorships in BDO Leasing and Finance, Inc., BDO Capital & Investment Corporation, BDO Finance Corporation, BDO Life Assurance Company, Inc., BDO Private Bank, Inc., and SM Keppel Land, Inc.; and Trusteeship of BDO Foundation, Inc.

In addition, he is currently the Chairman of the De La Salle University Board of Trustees; Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks; and Chairman of Mastercard Asia Pacific Advisory

Board. He is the past president and chairman, and current Director of the Bankers Association of the Philippines.

Prior to joining BDO Unibank, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment-banking subsidiary of the Barclays Group. His banking career spans nearly four (4) decades and includes posts at global financial institutions, among them Mellon Bank in Pittsburgh, PA; Bankers Trust Company in New York, NY; and the Barclays Group in New York and London. He holds a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

**Dioscoro I. Ramos**  
**Lead Independent Director**  
**Filipino, 63 years old**

Dioscoro I. Ramos was elected to the Board of Directors of BDO Unibank, Inc. on January 9, 2016 and was appointed Lead Independent Director on April 23, 2021. Since 2011, Mr. Ramos has been the Chief Investment Officer of RY&S Investments Ltd., Hong Kong. He was Head of Asia Financials Investment Research of Goldman Sachs Asia, LLC, Hong Kong from 1994 to 2011, and appointed Managing Director in 1998 and Partner in 2006. Prior to that, he was with Mellon Bank, N.A. with postings in Pittsburgh, Philadelphia, New York, and Hong Kong. Mr. Ramos is a Certified Public Accountant. He holds a Bachelor of Science degree in Business Administration and Accountancy, cum laude, from the University of the Philippines; and a master's degree in Business from Wharton School, University of Pennsylvania.

**George T. Barcelon**  
**Independent Director**  
**Filipino, 72 years old**

George T. Barcelon was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently the Chairman of the Philippine Chamber of Commerce and Industry (PCCI). He is the visionary behind Integrated Computer Systems, Inc. (ICS), one of the Top 1000 companies based in the Philippines, dedicated to providing effectual IT Solutions for small to large-scale businesses and institutions. For 40 years, ICS has provided its customers with technological expertise and quality services. As the president of a company with 400 employees whose success depends on uncompromising leadership, imagination, and careful quality control, Mr. Barcelon seeks to promote the values of Integrity, Commitment, and Service Quality, the cornerstones upon which ICS was built. He is also a member of the Rotary Club of Makati, Philippines; and a board member of the Cardinal Medical Charities Foundation, Inc. in San Juan City, Philippines. Mr. Barcelon graduated cum laude from De La Salle University, Manila and received a bachelor's degree in Chemical Engineering.

**Christopher A. Bell-Knight**  
**Non-Executive Director**  
**Canadian, 77 years old**

Christopher A. Bell-Knight was elected to the Board of Directors of BDO Unibank, Inc. on July 27, 2013. Until his election as Director, he had been acting as Advisor to the Board of BDO Unibank for more than two (2) years. He had also previously served as Director of BDO Unibank from May 2005 until September 2010. He was an Independent Director of Dumaguete City Development Bank of the Philippines from March 2007 to March 2013, and currently serves as an Advisor to the Board. He was formerly a Director of Solidbank Corporation and Vice President and Country Head of The Bank of Nova Scotia. Mr. Bell-Knight has had over 40 years of banking experience in England, Canada, and Asia, 35 of which were spent in credit and marketing. He is an Associate of the Chartered Institute of Bankers – British; an Associate of the Institute of Canadian Bankers; and a Fellow of the Institute of Corporate Directors. He studied at Frome Grammar School in Somerset, England, and attended universities both in England and Canada for his Associate qualifications in Banking.

**Jose F. Buenaventura**  
**Independent Director**  
**Filipino, 87 years old**

Jose F. Buenaventura was elected to the Board of Directors of BDO Unibank, Inc. on April 19, 2013. Since 1976, he has been a Senior Partner at Romulo Mabanta Buenaventura Sayoc & de los Angeles Law Offices. He is President and Director of Consolidated Coconut Corporation, Gladtohome Inc., Glimpse of Negros Holdings, Inc., and Kahigayonan Corp. He sits on the Boards of Directors of the following companies: BDO Securities Corporation (Independent Director), BDO Finance Corporation (Independent Director), Eximious Holdings, Inc., Cebu Air, Inc., GROW, Inc., GROW Holdings, Inc., Hicap Properties Corporation, Himap Properties Corporation, La Concha Land Investment Corporation, Peter Paul Philippines Corporation, Philippine First Insurance Co., Inc., Philplans First, Inc., Techzone Philippines, Inc., Total Consolidated Asset Management, Inc., Turner Entertainment Manila, Inc., Phosephene Holdings, Inc., and Clinquant Holdings, Inc. Atty. Buenaventura holds Bachelor of Arts and Bachelor of Laws degrees from Ateneo de Manila University, and a Master of Laws Degree from Georgetown University Law Center in Washington, D.C.

**Jones M. Castro, Jr.**  
**Non-Executive Director**  
**Filipino and American, 72 years old**

Jones M. Castro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. on April 20, 2012. He was Lead Independent Director of BDO Unibank from December 7, 2013 to April 23, 2021. Mr. Castro has 48 years of banking expertise, with 41 years of international banking experience. From 2009 to 2011, Mr. Castro was the Area Head for South and

Southeast Asia of Wells Fargo Bank, San Francisco. As Area Head, Mr. Castro had responsibility for 12 countries and managed 11 overseas offices with a total of 102 team members, and US\$3 billion in loans. From 2006 to 2009, Mr. Castro was Regional Head for Latin America 1, including the Caribbean, of the Wachovia Bank, Miami, and likewise had responsibility for 25 countries, 3 overseas offices, 30 team members, and a US\$1.8-billion loan portfolio. From 2005 to 2006, he was Executive Vice President and International Banking Group Head of the Union Bank of California, San Francisco. From 1990 to 1994, he was Senior Vice President – Controller of Bank of California, San Francisco, and from 1994 to 1997, he was its Senior Vice President of Strategic Planning in Office of the President. Mr. Castro is currently Trustee of PhilDev USA and PhilDev S & T Foundations, and is a Fellow at the Institute of Corporate Directors. Mr. Castro obtained his bachelor's degree in Applied Mathematics in Economics and graduated cum laude from Harvard University. He received his master's degree in Business Administration, Accounting & Finance from Stanford University.

**Vicente S. Pérez, Jr.**  
**Independent Director**  
**Filipino, 63 years old**

Vicente S. Pérez, Jr. was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently an Independent Director of BDO Leasing and Finance, Inc. (BDOLF), BDO Finance Corporation, and DoubleDragon Properties Corp. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte, Ltd. Mr. Pérez is currently the Chairman of Alternergy Group, Philippine renewable power companies in wind, hydro and solar. In September 2020, he was appointed Honorary Consul of Bhutan in the Philippines. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments. Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburgh, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York Investment Bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization. Mr. Perez obtained his master's degree in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class at the Yale School of Management.

**Josefina N. Tan**  
**Non-Executive Director**  
**Filipino, 76 years old**



Josefina N. Tan was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) from February 3, 2001 to August 2005. She then became a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO Unibank in May 2007. Ms. Tan was re-elected to the Board of Directors of BDO Unibank (then Banco de Oro – EPCI, Inc.) on July 27, 2007. Concurrently, she is Board Advisor of BDO Private Bank, Inc. She is also Chairman of the Board of Miriam College and a Trustee of the Development Center for Finance and the Laura Vicuña Foundation. She is also Treasurer of the Equestrian Order of the Holy Sepulchre of Jerusalem. Ms. Tan served as President and Director of BDO Private Bank, Inc. from August 29, 2003 to April 17, 2017. She was also Executive Vice President of the former Far East Bank & Trust Co.; Director and President of FEB Leasing & Finance Corporation; Executive Director and Trustee of FEB Foundation, Inc.; and Executive Vice President of FEB Investments, Inc. until 2000. Ms. Tan holds a Bachelor of Arts degree with a major in Communication Arts from Maryknoll College, and a master's degree in Business Administration from Ateneo Graduate School of Business.

**Edmundo L. Tan**  
**Corporate Secretary**  
**Filipino, 76 years old**

Edmundo L. Tan has been serving as Corporate Secretary of BDO Unibank, Inc. since July 27, 2007, and of BDO Private Bank, Inc. since February 2012. He was formerly Director of BDO Leasing and Finance, Inc. and now serves as Advisor to the Board. Atty. Tan sits on the Boards of Directors of the following companies: APC Group, Inc. (Director from 2000 to present, Corporate Secretary from 2000 to 2016); Philippine Global Communications, Inc. (Director from 2000 to present, Corporate Secretary from 2000 to 2010); and Aragorn Power and Energy Corporation (Director from 2005 to present, Corporate Secretary from 2005 to 2012). Atty. Tan is also currently a Director of PRC MAGMA Resources, Inc. (2010 to present) and of Ortigas Land Corporation (formerly OHI, July 2012 to present). He was elected Director of Sagittarius Mines, Inc. in March 2016, and Director of Concrete Aggregates Corporation on December 12, 2019. In July 2017, he was elected President of the Philippine Dispute Resolution Center, Inc. (PDRCI), a non-stock, non-profit organization which he co-founded. Atty. Tan is the Managing Partner of Tan Acut Lopez & Pison Law Offices (1993 to present). Formerly, he was a Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices; a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices; and an Associate in Cruz Villarín Ongkiko Academia & Durian Law Offices. Atty. Tan holds a Bachelor of Arts degree from De La Salle College, Bacolod, and a bachelor's degree in Law from the University of the Philippines

**Sabino E. Acut, Jr.**  
**Assistant Corporate Secretary**  
**Filipino, 71 years old**

Sabino E. Acut, Jr. was appointed Assistant Corporate Secretary of BDO Unibank, Inc. on July 27, 2007, a position he currently holds. He is presently a Senior Partner and Head of the Litigation Department of Tan Acut Lopez & Pison Law Offices. He was a former Senior

Partner and Head of the Litigation Department of Ponce Enrile Cayetano Reyes & Manalastas Law Offices (PECABAR) and, before that, a Partner of Angara Abello Concepcion Regala & Cruz Law Offices (ACCRA). At various times, he was Corporate Secretary of Boulevard Holdings, Inc., Puerto Azul Golf & Country Club, Philippine Hospital Association, and Eastern General Reinsurance Corporation; Legal Counsel of Alabang Country Club; Trustee of Makati Law Foundation; and President of the Legal Management Council of the Philippines. He was Journal Editor of the 1971 Constitutional Convention, Special Assistant to the Director of the Bureau of National and Foreign Information, and Confidential Attorney to former Supreme Court Justice Cecilia Muñoz Palma. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association. He is currently a Director of Philippine Global Communications, Inc., Ashdale Holdings, Inc., and Primtawn Center Holdings, Inc. He was the Corporate Secretary of the then Equitable PCIB Bank, Inc. until its merger with the Bank. He holds the degrees of Bachelor of Arts, Magna Cum Laude, from Mindanao State University; Bachelor of Laws, Cum Laude, from the University of the East; and Master of Laws from the University of Pennsylvania.

**Alvin C. Go**  
**Assistant Corporate Secretary**  
**Filipino, 60 years old**

Alvin C. Go is a Senior Vice President for the Legal Services Group of BDO Unibank, Inc. He was also appointed as Assistant Corporate Secretary and Alternate Corporate Information Officer on October 1, 2015. Prior to joining BDO, he was the Chief Legal Counsel of Philippine National Bank from 2003 to 2012. He was an Associate Attorney of Salonga, Ordonez, Yap, Corpuz Padlan & Associates Law Offices from 1985 to 1989. He served as Prosecution Attorney from 1989 to 1990 and State Prosecutor of the Department of Justice from 1990 to 1993. He was a Senior Partner at Go, Cojuangco, Mendoza, Ligon and Castro Law Offices from 1994 to 1999, and Senior Partner at Go and Castro Law Offices from 1999 to 2003. He obtained his Bachelor of Arts, Major in Political Science, from the Immaculate Concepcion College, Ozamiz City and his Bachelor of Laws from Misamis University.

The independent directors of the Bank are George T. Barcelon, Jose F. Buenaventura, Jr., Vicente S. Pérez, Jr., and Dioscoro I. Ramos.

***Role of the Chairperson and President***

The Board Chair and President collectively are responsible for the leadership of the company. The Chair's primary responsibility is for leading the Board and ensuring its effectiveness while the President is responsible for running the Bank's business.

The roles of the Board Chair and the Bank President are separate and distinct from each other to achieve a balance of authority, clear accountability, and capacity for independent decision-making by the Board.

### **Senior Executive Officers of the Bank**

The members of senior management, subject to control and supervision of the Board, collectively have direct charge of all business activities of BDO. They are responsible for the implementation of the policies set by the Board. The following is a list of BDO's key officers as of December 31, 2021, and their business experiences during the past five (5) years:

**Joseph Albert Lim Gotuaco**, 56, Filipino, is Senior Executive Vice President and Head of the Bank's Central Operations Group. He joined BDO Unibank, Inc. on February 1, 2019. Mr. Gotuaco started his banking career at Chemical Bank in New York in 1986, as a trader and risk manager for fixed income products. In 1994, he was based in Hong Kong for J.P. Morgan, and was responsible for corporate, financial institution, and sovereign clients in the Philippines and in Southeast Asia. In 2002, he joined Credit Suisse in its Fixed Income Division. In 2005, he joined Merrill Lynch as a Managing Director in its Fixed Income, Currencies and Commodities ("FICC") Division, and served on the firm's Asia-Pacific Operating Committee. In 2009, Mr. Gotuaco was based in Singapore as Partner and Managing Director in a Singapore-based investment vehicle of the Brunei government, where he helped manage investments in general aviation (Piper Aircraft) and related in-house financing programs (Piper Capital). Mr. Gotuaco joined Bank of the Philippine Islands ("BPI") in 2013. Until 2016, he served as Executive Vice President & Chief Financial Officer; from 2016 to 2018, he was Head of Retail Banking. He also served in BPI's management, asset & liability management, credit, and operating & IT risk management committees. Mr. Gotuaco obtained his B.S. Economics degree, summa cum laude, in finance and marketing in 1986, from the Wharton School at the University of Pennsylvania. He obtained his MBA from Harvard Business School in 1994.

**Rolando C. Tanchanco**, 59, Filipino, is Senior Executive Vice President for Consumer Banking Group. He holds a Bachelor's degree in Business Economics from the University of the Philippines. He obtained his MBM at the Asian Institute of Management. Mr. Tanchanco joined BDO to head the BDO's Consumer Lending which has since been renamed Consumer Banking to include Digital Banking and Payment Channels. Prior to his joining BDO, Mr. Tanchanco was President of Philam Savings Bank and Head of AIG Credit Card. He is currently a Director of BDO Insurance Brokers, Inc., BDO Network Bank, Inc., and Trans Union Phils.

**Walter C. Wassmer**, 64, Filipino, is Senior Executive Vice President and Head of the Institutional Banking Group of BDO Unibank, Inc. He is also a Director of BDO Leasing and Finance, Inc., BDO Finance Corporation, and BDO Capital & Investment Corporation. Previously, Mr. Wassmer was the Chairman and Officer-In-Charge of BDO Elite Savings Bank, Inc., formerly GE Money Bank, Inc. (A Savings Bank), and held directorships in MMPC Auto Financial Services Corporation, MDB Land, Inc., Mabuhay Vinyl Corporation, and Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). He holds a Bachelor of Science degree in Commerce from De La Salle University.

**Jaime C. Yu**, 63, Filipino, is Senior Executive Vice President. He holds a Bachelor of Arts degree in Economics from De La Salle University and is a MBA graduate from the Ateneo de Manila University. He has extensive experience in commercial, corporate, and investment banking from the International Corporate Bank and Union Bank of the Philippines, where he held various positions up to his appointment as First Vice President and Region Head for the Manila-Pasay area. He joined BDO in December 1997 and is currently the Group Head of Branch Banking where he manages the entire branch network.

**Stella L. Cabalungan**, 57, Filipino, is Executive Vice President. She holds a Bachelor of Science degree in Marketing Management from De La Salle University. Prior to joining BDO, she was Vice President of Banco Santander Philippines, Inc., and Head of the Personal Investment Banking Group from 2000 to 2003. She was also Vice President of Citibank, N.A. from 1998 to 2000 where she spent fifteen (15) years in retail and priority banking in Singapore and the Philippines, her last assignment being the Citigold Priority Banking Head. She is presently seconded to BDO Private Bank, Inc. as Executive Vice President–Wealth Management Head.

**Gerard Lee B. Co**, 62, Filipino, is Executive Vice President and Deputy Group Head for Institutional Banking. He is a Director of Markham One Development Corp. He served as Director of PCI Leasing and Finance, Inc. and PCI Capital Corporation from 2002-2005 and of BDO Leasing and Finance, Inc. from 2010-2012. He graduated from the University of San Carlos with a Degree in Bachelor of Science in Commerce Major in Banking and Finance. He attended the Advanced Management Program for International Bankers at the Wharton School of the University of Pennsylvania, U.S.A. He likewise completed the Program for Executive Development at IMD in Laussane, Switzerland. He joined the Bank in October 1993 as Vice President for Visayas Division.

**Lucy Co Dy**, 66, Filipino, is Executive Vice President and Comptroller. She concurrently holds the position of Director of BDO Life Assurance Company, Inc.; Director of BDO Remit Limited and BDORO Europe, Ltd.; Director and Treasurer of BDO Strategic Holdings, Inc.; and Trustee and Treasurer of BDO Foundation, Inc. She holds a Bachelor's degree in Accounting from the University of Santo Tomas.

**Eduardo V. Francisco**, 60, Filipino, is Executive Vice President. He is President/Director of BDO Capital & Investment Corporation, the investment banking arm of BDO Unibank, Inc. and Chairman of Averon Holdings Corp. He sits on several boards such as the Development Center for Finance, CIBI Foundation, Shareholders Association of the Philippines (SharePhil), International School of Manila, UP College of Business Alumni Association, Financial Executives Institute of the Philippines (FINEX) Foundation and Valle Verde Country Club, Inc. He is also a member of Makati Business Club (MBC), and the POLO Triathlon Team. He is on the Capital Markets committees of the Bankers Association of the Philippines and Philippine Stock Exchange. He is also in the Listings committee of the Philippine Dealing and Exchange Corporation. He is the former Chairman of BDO Nomura Securities, Inc. and Chairman for the International Association of Financial Executives Institutes (IAFEI). He was the Co-Chairman of the Capital Market Development Council

(CMDC) of the Philippines, Vice Chairman of the Integrity Initiative, and has been the President of the Management Association of the Philippines (MAP), FINEX, Wharton-Penn Club, Federation of Valle Verde Associations, First Valle Verde Association Inc. and BDO Securities Corporation. Mr. Francisco has worked with other financial institutions in New York and Hong Kong such as Bank of America and Barclays Bank. He holds a MBA from the Wharton School of the University of Pennsylvania and Bachelor's degree in Business Administration from the University of the Philippines. He is a recipient of Financial Management Excellence from the University of the Philippines and the Distinguished Alumnus Award from the U.P. College of Business Administration. He was honored by BizNewsAsia as one of the Nation Builders and was an Asia Leaders Award's Mentor of the Year finalist.

**Jesus Antonio S. Itchon**, 60, Filipino, is Executive Vice President of BDO Unibank, Inc. since September 15, 2017. He is seconded to BDO Network Bank, Inc. (BDONB) and serves as President and Vice Chairman of BDONB. He has over thirty (30) years of experience in the financial services industry. Prior to joining the Bank, he was Executive Vice President of Property Company of Friends, Inc. and Williamton Financing Corporation since 2016, and Independent Director of Paymaya Phils. Inc. since 2015. Mr. Itchon also worked with Citibank N.A. Philippines as Managing Director where he held various senior leadership positions from 1986 to 2015 including Citi Country Compliance Officer, President of Citibank Savings and Country Head of Global Transaction Banking. He graduated from the De La Salle University with a degree in Bachelor of Arts in Economics and from Johnson Graduate School of Management, Cornell University with a Master's Degree in Business Administration.

**Jeanette S. Javellana**, 62, Filipino, is Executive Vice President and Head for Commercial Banking Metro Manila. She joined the Bank in October 2001.

**Ma. Corazon A. Mallillin**, 59, Filipino, is Executive Vice President of BDO Unibank, Inc. She is currently the Deputy Group Head of Branch Banking Group and has been with BDO Unibank for more than fifteen (15) years. She joined BDO Unibank in March 2005 as Region Head of Branch Banking. Prior to that, she was Senior Vice President for Branch Banking of Maybank, Phils. She was formerly Senior Vice President of Asiatrust Bank from 1998 to 2002 and Assistant Vice President of PCIBank from 1982 to 1998. Atty. Mallillin holds a Bachelor of Laws degree and a Bachelor of Arts degree in Economics from the University of the Philippines.

**Dalmacio D. Martin**, 59, Filipino, is Executive Vice President of BDO Unibank, Inc. He has been with the Bank for more than ten (10) years. He is currently the Bank's Treasurer of the Bank's Treasury Group. He holds a Bachelor's Degree in B.A Political Science from the U.C Berkeley University and a Masters in Management from the Arthur D. Little MEI.

**Edwin Romualdo G. Reyes**, 63, Filipino, is Executive Vice President of BDO Unibank, Inc. and Group Head for the Transaction Banking Group. Mr. Reyes has more than thirty (30) years of experience in the banking industry. He was previously Managing Director and

Global Head of Depository Receipts (DR) at Deutsche Bank Trust Company Americas, New York, USA (Deutsche Bank) from 2006 to 2014. Mr. Reyes also served as Director and Global Head of Strategic Initiatives and Channel partners from 2001 to 2006 and Director & Global Head of Intermediaries, Corporate Trust & Agency Services from 1999 to 2001. Prior to that, he was Vice President, Capital Markets Trust Services at IBJ Whitehall Financial Services, New York, USA from 1998 to 1999. Mr. Reyes also serves on the board of BDO Network Bank, Inc., as non-Executive Director. He holds a Master's Degree in Business Administration, major in Finance/Money and Financial Markets from Columbia University, Graduate School of Business in New York, USA. Mr. Reyes graduated Cum Laude from the University of the Philippines, with a degree of Bachelor of Science in Industrial Engineering and Operations Research.

**Luis S. Reyes, Jr.**, 62, Filipino, is Executive Vice President for Investor Relations and Corporate Planning. He is concurrently a Director of BDO Strategic Holdings, Inc. and Chairman of Nashville Holdings, Inc. He is also a Director and Treasurer of BDO Leasing and Finance, Inc. and BDO Rental, Inc., and Treasurer of BDO Finance Corporation. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines. He was First Vice President of Far East Bank & Trust Company, Trust Banking Group before joining BDO.

**Cecilia Luz L. Tan**, 61, Filipino, currently holds the position of Executive Vice President and Deputy Head of Institutional Banking Group. Prior to joining BDO, she was Director and President of BPI Capital Corp. and Director – Chairman of BPI Securities Corp. She has over 40 years experience covering the fields of corporate, investment and private banking. She holds a degree in Bachelor of Science in Business Management from Ateneo de Manila University and post graduate in Advanced Management Program in Harvard Business School.

**Evelyn L. Villanueva**, 63, Filipino, is Executive Vice President of BDO's Risk Management Group, and is BDO's Chief Risk Officer. She holds a Bachelor degree in Statistics from the University of the Philippines. She obtained her Master in Business Management ("MBM") degree from the Asian Institute of Management. She has over forty (40) years of banking experience in corporate banking and enterprise-wide risk management covering credit, market, liquidity, interest rate and operational risk management. She started out as a management trainee in Citytrust Banking Corporation and was connected with HSBC as Senior Vice President for Credit Risk Management before joining BDO.

**Albert S. Yeo**, 63, Filipino, is an Executive Vice President at BDO Unibank, Inc. since January 3, 2017. Mr. Yeo, prior to joining the Bank, had been with Merrill Lynch & Co. for 17 years, last as a Senior Financial Advisor at their Manhattan Beach Office in Los Angeles, California. He was also connected with UBS Securities and Prudential Securities, Inc. (now Wells Fargo Advisors) in various capacities in the financial services industry. Prior to that, he was connected with IBJ Schroder Bank and Trust (now Mizuho Bank) in their Capital Markets Group in New York City for 5 years. Before his MBA, he spent 2 years at Rizal Commercial Banking Corporation as a Corporate Banking officer at their Binondo area

headquarters. Mr. Yeo earned his MBA in Finance from the Wharton School at the University of Pennsylvania. He finished his undergraduate degree at the Ateneo de Manila University, BS Management Engineering with Magna Cum Laude distinction and was the Departmental Awardee of his class.

**Rafael G. Ayuste, Jr.**, 57, Filipino, is Senior Vice President of BDO Unibank, Inc. He has been with BDO Unibank for more than seven (7) years. He is currently the Trust Officer and Head of BDO Trust and Investments Group and was the Trust Officer and Head of Wealth Advisory and Trust Group of BDO Private Bank, Inc. He has more than thirty-five (35) years banking experience, with twenty-seven (27) years in trust banking. He holds a Bachelor's Degree in Business Administration from University of Sto. Tomas, a Master's Degree in Business Administration (Nominee) from De La Salle University and an Executive Master's Degree (Nominee) in Business Economics from University of Asia and the Pacific.

**Frederic Mark S. Gomez**, 59, Filipino, is Senior Vice President of BDO Unibank, Inc. He joined the Bank on November 15, 2017 and was appointed as Head of Information Technology Group and Member of the IT Steering Committee, effective March 1, 2018. Prior to joining the Bank, Mr. Gomez was Vice President and Chief Information/Technology Officer for Information Technology, Asia Pacific of S&P Global, Inc. (Singapore & Tokyo, Japan) from January 2011 to January 2017. He held various global head positions at Standard & Poor's (New York, USA) since 1996 before becoming its Vice President and Global IT Head for Sales and Marketing Systems in February 2008 up to January 2011. He graduated from the University of Santo Tomas with a degree in Bachelor of Science in Business Administration.

**Lazaro Jerome C. Guevarra**, 55, Filipino, is Senior Vice President. He is the Chief of Staff for the Office of the President and concurrently the Head for the Corporate Group, administratively overseeing the Corporate Secretary's Office, Anti-Money Laundering Unit, Legal Services, Compliance, Internal Audit, and Information & Cyber Security Office. Prior to this, he was the Head of Advisory and Mergers & Acquisition Team of BDO Capital & Investment Corporation and was the President of BDO Securities Corporation. He is currently the Chairman/Director of BDO Remit (Canada), Ltd., BDO Remit (Japan), Ltd., and BDO Remit (USA), Inc. He is a Director of BDO Strategic Holdings, Inc., BDORO Europe Ltd., Averon Holdings Corp., SM Keppel Land, Inc., NorthPine Land, Inc., and Nashville Holdings, Inc. He is also a Trustee and Corporate Secretary of BDO Foundation, Inc. Mr. Guevarra is a graduate of the University of the Philippines – School of Economics and has had more than thirty-two (32) years of experience in banking, financial analysis, and mergers & acquisition.

**Manuel Z. Locsin, Jr.**, 64, Filipino, is Senior Vice President/Officer-in-Charge (OIC) of BDO Finance Corporation. He was seconded from BDO Unibank to BDO Finance last year, May 2021, and appointed by the Board of Directors of BDO Finance on May 1, 2021. In addition to his assignment, he is concurrently Director and OIC of BDO Leasing and Finance, Inc. and BDO Rental, Inc. Prior to joining BDO Finance, he was Senior Vice President with Corporate Banking Group of BDO Unibank. He has over twenty-five (25) years of banking

and credit lending experience. He holds a Bachelor of Science Degree in Commerce from the De La Salle University.

**Estrellita V. Ong**, 66, Filipino, joined BDO in 2012 as Senior Vice President for the Internal Audit Division heading Branches Audit. In April 2013, the Board approved and confirmed her designation as the Unibank Group's Chief Internal Auditor (CIA). She was formerly connected with Security Bank Corporation retiring as its CIA. Prior to being a CIA, she had held position in Security Bank as Assistant Controller and Executive Assistant to the Chairman handling the Centro Escolar University Finance portfolio. She was also formerly a Director of the 6776 Ayala Condo Corp. and Corporate Secretary of the Eastman Enterprises Corp. Prior to joining the bank mainstream, she had held Controllershship position in Evergreen Shipping Corp.'s General Agent's office and Pioneer Intercontinental Insurance. She had varied experience also in manufacturing being General Manager and Treasurer of several Import/Export businesses subcontracting for branded US luggage and apparels. She is a Certified Public Accountant graduating from the University of the East – Recto with a Bachelor of Science degree in Business Administration.

**Evelyn C. Salagubang**, 58, Filipino, is Senior Vice President. She assumed the position of Group Head for Human Resources (HR) of the Bank in July 2011. She was formerly the Head of Human Resources of American Express Savings Bank, with oversight HR role over the American Express International, Inc., and American Express Bank Philippines. Prior to joining BDO, she was the HR Manager for Kraft Foods Philippines, Inc. She holds a degree in Psychology from Assumption College and completed a Diploma Program in Human Resource Management from the same institution.

**Maria Theresa L. Tan**, 53, Filipino, is Senior Vice President. She is General Manager of BDO Insurance Brokers, Inc. (BDOI). She has had more than two (2) decades of experience in sales, marketing/product management, and general management in the consumer, services, and insurance industries. She graduated from the Ateneo de Manila University with a degree in Business Management, Minor in Marketing. Prior to joining BDO, she was the General Manager of International SOS, Philippines, Inc. She joined the Bank in July 2009.

**Federico P. Tancongo**, 61, Filipino, is Senior Vice President. He joined BDO Unibank in October 2005 and was then seconded to BDO Private Bank, Inc. as Head of the Compliance and Legal Department. His secondment was recalled and since July 1, 2017 serves as Chief Compliance Officer of BDO Unibank. Prior to this, he served as trial attorney and solicitor with the Office of the Solicitor General for six (6) years before joining the Rizal Commercial Banking Corporation where he was Trust Legal Counsel for the Trust and Investments Division for twelve (12) years. He also serves as trustee in religious non-profit corporations, namely: Far East Broadcasting Corporation, WorldTeach Ministries Philippines, Inc., and Pamilya Muna Pilipinas, Inc. He holds a Bachelor's Degree in Philosophy and Letters from De La Salle University (DLSU) and a Law degree from the University of the Philippines College of Law.



**Renato A. Vergel de Dios**, 68, Filipino, is the President & CEO of BDO Life Assurance Company, Inc. (BDO Life) and a Director of BDO Life Board since October 2009. He also serves as a member of the Board of Trustees of the Insurance Institute for Asia and the Pacific. Mr. Vergel de Dios has been in the life insurance business for over forty-five (45) years. Prior to joining BDO Life, he served as CEO for Manulife Philippines Inc. and Executive Vice President, Sales and Operations, for the Philippine American Life Insurance Company, Inc. He holds a Bachelor's Degree in Mathematics from Ateneo de Manila University and an MS Management (Sloan) degree from Stanford Graduate School of Business.

### **Senior Credit Executives**

The following are the Senior Credit Executives functioning exclusively as members of the Bank's Executive Committee and/or Management Credit Committee:

**Julie Y. Chua**, 70, Filipino, is a Senior Credit Executive of BDO Unibank, Inc. She was appointed on January 1, 2022. She was an Executive Vice President since 2008. She holds a Bachelor's degree in Commerce, major in Banking and Finance, Cum Laude, from the University of Santo Tomas. She has more than twenty-five (25) years of experience in branch banking and lending business. Previous to her assignment, she was connected with BPI, Far East Bank & Trust Company and Producers Bank.

**Nilo L. Pacheco, Jr.**, 66, Filipino, is a Senior Credit Executive of BDO Unibank, Inc. He was appointed on February 3, 2020. He has had forty-seven (47) years of work experience in the area of finance that included twenty-eight (28) years in the banking industry. Prior to joining BDO Unibank, Mr. Pacheco was with Sterling Bank of Asia since 2010 where he was a member of the Board of Directors, and Chairman of its Trust, Corporate Governance, and Risk Management Committees, and previously member also of its Executive, Bids and Awards, and Information Technology Committees. He was also concurrently with the De La Salle group from 2011-2019 as Vice President for Finance of both De La Salle College of St. Benilde and De La Salle University and held senior positions in De La Salle Philippines, La Salle Antipolo, Catholic Educational Association of the Philippines, and a member of the Board of Directors of First Metro Asset Management Company and Maybank ATR Kim Eng Securities Inc. Prior to 2011, he held senior positions in Union Bank of the Philippines, United Coconut Planters Bank, International Exchange Bank, and Export and Industry Bank. Mr. Pacheco obtained his Bachelor of Arts degree in Mathematics, magna cum laude, from De La Salle University, took Masters units in Business Administration in the University of the Philippines, and finished the Advanced Management Program of Harvard Business School.

**Mario B. Palou**, 68, Filipino, is Senior Credit Executive of BDO Unibank, Inc. since March 1, 2018. He has more than thirty-five (35) years experience in the financial industry. He was Executive Vice President and Head of Middle Market Group of the Development Bank of the Philippines since February 2014. He also worked with Bank of the Philippine Islands as Senior Vice President (SVP) and Co-Division Head of Corporate Banking Group (CBG) for Top Corporate Companies from 2000 to 2003 and as SVP and Head of CBG from 2006 to

2013. He was an SVP and Department Head of Commercial Loans of BPI Family Savings Bank from 2003-2006. Prior to that, he was with Far East Bank and Trust Company, and FEB Investments, Inc. Mr. Palou graduated from San Beda College with a degree in Bachelor of Arts in Economics.

**Edmundo S. Soriano**, 66, Filipino, is Senior Credit Executive and is a Member of BDO Unibank's Executive Committee and Management Credit Committee. For the period of July 2017 to December 2018, he was EVP and Deputy Head, Institutional Banking Group at BDO Unibank, with direct responsibility for International Desks, Financial Institutions and Global Operations as well as a member of BDO's Management Credit Committee. Previous to this, he was Executive Vice President and Group Head for Corporate Banking from July 2004 to June 2017. Before joining BDO, Mr. Soriano was a Vice President at JP Morgan Chase where he was a member of the Senior Management Teams of Hong Kong and China Branches. His last assignment in Hong Kong exposed him to Asia-Pacific regional responsibilities doing Corporate Investment Banking. Prior to this, he was an Assistant Vice President at First Chicago Leasing and Equipment Credit Corp., an affiliate of First National Bank of Chicago. He holds a Bachelor's degree in Economics (Honors) from Ateneo de Manila University and an MBA (with Distinction) from Adelphi University, New York, U.S.A. where he was a Rotary Foundation International Fellow. He attended continuing education programs at INSEAD, University of California at Berkeley and American Institute of Banking. In 2014, Mr. Soriano was President of the Financial Executives Institute of the Philippines (FINEX). For 2015, he was Chairman of FINEX Research and Development Foundation, Inc.

**NOTE:** *BDO is not dependent on the services of any particular employee and does not have any special arrangements to ensure that any employee will remain with BDO and will not compete upon termination.*

### **Board and Senior Management Performance**

The Board, through the Corporate Governance Committee, undertakes the evaluation of its performance as a collective body, its Committees and senior management to determine whether they are functioning effectively, pinpoint areas for improvement and ensures that the President is providing effective leadership to the Group.

The assessment criteria used cover among others the areas of leadership, stewardship, review and approval of strategic and operational plans, annual budgets, focus on strategic and long-term issues, monitoring of financial performance, management succession planning, integrity of financial reporting, review of the Bank's ethical conduct, defining roles and monitoring activities of committees.

It also conducts the Director peer evaluation survey 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 prescribed rating scale and questions. The assessment criteria used include among others the director's understanding of the strategy and vision, organizational structure and culture,

business and regulatory environments, responsibilities as Director, accountability for his/her boardroom actions, contribution to board discussions, independent thinking, strategic insights and direction, active participation in committee meetings, time and commitment to board and committee duties, and finally, his/her overall contribution to the functioning of the Board.

Survey questionnaires were sent to all members of the Board including Advisers. Upon submission of accomplished forms, the external facilitator, in coordination with the Corporate Governance Officer, tabulates the responses and prepares the final report to the Corporate Governance Committee. In turn, the Committee reviews and approves the report and submits to the Board for appropriate action. The Board then issues a resolution noting the results of the evaluation and recommendations stated in the final report.

**2) Significant Employees**

BDO's senior executive officers are enumerated under Item 9.1, above. BDO has no employee who is not an executive officer expected to make a significant contribution to BDO's business.

**3) Family Relationships**

Mr. Gabriel U. Lim, Senior Vice President, and Stella L. Cabalatungan, Executive Vice President, are siblings.

**4) Involvement of directors/executive officers in legal proceedings**

To BDO's knowledge, none of the directors or executive officers is named or is involved during the last five (5) years in any legal proceedings which will have any material effect on BDO, its operations, reputation, or financial condition.

To BDO's knowledge, none of its directors and senior executives have been subject of the following legal proceedings during the last five (5) years:

1. bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
2. a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
3. to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the

securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

## Item 10. Executive Compensation

### Disclosure and Transparency

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

#### A. Executive Compensation Policy

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

#### 1) President and four (4) most highly compensated executive officers:

| in million pesos  | Year                 | Annual Compensation | Other Annual Compensation |
|---|----------------------|---------------------|---------------------------|
| President and four (4) most highly compensated executive officers | 2022 (estimate)      | 201.57              | none                      |
|   | 2021                 | 197.62              | none                      |
|   | 2020                 | 196.31              | none                      |
| Year  | Name                 |                     | Position/Title            |
| 2021  | Nestor V. Tan        |                     | President and CEO         |
|   | Walter C. Wassmer    |                     | SEVP                      |
|   | Jaime C. Yu          |                     | SEVP                      |
|   | Rolando C. Tanchanco |                     | SEVP                      |
|   | Joseph A. Gotuaco    |                     | SEVP                      |
| 2020  | Nestor V. Tan        |                     | President and CEO         |
|   | Walter C. Wassmer    |                     | SEVP                      |
|   | Jaime C. Yu          |                     | SEVP                      |
|   | Rolando C. Tanchanco |                     | SEVP                      |
|   | Joseph A. Gotuaco    |                     | SEVP                      |

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

## 2) Compensation of Directors and Officers as a Group

| in million pesos   | Year            | Salary Bonuses | Other Compensation | Annual |
|--|-----------------|----------------|--------------------|--------|
| Aggregate Officers (from senior vice presidents) & Directors | 2022 (estimate) | 954.38         | none               |        |
|  | 2021            | 944.93         | none               |        |
|  | 2020            | 943.73         | none               |        |

### B. Directors' Fees

Each director shall receive a reasonable per diem for attendance in every Board meeting. The President is authorized to fix and/or increase the fees and other remuneration of any Director or any other officer of BDO as may be deemed necessary, subject to Board approval. The Board of Directors of BDO approves all compensation and remuneration schemes for all the executive directors and senior officers of BDO. As provided by law, the total compensation of directors shall not exceed ten percent (10%) of the net income before income tax of BDO during the preceding year.

Each director receives a per diem allowance of ₱10,000 for attending board meetings and ₱5,000 for committee meetings. There is no distinction on the fee for a committee chairman and member. The above table contains the details of the compensation of directors and officers of BDO. In view of possible security risks, BDO opted to disclose these on an aggregate basis as a group. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

BDO may grant to the directors any compensation other than per diems by the approval of the shareholders representing at least a majority of the outstanding capital stock.

Each member of the Board of Directors received the following as Directors for the year 2021:

| Name of Director            | Amount         |
|-----------------------------|----------------|
| Barcelon, George T.         | ₱ 5,422,222.19 |
| Bell-Knight, Christopher A. | 5,688,888.91   |
| Buenaventura, Jose F.       | 5,688,888.91   |
| Castro, Jones M. Jr.        | 5,800,000.03   |
| Jacinto, Jesus A. Jr        | 2,720,000.00   |
| Perez, Vicente S. Jr.       | 5,633,333.34   |
| Ramos, Dioscoro I.          | 5,599,999.99   |
| Sy, Teresita T.             | 10,257,777.77  |
| Tan, Josefina N.            | 5,248,888.87   |

|                          |                 |
|--------------------------|-----------------|
| Tan, Nestor V.           | 2,740,000.00    |
| Teodoro, Gilberto C. Jr. | 4,238,888.91    |
| Total                    | ₱ 59,038,888.92 |

Abovementioned amounts include total fees and per diems received by the Directors for their attendance in meetings of the Board.

The Compensation Committee determines and proposes for Management and Board approval the salaries and compensation schemes for all executive directors and senior officers of BDO. The Compensation Committee meets at least once a year to discuss matters pertaining to the determination of salaries and compensation schemes and proposals for any changes in the remuneration of executive officers of BDO.

The members of BDO's Compensation Committee are as follows:

1. Gilberto C. Teodoro, Jr. - Chairman (Independent Director)
2. Dioscoro I. Ramos - Member
3. Teresita T. Sy - Member

Below is the attendance of the members for the Committee meetings held as of December 2021:

|   | <u>Meetings Attended</u> | <u>Total No. of Meetings</u>       | <u>Percentage</u> |
|---|--------------------------|------------------------------------|-------------------|
| <u>Gilberto C. Teodoro, Jr. *</u>       | <u>N/A</u>               | <u>No meeting held during term</u> |                   |
| <u>Dioscoro I. Ramos</u>                | <u>2</u>                 | <u>2</u>                           | <u>100%</u>       |
| <u>Teresita T. Sy</u>                   | <u>2</u>                 | <u>2</u>                           | <u>100%</u>       |
| <u>* Chairman until October 7, 2021</u> |                          |                                    |                   |

### 3) **Employment Contracts and Termination of Employment and Change-in-Control Arrangements**

There are no special contracts of employment between BDO and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from BDO with respect to any named director or executive.

## Item 11. **Security Ownership of Certain Beneficial Owners and Management**

### 1) **Security Ownership of Certain Record/Beneficial Owners**

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

| Title of Class | Name, address of record owner and relationship with BDO   | Name of Beneficial Owner and Relationship with Record Owner | Citizenship | No. of Shares Held | Percent |
|----------------|---|---|-------------|--------------------|---------|
| Common         | SM Investments Corp.<br>10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/ Parent Company | Sy Family<br>(Substantial Stockholders)                     | Filipino    | 1,787,180,649 *    | 40.75%  |
| Common         | PCD Nominee Corp. (Non-Filipino)<br>29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City/Various stockholders    | Various stockholders  | Foreign     | 1,099,584,793      | 25.07%  |
| Common         | PCD Nominee Corp. (Filipino)<br>29th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City/ Various stockholders       | Various stockholders  | Filipino    | 759,527,805**      | 17.32%% |
| Common         | Multi-Realty Development Corporation<br>10th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder            | SM Investments Corp.<br>(Subsidiary)                        | Filipino    | 291,513,036 *      | 6.65%   |
| Common         | Sybase Equity Investments Corporation<br>10th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder           | Various corporate stockholders                              | Filipino    | 240,010,292 *      | 5.47%   |
| TOTAL (COMMON) |   |   |             | 4,177,816,575      | 95.26%  |

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

\*\* Exclusive of PCD-lodged shares of SMIC, MRDC and SEIC.

|           |   |   |          |             |        |
|-----------|---|---|----------|-------------|--------|
| Preferred | Sybase Equity Investments Corporation<br>10th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder | Various corporate stockholders          | Filipino | 391,400,000 | 76.00% |
| Preferred | SM Investments Corp.<br>10th Floor One E-Com Center, Harbour Drive, Mall  | Sy Family<br>(Substantial Stockholders) | Filipino | 123,600,000 | 24.00% |

|                   |   |  |  |             |         |
|-------------------|---|--|--|-------------|---------|
|                   | of Asia Complex, CBP-I-A,<br>Pasay City/ Parent Company |  |  |             |         |
| TOTAL (PREFERRED) |   |  |  | 515,000,000 | 100.00% |

The persons authorized to vote the shares of SM Investments Corporation, Multi-Realty Development Corporation and Sybase Equity Investment Corporation are Ms. Teresita T. Sy and/or Mr. Henry T. Sy, Jr. and/or Mr. Harley T. Sy.

As of December 31, 2021, the following are known to BDO as the PCD participants holding 5% or more of BDO's voting securities:

| Member                    | Name and Address  | No. of Shares | Percent of Shareholdings |
|---------------------------|---|---------------|--------------------------|
| BDO Sec Clients' Accounts | BDO Securities Corporation<br>33rd Floor BDO Towers Valero<br>8741 Paseo de Roxas, Salcedo Village,<br>Makati City 1226 | 338,402,568   | 7.72%                    |
| SCBK Clients' Account     | Standard Chartered Bank<br>Standard Chartered Bank Building 6788<br>Ayala Avenue, Makati City                           | 289,005,008   | 6.59%                    |
|                           | TOTAL   | 627,407,576   | 14.31%                   |

- The PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares. The beneficial owners, such as the clients of PCD, have the power to decide how their shares are to be voted.

(NOTE: There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with BDO nor has there been any change in control of BDO. BDO is also not aware of any contractual arrangement or otherwise between its shareholders and/or third parties, which may result in change in control of BDO).

## 2) Security Ownership of Management

As of December 31, 2021, the total number of shares owned by the directors and management of the registrant as a group unnamed is 30,869,521 common shares, which is equivalent to 0.7039% of the total outstanding common capital stock of the registrant. The Bank's directors and officers own the following common shares of the Bank:

| Title of Class | Name of Beneficial Owner | Nature of Beneficial Ownership (Direct (D)/ Indirect (I)) | Position    | Citizenship | No. of Shares (beginning balance as of January 1, 2021) | No. of Shares (as of December 31, 2021) | Percent of Class (Shares as of December 31, 2021) |
|----------------|--------------------------|---|-------------|-------------|---|---|---|
| Common         | Teresita T. Sy           | 489,238 - D   | Chairperson | Filipino    | 394,947   | 506,421                                 | 0.0115%   |



| Title of Class | Name of Beneficial Owner   | Nature of Beneficial Ownership (Direct (D)/ Indirect (I)) | Position                  | Citizenship         | No. of Shares (beginning balance as of January 1, 2021) | No. of Shares (as of December 31, 2021) | Percent of Class (Shares as of December 31, 2021) |
|----------------|----------------------------|---|---------------------------|---------------------|---|---|---|
|                |                            | 17,183 - I  |                           |                     |   |   |   |
| Common         | Jesus A. Jacinto, Jr.      | D   | Vice Chairman             | Filipino            | 802   | 107,102                                 | 0.0024%   |
| Common         | George T. Barcelon         | D   | Independent Director      | Filipino            | 201,001   | 201,001                                 | 0.0046%   |
| Common         | Christopher A. Bell-Knight | D   | Non-Executive Director    | Canadian            | 10,623  | 10,623                                  | 0.0002%   |
| Common         | Jose F. Buenaventura       | D   | Independent Director      | Filipino            | 70,001  | 72,401                                  | 0.0017%   |
| Common         | Jones M. Castro, Jr.       | D   | Non-Executive Director    | Filipino & American | 12,001  | 12,001                                  | 0.0003%   |
| Common         | Vicente S. Pérez, Jr.      | D   | Independent Director      | Filipino            | 30,000  | 30,000                                  | 0.0007%   |
| Common         | Dioscoro I. Ramos          | D   | Lead Independent Director | Filipino            | 203,800   | 203,800                                 | 0.0046%   |
| Common         | Josefina N. Tan            | D   | Non-Executive Director    | Filipino            | 710,608   | 715,958                                 | 0.0163%   |
| Common         | Nestor V. Tan              | D   | President, CEO & Director | Filipino            | 15,448,629  | 15,749,369                              | 0.3591%   |
| Common         | Joseph Albert L. Gotuaco   | D   | SEVP                      | Filipino            | 400,000   | 470,000                                 | 0.0107%   |
| Common         | Rolando C. Tanchanco       | D   | SEVP                      | Filipino            | 566,783   | 316,783                                 | 0.0072%   |
| Common         | Walter C. Wassmer          | D   | SEVP                      | Filipino            | 498,339   | 498,339                                 | 0.0114%   |
| Common         | Jaime C. Yu                | D   | SEVP                      | Filipino            | 440,284   | 606,934                                 | 0.0138%   |
| Common         | Stella L. Cabalatungan     | D   | EVP                       | Filipino            | 263,100   | 317,100                                 | 0.0072%   |
| Common         | Gerard Lee B. Co           | D   | EVP                       | Filipino            | 399,482   | 411,482                                 | 0.0094%   |
| Common         | Lucy C. Dy                 | D   | EVP & Comptroller         | Filipino            | 614,989   | 620,339                                 | 0.0141%   |
| Common         | Eduardo V. Francisco       | D   | EVP                       | Filipino            | 768,779   | 768,779                                 | 0.0175%   |
| Common         | Jesus Antonio S. Itchon    | D   | EVP                       | Filipino            | 6,000   | 6,000                                   | 0.0001%   |
| Common         | Jeanette S. Javellana      | D   | EVP                       | Filipino            | 311,156   | 311,156                                 | 0.0071%   |
| Common         | Ma. Corazon A. Mallillin   | D   | EVP                       | Filipino            | 116,232   | 145,232                                 | 0.0033%   |
| Common         | Dalmacio D. Martin         | D   | EVP & Treasurer           | Filipino            | 159,595   | 171,595                                 | 0.0039%   |
| Common         | Edwin Romualdo G. Reyes    | D   | EVP                       | Filipino            | 20,000  | 20,000                                  | 0.0005%   |
| Common         | Luis S. Reyes, Jr.         | D   | EVP                       | Filipino            | 747,930   | 869,580                                 | 0.0198%   |
| Common         | Cecilia Luz L. Tan         | D   | EVP                       | Filipino            | 0   | 13,854                                  | 0.0003%   |
| Common         | Evelyn L. Villanueva       | D   | EVP & Chief Risk Officer  | Filipino            | 689,677   | 695,027                                 | 0.0158%   |

| Title of Class | Name of Beneficial Owner         | Nature of Beneficial Ownership (Direct (D)/ Indirect (I)) | Position                            | Citizenship | No. of Shares (beginning balance as of January 1, 2021) | No. of Shares (as of December 31, 2021) | Percent of Class (Shares as of December 31, 2021) |
|----------------|----------------------------------|---|-------------------------------------|-------------|---|---|---|
| Common         | Albert S. Yeo                    | D   | EVP                                 | Filipino    | 1,000   | 1,000                                   | 0.0000%   |
| Common         | Noel L. Andrada                  | D   | SVP                                 | Filipino    | 138,100   | 204,100                                 | 0.0047%   |
| Common         | Maria Carina S. Antonio          | D   | SVP                                 | Filipino    | 93,620  | 131,720                                 | 0.0030%   |
| Common         | Rafael G. Ayuste, Jr.            | D   | SVP & Trust Officer                 | Filipino    | 20,000  | 32,000                                  | 0.0007%   |
| Common         | Ferdinand C. Bacungan            | D   | SVP                                 | Filipino    | 31,300  | 39,700                                  | 0.0009%   |
| Common         | Melanie S. Belen                 | D   | SVP                                 | Filipino    | 187,604   | 253,604                                 | 0.0058%   |
| Common         | Maria Carla Josefa G. Campos     | D   | SVP                                 | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Edmund S. Chan                   | D   | SVP                                 | Filipino    | 29,500  | 29,500                                  | 0.0007%   |
| Common         | Romeo Ramon M. Co, Jr.           | D   | SVP                                 | Filipino    | 4,785   | 4,785                                   | 0.0001%   |
| Common         | Jonathan T. Cua                  | D   | SVP                                 | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Ramon S. David                   | D   | SVP                                 | Filipino    | 41,591  | 106,591                                 | 0.0024%   |
| Common         | Montiel H. Delos Santos          | D   | SVP                                 | Filipino    | 103,800   | 115,800                                 | 0.0026%   |
| Common         | Noel D. Dizon                    | D   | SVP                                 | Filipino    | 233,837   | 233,837                                 | 0.0053%   |
| Common         | Gwyneth M. Entao                 | D   | SVP                                 | Filipino    | 47,877  | 86,277                                  | 0.0020%   |
| Common         | Belinda C. Fernandez             | D   | SVP                                 | Filipino    | 88,564  | 74,264                                  | 0.0017%   |
| Common         | Andre M. Flores                  | D   | SVP                                 | Filipino    | 4,000   | 4,000                                   | 0.0001%   |
| Common         | Gina Marie C. Galita             | D   | SVP                                 | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Geneva T. Gloria                 | D   | SVP                                 | Filipino    | 103,969   | 103,969                                 | 0.0024%   |
| Common         | Alvin C. Go                      | D   | SVP & Assistant Corporate Secretary | Filipino    | 190,800   | 232,800                                 | 0.0053%   |
| Common         | Jonathan Cua Bian T. Go II       | D   | SVP                                 | Filipino    | 5   | 8,405                                   | 0.0002%   |
| Common         | Marilyn K. Go                    | D   | SVP & Deputy Treasurer              | Filipino    | 60,800  | 72,800                                  | 0.0017%   |
| Common         | Sonia Maribel D. Go              | D   | SVP                                 | Filipino    | 160,687   | 172,687                                 | 0.0039%   |
| Common         | Frederic Mark S. Gomez           | D   | SVP                                 | Filipino    | 15,000  | 15,000                                  | 0.0003%   |
| Common         | Maria Lourdes Donata C. Gonzales | D   | SVP                                 | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Richard Emil R. Grau             | D   | SVP                                 | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Lazaro Jerome C. Guevarra        | D   | SVP                                 | Filipino    | 22,518  | 48,598                                  | 0.0011%   |
| Common         | Enrico R. Hernandez              | D   | SVP                                 | Filipino    | 230,348   | 277,698                                 | 0.0063%   |

| Title of Class | Name of Beneficial Owner      | Nature of Beneficial Ownership (Direct (D)/ Indirect (I)) | Position                     | Citizenship | No. of Shares (beginning balance as of January 1, 2021) | No. of Shares (as of December 31, 2021) | Percent of Class (Shares as of December 31, 2021) |
|----------------|-------------------------------|---|------------------------------|-------------|---|---|---|
| Common         | Geraldine C. Liggayu          | D   | SVP                          | Filipino    | 77,503  | 108,803                                 | 0.0025%   |
| Common         | Gabriel U. Lim                | D   | SVP                          | Filipino    | 202,169   | 214,169                                 | 0.0049%   |
| Common         | Juan Sabino P. Lizares        | D   | SVP                          | Filipino    | 230,480   | 238,880                                 | 0.0054%   |
| Common         | Joseph Rhoderick B. Lledo     | D   | SVP                          | Filipino    | 103,619   | 103,619                                 | 0.0024%   |
| Common         | Manuel Z. Locsin, Jr.         | D   | SVP                          | Filipino    | 64,863  | 66,863                                  | 0.0015%   |
| Common         | Rhodora M. Lugay              | D   | SVP                          | Filipino    | 0   | 20,000                                  | 0.0005%   |
| Common         | Jose Paolo Enrique A. Magpale | D   | SVP                          | Filipino    | 10,100  | 18,500                                  | 0.0004%   |
| Common         | Roy Allan V. Magturo          | D   | SVP                          | Filipino    | 125,172   | 133,572                                 | 0.0030%   |
| Common         | Manuel Patricio C. Malabanan  | D   | SVP                          | Filipino    | 0   | 12,000                                  | 0.0003%   |
| Common         | Angelita C. Manulat           | D   | SVP                          | Filipino    | 111,411   | 165,411                                 | 0.0038%   |
| Common         | Edgardo R. Marcelo, Jr.       | D   | SVP                          | Filipino    | 81,103  | 49,503                                  | 0.0011%   |
| Common         | Jose Noel M. Mendoza          | D   | SVP                          | Filipino    | 269,890   | 238,740                                 | 0.0054%   |
| Common         | Tomas Victor A. Mendoza       | D   | SVP                          | Filipino    | 23,560  | 48,960                                  | 0.0011%   |
| Common         | Ramon T. Militar              | D   | SVP                          | Filipino    | 140,000   | 124,000                                 | 0.0028%   |
| Common         | Aurea Imelda S. Montejo       | D   | SVP                          | Filipino    | 262,689   | 221,489                                 | 0.0051%   |
| Common         | Jaime M. Nasol                | D   | SVP                          | Filipino    | 86,800  | 78,800                                  | 0.0018%   |
| Common         | Carlo B. Nazareno             | D   | SVP                          | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Cristina G. Ngo               | D   | SVP                          | Filipino    | 178,996   | 190,996                                 | 0.0044%   |
| Common         | Frederico Rafael D. Ocampo    | D   | SVP                          | Filipino    | 0   | 12,000                                  | 0.0003%   |
| Common         | Estrellita V. Ong             | D   | SVP & Chief Internal Auditor | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Maria Rhoda B. Orsolino       | D   | SVP                          | Filipino    | 45,807  | 80,807                                  | 0.0018%   |
| Common         | Jose Alfredo G. Pascual       | D   | SVP                          | Filipino    | 123,755   | 129,605                                 | 0.0030%   |
| Common         | Jose Eduardo A. Quimpo II     | D   | SVP                          | Filipino    | 0   | 5,850                                   | 0.0001%   |
| Common         | Rogel A. Raya                 | D   | SVP                          | Filipino    | 158,234   | 181,034                                 | 0.0041%   |
| Common         | Maria Nannette R. Regala      | D   | SVP                          | Filipino    | 359,247   | 359,247                                 | 0.0082%   |
| Common         | Gerardo Clemente C. Rivera    | D   | SVP                          | Filipino    | 0   | 0                                       | 0.0000%   |

| Title of Class | Name of Beneficial Owner   | Nature of Beneficial Ownership (Direct (D)/ Indirect (I)) | Position                       | Citizenship | No. of Shares (beginning balance as of January 1, 2021) | No. of Shares (as of December 31, 2021) | Percent of Class (Shares as of December 31, 2021) |
|----------------|----------------------------|---|--------------------------------|-------------|---|---|---|
| Common         | Susan Audrey P. Rivera     | D   | SVP                            | Filipino    | 43,355  | 73,755                                  | 0.0017%   |
| Common         | Evelyn C. Salagubang       | D   | SVP                            | Filipino    | 72,454  | 122,254                                 | 0.0028%   |
| Common         | Cerwina Elenore A. Santos  | D   | SVP                            | Filipino    | 51,110  | 73,410                                  | 0.0017%   |
| Common         | Roberto Ramon L. Santos    | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Ma. Theresa S. Simbul      | D   | SVP                            | Filipino    | 62,556  | 56,556                                  | 0.0013%   |
| Common         | Paul John Siy              | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Howard Lincoln D. Son      | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Noel B. Sugay              | D   | SVP                            | Filipino    | 78,928  | 95,928                                  | 0.0022%   |
| Common         | Robert W. Sy               | D   | SVP                            | Filipino    | 99,241  | 92,931                                  | 0.0021%   |
| Common         | Edwin R. Tajanlangit       | D   | SVP                            | Filipino    | 804   | 4                                       | 0.0000%   |
| Common         | Christopher Raymund P. Tan | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Maria Theresa L. Tan       | D   | SVP                            | Filipino    | 94,195  | 106,195                                 | 0.0024%   |
| Common         | Federico P. Tancongco      | D   | SVP & Chief Compliance Officer | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Reynaldo A. Tanjangco, Jr. | D   | SVP                            | Filipino    | 104,802   | 116,802                                 | 0.0027%   |
| Common         | Edna R. Tarroza            | D   | SVP                            | Filipino    | 59,152  | 63,552                                  | 0.0014%   |
| Common         | Dante R. Tinga, Jr.        | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Myla R. Untalan            | D   | SVP                            | Filipino    | 9,000   | 10,450                                  | 0.0002%   |
| Common         | Sharon Mae S. Vicente      | D   | SVP                            | Filipino    | 0   | 77,402                                  | 0.0018%   |
| Common         | Carol P. Warner            | D   | SVP                            | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Nilo L. Pacheco, Jr.       | D   | Senior Credit Executive        | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Mario B. Palou             | D   | Senior Credit Executive        | Filipino    | 0   | 0                                       | 0.0000%   |
| Common         | Edmundo S. Soriano         | D   | Senior Credit Executive        | Filipino    | 223,520   | 373,800                                 | 0.0085%   |
| Common         | Julie Y. Chua              | D   | Senior Credit Executive        | Filipino    | 576,961   | 582,311                                 | 0.0133%   |
| Common         | Edmundo L. Tan             | D   | Corporate Secretary            | Filipino    | 101,312   | 101,312                                 | 0.0023%   |
| Common         | Sabino E. Acut, Jr.        | D   | Asst. Corporate Secretary      | Filipino    | 20,000  | 20,000                                  | 0.0005%   |
|                | Total                      |   |                                |             | 30,232,466  | 30,869,521                              | 0.7039%   |

Directors and officers are required to report to BDO any acquisition or disposition of BDO's shares within three (3) business days from the date of the transaction. As prescribed under Philippine Stock Exchange (PSE) Disclosure Rules, BDO shall disclose to the PSE any acquisition or disposition of BDO's shares by its directors and officers within five (5) trading days from the transaction. Moreover, beneficial ownership of BDO shares by the directors and officers is also required to be reported within ten (10) calendar days from the date of initial acquisition or within ten (10) calendar days after the close of each calendar month, if there has been any change in such ownership during the month, to the Securities and Exchange Commission.

(Note: There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with the Bank nor has there been any change in control of the Bank. The Bank is also not aware of any contractual arrangement or otherwise between its shareholders and/or third parties, which may result in change in control of the Bank.)

## **Item 12. Certain Relationships and Related Transactions**

In the ordinary course of business, BDO has loan and other transactions and arrangements involving BDO's products and services, with its subsidiaries and affiliates and with certain directors, officers, stockholders and related interests (DOSRI) and parties. These loans and other transactions and arrangements involving BDO's products and services, are made on substantially the same terms as those given to other individuals and businesses of comparable risks.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions, such as credit accommodations, products or services extended by BDO to directors or officers in their personal capacity or to their company and related interests and parties. BDO's Executive Committee approves these transactions. Where appropriate, the Related Party Transactions Committee endorses related party transactions to the Board. 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 and Board Committee meetings. Approved related party transactions are properly tagged for monitoring and reporting of exposures. BDO then submits the significant related party transactions to the BSP where BSP approval is required.

The Related Party Transactions Committee is chaired by Atty. Gilberto C. Teodoro, Jr. (Independent Director). Its members are Mr. Jones M. Castro, Jr.\* (Director) and Mr. Jose F. Buenaventura (Independent Director).

Below is the attendance of the members for the Committee meetings held as of December 2021:

|                             | <u>No. of Meetings<br/>Attended</u> | <u>Total No. of<br/>Meetings</u> | <u>Percentage</u> |
|-----------------------------|-------------------------------------|----------------------------------|-------------------|
| Gilberto C. Teodoro, Jr. ** | 10                                  | 12                               | 83.33%            |

|  |    |    |         |
|--|----|----|---------|
| Jones M. Castro, Jr.                             | 12 | 12 | 100.00% |
| Jose F. Buenaventura                             | 11 | 12 | 100.00% |
| * Lead Independent Director until April 23, 2021 |    |    |         |
| ** Chairman until October 7, 2021                |    |    |         |

The General Banking Law and BSP regulations limit the amount of the loans granted by BDO to each subsidiary or affiliate, which are not related interests of the directors, officers and/or stockholders of BDO, to not more than 10% of BDO's network, with a further ceiling of not more than 5% of BDO's network for unsecured loans. Total outstanding loans to all subsidiaries and affiliates shall not exceed 20% of BDO's network.

The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in BDO. In the aggregate, loans to DOSRI generally should not exceed the total capital funds or 15% of the total loan portfolio of BDO, whichever is lower.

For the period ended December 31, 2021, there were no material self-dealings or related party transactions by any director which require disclosure.

Please refer to Notes 2.17 and 27 of the Notes to Financial Statements. Said Financial Statements are attached to this Annual Report.

## PART IV – CORPORATE GOVERNANCE

### Item 13. Corporate Governance

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

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

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

This report describes the highlights of our corporate governance practices throughout the financial year ended December 31, 2021.

1. Composition of the Board – The Board is composed of 11 seats, with one vacancy as of December 31, 2021 reserved for an independent director<sup>1</sup>. The members of the Board are all professionals with various expertise in fields relevant to BDO's business and strategic plans such as banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations, information technology, sustainability, and risk management. It is led by a Non-Executive Chairperson with five Independent Directors, three Non-Executive Directors, and two Executive Directors who are the Vice Chairman and the President & CEO.

The present composition of the Board exceeds the minimum regulatory standards which require that independent and non-executive directors account for the majority. Independent and Non-Executive Directors of the Bank comprise 82% (nine of 11) of the Board. With five of 11 Board seats allocated for independent directors, the Bank goes beyond the 1/3 minimum requirement of the Bangko Sentral ng Pilipinas and the Securities Exchange Commission. Independent Directors comprised the majority (six of 11 or 54.50%) of the Board until April 2021<sup>2</sup>, conforming with international best practices.

The Board is aided by four advisors who are considered as integral parts of the Board and whose influence are akin to directors. Their opinions and recommendations are taken into consideration by the Board members. The presence of a female Board advisor provides an independent view of the Bank and complements the two female non-executive directors.

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<sup>1</sup> Atty. Gilberto C. Teodoro, Jr., Independent Director, resigned from the Board of Directors on October 7, 2021. His replacement, Mr. Vipul Bhagat, Independent Director, was appointed by the Board of Directors on January 8, 2022.

<sup>2</sup> Former Lead Independent Director, Mr. Jones M. Castro, Jr., was reclassified to non-executive director on April 23, 2021, in order to comply with the nine-year term limit for independent directors.

2. Composition of the Board Committees –Independent directors chair eight of nine board committees, namely Risk Management, Audit, Corporate Governance, Related Party Transactions, IT Steering, Nominations, Compensation, and Trust. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined.
3. Audited financial statements for calendar year 2020 were disclosed to the public on February 26, 2021, 57 days from year end, following the best practice recommendation of the ASEAN Corporate Governance Scorecard of within 60 days from year-end, for the past seven (7) years;
4. Executive Sessions of Independent/Non-Executive Directors - A regular meeting is held by Independent and Non-Executive Directors (INED) with the heads of the control functions (i.e. Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor) as well as the external auditor, without the presence of management or any bank executive, to discuss various matters or issues outside the Audit Committee and Risk Management Committee meetings. The meeting is chaired by the Lead Independent Director. In 2021, the INED conducted three (3) sessions and the results of these sessions were discussed with the Bank's Executive Directors in three (3) separate sessions.
5. Annual Board performance self-assessment - A yearly self-assessment is conducted focusing on the performance of the Board, directors, Committees and senior management, through the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaires to each director and advisor. They are required to complete the questionnaire and explain the rationale of their response. The results of which are tabulated and consolidated. In 2021, the Corporate Governance Committee endorsed to the Board the continuous engagement of the services of an external facilitator for its yearly self-assessment. To the Committee, engaging an independent party every year, rather than every three years as recommended by the Securities and Exchange Commission, provides more governance inputs to the Board and allows comparability and continuity of aspects examined.

This report sets out the main corporate governance practices of the Bank in relation to the following OECD guiding principles:

## **Rights and Equitable Treatment of Stakeholders**

### **Shareholders**

The Bank respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various governance practices, policies and programs for the protection of shareholders' rights and the promotion for exercising those rights in accordance with OECD principles, such as the right to buy, sell or transfer securities held, the right to receive dividend, the right to vote for the appointment of the external auditor, the right to participate in decision-making for corporate matters, the right to propose agenda item in the shareholders' meeting and the right to attend the shareholders' meeting. As a matter of policy, all stockholders (retail and institutional) on record are encouraged to attend, personally, by proxy, or by remote communication, the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Bank. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Bank. They can vote by remote communication or in absentia, or assign proxies to vote on their behalves if shareholders cannot attend the stockholders' meeting.

For the convenience of shareholders to exercise their right to attend the stockholders' meeting, the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting results will be announced in advance. In 2021, the Notice



of Annual Stockholders' Meeting, which contains details and rationale for each agenda item, was released through the Definitive Information Statement on March 26, 2021, or 28 days prior to the date of the Meeting.

The Annual Stockholders' Meeting was held on April 23, 2021 and was attended by the Board Chairperson, President & Chief Executive Officer, and all Directors. The shareholders were allowed to cast their votes on each nominee 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. Please see the minutes of the 2021 Annual Stockholders' Meeting for detailed Questions and Answers, the voting results showing the Approving, Dissenting and Abstaining Votes cast by the shareholders on each agenda item in [www.bdo.com.ph/company-disclosures/stockholders-meetings](http://www.bdo.com.ph/company-disclosures/stockholders-meetings)

A quarterly declaration of cash dividends is approved by the Board of Directors and is immediately disclosed to the Philippine Stock Exchange (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 Bank. During the Annual Stockholders' Meeting, the President reports to the stockholders the financial performance of the Bank for the year. In addition, the Bank files with the PSE and SEC quarterly reports on its financial performance.

The Bank recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the Amended By-Laws of the Bank provides that all shares in each class should carry the same rights and any changes in the voting rights must be approved by the shareholders. The Bank accepts the votes cast by nominees and custodians in behalf of the beneficial owners as valid. Shareholders may exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

## **Investors**

BDO adopts a pro-active relationship with its stockholders through its Investor Relations' (IR) comprehensive engagement program. IR articulates the Bank's strategic direction as well as financial and operating results by joining conferences and roadshows in key global financial markets and conducting various one-on-one meetings, conference calls and briefings with institutional investors, analysts, and credit rating agencies. IR also reaches out to retail investors by participating in retail conferences and roadshows organized by local brokers. The Bank has in the past likewise joined virtual investor conferences catering to American Depositary Receipts (ADR) investors in the United States. From time to time, IR is joined by other members of the Senior Management team in meetings and corporate access activities in order to impart more insights on BDO's operations.

Relevant information is also shared through official disclosures posted via PSE Edge and company website.

Investor Relations accomplished the following in 2021 amid the continuing impact of the COVID-19 pandemic:

1. Investor Engagement

Amidst continuing travel and mobility restrictions, IR engaged about 500 investors in 2021, through participation in virtual conferences, investor calls, as well as one-on-one conference calls.

IR apprised investors of the following developments in the Bank in 2021:

- The Bank's improved financial performance vis-à-vis 2020, anchored on its strong core businesses and normalized provisions. Asset quality remained manageable and was adequately provided for;
- Ongoing digital initiatives on sustained IT investments, and new product launches; and. More positive macroeconomic and business outlook on rising vaccination rates and gradual economic reopening.

## 2. Analyst briefings

IR held virtual briefings on the following dates during which the Bank's senior management presented the Bank's financial results, operations updates, and recent developments:

February 26, 2021 – covering full year-2020 results

August 2, 2021 – covering 1H 2021 results

October 25, 2021 – covering 9M 2021 results

Video coverage of the analysts' briefings last year are posted under the Investor Relations section of the Bank's website.

## 3. Coordination on Environmental, Social and Governance (ESG)

IR coordinated and interacted with the Bank's ESG Team (composed of representatives from Sustainability/Compliance, Sustainable Finance Desk, Risk Management, Human Resources, Corporate Secretary's Office, Central Operations, Marketing Communications, among others) to address queries from third party ESG ratings agencies (e.g., Sustainalytics, S&P Global, MSCI, FTSE, Vigeo, among others), regulators, analysts, and investors.

IR also coordinated the Bank's participation in the Asia Transition Finance Study Group arranged by Mitsubishi UFJ Financial Group (MUFG) that tackled taxonomy and challenges in transition finance across Asia and other markets. The Study Group is composed of more than 20 leading Asian and international institutions, including commercial banks, development banks/Export Credit Agencies and public agencies.

## 4. Regular feedback from investors and analysts to Senior Management and the Board.

IR regularly conveyed feedback from investors and analysts to Senior Management and to the Board for a better appreciation of market sentiment towards the Bank, through periodic updates on shareholder developments, industry analysis reports, and write-ups and comments about the Bank.

## 5. Coordination with other units for the disclosure of public information about the Bank

IR recognizes the need for accurate and updated information of the Bank's financial condition and all matters affecting the Bank. It coordinates with the Corporate Secretary's Office and Marketing Communications Group (MCG) to ensure the timely disclosure and posting of material and relevant information.

IR directly liaises with the Bank'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.

Shareholders can request relevant information from the Corporate Secretary or Investor Relations Unit through the contact details provided in the Bank's official website. The minutes of the 2021 Annual Stockholders' Meeting is available in our corporate website at [www.bdo.com.ph/company-disclosures/stockholders-meetings](http://www.bdo.com.ph/company-disclosures/stockholders-meetings).

## Customers

Our clients are our most valuable asset and we are truly grateful for their patronage. BDO is committed to meet their needs by providing them with high quality customer service and relevant products and services.

BDO is committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following:

- Communications are fair and not misleading.
- Clients are given clear and concise information, including the risks involved, before they enter into financial products and services.
- Products and services are suitable and appropriate, taking into account the needs of the clients, their financial and risk profile and objectives.
- Complaints should be handled in a prompt, friendly, fair and effective manner.

We scrupulously comply with the regulations on financial consumer protection in the Philippines, the Bank has monitored and profiled the client inquiries/requests/complaints together with resolutions/actions taken. The Bank has been proactive in resolving complaints. The Bank has established a Consumer Assistance Management System to address customer concerns. Effective recourse is one of the five (5) areas of BSP's Consumer Protection Framework, and BDO has been seriously devoting resources to ensure that customer issues are resolved in a timely manner. It has also implemented the Framework and Policy on Social Media Risk Management.

The Bank has in place a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Bank's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). The Bank appointed a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). Compliance Officers for Privacy (COPs) in each business and support units (BSUs) were appointed to ensure proper coordination in the implementation of any initiatives related to the DPMP. The required data processing systems were also registered with the NPC. The Data Privacy Policy, Privacy Statement, and Breach Reporting Procedures were established, including the templates for Consent, Data Sharing Agreement, and Outsourcing Agreement. Furthermore, Privacy Impact Assessments (PIAs) by critical units were completed to assess privacy risks in order to ensure that the necessary security measures are in place to mitigate risks to personal data and uphold data privacy rights of individuals. Privacy risk monitoring was also enhanced using the existing risk management tools of the Bank. To ensure continuous education within the Bank, the Data Privacy Training and Awareness Program has been rolled out, consisting of regular conduct of classroom and e-learning courses and email blasts of learning snippets.

The Bank has also intensified data privacy awareness with the in-depth training for COPs and complaints management training for Customer Contact Center personnel. The Risk Management Committee (RMC) is regularly updated on the progress of the Bank's compliance with the PDPA. In view of its commitment to comply with data privacy requirements, and as part of its continuing assessment and development efforts, the Bank actively participates in data privacy forums of the NPC and liaises with other DPOs of the Bankers Association of the Philippines (BAP).

In living the "We Find Ways" service credo, BDO is committed to meet the clients' needs by providing them with high quality customer service and relevant products and services. It continues to invest

heavily in technology to improve products and processes. Our clients can look forward to a more convenient banking experience as the Bank exerts efforts to leverage the use of digital technology in making available its products and services across various channels.

As of December 31, 2021, BDO Unibank Group had 1,193 branches (including two foreign branches), 4,152 automated teller machines (ATMs) and 624 cash accept machines (CAMs). This is a milestone affirming the Bank's commitment to make banking reachable to Filipinos and our way of creating opportunities for more people to experience the rewards of having a bank that takes care of their financial needs.

### **Creditors, Counterparties and Suppliers**

The Bank is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. The Bank did not issue any bonds in 2021. Its US\$300 Million 5-Year Senior Notes issued in October 2016 matured and was redeemed in October 2021.

In the conduct of its business dealings, the Bank undertakes to honor all binding trade-related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Bank's obligations in the normal course of business and in the event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes. The Bank strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commissions or any form of payment from clients, business partners, suppliers and third party service providers in exchange for any unnecessary or favorable treatment.

### **Employees**

The Bank considers its Human Resources as extremely valuable. To ensure the protection and well-being of the employees, the Bank has implemented policies and programs that cover the following areas:

a. Code of Conduct and Business Ethics

As a financial institution, BDO believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders.

The Code outlines the principles and policies that govern the activities of the institution, sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationships with external shareholders. These reflect the core values the institution subscribe to and promote.

The Code applies at all times to all members of the Board of Directors and BDO Unibank Group employees in their dealings with clients, suppliers, business partners and service providers. It covers the Bank's commitment to a gender friendly workplace, concern for occupational health, safety and workplace environment, transparency, integrity and accountability, compliance with laws and regulations, standards of behavior and personal conduct, and ethics of doing business.

b. Training and Development

BDO continues to provide training opportunities aligned with business requirements and employees' potentials and capabilities. Training programs include orientation for new hires, job specific technical training, management and leadership training programs which aim to develop and enhance the knowledge, skills, managerial and leadership capabilities, attitude and mindset of employees. The Bank allocates a yearly training budget for these developmental programs. In 2021 the staff, managerial and senior officers went through an average of 38.74, 39.42 and 38.93 training hours, respectively. In terms of actual number of employees trained, staff was at 19,068, managers at 18,056 and senior officers at 1,816. Improvements in the design and delivery of eCourses and targeted training programs continue to ensure more effective retention of the knowledge learned. Culture and values, service excellence, regulatory requirements, job knowledge as well as leadership development continue to be the focus in 2021 to sustain availability of ready talents that support business growth.

The continuing education program for Directors is an ongoing process to ensure the enhancement of their skills and knowledge. Every year, all Directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the banking industry. All directors of BDO Unibank complied with the annual corporate governance training requirement of four (4) hours for 2021. Nine (9) directors, together with the Bank's key executives and also the directors and key officers of BDO Unibank's subsidiaries, attended an in-house corporate governance seminar last September 1, 2021 done virtually. It concentrated on the impact of geopolitics on digital business, design and delivery for customer facing digital products, and digital leadership. Two (2) directors attended the corporate governance seminar facilitated by the Institute of Corporate Directors last September 30, 2021 with topics on sustainability, artificial intelligence, and digitalization, among others.

c. Employee Welfare

BDO is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. The Bank established the Policy on Disclosure of Sensitive/Confidential Matters to Management to give employees the opportunity to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices in the workplace.

d. Health and Safety

BDO is committed to maintain a positive, harmonious and professional work environment with due importance accorded to the occupational health and safety of the employees and related external constituencies.

The continuing activities to promote health and safety are the following:

- No Smoking Policy in all head offices and branches is strictly enforced;
- No firearms allowed in all offices and branch premises;
- Use of CCTV as a deterrent to possible criminal activities such as hold-ups/robberies;
- Fire prevention measures and safety/evacuation drills for fire and earthquakes;
- Installation of access ramps for persons with disability in our buildings and branches to make our offices safe and accessible to PWDs;
- Regular safety inspections in corporate offices and branches nationwide to rectify immediately all noted unsafe conditions; and
- Emergency Response Teams to ensure availability of emergency response personnel in time of disaster.
- Safety and health training

In 2021, the Bank conducted the following initiatives to improve the health and safety of Bank employees and customers inside the premises:

1. In response to the Covid19 pandemic, the following programs and protocols were continuously implemented:
  - Covid Care Hotline provided to all employees (teleconsult);
  - Frequency of Covid-19 antigen testing for employees was increased during surge of cases to weekly and fortnightly for client-facing and other employees, respectively;
  - Personnel exhibiting Covid-like symptoms, upon medical assessment, are referred for reverse-transcriptase polymerase chain reaction (RT-PCR) testing;
  - Provision of masks and vitamins to employees;
  - Provision of alcohol and soap at the branches and buildings;
  - Installation of acrylic barriers and signage for physical distancing;
  - Installation of temperature scanners at the entrance of Corporate Centers and provision of portable temperature scanners in other offices;
  - Body temperature of employees is measured thrice daily;
  - Provision of oximeters to monitor the oxygen saturation level of employees;
  - Paperless contact tracing at the branches;
  - Regular disinfection of bank premises; and,
  - Weekly inspection on the compliance with Covid-19 control at the branches and buildings, among others.
  - Work from home setup to some groups
  - Inspection of ventilation system of buildings
  - Published 262 advisories on Covid-19 prevention in 2021
2. A Health and Safety Committee meets on a regular basis to review the progress on the implementation of its programs. The Committee is composed of a mix of officers in the Bank headed by the Central Operations Group Head.

Our clinics are manned by occupational health practitioners and nurses. BDO maintains nine medical clinics located in the following strategic areas in Metro Manila:

1. Corporate Center Makati
2. Corporate Center Ortigas
3. Ortigas Avenue, Greenhills
4. Roosevelt Avenue, Greenhills
5. Binondo, Dasmariñas
6. Davao City
7. Karrivin Plaza, Makati
8. BDO Paseo Tower
9. Double Dragon Meridian, Pasay

## **Society, Community and the Environment**

### **Corporate Social Responsibility**

Through the BDO Foundation, its corporate social responsibility arm, BDO Unibank undertakes initiatives to address the needs of the underprivileged and marginalized members of society. In 2021, the foundation fulfilled its disaster response, financial inclusion, rehabilitation and rebuilding advocacies. It also continued to implement interventions in response to the novel coronavirus pandemic for the benefit of Filipinos most affected by the health crisis.

## **COVID-19 response programs**

BDO Foundation implemented programs designed to help contain COVID-19, support frontliners and help communities severely affected by the pandemic.

BDO Foundation's COVID-19 pandemic response included the following:

- Distribution of food assistance in marginalized communities all over the country in partnership with Ako Bakwit, Caritas Philippines, Tanging Yaman Foundation and social action centers
- Donation of hygiene kits to health workers and patients in Capiz, Iloilo and Negros Oriental provinces
- Provision of manpower support—nurses and medical technicians—for the vaccine rollout of General Santos City and Iloilo City to mitigate the surge in cases due to the Delta variant of the COVID-19 virus
- Contribution to the Project Balik Buhay Salary and Bonus Assistance for our Bidas program, which provided financial incentives to nurses stationed in the intensive care units, emergency rooms and COVID wards of hospitals in Cebu, an initiative supported by the Department of Health and Office of the Presidential Assistant for the Visayas
- Assistance in the vaccination of BDO employees' relatives

BDO Foundation's COVID-19 programs benefited 16,750 families, 2,055 health workers and patients, 1,800 vaccinees in General Santos and Iloilo, nurses in eight hospitals, and 1,066 vaccinees nominated by donors as well as people in 30 parishes and persons deprived of liberty in 48 prisons. The initiatives were backed by BDO Unibank and BDO Network Bank branches, local government units, medical organizations, hospitals, non-governmental organizations and volunteers who provided logistical assistance on the ground.

## **Rehabilitation and upkeep of rural health units**

Despite the limitations caused by the pandemic, BDO Foundation completed the rehabilitation of 21 rural health units (RHUs) in the provinces of Batangas, Bohol, Catanduanes, Ilocos Sur, Iloilo, Isabela, Masbate, Negros Occidental, Samar and Surigao del Norte with 716,543 people as beneficiaries. Supported by the DOH and local government units, the initiative was made possible by officers of BDO and BDO Network Bank branches, who helped identify rural health units that needed assistance and handled local coordination.

The rehabilitation program is in line with the foundation's efforts to help improve the healthcare delivery system, one of the goals under the Philippine health agenda. It is also the foundation's contribution to the achievement of the United Nations Sustainable Development Goal no. 3 to ensure healthy lives and promote the well-being of people of all ages. As a pandemic response, the initiative is critical as RHUs support efforts to curb the spread of the coronavirus. Health centers provide free antigen testing and implement the vaccination programs of local government units.

BDO Foundation selected rural health units particularly in economically disadvantaged and disaster-affected areas. It significantly improved the health centers' exteriors, reception and waiting areas, offices and clinics, consultation rooms, treatment rooms, pharmacies, furniture and fixtures. Further, the foundation built breastfeeding stations for nursing mothers, play areas for children and waiting lounges for senior citizens.

As a result of these improvements, rural health units received high assessment scores from the DOH and accreditation from PhilHealth. Doctors, nurses and midwives became better equipped to provide primary and maternal health services to their constituents.

In addition to the rehabilitation of RHUs, BDO Foundation also completed the maintenance, repair and upkeep of 10 previously rehabilitated health centers in Agusan del Sur, Aklan, Biliran, Camarines Sur, Ilocos Sur, North Cotabato, Nueva Ecija, Samar and Sorsogon provinces for the benefit of 564,097 people.

### **Construction of Tech-Voc Training Facility**

BDO Foundation continued to look after the welfare of disaster-affected Filipinos long after the typhoons have made landfall. Dumangas town in Iloilo province was hard hit by Super Typhoon Yolanda (Haiyan) in 2013. To help rebuild the community, the foundation constructed a technical-vocational training facility at the Don Bosco Technical and Vocational Education and Training Center - Dumangas in partnership with the Salesian Society of St. John Bosco.

The two-storey structure serves as a workshop, where senior high school students can learn technical-vocational livelihood skills. The building enables administrators to introduce new courses, accommodate more enrollees and teach more learners. It supports Don Bosco's mission to educate, evangelize and capacitate Filipino youth. The center educates economically disadvantaged and out-of-school youth for gainful employment in the Philippines and abroad. Around 146 students stand to benefit every year from the facility the foundation built.

BDO Foundation's initiative in Iloilo contributes to the achievement of Sustainable Development Goal 8 to promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.

### **Financial education programs**

In partnership with the Bangko Sentral ng Pilipinas (BSP) and in support of BSP's National Strategy for Financial Inclusion, BDO Foundation continued to promote financial inclusion programs in partnership with the Department of Education (DepEd), Overseas Workers Welfare Administration (OWWA), Civil Service Commission (CSC) and Armed Forces of the Philippines (AFP). Programs with new partners including the Bureau of Fire Protection (BFP), Bureau of Fisheries and Aquatic Resources (BFAR), and Philippine National Police (PNP), and Agricultural Credit and Policy Council (ACPC) were implemented.

BDO Foundation and its partners shared financial literacy lessons with public school students, teachers and non-teaching personnel; OFWs and recipients of remittances; civil servants; and uniformed and civilian personnel of the armed forces; personnel of the government's fire service agency; the police; fisherfolk; and farmers. Beneficiaries learned lessons on saving, budgeting and financial planning, investments, debt management, the responsible use of credit, entrepreneurship, avoiding scams and retirement planning, among other topics. So far, the programs have reached 2,600,000 learners, 13,575 OFW-participants of OWWA's Pre-Departure Orientation Seminars, 90



CSC master trainers, 3,199 uniformed and civilian personnel of the AFP, 98 BFP trainers and 1,950 BFP personnel, and 51 BFAR trainers.

In line with the implementation of the programs, the foundation embarked on several key initiatives.

- DepEd issued DepEd Order No. 022, Series of 2021, detailing its Financial Education Policy to ensure that financial education will be taught nationwide using the materials developed by BDO Foundation. The policy covers all learners, teachers and non-teaching personnel from public and private elementary, junior and senior high schools, as well as learning centers for Special Education, Alternative Learning Systems, Indigenous Learning Systems and the Madrasah Education Program covering Muslim culture, customs and traditions.
- The foundation and DepEd partnered with Huawei Philippines as sponsors for a teacher competition called the “Search for the Best Supplemental Learning Materials in the Teaching of Defined Key Concepts in Science and Mathematics.” The nationwide contest was designed to encourage teachers to submit innovative learning modules that integrate financial literacy into the teaching of Science and Math subjects. The partnership with Huawei included the donation of 33 laptops to selected public schools.
- AFP officers conducted a focus group discussion funded by BDO Foundation to identify the financial literacy lessons that the armed forces will cover in its training courses.
- The foundation, BFAR and BSP created the Fish N’ LEarn game, an innovative teaching tool designed to make financial literacy lessons engaging for fishers. Through the training intervention, participants are expected to learn lessons on conserving marine resources, saving for the future, expanding sources of income, proper use of insurance and debt management. The target audience will be provided with instructional materials, cards and play money produced by BDO Foundation.
- In partnership with BSP, CSC, AFP, BFP, and BFAR, four learning modules were drafted for civil servants, armed forces personnel, firefighters and fishers. Six new financial education videos—three for OFWs and three for civil servants—were produced. Five virtual learning sessions were conducted for DepEd, CSC and BFAR personnel. An online training session was also facilitated for farmers in partnership with East-West Seed.

For the fourth consecutive year, BDO Foundation supported the BSP’s Financial Education Stakeholders Expo, a five-day virtual event that gathered financial education advocates. Together with the BDO Trust and Investments Group, the foundation featured the Personal Equity and Retirement Account or PERA in its virtual booth. Working with BDO Remit, film actor and BDO brand ambassador Piolo Pascual shared financial literacy lessons and his personal approach to money management in a plenary session on “Preparing the Filipino Youth for a Financially Healthy Future.”

## **Relief operations**

BDO Foundation continued to mount relief operations all over the country, providing aid in provinces placed under a state of calamity. In 2021, the foundation organized relief efforts in response to a fire incident in Occidental Mindoro, the Taal Volcano eruptions and Typhoons Bising (international name: Surigae), Fabian (Cempaka), Maring (Kompasu) and Odette (Rai) for the benefit of 54,120 Filipinos. These were made possible by officers and staff of BDO and BDO Network Bank branches, who made monetary contributions, identified communities that needed assistance, gathered beneficiary information and coordinated relief operations.

Prior to the pandemic, BDO Foundation mobilized employee-volunteers from branches and satellite offices. BDO volunteers visited evacuation sites in cities and towns hit hardest by the disasters to distribute hygiene kits and relief packs containing food, rice and drinking water. As the quarantines were imposed all over the country, the foundation leveraged the support of partner non-governmental organizations, churches, police personnel, the military and local government units for aid distribution.

## **Handog sa 'Yo ng BDO Foundation**

BDO Foundation provided food assistance for economically disadvantaged communities all over the country as part of a Christmas gift-giving initiative dubbed Handog sa 'Yo ng BDO Foundation. In partnership with Caritas Philippines, the social arm of the Philippine Catholic Church, the foundation distributed food packs to 20,000 underserved families in 23 provinces in Luzon, the Visayas and Mindanao.

Handog sa 'Yo was aimed at giving back to the community during the holiday season and supplementing the food supply of families during hard times. Implementation was made possible with the support of parishes and diocesan social action centers as well as BDO and BDO Network Bank branches in the aforementioned provinces.

## **Other corporate citizenship initiatives**

BDO Foundation made an impact on its beneficiaries through other initiatives.

- Distribution of food assistance to 2,299 underserved families in Aklan, Capiz, Cebu, Davao del Sur, Iloilo, Leyte, Metro Manila, Negros Occidental, Pampanga, Pangasinan, Rizal and Samar in partnership with BDO Network Bank, Beiersdorf Philippines, Jesuit Communications Foundation and U.S.-Philippines Society
- Donation of 1,164 bottles of baby lotion, 512 baby soap bars and other items to Ako ang Saklay Foundation for underserved families in Nueva Ecija
- Donation of 170 computers and 10 scanners to public schools in partnership with BDO Network Bank in support of DepEd's Basic Education Learning Continuity Plan during the pandemic
- Donation of 904 books to Caritas Manila and the Manila City Library
- Sponsorship of the Zero Extreme Poverty Philippines 2030 6th general assembly, themed "Creating a Better Normal Towards Sustainable Communities", which served as a venue for discussions on efforts to address the effects of the pandemic
- Sponsorship of SEAMEO INNOTECH's Digital Well-being of Filipino Learners: A Webinar on Youth Cybersafety and Digital Citizenship, an online event that featured discussions on how educators can cultivate a secure online environment for learners amid the pandemic

BDO Foundation will continue to conduct relief operations, rehabilitate rural health units and implement financial education programs, among other corporate citizenship initiatives. It will also continue to implement programs in response to the pandemic. Supported by the BDO Unibank community, the foundation will find ways to give back to underserved sectors of society.

## **Environmental Initiatives**

BDO imposes limits and monitors exposure to certain industries such as production or trade in weapons and munitions, online gaming and equivalent enterprises, hydroelectric plant with weir height of more than 50 meters, illegal mining, illegal fishing and child labor (those deemed to have adverse environmental and social effects to community).

BDO's green financing has been practiced since 2010 and is considered one of the pioneers to have catalyzed sustainable finance in Philippine's banking industry. Through its cooperation with IFC until 2018, the Bank has led financing in green energy investments in Renewable Energy, Energy Efficiency and Green Building projects. In February 2018, BDO was the first to have issued a \$150 million green bond in the country and East Asia Pacific with IFC as its sole investor. In addition, BDO had a partnership with Japan Bank for International Cooperation to relend its \$50 million green facility

to environment-related projects focusing on renewable energy in the Philippines in August 2016. Thus, providing our clients with additional financial product that can support their prospective green projects.

In 2021, BDO's Sustainable Finance Framework was certified and given endorsement by Sustainalytics, a leading and independent Environmental, Social and Governance (ESG) research and ratings provider based in New York. Sustainalytics expressed that "BDO's Sustainable Finance Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines in 2018, Green Loan Principles 2020, and the ASEAN Sustainability Bond Standards 2018."

Please refer to the Corporate Social Responsibility Section of the 2021 Annual Report and the 2021 Sustainability Report for more details on the Bank's socio-civic programs and initiatives published in our corporate website at ([www.bdo.com.ph](http://www.bdo.com.ph)).

The Bank also maintained its "Go Green Program" to raise awareness on environmental issues, promote good environmental practices in the workplace, mobilize volunteers for conservation programs. Its Green initiatives focuses on energy conservation using LED lights, water management using waterless urinals, air quality by tree planting in support of "Grow a Million Trees" campaign, waste disposal and other clean-up projects.

BDO Corporate Center Ortigas (BDO CCO) has earned a certification on Leadership in Energy and Environmental Design (LEED), two years after the 47-storey office structure was formally unveiled. It is the first high-rise office-commercial building in the Philippines to achieve a LEED Gold "New Construction Category" Certification. Various sustainable methods were implemented in the construction of the building that steered its LEED accreditation. These include the installation of automated monitoring and control systems as CO2 sensors, occupancy sensors, daylight dimming and timer switches.

- With the help of the CO2 sensors, indoor pollutants are mitigated and help the building steer away from catching the sick building syndrome.
- By deciding to go automated, energy is saved from mechanically turning off or dimming the lights when it does not sense any human activity and when sufficient natural light enters the room.
- Sustainable effort was done by employing dual piping in the plumbing system. Grey
- water, harvested rainwater and condensate water are recycled and re-used for flushing.

The combination of efficient water fixtures and grey water flushing were keys in reducing the total building potable water use by approximately 5,700,000 liters annually. BDO's practice in green financing brings forth solid outcome and basis for establishing Sustainable Finance Framework which provides guidelines and parameters for green and social impact financing. With continued innovation in green financing, the Bank has positioned to lead Sustainable Finance across various industries.

### **Business Competitors**

The Bank is committed to treat business competitors fairly and professionally in all dealings with them. It will avoid making references or discussions that may have a negative impact on the Bank's competitors.

## Government and Regulators

The Bank supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection. In 2021, the Bank continued to be active in giving comments on various proposed legislations and regulations.

## Transparency and Disclosures

BDO is fully committed to provide its investors and other stakeholders full transparency and timely information disclosure through filing with the Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), as found in the following:

- General Information Sheet (GIS)
- Definitive Information Sheet (DIS)
- SEC form 17-A
- SEC form 17-C (current reports - material information)
- SEC form 17-Q (Quarterly Report)
- SEC form 23-A/B (Statement of Beneficial Owners)
- Audited Financial Statements (AFS)

Required disclosures relating to:

1. Financial information is stated in the AFS, SEC Form 17-Q and the DIS
2. Shareholder matters are provided in the DIS
3. Executive compensation policy is stated in the DIS
4. Directors' fees are found in the DIS
5. Corporate actions, among others, are provided in the PSE official website [www.pse.com.ph](http://www.pse.com.ph)

In particular, BDO released the 2020 audited financial statements on February 26, 2021 or just 57 days after close of the financial year to promote transparency and full disclosure of the results of the operations of the Bank.

Other key information disclosed by the Bank included the composition of the Board, role and activities of board committees, meetings held and attendance of directors, director continuing education records, remuneration policy, shareholding structure, annual performance self-assessment of Board of Directors as a collective body, directors, committees and senior management, Code of Conduct and Business Ethics, Corporate Governance Manual, SEC Annual Corporate Governance Report, BDO organizational structure, conglomerate map and important corporate governance policies such as whistle blowing, term limit of independent directors, personal trading, conflict of interest, dividend, Board diversity policy and related party transactions.

To ensure an even wider access by the investors and the public, these disclosures and other corporate information are also uploaded in the Bank's official website [www.bdo.com.ph](http://www.bdo.com.ph) (See "Investor Relations" and "Corporate Governance"). The details of established corporate governance policies are found in the Revised Corporate Governance Manual.

## Evaluation System

The Bank has required in its Corporate Governance Manual (the "Manual") that all Board level committees shall report regularly to the Board of Directors in compliance with the Manual's policies and procedures. The Bank supports the principle and regulatory mandate of checks and balances across the entire Group by its observance of the segregation of powers, independence of audit, compliance and risk management functions. In the context of independent checks and balances, the Board has appointed the Chief Internal Auditor, Chief Risk Officer and Chief Compliance Officer to assist the Board in its oversight functions.

As part of its continuing focus on good corporate governance, the Audit Committee is empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations.

Their oversight function covers the following areas:

On financial reporting, the committee reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for listed companies.

On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss.

On internal and external audit, it recommends the appointment, reappointment and removal of the external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work, if any, ensuring that it would not conflict with their duties as external auditors or may pose a threat to their independence. It approves the annual audit plan and reviews audit results focusing on significant findings with financial impact and its resolution. It reviews the implementation of corrective actions to ensure that these are done in a timely manner to address deficiencies, non-compliance with policies, laws and regulations.

On compliance, it recommends the approval of the Compliance Charter and reviews the performance of the Chief Compliance Officer and compliance function. It also reviews the annual plans of the Compliance Group including the Anti-Money Laundering Department, and evaluates the effectiveness of the regulatory compliance framework and governance policies and practices of the Bank to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the Bangko Sentral ng Pilipinas (BSP) and other regulators including replies to such reports for endorsement to the Board for approval.

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

### **Board Audit Committee**

On financial reporting, the Board Audit Committee (BAC) reviewed and recommended for approval to the Board the Bank's quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 23, 2021, it endorsed for approval of the Board the Bank's audited financial statements as of December 31, 2020 including the Notes to the Financial Statements. This was approved by the Board on February 24, 2021 and disclosed to the public on February 26, 2021, 57 days from the financial yearend, following the best practice requirement of the ASEAN Corporate Governance Scorecard (ACGS). It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The related internal controls on financial reporting process, compliance with accounting standards were likewise reviewed.

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

On external audit, it ensured the independence, qualification, and objectivity of the appointed external auditor, which is accredited by the BSP and SEC. On April 21, 2021, it approved and endorsed for approval of the Board the re-appointment of the Bank's external auditor. It reviewed and discussed the content of the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with financial impact particularly on the changes in accounting and reporting standards. It reviewed Management's Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

In overseeing the compliance function, it reviewed and approved the Compliance Charter, annual plans, and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) departments. It approved and endorsed for approval of the Board of Directors the Compliance Manuals, including the revised Regulatory Compliance and Management Manual, , Independent Compliance Testing Manual , which incorporate the recommendations by the BSP and Internal Audit in their examinations. It monitored the progress and reviewed the results of the independent compliance and AML testing, timely

submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It discussed in detail the BSP Reports of Examination including the results of regulatory examinations of the Bank's foreign subsidiaries and reviewed Management's replies, thereby ensuring implementation of corrective actions. It also reviewed and provided guidance to Management in its replies to concerns of the regulators to ensure that the Bank's position is appropriately presented.

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

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

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

The Board Audit Committee is chaired by Atty. Jose F. Buenaventura (Independent Director). Its other members are Mr. Jones M. Castro, Jr., Non-Executive Director) and Vicente S. Perez, Jr. (Independent Director).

The Board Audit Committee held 12 meetings in 2021 with all members attending all meetings.

### **Corporate Governance Committee**

The Corporate Governance Committee (CGC) is primarily tasked to assist the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Bank as well as its subsidiaries and affiliates. Annually, it also conducts the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and conducts a self-evaluation of its performance. It provides an assessment of the outcome and reports to the Board the final results of the evaluation including recommendations for improvement and areas to focus to enhance effectiveness. It also oversees the continuing education program for directors and key officers and proposes relevant trainings for them.

During the year, the Corporate Governance Committee facilitated the compliance of the directors of the Bank and its subsidiaries with the regulatory requirement for an annual corporate governance seminar for Directors as part of their continuing education. The seminar focused on the impact of geopolitics on digital business, design and delivery for customer facing digital products, and digital leadership. The Committee continuously

monitored the Bank's compliance with local and international corporate governance standards. It reviewed and endorsed for Board approval the Bank's 2020 Integrated Annual Corporate Governance Report to the Securities and Exchange Commission (SEC), which documents Bank's compliance with the SEC Code of Corporate Governance. It also spearheaded the annual Board evaluation self-assessment by Board members and advisors as facilitated by Isla Lipana & Co./ PwC Philippines (PwC) covering the performance in 2021 of the Board of Directors, Board Committees, Senior Management, each Director, and Board Advisors. Although the recommendation in the SEC Code of Corporate Governance for an external facilitator is required only every three (3) years, the Committee steered the engagement of an external facilitator to handle the annual Board evaluation self-assessment for the Board for better governance practice.

Below is the attendance of the members in Committee meetings held in 2021:

| Name                     | Director Type                      | No. of Meetings Attended | Total No. of Meetings | Percentage | Remarks  |
|--------------------------|------------------------------------|--------------------------|-----------------------|------------|--|
| Gilberto C. Teodoro, Jr. | Independent                        | 5                        | 5                     | 100%       | Resigned as of October 7, 2021   |
| Vicente S. Pérez, Jr.    | Independent                        | 7                        | 7                     | 100%       |  |
| Jose F. Buenavventura    | Independent                        | 4                        | 4                     | 100%       | Appointed on April 23, 2021  |
| Jones M. Castro, Jr.     | Independent (until April 23, 2021) | 3                        | 3                     | 100%       | Member until April 23, 2021; Reclassified to Non-Executive Director as of April 23, 2021 |

### Measures on leading practices of good corporate governance

The Bank is constantly aligning its corporate governance system with the international practice taking into account the continuous developments in national regulations.

The Board approved the amendments to the Bank's Articles of Incorporation and By-Laws to conform with the Revised Corporation Code of the Philippines and the Bank's current operations and structure as well as enhance corporate governance. Noteworthy of these amendments is the increase of the quorum requirement for meetings of the Board from a simple majority to two-thirds (2/3). Every decision made during such meetings shall also require two-thirds (2/3) of such quorum in order to pass a valid corporate act.

Related party transactions, whose value may exceed 10% of the Bank's total assets, require review of an external independent party to evaluate the fairness of its terms and conditions and approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively.



### **Any Deviation from the Manual**

None

### **Improvement on Corporate Governance**

The Bank is now in the era of digital transformation and we continue to look at ways to optimize the use of the new technologies to strengthen our corporate governance practices while remaining vigilant on the risk of digitization to our business operations. In ensuring that the Bank stays as the market leader in the Philippine financial services industry, we are focused on maximizing the effectiveness of our corporate governance practices as a business enabler and driver of our performance in the proper context of risks and rewards, opportunities and prospects for the Bank. This is essential going forward as we continue to compete and remain relevant to our various stakeholders. Globally, there is also an increasing call for companies to support the UN Sustainable Development Goals as part of sustainable business performance with emphasis on strategies that promote economic growth, environmental protection, efforts that address a range of social needs and a governance model that considers sustainability issues. BDO continues to be mindful of contributing positive impact on sustainability as it continues to report annually on its sustainability performance and contribution to the UN Sustainable Development Goals.

## PART V – EXHIBITS AND SCHEDULES

### Item 14. List of Branches, Reports on SEC Form 17-C

#### a) Directory of Branch Offices

A list of the Bank's branches is provided in Item 2 of this report.

#### b) The SEC Form 17-C (Current Report) filed in 2021 and the first quarter of 2022 are set forth below, such as:

| Date of Disclosure | Subject   |
|--------------------|---|
| March 17, 2021     | Preliminary Information Statement for the Annual Stockholders' Meeting of BDO on April 23, 2021 at 2:00 in the afternoon, to be conducted virtually and participation will be via remote communication  |
| March 19, 2021     | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 24,600 common shares   |
| March 23, 2021     | Amended General Information Sheet of BDO for the Year 2020 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO   |
| March 26, 2021     | Definitive Information Statement for the Annual Stockholders' Meeting of BDO on April 23, 2021 at 2:00 in the afternoon, to be conducted virtually and participation will be via remote communication   |
| March 30, 2021     | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 44,500 common shares   |
| March 31, 2021     | Amended Definitive Information Statement for the Annual Stockholders' Meeting of BDO on April 23, 2021 at 2:00 in the afternoon, to be conducted virtually and participation will be via remote communication   |
| April 8, 2021      | Amended General Information Sheet of BDO for the Year 2020 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO   |
| April 14, 2021     | List of Top 100 Stockholders (Common Shares) as of March 31, 2021   |
| April 16, 2021     | Public Ownership Report as of March 31, 2021  |
| April 19, 2021     | Request for Extension to file SEC Form 17-A   |
| April 23, 2021     | Press Release re: BDO Posts P28.2 Billion Income in 2020; Earns P10.4 Billion in 1Q21   |
| April 26, 2021     | Results of Regular Board Meeting held on April 23, 2021: <ul style="list-style-type: none"> <li>- Approval of the hiring of Ms. Maria Lourdes Donata C. Gonzales as Senior Vice President (SVP) for Institutional Banking Group/Corporate Banking, effective May 17, 2021, subject to BSP confirmation; and</li> <li>- Approval of the secondment of Mr. Manuel Zamora Locsin, Jr. as SVP and Officer-in-Charge, to BDO Finance Corporation, BDO Leasing and Finance, Inc. and BDO Rental, Inc., effective May 1, 2021, subject to regulatory approval, if necessary</li> </ul> |
| April 26, 2021     | Results of 2021 Annual Stockholders' Meeting held on April 23, 2021: <ul style="list-style-type: none"> <li>- Approval of the election of members of the Board of Directors for 2021– 2022;</li> <li>- Approval of the amendments to BDO's By-Laws to address the comments and recommendations of the Bangko Sentral ng Pilipinas (BSP) on Sections 10 and 16;</li> </ul>   |

| Date of Disclosure | Subject  |
|--------------------|--|
|                    | <ul style="list-style-type: none"> <li>- Re-appointment of Punongbayan and Araullo, Grant Thornton as external auditor of BDO Unibank for the year 2021;</li> <li>- Approval of the Minutes of the Annual Shareholders' Meeting held on June 16, 2020;</li> <li>- Approval of BDO's Audited Financial Statement as of December 2020; and</li> <li>- Approval and ratification of all acts of the Board of Directors, Board Committees and Management during their terms of office</li> </ul>               |
| April 26, 2021     | <p>Results of the 2021 Organizational Meeting of the Board of Directors held on April 23, 2021:</p> <ul style="list-style-type: none"> <li>- Approval of the election/appointment of the following persons to the various positions set forth below:               <ol style="list-style-type: none"> <li>1. Chairperson, Vice Chairman and Lead Independent Director;</li> <li>2. Advisors to the Board;</li> <li>3. Board Committee Members; and,</li> <li>4. Corporate Officers.</li> </ol> </li> </ul> |
| April 26, 2021     | SEC 17-Q (Quarterly Report) as of March 31, 2021   |
| April 28, 2021     | Amended disclosure on the Amendments to By-Laws to separate the amendments approved by the Board on October 26, 2019 and ratified by the stockholders on June 16, 2020 from further amendments approved by the Board last December 5, 2020 and ratified by the stockholders on April 23, 2021 made pursuant to the comments of the Bangko Sentral ng Pilipinas   |
| April 28, 2021     | Details of the Amendment to By-Laws  |
| May 5, 2021        | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 29,600 common shares  |
| May 7, 2021        | Amended General Information Sheet of BDO for the Year 2020 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| May 10, 2021       | BDO Statement of Condition as of March 31, 2021  |
| May 12, 2021       | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 5,000 common shares   |
| May 14, 2021       | SEC Form 17-A (Annual Report) as of December 31, 2020  |
| May 18, 2021       | Amended General Information Sheet of BDO for the Year 2020 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| May 20, 2021       | Summary of Self-Assessment of the Board Audit Committee of BDO Unibank, Inc. for the Year 2020   |
| May 25, 2021       | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 5,000 common shares   |
| May 27, 2021       | General Information Sheet of BDO Unibank, Inc. for the Year 2021   |
| May 31, 2021       | <p>Result of Regular Board Meeting held on May 29, 2021:</p> <ul style="list-style-type: none"> <li>- Approval of the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 2nd Quarter of 2021 payable on June 25, 2021 to all stockholders of record as of June 16, 2021</li> </ul>   |
| June 2, 2021       | Integrated Annual Corporate Governance Report of BDO Unibank, Inc. for the year ended 2020   |

| Date of Disclosure | Subject  |
|--------------------|--|
| June 2, 2021       | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 92,000 common shares  |
| June 4, 2021       | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| June 23, 2021      | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 140,000 common shares   |
| June 25, 2021      | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| June 28, 2021      | Result of the Regular Board Meeting held on June 26, 2021:<br>- Notation of the retirement of Mr. Ricardo Valenciano Martin, Executive Vice President and former Chief of Staff to the Office of the President, effective July 1, 2021 |
| July 5, 2021       | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 22,000 common shares  |
| July 7, 2021       | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| July 13, 2021      | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 145,500 common shares   |
| July 13, 2021      | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| July 15, 2021      | List of Top 100 Stockholders (Common Shares) as of June 30, 2021   |
| July 16, 2021      | Public Ownership Report as of June 30, 2021  |
| July 16, 2021      | Notice of Analysts Virtual Briefing on August 2, 2021 (Monday), 02:00 PM PHT, via Cisco Webex  |
| July 23, 2021      | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| July 23, 2021      | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 5,000 common shares   |
| August 2, 2021     | Result of Regular Board Meeting held on July 31, 2021:<br>- Approval of the financial statements of the Bank for the 1st Half of 2021  |
| August 2, 2021     | Press Release re: BDO Earns P21.4 Billion in 1H 2021   |
| August 2, 2021     | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 56,900 common shares  |
| August 2, 2021     | SEC 17-Q (Quarterly Report) as of June 30, 2021  |
| August 3, 2021     | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| August 10, 2021    | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 18,000 common shares  |
| August 11, 2021    | BDO Statement of Condition as of June 30, 2021   |
| August 19, 2021    | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |

| Date of Disclosure | Subject  |
|--------------------|--|
| August 27, 2021    | <p>Results of Regular Board Meeting held on August 27, 2021:</p> <ul style="list-style-type: none"> <li>- Approval of the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 3rd Quarter of 2021 payable on September 24, 2021 to all stockholders of record as of September 15, 2021;</li> <li>- Approval of the promotion of the following Senior Officers of the Bank, from First Vice President to SVP, effective February 1, 2021, subject to confirmation by the Bangko Sentral ng Pilipinas: (1) Mr. Jose Eduardo A. Quimpo II (BDO Capital and Investment Corporation), (2) Mr. Gerardo Clemente C. Rivera (BDO Private Bank, Inc. – Treasury), and (3) Ms. Sharon Mae S. Vicente (BDO Securities Corporation – Prime Wealth Management); and</li> <li>- Notation of the retirement of Ms. Agnes C. Tuason, Senior Vice President and Head of Institutional Banking Group/Commercial Banking/Metro Manila and Luzon/Metro Manila/MM East A, effective September 1, 2021</li> </ul> |
| September 2, 2021  | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 28,900 common shares  |
| September 6, 2021  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| September 8, 2021  | Amended disclosure on declaration of cash dividends to reflect correct the Ex-Date   |
| September 14, 2021 | Temporary change in business address of BDO Unibank, Inc. from BDO Corporate Center, 7899 Makati Avenue, Makati City 0726 to BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City 1226, effective today, September 14, 2021, until further notice  |
| September 22, 2021 | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 17,000 common shares  |
| September 23, 2021 | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Complete Business Address (temporary), Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO   |
| September 27, 2021 | <p>Result of Regular Board Meeting held on September 25, 2021:</p> <ul style="list-style-type: none"> <li>- Acceptance of the resignation of Mr. Antonio Ongkiko Peña, SVP and Business Head of Consumer Banking Group/Lending/Auto Loans, effective October 16, 2021</li> </ul>   |
| October 5, 2021    | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| October 5, 2021    | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 56,900 common shares  |
| October 8, 2021    | Resignation of Atty. Gilberto C. Teodoro, Jr., Independent Director of BDO Unibank, Inc. (the "Bank"), from the Bank's Board of Directors effective October 7, 2021, due to and prior to his filing of Certificate of Candidacy for the 2022 Senatorial election   |
| October 11, 2021   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| October 13, 2021   | Notice of Analysts Virtual Briefing on October 25, 2021 (Monday), 02:00 PM PHT, via Cisco Webex  |
| October 13, 2021   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 133,800 common shares   |
| October 13, 2021   | List of Top 100 Stockholders (Common Shares) as of September 30, 2021  |
| October 18, 2021   | Public Ownership Report as of September 30, 2021   |

| Date of Disclosure | Subject  |
|--------------------|--|
| October 18, 2021   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated List of Directors of BDO   |
| October 25, 2021   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| October 25, 2021   | <p>Results of Regular Board meeting held on October 23, 2021:</p> <ul style="list-style-type: none"> <li>- Notation of the resignation of Atty. Gilberto C. Teodoro, Jr. as Independent Director, effective October 7, 2021;</li> <li>- Approval of the hiring of Mr. Alexander Francis Dreyfus Deato as SVP for Information Technology Group/Project Implementation Partnering, effective November 16, 2021, and Ms. Carol Pereyra Warner as SVP for Internal Audit/Subsidiaries Audit, effective December 1, 2021, both subject to BSP confirmation; and</li> <li>- Notation of the retirement of Mr. Geronimo Dacanay Diaz, SVP and Region Head of Branch Banking Group/Region 6A-Southern Luzon, effective November 1, 2021</li> </ul>   |
| October 25, 2021   | Press Release re: BDO Earnings Back to Pre-Pandemic Levels (9M 2021 Profits at P32.4 billion)  |
| October 25, 2021   | SEC 17-Q (Quarterly Report) as of September 30, 2021   |
| October 26, 2021   | Amended disclosure on the date of appointment of Mr. Alexander Francis Dreyfus Deato, and Ms. Carol Pereyra Warner, to October 23, 2021, date of the Board Meeting   |
| November 5, 2021   | Effectivity date of the temporary change in business address of BDO Unibank, Inc. from BDO Corporate Center, 7899 Makati Avenue, Makati City 0726 to BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City 1226, took effect on October 30, 2021, instead of on September 14, 2021 as initially reported  |
| November 5, 2021   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 47,000 common shares  |
| November 9, 2021   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Complete Business Address (temporary), Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO   |
| November 12, 2021  | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 89,000 common shares  |
| November 16, 2021  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares and List of Affiliates/Subsidiaries of BDO  |
| November 18, 2021  | Retraction of Mr. Alexander Francis Dreyfus Deato, SVP for BDO Unibank, Inc. (the "Bank") Information Technology Group/Project Implementation Partnering, acceptance of employment with the Bank to pursue other endeavors   |
| December 6, 2021   | <p>Results of Regular Meeting held on December 4, 2021:</p> <ul style="list-style-type: none"> <li>- Approval of the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for 4th Quarter of 2021 payable on December 29, 2021 to all stockholders of record as of December 22, 2021;</li> <li>- Notation of the retirement of Mr. Antonio N. Cotoco, Senior Credit Executive, and Ms. Guia C. Lim, Senior Credit Executive, both effective on December 31, 2021; and Mr. Noel D. Dizon, SVP and Head of Branch Banking Group/Region 5 – Metro Manila South, and Ms. Cerwina Elenore A. Santos, SVP and Unit Head of Institutional Banking Group/Commercial Banking/Metro Manila and Luzon/Metro Manila/South A, both effective on January 1, 2022; and</li> </ul> |

| Date of Disclosure | Subject  |
|--------------------|--|
|                    | - Notation of the withdrawal by Mr. Alexander Francis Dreyfus Deato of his acceptance of his appointment as SVP for Information Technology Group/Project Implementation Partnering   |
| December 7, 2021   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 33,900 common shares  |
| December 7, 2021   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| December 17, 2021  | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 20,900 common shares  |
| December 20, 2021  | Press Release re: BDO Plans Issuance of ASEAN Sustainability Bonds To Be Issued Off Its PHP365 Billion Bond Programme  |
| December 21, 2021  | Press Release re: BDO Forms Business Alliance with Japan's Resona Bank Group   |
| December 22, 2021  | Amended Press Release re: BDO Forms Business Alliance with Japan's Resona Bank Group   |
| December 23, 2021  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| December 23, 2021  | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 3,000 common shares   |
| December 23, 2021  | BDO Unibank, Inc. plans to issue Peso-denominated Fixed-Rate Sustainability Bonds with a minimum aggregate issue size of PHP5 Billion as its third issuance off its PHP365 billion Bond Programme  |
| December 28, 2021  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| January 6, 2022    | BDO Unibank, Inc.'s Board of Directors' Attendance for Meetings held in 2021   |
| January 10, 2022   | <p>Results of Regular Board Meeting held on January 8, 2022:</p> <ul style="list-style-type: none"> <li>- Approval of the appointment of Mr. Vipul Bhagat as Independent Director of the Bank to fill the vacancy in the Board with the resignation of Atty. Gilberto C. Teodoro, Jr. on October 6, 2021;</li> <li>- Approval of the appointment of the following Directors to fill vacancy in Corporate Governance, Nominations, Compensation, and Related Party Transactions Committee of the Bank: <ul style="list-style-type: none"> <li>- Mr. Vipul Bhagat as Chairman of the Bank's Corporate Governance Committee,</li> <li>- Mr. George T. Barcelon as Chairman of the Bank's Compensation Committee,</li> <li>- Mr. Dioscoro I. Ramos as Chairman of the Bank's Related Party Transactions Committee, and</li> <li>- Mr. Vicente S. Pérez, Jr. as Member of the Bank's Nominations Committee,</li> </ul> </li> </ul> <p>thereby becoming the new members of said Board Committees from the date of Board approval until the 2022 Annual Stockholders' Meeting; and</p> <ul style="list-style-type: none"> <li>- Approval of the setting of the Annual Stockholders' Meeting of the Bank on April 22, 2022, at 2:00 in the afternoon, to be held virtually; and setting of the record date for stockholders entitled to vote and be voted, and participate at such meeting on March 2, 2022</li> </ul> |
| January 10, 2022   | Press Release re: BDO Starts Offer of Php5 billion ASEAN Sustainability Bond   |
| January 10, 2022   | BDO Unibank, Inc. (the "Bank") announced the start of its public offering of PHP5 billion worth of Peso-denominated Fixed-Rate ASEAN Sustainability Bonds as the Bank's third issuance under its PHP365 billion Bond Programme   |
| January 11, 2022   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated List of Officers of BDO  |

| Date of Disclosure | Subject   |
|--------------------|---|
| January 18, 2022   | Public Ownership Report as of December 31, 2021   |
| January 18, 2022   | List of Top 100 Stockholders (Common Shares) as of December 31, 2021  |
| January 20, 2022   | Amended Public Ownership Report as of December 31, 2021   |
| January 21, 2022   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated List of Directors, and List of Subsidiaries/Affiliates of BDO   |
| January 25, 2022   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 14,700 common shares   |
| January 26, 2022   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO   |
| January 28, 2022   | Press Release re: BDO raises Php52.7 billion in ASEAN Sustainability Bonds  |
| January 28, 2022   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 15,000 common shares   |
| January 28, 2022   | BDO Unibank, Inc. successfully raised PHP52.7 billion worth of Peso-denominated Fixed-Rate ASEAN Sustainability Bonds under its PHP365 billion Bond Programme, more than 10 times the original offer of PHP5 billion on very strong demand from retail and institutional investors  |
| January 28, 2022   | Amended Press Release re: BDO raises Php52.7 billion in ASEAN Sustainability Bonds  |
| January 31, 2022   | <p>Results of Regular Board Meeting held on January 29, 2022:</p> <ul style="list-style-type: none"> <li>- Approval of the declaration of cash dividends on Preferred Shares Series "A" at the rate of 6.5% per annum of the par value, for a total dividend amount of P339,399,305.56, payable within sixty (60) banking days from dividend declaration date;</li> <li>- Recall of the secondment of Ms. Rhodora M. Lugay, Senior Vice President (SVP), from BDO Private Bank, Inc./Trust and appointed her to BDO Unibank – Central Operations Group, effective January 25, 2022; and</li> <li>- Notation of the retirement of Ms. Ma. Theresa Sese Simbul, SVP and Region Head of Branch Banking Group/Region 1 – Norther Luzon, effective February 1, 2022, subject to clearance</li> </ul> |
| February 4, 2022   | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, List of Officers, Stockholders' Information, and Additional Issued Shares of BDO   |
| February 9, 2022   | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 31,800 common shares   |
| February 10, 2022  | Notice of Analyst Virtual Briefing on February 28, 2022 (Monday), 2:00 PM PHT, via Cisco Webex  |
| February 15, 2022  | Notice and Agenda of the Annual Stockholders' Meeting of BDO on April 22, 2022, at 2:00 in the afternoon, to be held virtually  |
| February 16, 2022  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO   |
| February 21, 2022  | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 43,600 common shares   |
| February 23, 2022  | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, List of Officers, Stockholders' Information, and Additional Issued Shares of BDO   |
| February 24, 2022  | Press Release re: BDO posts P42.8 billion net income in 2021  |
| February 28, 2022  | Results of Regular Board Meeting held on February 24, 2022:   |



| Date of Disclosure | Subject  |
|--------------------|--|
|                    | <ul style="list-style-type: none"> <li>- Approval of the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 1st Quarter of 2022 payable on March 31, 2022 to all stockholders of record as of March 14, 2022; and</li> <li>- Approval of the 2021 Audited Financial Statements</li> </ul>  |
| February 28, 2022  | Approval of the 2021 Audited Financial Statements – Amended disclosure to attach the Audited Financial Statements and the corresponding Notes to Financial Statements  |
| March 3, 2022      | BDO Statement of Condition as of December 31, 2021   |
| March 7, 2022      | Reply to PSE Request for Clarification re: Agreement for the Sale of Shares in BDO Leasing and Finance, Inc.   |
| March 8, 2022      | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 54,000 common shares  |
| March 9, 2022      | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 42,000 common shares  |
| March 11, 2022     | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO  |
| March 17, 2022     | Preliminary Information Statement  |
| March 21, 2022     | Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to senior officer/s and/or retiree/s, totaling 70,900 common shares  |
| March 23, 2022     | Amended General Information Sheet of BDO for the Year 2021 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO  |
| March 28, 2022     | <p>Results of Regular Board Meeting held on March 26, 2022:</p> <ul style="list-style-type: none"> <li>- Approval of the extension of the employment term of Mr. Nestor V. Tan, President and Chief Executive Officer of the Bank, until March 1, 2028;</li> <li>- Notation of the retirement of Mr. Walter C. Wassmer, Senior Executive Vice President and Group Head of Institutional Banking Group, effective April 21, 2022;</li> <li>- Approval of the additional equity investment in BDO Network Bank, Inc. (BDONB) up to One Billion Seven Hundred Million Pesos (Php1,700,000,000.00) involving the subscription of common shares to be issued out of BDONB's authorized and unissued capital stock; and</li> <li>- Approval and endorsement for stockholders' approval the declaration of stock dividends equivalent to 20% of the Bank's outstanding capital stock, as well as an increase in its authorized capital stock (common shares) from 5,500,000,000 to 8,500,000,000 shares, and the amendment of the Seventh Article of the Bank's Amended Articles of Incorporation to reflect the increase in authorized capital stock, as follows:</li> </ul> <p style="margin-left: 40px;">"SEVENTH - That the authorized capital stock of the Bank is NINETY-FIVE BILLION PESOS (Php95,000,000,000.00), divided into EIGHT BILLION FIVE HUNDRED MILLION (8,500,000,000) common stock with a par value of TEN PESOS (₱10.00) per share, and ONE BILLION (1,000,000,000) Series A Preferred Shares with a par value of TEN PESOS (₱10.00) per share."</p> |
| March 28, 2022     | Press Release: BDO declares 20% Stock Dividend and hikes Authorized Capital  |
| March 28, 2022     | Press Release: BDO to infuse more capital in BDO Network Bank  |
|                    | ***Related Party Transactions (Please refer to Notes 2.17 and 27 of the Notes to Financial Statements attached to this Report.)  |

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of BDO Unibank, Inc. by the undersigned, thereto duly authorized, in \_\_\_\_\_, Philippines on MAY 13 2022.

### BDO UNIBANK, INC.

Issuer

By:



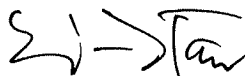
**Nestor V. Tan**  
President and CEO



**Dalmacio D. Martin**  
Executive Vice President and Treasurer



**Lucy Co Dy**  
Executive Vice President  
Comptroller & Head – Comptrollership Group




**Edmundo L. Tan**  
Corporate Secretary

SUBSCRIBED AND SWORN to before me this MAY 13 2022, affiants exhibiting to me their evidence of identity as follows:

| Name               | Tax Identification No. |
|--------------------|------------------------|
| Nestor V. Tan      | TIN 903-578-380        |
| Dalmacio D. Martin | TIN 106-905-347        |
| Lucy Co Dy         | TIN 109-729-870        |
| Edmundo L. Tan     | TIN 132-173-235        |

Doc. No.: 283 ;  
Page No.: 57 ;  
Book No.: XVII ;  
Series of 2022.

SEC FORM 17-A

  
**WALTER S. BAUL**  
Notary Public for and in the Cities of Pasig,  
San Juan and in  
the Municipalities of Pateros  
Appointment No. 118 (2020-2021)  
Commission expires on 31 December 2021\*  
Suite 1105, 11th Floor, Prestige Tower Condominium  
Brigas Center, F. Ortigas Jr., Pasig City Metro Manila  
Roll of Attorney No. 63521  
IBP No. 012691-Lifetime/04-02-2014/Manila City  
PTR No. 8131511/01-12-2022/Pasig City  
CLE Compliance No. VI-0017845; February 14, 2019  
\*until June 30, 2022, per B.M. No. 3795



**FOR SEC FILING**

Consolidated Financial Statements and  
Independent Auditors' Report

**BDO Unibank, Inc. and Subsidiaries**

December 31, 2021, 2020 and 2019



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **BDO Unibank, Inc. and Subsidiaries (the BDO Unibank Group)** and of **BDO Unibank, Inc. (the Parent Bank)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the BDO Unibank Group and the Parent Bank's financial reporting process.

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

Punongbayan & Araullo, the independent auditor appointed by the stockholders, has audited the financial statements of the BDO Unibank Group and the Parent Bank in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

**Teresita T. Sy**  
Chairperson of the Board

**Nestor V. Tan**  
President & Chief Executive Officer

**Dalmacio D. Martin**  
Treasurer

Signed this 24<sup>th</sup> day of February 2022

**BDO Unibank, Inc.**  
BDO Towers Valero  
8741 Paseo De Roxas  
Salcedo Village  
Makati City 1226  
Philippines  
Swift Code BNORPHMM  
Tel +632 8840-7000

[bdo.com.ph](http://bdo.com.ph)


**We find ways®**

SUBSCRIBED and SWORN to before me this 24th day of February, 2022 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

| Name                  | CEI Number   | Date & Place Issued                                |
|-----------------------|--|--|
| 1. Teresita T. Sy     | Passport No. – P6453728B<br>SSS No. – 03-2832705-4         | 03.09.2021/DFA NCR East                            |
| 2. Nestor V. Tan      | Passport No. – P5830111B<br>CTC No. – 26781429             | 11.23.2020/ DFA NCR East<br>01.14.2022/Makati City |
| 3. Dalmacio D. Martin | Driver's License No. – N11-89-041108<br>CTC No. – 08793789 | 02.13.2018/DLRC-Alabang<br>02.07.2022/Makati City  |

WITNESS BY HAND AND SEAL on the day first above-mentioned at Makati City.

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Page No. 52  
Book No. 3  
Series of 2022

  
Atty. ATHENA M. ZOSA  
Appointment No. M-566  
Notary Public extended until **JUN 30 2022**  
per Supreme Court En Banc Resolution dated 22 June 2021  
(B.M. No. 3795)  
21/F BDO Towers Valero, 8741 Paseo de Roxas  
Salcedo Village, Makati City 1226  
Roll No. 57025  
IBP Lifetime Member No. 014370, RSM  
PTR No. 8535994, 06 January 2021, Makati City  
MCLE Compliance No. W-0012110, 11 September 2018



## Report of Independent Auditors

**The Board of Directors and Stockholders**  
**BDO Unibank, Inc.**  
BDO Corporate Center  
7899 Makati Avenue, Makati City

### Report on the Audit of the Financial Statements

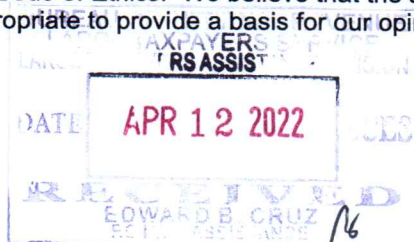
#### *Opinion*

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BDO Unibank Group and of the Parent Bank as at December 31, 2021 and 2020, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

#### *Basis for Opinion*

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





### **Key Audit Matters**

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

The following are the key audit matters identified in our audit of the financial statements of the BDO Unibank Group and the Parent Bank:

#### **(a) Valuation of Loans and Other Receivables**

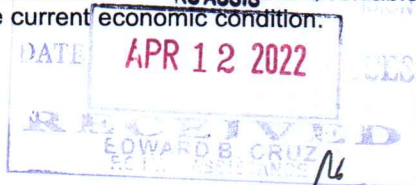
##### *Description of the Matter*

The BDO Unibank Group and the Parent Bank are required to recognize allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model in accordance with PFRS 9, *Financial Instruments*. As of December 31, 2021, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P2,450,903 million and P2,399,983 million, respectively, net of allowance for impairment of P67,743 million and P65,592 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 68% and 69% of the BDO Unibank Group's and the Parent Bank's total resources, respectively.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining how much impairment loss is required to be recognized in the financial statements. These judgment and estimates are disclosed in the BDO Unibank Group's and the Parent Bank's accounting policies in Notes 2 and 3 to the financial statements.

The BDO Unibank Group and the Parent Bank use an ECL model in determining the impairment of their loans and other receivables. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations between counterparties. Furthermore, the BDO Unibank Group and the Parent Bank incorporated forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition and the measurement of ECL. The BDO Unibank Group and the Parent Bank have identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, have estimated relationships between macro-economic variables, credit risk and credit losses.

The significant judgments applied and the subjectivity of estimates used by management have further heightened due to the unprecedented impact of COVID-19 pandemic to the BDO Unibank Group's and the Parent Bank's loans and receivables. In 2021, the management performed comprehensive review of loan accounts to assess vulnerable loan accounts which resulted in the transfer of the classification of some loans from Stage 1 to either Stage 2 or 3. Further, BDO Unibank Group and the Parent Bank consider the current and forecasted macroeconomic variables in determining the appropriate overlay and in updating the probability of default and loss given default. Accordingly, the BDO Unibank Group and the Parent Bank have recognized in 2021 impairment losses on loans and other receivables amounting to P17,222 million and P17,006 million, respectively, based on the ECL model used by the BDO Unibank Group and the Parent Bank by considering the current credit status of the loans and receivables and the potential delinquencies brought about by the current economic condition.





The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and other receivables, and the related credit risk are included in Notes 4 and 11 to the financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to the adequacy of allowance for impairment of loans and other receivables, which was considered to be a significant risk, included:

- testing the design and operating effectiveness of relevant controls across the processes, as assisted by our own Information Technology specialists, over the loan classification into stages, and the calculation and recognition of the allowance for impairment;
- evaluating appropriateness of the BDO Unibank Group and the Parent Bank's credit policy and loan impairment process as approved by the Board of Directors;
- verifying that the loans are classified to the appropriate stage, and challenging the criteria used to categorize the loan to Stage 1, 2 or 3 in accordance with PFRS 9;
- on a sample basis, evaluating the appropriateness of the credit risk ratings of loans to assess appropriateness of credit risk monitoring;
- assessing the appropriateness of the BDO Unibank Group and the Parent Bank's design of the ECL impairment model;
- evaluating the inputs and assumptions, as well as the formulas used in the development of the ECL models for each of the loan portfolio. This includes assessing the completeness and appropriateness of the formula and inputs used in determining the probability of default, loss given default and exposure at default;
- for forward-looking information used, evaluating whether the forecasted macro-economic factors, which generally include but not limited to Gross Domestic Product growth, unemployment rate, foreign exchange, stock market index, oil prices and interest rates, were appropriate. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates as well as the impact of these variables to the ECL;
- assessing the borrowers' repayment abilities by examining payment history for selected loan accounts; and,
- on selected non-performing loan accounts, evaluating the management's forecast of recoverable cash flows based on agreed restructuring agreement, actual payment pattern after the restructuring, valuation of collaterals and estimates of recovery from other sources of collection.





**(b) Valuation of Financial Instruments**

*Description of the Matter*

In general, the fair valuation of the financial instruments of the BDO Unibank Group and the Parent Bank is computed with reference to external sources and readily available market value. The fair valuation of financial instruments of the BDO Unibank Group and the Parent Bank is considered a key area of focus in our audit due to the use of inputs from external sources in computing the market value of some financial instruments such as derivative with no readily available market value. To the extent practicable, certain financial instruments are measured using models with observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

As of December 31, 2021, the derivative financial assets and derivatives with negative fair values of the BDO Unibank Group that are carried at fair value amounted to P6,232 million and P5,742 million, respectively, while that of the Parent Bank amounted to P2,469 million and P2,462 million, respectively.

The disclosures of the BDO Unibank Group and the Parent Bank on exposure to financial instruments valuation risk are included in Note 4 to the financial statements.

*How the Matter was Addressed in the Audit*

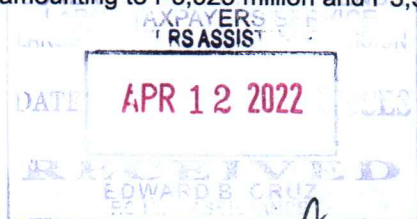
Our audit procedures, included among others, the following:

- testing of design and operating effectiveness of relevant controls over the valuation process including the valuation method and assumption used by the BDO Unibank Group and the Parent Bank on the financial instruments, particularly the measurement of derivative financial instruments;
- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources;
- recomputing the fair values based on the inputs and compared with the market values used by the BDO Unibank Group and the Parent Bank; and,
- reviewing the formulas used in fair market valuation.

**(c) Carrying Value of Goodwill and Other Intangible Assets with Indefinite Useful Lives**

*Description of the Matter*

BDO Unibank Group has goodwill of P4,535 million, with allowance for impairment of P1,514 million, as of December 31, 2021, and the significant portion of which relates to the acquisition of BDO Network Bank, Inc. (BDO Network). Furthermore, the BDO Unibank Group and the Parent Bank have other intangible assets with indefinite useful lives amounting to P3,525 million and P3,522, respectively.





Under PFRS, BDO Unibank Group and the Parent Bank are required to annually test the amount of goodwill and other intangible assets with indefinite useful lives for impairment. This annual impairment testing of goodwill and other intangible assets with indefinite useful lives for impairment is considered to be a key audit matter because the management's process in assessing the recoverability of the intangible assets is complex. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill and other intangible assets with indefinite useful lives are allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimates for forecasted statement of financial position and net profit of CGUs, terminal value growth rates and discount rate.

The BDO Unibank Group's disclosures about goodwill and other intangible assets are included in Notes 2, 3 and 15 to the financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill and other intangible assets with indefinite useful lives included, among others, evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the forecasted statement of financial position and statement of income as well as the discount and growth rate used. We have involved our Firm valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs. In addition, our audit of the financial statements of BDO Network as of and for the year ended December 31, 2021 did not identify events or conditions that may cast significant doubt on BDO Network's ability to continue as a going concern.

**Other Information**

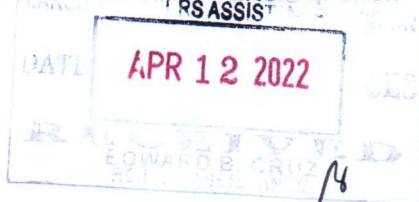
Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditors' report.

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

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

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

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







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

Those charged with governance are responsible for overseeing the BDO Unibank Group's and the Parent Bank's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BDO Unibank Group's and the Parent Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BDO Unibank Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the BDO Unibank Group and the Parent Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BDO Unibank Group and the Parent Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

APR 12 2022  
EDWARD B. CRUZ, JR.



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

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

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

### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 31 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. The supplementary information for the years ended December 31, 2021 and 2020 required by the BSP as disclosed in Note 36 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by BIR and BSP is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is not also a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC.


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

### PUNONGBAYAN & ARAULLO

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

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 8852339, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-4 (until Sept. 4, 2022)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

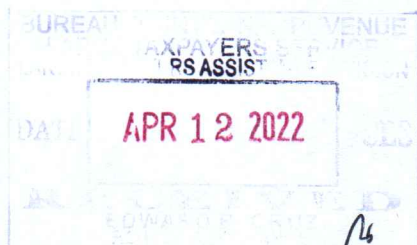


 February 24, 2022

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Millions of Philippine Pesos)*

|  | Notes | BDO Unibank Group  |                    | Parent Bank        |                    |
|--|-------|--------------------|--------------------|--------------------|--------------------|
|  |       | 2021               | 2020               | 2021               | 2020               |
| <b>RESOURCES</b>                                     |       |                    |                    |                    |                    |
| CASH AND OTHER CASH ITEMS                            | 8     | P 69,105           | P 74,851           | P 66,440           | P 72,301           |
| DUE FROM BANGKO SENTRAL NG PILIPINAS                 | 8     | 304,906            | 308,636            | 302,660            | 305,079            |
| DUE FROM OTHER BANKS                                 | 9     | 70,092             | 65,289             | 64,349             | 63,281             |
| TRADING AND INVESTMENT SECURITIES - Net              | 10    | 616,261            | 508,810            | 497,963            | 399,456            |
| LOANS AND OTHER RECEIVABLES - Net                    | 11    | 2,450,903          | 2,301,981          | 2,399,983          | 2,259,686          |
| PREMISES, FURNITURE, FIXTURES<br>AND EQUIPMENT - Net | 12    | 44,807             | 44,330             | 41,586             | 40,832             |
| INVESTMENT PROPERTIES - Net                          | 14    | 18,795             | 15,851             | 11,263             | 11,835             |
| OTHER RESOURCES - Net                                | 15    | 48,880             | 55,152             | 81,762             | 82,913             |
| <b>TOTAL RESOURCES</b>                               |       | <b>P 3,623,749</b> | <b>P 3,374,900</b> | <b>P 3,466,006</b> | <b>P 3,235,383</b> |
| <b>LIABILITIES AND EQUITY</b>                        |       |                    |                    |                    |                    |
| DEPOSIT LIABILITIES                                  | 17    | P 2,820,896        | P 2,610,151        | P 2,751,715        | P 2,548,291        |
| BILLS PAYABLE  | 18    | 204,431            | 209,744            | 196,174            | 202,867            |
| INSURANCE CONTRACT LIABILITIES                       | 20    | 65,328             | 58,410             | -                  | -                  |
| OTHER LIABILITIES                                    | 21    | 108,546            | 103,574            | 94,656             | 92,171             |
| Total Liabilities                                    |       | 3,199,201          | 2,981,879          | 3,042,545          | 2,843,329          |
| <b>EQUITY</b>  | 22    |                    |                    |                    |                    |
| Attributable to:                                     |       |                    |                    |                    |                    |
| Shareholders of the Parent Bank                      |       | 422,934            | 391,423            | 423,461            | 392,054            |
| Non-controlling Interests                            |       | 1,614              | 1,598              | -                  | -                  |
|  |       | 424,548            | 393,021            | 423,461            | 392,054            |
| <b>TOTAL LIABILITIES AND EQUITY</b>                  |       | <b>P 3,623,749</b> | <b>P 3,374,900</b> | <b>P 3,466,006</b> | <b>P 3,235,383</b> |

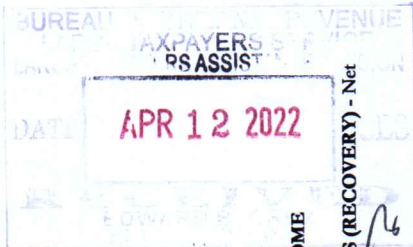
*See Notes to Financial Statements.*





**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Millions of Philippine Pesos Except Per Share Data)*

|  | Notes  | BDO Unibank Group |                 |                 | Parent Bank     |                 |                 |
|--|--------|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|  |        | 2021              | 2020            | 2019            | 2021            | 2020            | 2019            |
| <b>INTEREST INCOME</b>                             | 23     | P 144,879         | P 157,031       | P 160,572       | P 136,772       | P 149,697       | P 153,081       |
| <b>INTEREST EXPENSE</b>                            | 24     | 13,533            | 23,331          | 40,681          | 12,906          | 22,400          | 38,581          |
| <b>NET INTEREST INCOME</b>                         |        | <u>131,346</u>    | <u>133,700</u>  | <u>119,891</u>  | <u>123,866</u>  | <u>127,297</u>  | <u>114,500</u>  |
| <b>IMPAIRMENT LOSSES (RECOVERY) - Net</b>          | 16     |                   |                 |                 |                 |                 |                 |
| Financial Assets                                   | 10, 11 | 16,942            | 29,661          | 6,021           | 16,745          | 29,037          | 5,754           |
| Non-financial Assets                               | 15     | 93                | 511             | 200             | 56              | 491             | -               |
| Others   | 21     | 28                | 68              | ( 55 )          | 28              | 68              | ( 55 )          |
|  |        | <u>17,063</u>     | <u>30,240</u>   | <u>6,166</u>    | <u>16,829</u>   | <u>29,596</u>   | <u>5,699</u>    |
| <b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b> |        | <u>114,283</u>    | <u>103,460</u>  | <u>113,725</u>  | <u>107,037</u>  | <u>97,701</u>   | <u>108,801</u>  |
| <b>OTHER OPERATING INCOME</b>                      | 25     | 61,354            | 55,210          | 60,111          | 40,635          | 37,254          | 43,145          |
| <b>OTHER OPERATING EXPENSES</b>                    | 25     | 119,875           | 112,640         | 114,649         | 93,613          | 90,067          | 94,337          |
| <b>PROFIT BEFORE TAX</b>                           |        | <u>55,762</u>     | <u>46,030</u>   | <u>59,187</u>   | <u>54,059</u>   | <u>44,888</u>   | <u>57,609</u>   |
| <b>TAX EXPENSE</b>                                 | 31     | 12,907            | 17,776          | 15,019          | 11,378          | 16,282          | 13,376          |
| <b>NET PROFIT</b>                                  |        | <u>P 42,855</u>   | <u>P 28,254</u> | <u>P 44,168</u> | <u>P 42,681</u> | <u>P 28,606</u> | <u>P 44,233</u> |
| Attributable to:                                   |        |                   |                 |                 |                 |                 |                 |
| Shareholders of the Parent Bank                    |        | P 42,791          | P 28,246        | P 44,194        | P 42,681        | P 28,606        | P 44,233        |
| Non-controlling Interests                          |        | 64                | 8               | ( 26 )          |                 |                 |                 |
| <b>Earnings Per Share:</b>                         | 32     |                   |                 |                 |                 |                 |                 |
| Basic  |        | P 9.68            | P 6.37          | P 10.02         | P 9.68          | P 6.37          | P 10.02         |
| Diluted  |        | P 9.66            | P 6.37          | P 10.02         | P 9.66          | P 6.37          | P 10.02         |



**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Millions of Philippine Pesos)*

| Notes | BDO Unibank Group |           |           | Parent Bank |           |           |
|-------|-------------------|-----------|-----------|-------------|-----------|-----------|
|       | 2021              | 2020      | 2019      | 2021        | 2020      | 2019      |
|       | P                 | P         | P         | P           | P         | P         |
|       | 42,855            | 28,254    | 44,168    | 42,681      | 28,606    | 44,233    |
|       | ( 5,365 )         | 4,069     | 7,583     | ( 2,572 )   | 2,381     | 3,659     |
| 10    | ( 307 )           | ( 50 )    | 228       | ( 192 )     | ( 147 )   | ( 7 )     |
| 10    | ( 87 )            | 37        | 13        | ( 70 )      | 36        | 5         |
|       | ( 5,759 )         | 4,056     | 7,824     | ( 2,834 )   | 2,270     | 3,657     |
|       | 92                | ( 44 )    | ( 1 )     | 50          | ( 8 )     | ( 5 )     |
|       | ( 5,667 )         | 4,012     | 7,823     | ( 2,784 )   | 2,262     | 3,652     |
| 20    | 5,686             | ( 6,070 ) | ( 5,046 ) | -           | -         | -         |
| 26    | ( 6,013 )         | 764       | ( 2,355 ) | ( 5,663 )   | 732       | ( 2,240 ) |
|       | 55                | -         | -         | 55          | -         | -         |
| 10    | 135               | 579       | 79        | 49          | 869       | ( 181 )   |
|       | ( 137 )           | ( 4,727 ) | ( 7,322 ) | ( 5,559 )   | 1,601     | ( 2,421 ) |
| 15.2  | ( 6 )             | ( 10 )    | 14        | 2,587       | ( 4,610 ) | 34        |
|       | ( 5,810 )         | ( 725 )   | 515       | ( 5,756 )   | ( 747 )   | 1,265     |
|       | P 37,045          | P 27,529  | P 44,683  | P 36,925    | P 27,859  | P 45,498  |
|       | P 37,028          | P 27,505  | P 44,675  |             |           |           |
|       | 17                | 24        | 8         |             |           |           |
|       | P 37,045          | P 27,529  | P 44,683  |             |           |           |

**NET PROFIT**

**OTHER COMPREHENSIVE INCOME (LOSS)**

Items that are or will be reclassified subsequently to profit or loss:  
 Net unrealized gains (losses) on debt investments at fair value through other comprehensive income (FVOCI), net of tax  
 Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax  
 Impairment losses (recoveries) on debt investments at FVOCI  
 Net gains (losses) on FVOCI securities, net of tax  
 Translation adjustment related to foreign operations

Items that will not be reclassified to profit or loss:  
 Remeasurement on life insurance reserves  
 Actuarial gain (losses) on rereasurement of retirement benefit obligation, net of tax  
 Reversal of revaluation increment, net of tax  
 Unrealized gains (losses) on equity investments at FVOCI, net of tax

Share in other comprehensive income (loss) of subsidiaries and associates accounted for under equity method

Other Comprehensive Income (Loss), net of tax

**TOTAL COMPREHENSIVE INCOME**

Attributable to:  
 Shareholders of the Parent Bank  
 Non-controlling Interests

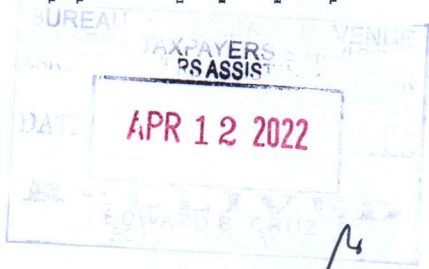
See Notes to Financial Statements.

TAXPAYER'S ASSISTANCE  
 APR 12 2022  
 EDWARD B. CRUZ

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
*(Amounts in Millions of Philippine Pesos)*

| Notes   | BDO Unibank Group |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|---|-------------------|-----------------|----------------------------|------------------|----------------|-------------|--------------------------------------|---|-----------------------|--|-----------------------------------|--|---|---------------------------|--------------|
|   | Common Stock      | Preferred Stock | Additional Paid-in Capital | Surplus Reserves | Other Reserves | Surplus Fee | Net Unrealized Gain (Loss) on PFC/CI | Accumulated Amortized Intangible Assets | Revaluation Increment | Measurement on Life Insurance Reserves | Accumulated Transition Adjustment | Accumulated Share in Other Comprehensive Income (Loss) of Associates | Total Attributable to Shareholders of the Parent Bank | Non-controlling Interests | Total Equity |
|   | P                 | P               | P                          | P                | P              | P           | P                                    | P                                       | P                     | P                                      | P                                 | P  | P   | P                         | P            |
| <b>BALANCE AT JANUARY 1, 2021</b>   | 43,842            | 5,150           | 124,377                    | 17,864           | 29             | 214,525     | 4,008                                | 10,089                                  | 955                   | 8,859                                  | 49                                | 391,423  | 1,598   | 393,021                   |              |
| Transactions with owners  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Issuance of shares during the year  | 13                |                 | 120                        | 44               |                |             |                                      |   |                       |  |                                   | 133  |   | 133                       |              |
| Options transferred during the year   |                   |                 |                            | 273              |                |             |                                      |   |                       |  |                                   | 44   |   | 44                        |              |
| Options exercised during the year   |                   |                 |                            |                  |                | 5,627       |                                      |   |                       |  |                                   | 5,627  |   | 5,627                     |              |
| Cash dividends  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   | 13                |                 | 120                        | 317              |                | 5,627       |                                      |   |                       |  |                                   | 5,121  |   | 5,121                     |              |
| Total comprehensive income (loss)   |                   |                 |                            |                  |                | 42,791      | 5,993                                | 5,993                                   | 85                    | 5,686                                  | 92                                | 27,028   | 6   | 37,695                    |              |
| Transfer from Surplus Fee   |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Trust income  |                   |                 |                            | 263              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Appropriation of excess GLIP over BCL   |                   |                 |                            | 1,317            |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Other reserves  |                   |                 |                            | 49               |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   |                   |                 |                            | 1,639            |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Disposal of equity securities classified as available-for-sale through other comprehensive income (PVOCI) |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| <b>BALANCE AT DECEMBER 31, 2021</b>   | 43,855            | 5,150           | 124,447                    | 18,938           | 29             | 249,742     | 10,001                               | 16,082                                  | 1,040                 | 3,173                                  | 43                                | 429,854  | 1,644   | 431,498                   |              |
|   | P                 | P               | P                          | P                | P              | P           | P                                    | P                                       | P                     | P                                      | P                                 | P  | P   | P                         |              |
| <b>BALANCE AT JANUARY 1, 2020</b>   | 43,814            | 5,150           | 124,049                    | 18,562           | 12             | 192,833     | 1,741                                | 11,224                                  | 955                   | 2,789                                  | 11                                | 348,932  | 1,655   | 350,587                   |              |
| Transactions with owners  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Issuance of shares during the year  | 28                |                 | 278                        | 92               |                |             |                                      |   |                       |  |                                   | 306  |   | 306                       |              |
| Options transferred during the year   |                   |                 |                            | 354              |                |             |                                      |   |                       |  |                                   | 92   |   | 92                        |              |
| Options exercised during the year   |                   |                 |                            |                  |                | 5,603       |                                      |   |                       |  |                                   | 354  |   | 354                       |              |
| Cash dividends  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   | 5,603  |   | 5,603                     |              |
|   | 28                |                 | 278                        | 362              |                | 5,603       |                                      |   |                       |  |                                   | 5,012  |   | 5,012                     |              |
| Total comprehensive income (loss)   |                   |                 |                            |                  |                | 28,246      | 4,654                                | 765                                     |                       | 6,070                                  | 60                                | 27,505   | 24  | 27,529                    |              |
| Transfer from Surplus Fee   |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Trust income  |                   |                 |                            | 272              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Reversal of appropriation   |                   |                 |                            | 209              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Reversal of appropriation of excess GLIP over BCL   |                   |                 |                            | 830              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Other reserves  |                   |                 |                            | 107              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   |                   |                 |                            | 660              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Disposal of equity securities classified as PVOCI   |                   |                 |                            |                  |                | 1,109       |                                      |   |                       |  |                                   |  |   |                           |              |
| Change in ownership interest in subsidiaries  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| <b>BALANCE AT DECEMBER 31, 2020</b>   | 43,842            | 5,150           | 124,377                    | 17,864           | 26             | 214,525     | 4,008                                | 10,459                                  | 955                   | 8,859                                  | 49                                | 391,423  | 1,598   | 393,021                   |              |
|   | P                 | P               | P                          | P                | P              | P           | P                                    | P                                       | P                     | P                                      | P                                 | P  | P   | P                         |              |
| <b>BALANCE AT JANUARY 1, 2019</b>   | 43,740            | 5,150           | 123,377                    | 14,388           | 9              | 155,080     | 10,392                               | 8,893                                   | 1,008                 | 2,297                                  | 13                                | 326,025  | 771   | 326,796                   |              |
| Transactions with owners  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Issuance of shares during the year  | 74                |                 | 672                        | 756              |                |             |                                      |   |                       |  |                                   | 746  |   | 746                       |              |
| Options transferred during the year   |                   |                 |                            | 994              |                |             |                                      |   |                       |  |                                   | 994  |   | 994                       |              |
| Options exercised during the year   |                   |                 |                            |                  |                | 5,593       |                                      |   |                       |  |                                   | 5,593  |   | 5,593                     |              |
| Cash dividends  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   | 74                |                 | 672                        | 1,750            |                | 5,593       |                                      |   |                       |  |                                   | 3,027  |   | 3,027                     |              |
| Total comprehensive income (loss)   |                   |                 |                            |                  |                | 44,154      | 3,862                                | 2,247                                   |                       | 5,046                                  | 2                                 | 44,625   | 8   | 44,633                    |              |
| Transfer from Surplus Fee   |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Trust income  |                   |                 |                            | 272              |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Appropriation of excess GLIP over BCL   |                   |                 |                            | 1,543            |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Other reserves  |                   |                 |                            | 9                |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   |                   |                 |                            | 1,624            |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Disposal of equity securities classified as PVOCI   |                   |                 |                            |                  |                | 689         |                                      | 770                                     |                       |  |                                   | 40   |   | 40                        |              |
| Change in ownership interest in subsidiaries  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| Disposal of properties  |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
|   |                   |                 |                            |                  |                |             |                                      |   |                       |  |                                   |  |   |                           |              |
| <b>BALANCE AT DECEMBER 31, 2019</b>   | 43,814            | 5,150           | 124,049                    | 18,562           | 12             | 192,833     | 1,741                                | 11,224                                  | 955                   | 2,789                                  | 11                                | 348,932  | 1,655   | 350,587                   |              |
|   | P                 | P               | P                          | P                | P              | P           | P                                    | P                                       | P                     | P                                      | P                                 | P  | P   | P                         |              |

See Notes to Financial Statements.





**BOO LUNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Millions of Philippine Pesos)*

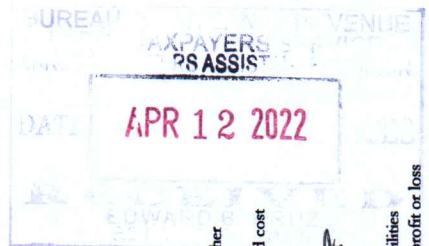
|   | Parent Bank  |                 |                            |                  |              |                                     | Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries |                       | Total Equity   |              |
|---|--------------|-----------------|----------------------------|------------------|--------------|-------------------------------------|--|-----------------------|--|--------------|
|   | Common Stock | Preferred Stock | Additional Paid-in Capital | Surplus Reserves | Surplus Free | Net Unrealized Gain (Loss) on FVOCI | Accumulated Translations Adjustment                                    | Revaluation Increment | Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries | Total Equity |
| <b>2021</b>   |              |                 |                            |                  |              |                                     |  |                       |  |              |
| BALANCE AT JANUARY 1, 2021  | 43,842       | 5,150           | 124,308                    | 17,085           | 214,307      | 2,495                               | 14   | 952                   | 14   | 392,054      |
| Transactions with owners  | 13           | -               | 120                        | 65               | -            | -                                   | -  | -                     | -  | 113          |
| Issuance of shares during the year  | -            | -               | -                          | 252              | -            | -                                   | -  | -                     | -  | 65           |
| Options transferred during the year   | -            | -               | -                          | (5,602)          | -            | -                                   | -  | -                     | -  | 252          |
| Options expensed during the year  | -            | -               | -                          | -                | -            | -                                   | -  | -                     | -  | (5,602)      |
| Cash dividends  | -            | -               | -                          | 317              | (3,602)      | -                                   | -  | -                     | -  | (3,122)      |
| Total comprehensive income (loss)   | -            | -               | -                          | 1,557            | (45,681)     | (3,162)                             | 50   | 55                    | (2,907)  | 56,925       |
| Transfer from Surplus Free  | -            | -               | -                          | 263              | (263)        | -                                   | -  | -                     | -  | -            |
| Total reserve   | -            | -               | -                          | 1,250            | (1,250)      | -                                   | -  | -                     | -  | -            |
| Appropriation of excess GLIP over BCL   | -            | -               | -                          | 44               | (44)         | -                                   | -  | -                     | -  | -            |
| Other reserves  | -            | -               | -                          | 1,557            | (1,557)      | -                                   | -  | -                     | -  | -            |
| Deposits of equity securities classified as fair value through other comprehensive income (FVOCI) | -            | -               | -                          | -                | (32)         | (22)                                | -  | -                     | (22)   | (36)         |
| BALANCE AT DECEMBER 31, 2021  | 43,855       | 5,150           | 124,428                    | 18,999           | 209,407      | 340                                 | 36   | 1,007                 | 36   | 423,441      |
| <b>2020</b>   |              |                 |                            |                  |              |                                     |  |                       |  |              |
| BALANCE AT JANUARY 1, 2020  | 43,814       | 5,150           | 124,000                    | 17,387           | 191,735      | 828                                 | 6  | 952                   | 6  | 369,210      |
| Transactions with owners  | 28           | -               | 278                        | 54               | -            | -                                   | -  | -                     | -  | 306          |
| Issuance of shares during the year  | -            | -               | -                          | 316              | -            | -                                   | -  | -                     | -  | 54           |
| Options transferred during the year   | -            | -               | -                          | (5,602)          | -            | -                                   | -  | -                     | -  | 316          |
| Options expensed during the year  | -            | -               | -                          | -                | -            | -                                   | -  | -                     | -  | (5,602)      |
| Cash dividends  | -            | -               | -                          | 278              | (262)        | -                                   | -  | -                     | -  | (3,032)      |
| Total comprehensive income (loss)   | -            | -               | -                          | 28,606           | (3,129)      | 322                                 | (8)  | -                     | (4,610)  | 27,889       |
| Transfer from Surplus Free  | -            | -               | -                          | 223              | (223)        | -                                   | -  | -                     | -  | -            |
| Total reserve   | -            | -               | -                          | 87               | (87)         | -                                   | -  | -                     | -  | -            |
| Reversal of appropriation of excess GLIP over BCL   | -            | -               | -                          | 40               | (40)         | -                                   | -  | -                     | -  | -            |
| Other reserves  | -            | -               | -                          | 564              | (564)        | -                                   | -  | -                     | -  | -            |
| Deposits of equity securities classified as FVOCI   | -            | -               | -                          | -                | (1,102)      | 146                                 | -  | -                     | 807  | 6            |
| Other adjustment  | -            | -               | -                          | 11               | -            | -                                   | -  | -                     | -  | 11           |
| Change in ownership interest in subsidiaries  | -            | -               | -                          | 11               | -            | -                                   | -  | -                     | -  | 11           |
| BALANCE AT DECEMBER 31, 2020  | 43,842       | 5,150           | 124,308                    | 17,085           | 214,307      | 2,495                               | 14   | 952                   | 14   | 392,054      |
| <b>2019</b>   |              |                 |                            |                  |              |                                     |  |                       |  |              |
| BALANCE AT JANUARY 1, 2019  | 43,840       | 5,150           | 123,338                    | 13,885           | 154,172      | 4,281                               | 1  | 1,005                 | 1  | 326,765      |
| Transactions with owners  | 74           | -               | 672                        | 860              | -            | -                                   | -  | -                     | -  | 746          |
| Issuance of shares during the year  | -            | -               | -                          | 890              | -            | -                                   | -  | -                     | -  | 860          |
| Options transferred during the year   | -            | -               | -                          | (5,993)          | -            | -                                   | -  | -                     | -  | (5,993)      |
| Options expensed during the year  | -            | -               | -                          | -                | -            | -                                   | -  | -                     | -  | (3,092)      |
| Cash dividends  | -            | -               | -                          | 672              | (1,750)      | -                                   | -  | -                     | -  | (3,092)      |
| Total comprehensive income (loss)   | -            | -               | -                          | 44,233           | (3,675)      | (2,260)                             | (5)  | -                     | 34   | 45,498       |
| Transfer from Surplus Free  | -            | -               | -                          | 199              | (199)        | -                                   | -  | -                     | -  | -            |
| Total reserve   | -            | -               | -                          | 1,562            | (1,562)      | -                                   | -  | -                     | -  | -            |
| Appropriation of excess GLIP over BCL   | -            | -               | -                          | 1,752            | (1,752)      | -                                   | -  | -                     | -  | -            |
| Deposits of equity securities classified as FVOCI   | -            | -               | -                          | -                | (68)         | (23)                                | -  | -                     | (23)   | (712)        |
| Other adjustment  | -            | -               | -                          | 733              | -            | -                                   | -  | -                     | -  | 715          |
| Change in ownership interest in subsidiaries  | -            | -               | -                          | 71               | -            | -                                   | -  | (53)                  | -  | 23           |
| Disposal of properties  | -            | -               | -                          | 809              | -            | -                                   | -  | (53)                  | -  | 756          |
| BALANCE AT DECEMBER 31, 2019  | 43,814       | 5,150           | 124,000                    | 17,387           | 191,735      | 828                                 | 6  | 952                   | 6  | 369,210      |

See Notes to Financial Statements.

BUREAU OF TAXPAYERS ASSISTANTS  
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**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019**  
*(Amounts in Millions of Philippine Pesos)*

|   | Notes      | BDO Unibank Group |             |             | Parent Bank |             |             |
|---|------------|-------------------|-------------|-------------|-------------|-------------|-------------|
|   |            | 2021              | 2020        | 2019        | 2021        | 2020        | 2019        |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |            |                   |             |             |             |             |             |
| Profit before tax   |            | P 55,762          | P 46,030    | P 59,187    | P 54,059    | P 44,888    | P 57,609    |
| Adjustments for:  |            |                   |             |             |             |             |             |
| Interest income   | 23         | ( 144,879 )       | ( 157,031 ) | ( 160,572 ) | ( 136,772 ) | ( 149,697 ) | ( 153,081 ) |
| Interest received   |            | 147,093           | 153,049     | 151,225     | 140,391     | 146,917     | 145,459     |
| Interest paid   |            | ( 13,039 )        | ( 24,211 )  | ( 40,248 )  | ( 13,050 )  | ( 23,677 )  | ( 38,797 )  |
| Interest expense  | 24         | 13,533            | 23,331      | 40,681      | 12,906      | 22,400      | 38,581      |
| Gain from the disposal of securities at fair value through other comprehensive income (FVOCI) | 10         | ( 278 )           | ( 644 )     | ( 163 )     | ( 191 )     | ( 178 )     | ( 8 )       |
| Gain from the disposal of investment securities at amortized cost                             |            | 156               | 3,586       | 17          | 108         | 3,586       | 17          |
| Depreciation and amortization   | 12, 14, 15 | 9,198             | 9,190       | 8,850       | 8,035       | 7,935       | 7,564       |
| Impairment losses   |            | 17,063            | 30,240      | 6,166       | 16,829      | 29,596      | 5,699       |
| Share in net profit of subsidiaries and associates  | 15         | ( 814 )           | ( 470 )     | ( 696 )     | ( 6,350 )   | ( 3,839 )   | ( 6,046 )   |
| Foreign exchange loss (gain) unrealized   |            | 7,614             | 5,705       | 2,885       | 6,714       | 4,492       | 2,976       |
| Fair value losses (gains)   |            | 293               | ( 68 )      | 597         | 221         | 67          | 1,093       |
| Operating profit before changes in operating resources and liabilities                        |            | 75,576            | 81,535      | 67,895      | 68,814      | 75,318      | 61,032      |
| Decrease (increase) in financial assets at fair value through profit or loss                  |            | ( 10,287 )        | ( 9,976 )   | ( 7,374 )   | 39          | ( 1,222 )   | ( 1,040 )   |
| Increase in loans and other receivables   |            | ( 145,077 )       | ( 59,366 )  | ( 192,119 ) | ( 135,533 ) | ( 70,019 )  | ( 194,417 ) |
| Increase in investment properties   |            | 4,291             | 194         | ( 1,058 )   | 658         | 392         | ( 1,014 )   |
| Increase in other resources   |            | ( 13,928 )        | ( 16,213 )  | ( 16,122 )  | ( 9,535 )   | ( 14,039 )  | ( 13,265 )  |
| Increase in deposit liabilities   |            | 210,839           | 126,307     | 66,043      | 203,574     | 110,989     | 77,148      |
| Increase in insurance contract liabilities  |            | 12,604            | 9,867       | 8,921       |             |             |             |
| Increase in other liabilities   |            | 15,963            | 5,479       | 22,660      | 13,629      | 9,201       | 22,703      |
| Cash generated from (used in) operations  |            | 141,399           | 137,439     | ( 51,154 )  | 140,330     | 109,836     | ( 48,853 )  |
| Cash paid for income tax  |            | ( 13,213 )        | ( 15,857 )  | ( 13,555 )  | ( 12,140 )  | ( 14,872 )  | ( 11,861 )  |
| Net Cash From (Used in) Operating Activities  |            | 128,186           | 121,582     | ( 64,709 )  | 128,190     | 94,964      | ( 60,714 )  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |            |                   |             |             |             |             |             |
| Acquisitions of investment securities at amortized cost                                       | 10         | ( 169,502 )       | ( 116,777 ) | ( 79,199 )  | ( 161,191 ) | ( 111,208 ) | ( 78,983 )  |
| Acquisitions of securities at fair value through other comprehensive income (FVOCI)           | 10         | ( 476,166 )       | ( 197,175 ) | ( 58,665 )  | ( 446,867 ) | ( 162,827 ) | ( 39,656 )  |
| Maturities of investment securities at amortized cost   |            | 68,198            | 89,456      | 55,005      | 60,520      | 87,087      | 49,664      |
| Proceeds from disposals of securities at FVOCI  |            | 490,264           | 158,479     | 39,398      | 459,718     | 129,731     | 24,053      |
| Acquisitions of premises, furniture, fixtures and equipment                                   | 12         | ( 3,853 )         | ( 3,089 )   | ( 3,089 )   | ( 3,314 )   | ( 2,570 )   | ( 3,446 )   |
| Proceeds from disposals of premises, furniture, fixtures and equipment                        |            | 158               | 131         | 310         | 65          | 22          | 165         |
| Net Cash Used in Investing Activities   |            | ( 90,901 )        | ( 68,975 )  | ( 47,548 )  | ( 91,069 )  | ( 59,765 )  | ( 48,203 )  |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |            |                   |             |             |             |             |             |
| Proceeds from bills payable   | 18         | 127,859           | 375,207     | 510,151     | 60,762      | 181,674     | 132,467     |
| Payments of bills payable   | 18         | ( 139,905 )       | ( 327,299 ) | ( 482,251 ) | ( 74,022 )  | ( 120,527 ) | ( 99,044 )  |
| Dividends paid  | 22         | ( 5,603 )         | ( 5,600 )   | ( 5,593 )   | ( 5,602 )   | ( 5,600 )   | ( 5,593 )   |
| Payments of lease liabilities   | 13         | ( 3,238 )         | ( 2,940 )   | ( 3,122 )   | ( 3,100 )   | ( 2,828 )   | ( 3,076 )   |
| Proceeds from issuance of common stock  | 22         | 133               | 306         | 746         | 133         | 306         | 746         |
| Redemption of subordinated notes payable  | 19         | ( )               | ( 10,000 )  | ( )         | ( )         | ( 10,000 )  | ( )         |
| Net Cash From (Used in) Financing Activities  |            | ( 20,754 )        | 29,674      | 19,931      | ( 21,829 )  | 43,025      | 25,500      |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)</b>                 |            | P 16,531          | P 82,281    | P 92,326    | P 15,292    | P 78,224    | P 83,417    |





| Notes | BDO Umbank Group |         | Parent Bank |         |
|-------|------------------|---------|-------------|---------|
|       | 2021             | 2020    | 2021        | 2020    |
|       | P                | P       | P           | P       |
|       | 16,531           | 82,281  | 15,292      | 78,224  |
|       | (P)              | (P)     | (P)         | (P)     |
|       | 92,326           | 541,392 | 83,417      | 442,413 |
| 8     | 74,851           | 64,140  | 72,301      | 62,726  |
| 8     | 308,636          | 309,040 | 305,079     | 306,938 |
| 9     | 65,289           | 38,956  | 63,281      | 35,820  |
| 10    | 164              | 308     | 164         | 308     |
| 11    | 16,729           | 22,009  | 14,135      | 14,135  |
| 11    | 57,100           | 31,277  | 57,100      | 31,277  |
| 15    | 8,578            | 5,345   | 8,577       | 5,344   |
|       | 531,347          | 449,066 | 520,637     | 442,413 |
| 8     | 69,105           | 74,851  | 66,440      | 72,301  |
| 8     | 304,906          | 308,636 | 302,660     | 305,079 |
| 9     | 70,092           | 65,289  | 64,349      | 63,281  |
| 10    | 164              | 164     | 164         | 164     |
| 11    | 17,095           | 16,729  | 15,800      | 14,135  |
| 11    | 81,083           | 57,100  | 81,083      | 57,100  |
| 15    | 5,597            | 8,578   | 5,597       | 8,577   |
|       | 547,878          | 531,347 | 535,929     | 520,637 |
|       | P                | P       | P           | P       |
|       | 449,066          | 449,066 | 449,066     | 449,066 |
|       | 442,413          | 442,413 | 442,413     | 442,413 |

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Brought Forward)**

**CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR**

Cash and other cash items  
 Due from Bangko Sentral ng Pilipinas (BSP)  
 Due from other banks  
 Investment securities at amortized cost  
 Reverse repurchase agreements  
 Interbank loans receivables  
 Foreign currency notes and coins (FCNC)

**CASH AND CASH EQUIVALENTS AT END OF YEAR**

Cash and other cash items  
 Due from BSP  
 Due from other banks  
 Investment securities at amortized cost  
 Reverse repurchase agreements  
 Interbank loans receivables  
 FCNC



**Supplemental Information on Noncash Financing and Investing Activities**

The following are the significant noncash transactions:

- The BDO Umbank Group and the Parent Bank foreclosed real and other properties totalling to P13,523 and P13,479, respectively, as of December 31, 2021, P13,757 and P13,743, respectively, as of December 31, 2020 and P14,009 and P13,780, respectively, as of December 31, 2019 in settlement of certain loan accounts (see Note 14).
- The BDO Umbank Group and the Parent Bank recognized additional right-of-use assets amounting to P3,216 and P2,951, respectively, in 2021 and P1,775 and P1,628, respectively, in 2020 and P2,801 and P2,693, respectively, in 2019 which are presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 12 and 13).

**Other Information**

Certain investment securities at amortized cost, reverse repurchase agreements, interbank loans receivables, and FCNC are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Trading and Investment Securities, Loans and Other Receivables, and Other Resources, respectively, in the statements of financial position (see Note 2.5).

See Notes to Financial Statements.

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2021, 2020 AND 2019**

*(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)*

**1. CORPORATE MATTERS**

**1.1 Incorporation and Operations**

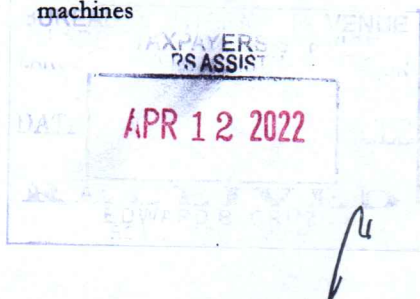
BDO Unibank, Inc. (BDO Unibank, BDO or the Parent Bank) was incorporated in the Philippines on December 20, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank on August 5, 1996. The Parent Bank commenced operations as such in September of the same year. The Parent Bank and its subsidiaries (collectively referred to as BDO Unibank Group) offer a wide range of banking services such as commercial banking, investment banking, private banking, insurance and other banking services. These services include traditional loan and deposit products, as well as treasury, asset management, realty management, leasing and finance, remittance, trade services, retail cash cards, life insurance and insurance brokerage, credit card services, stock brokerage, trust and others.

As a banking institution, BDO Unibank Group's operations are regulated and supervised by the BSP. In this regard, BDO Unibank Group is required to comply with the rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. BDO Unibank Group is subject to the provisions of Republic Act (R.A.) No. 8791, the *General Banking Law of 2000*, and other related banking laws.

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE).

The BDO Unibank Group and the Parent Bank's banking network within and outside the Philippines as of December 31, 2021 and 2020 follows:

|                                   | <u>BDO Unibank Group</u> |             | <u>Parent Bank</u> |             |
|-----------------------------------|--------------------------|-------------|--------------------|-------------|
|                                   | <u>2021</u>              | <u>2020</u> | <u>2021</u>        | <u>2020</u> |
| Local branches                    | 1,542                    | 1,470       | 1,191              | 1,182       |
| Foreign branches                  | 2                        | 2           | 2                  | 2           |
| Automated teller machines (ATMs): |                          |             |                    |             |
| On-site                           | 2,626                    | 2,539       | 2,339              | 2,307       |
| Off-site                          | 1,857                    | 1,898       | 1,812              | 1,855       |
| Cash accept machines (CAMs)       | 624                      | 599         | 624                | 599         |
| Self-service teller machines      | 9                        | 5           | 9                  | 5           |
| Mobile automated teller machines  | 1                        | 2           | 1                  | 2           |





BDO Unibank Group operates mainly within the Philippines with banking branches in Hong Kong and Singapore, a real estate and holding company in Europe, and various remittance subsidiaries operating in Asia, Europe, Canada and the United States. These foreign operations accounted for 1.2%, 1.0% and 1.1% of BDO Unibank Group's total revenues in 2021, 2020 and 2019, respectively, and 2.1% and 1.9% of BDO Unibank Group's total resources as of December 31, 2021 and 2020, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 15.2.

The Parent Bank's principal office address is at BDO Corporate Center, 7899 Makati Avenue, Makati City while the temporary business address is at BDO Towers Valero, 8741 Paseo de Roxas Street, Salcedo Village, Makati City effective October 30, 2021 until further notice.

### ***1.2 Approval of Financial Statements***

The financial statements of the BDO Unibank Group and the Parent Bank as of and for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 24, 2022.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

### ***2.1 Basis of Preparation of Financial Statements***

#### ***(a) Statement of Compliance with Financial Reporting Standards in the Philippines***

The consolidated financial statements of BDO Unibank Group and the separate financial statements of the Parent Bank have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC), from the pronouncements issued by the International Accounting Standards Board (IASB), and approved by the Philippine Board of Accountancy.

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

#### ***(b) Presentation of Financial Statements***

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The BDO Unibank Group and the Parent Bank present a statement of comprehensive income separate from the statement of income.

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

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the BDO Unibank Group and the Parent Bank's functional and presentation currency, and all values are presented in millions, except for per share data or when otherwise indicated (see also Note 2.22).

Items included in the financial statements of BDO Unibank Group and the Parent Bank are measured using its functional currency. Functional currency is the currency of the primary economic environment in which BDO Unibank Group and the Parent Bank operate.

## **2.2 Adoption of New and Amended PFRS**

(a) *Effective in 2021 that are Relevant to BDO Unibank Group and the Parent Bank*

The BDO Unibank Group and the Parent Bank adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021:

|  |   |   |
|--|---|---|
| PFRS 4, PFRS 7, PFRS 9 and<br>PFRS 16 (Amendments) | : | Insurance Contracts, Financial Instruments:<br>Disclosures, Financial Instruments and<br>Leases – Interest Rate Benchmark Reform<br>Phase 2 |
| PFRS 16 (Amendments)                               | : | Leases – Coronavirus Disease 2019<br>(COVID-19) – Related Rent Concessions<br>Beyond June 30, 2021  |

Discussed below and in the succeeding pages are the relevant information about these amendments to existing standards.

- (i) PFRS 9 (Amendments), *Financial Instruments*, PFRS 7 (Amendments), *Financial Instruments: Disclosures*, PFRS 16 (Amendments), *Leases*, and PFRS 4 (Amendments), *Insurance Contracts – Interest Rate Benchmark Reform Phase 2*. The amendments address issues that may affect financial reporting during the interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of the London Interbank Offered Rate (LIBOR) with alternative benchmark rates. The Phase 2 amendments are relevant to BDO Unibank Group because it is exposed to the effects of the LIBOR reform on its financial instruments that will mature post-2021 (the date by which the reform is expected to be implemented).

Discussed below are the relevant information arising from BDO Unibank Group's adoption of these amendments.

- When the contractual terms of the BDO Unibank Group's borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the BDO Unibank Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of PFRS 9 are applied to the other changes.

- When a lease is modified as a direct consequence of the interest rate benchmark reform and the new basis for determining the lease payments is economically equivalent to the previous basis, the BDO Unibank Group remeasures the lease liability to reflect the revised lease payments discounted using a revised discount rate that reflects the change in the basis for determining the contractual cash flows.

For the year ended December 31, 2021, the interest rate benchmark reform has no impact on the BDO Unibank Group's financial assets and liabilities. The changes in BDO Unibank Group's risk management strategy arising from the LIBOR reform and other required disclosures are disclosed in Note 4.6.

- (ii) The BDO Unibank Group and the Parent Bank elected to adopt early PFRS 16 (Amendments), *Leases – COVID-19-Related Rent Concessions beyond June 30, 2021*, which is effective from April 1, 2021. The amendment extends for one year the use of practical expedient of not assessing whether rent concessions reducing payments up until June 30, 2022 occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The BDO Unibank Group and the Parent Bank have applied this practical expedient to all rent concessions that need conditions of the amendments to PFRS 16. The rent concessions recognized as offset against Occupancy under Other Operating Expense account in the 2021 statement of income of the BDO Unibank Group and the Parent Bank amounted to P395 for the year ended December 31, 2021 (see Note 25).

(b) *Effective Subsequent to 2021 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2021, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on BDO Unibank Group and the Parent Bank's financial statements.

- (i) PFRS 3 (Amendments), *Business Combination – Reference to the Conceptual Framework* (effective from January 1, 2022)
- (ii) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use* (effective from January 1, 2022)
- (iii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract* (effective January 1, 2022)
- (iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2022, are relevant to the BDO Unibank Group:
  - PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities*
  - Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives*

- (v) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023)
- (vi) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January 1, 2023)
- (vii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective January 1, 2023)
- (viii) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective January 1, 2023)
- (ix) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)
- (x) PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4, *Insurance Contracts*. The Insurance Commission (IC), through its Circular Letter 2018-69, has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry. PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope.

This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.



### **2.3 Basis of Consolidation**

The BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Bank, and its subsidiaries as enumerated in Notes 2.3I and 15.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the BDO Unibank Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting principles.

The Parent Bank accounts for its investments in subsidiaries, associates and transactions with non-controlling interests as follows:

#### *(a) Investments in Subsidiaries*

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

The Parent Bank reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries [see Note 2.3(d)]. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BDO Unibank Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BDO Unibank Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of BDO Unibank Group's share of the identifiable net assets acquired, is recognized as goodwill. If the acquisition consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly as a gain in the statement of income [see Note 2.3(d)].

On the other hand, business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls BDO Unibank Group are accounted for under the pooling-of-interest method and reflected in the financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparative periods presented are restated. The resources and liabilities acquired are recognized in BDO Unibank Group's financial statements at their carrying amounts. The components of equity of the acquired entities are added to the same components within BDO Unibank Group's equity.

Investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method in the Parent Bank's financial statements (see Note 2.11).

(b) *Investment in Associates*

Associates are those entities over which the BDO Unibank Group and the Parent Bank are able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

All subsequent changes to the ownership interest in the equity of the associates are recognized in the BDO Unibank Group and the Parent Bank's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Equity in net profit (loss) of associates as part of Miscellaneous - net and Share in net income of subsidiaries and associates under Other Operating Income account in the statement of income for BDO Unibank Group and Parent Bank, respectively.

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Notes 2.21 and 15.2).

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

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

(c) *Transactions with Non-controlling Interests*

BDO Unibank Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of BDO Unibank Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recognized in equity. Disposals of equity investments to non-controlling interests, which result in gains or losses for BDO Unibank Group, are also recognized in equity.

When BDO Unibank Group ceases to have control, any interest retained in the subsidiary is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The initial carrying amount for the purposes of subsequently accounting for the interest retained as an associate, joint venture or financial asset is the fair value. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if BDO Unibank Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

In BDO Unibank Group's financial statements, the non-controlling interest component is shown in its statement of changes in equity, and in its statement of income and statement of comprehensive income for the share of profit or loss and movement of other comprehensive income, respectively, during the year.

The BDO Unibank Group holds interests in the following subsidiaries:

| Subsidiaries   | Percentage of Ownership |        |        |
|--|-------------------------|--------|--------|
|  | 2021                    | 2020   | 2019   |
| Rural Bank   |                         |        |        |
| BDO Network Bank, Inc.<br>(BDO Network)<br>(A Rural Bank of BDO) | <b>84.87%</b>           | 84.87% | 84.87% |
| Investment House   |                         |        |        |
| BDO Capital & Investment<br>Corporation (BDO Capital)            | <b>99.88%</b>           | 99.88% | 99.88% |
| Private Banking  |                         |        |        |
| BDO Private Bank, Inc.<br>(BDO Private)                          | <b>100%</b>             | 100%   | 100%   |
| Leasing and Finance  |                         |        |        |
| BDO Leasing and Finance,<br>Inc. (BDO Leasing)                   | <b>88.54%</b>           | 88.54% | 88.54% |
| Averon Holdings Corporation<br>(Averon)                          | <b>99.88%</b>           | 99.88% | 99.88% |
| BDO Rental, Inc. (BDO Rental)                                    | <b>100%</b>             | 100%   | 88.54% |
| BDO Finance Corporation<br>(BDO Finance)                         | <b>100%</b>             | 100%   | 100%   |
| Securities Companies   |                         |        |        |
| BDO Securities Corporation<br>(BDO Securities)                   | <b>99.88%</b>           | 99.88% | 99.88% |
| Armstrong Securities, Inc. (ASI)                                 | <b>80%</b>              | 80%    | 80%    |
| BDO Nomura Securities, Inc.<br>(BDO Nomura)                      | -                       | -      | 51%    |
| Real Estate Companies  |                         |        |        |
| BDO Strategic Holdings, Inc.<br>(BDOSHI)                         | <b>100%</b>             | 100%   | 100%   |
| BDORO Europe Ltd. (BDORO)  | <b>100%</b>             | 100%   | 100%   |
| Equimark-NFC Development<br>Corporation (Equimark)               | <b>60%</b>              | 60%    | 60%    |
| Insurance Companies  |                         |        |        |
| BDO Life Assurance Company Inc.,<br>(BDO Life)                   | <b>100%</b>             | 100%   | 100%   |
| BDO Insurance Brokers, Inc. (BDOI)                               | <b>100%</b>             | 100%   | 100%   |
| Remittance Companies   |                         |        |        |
| BDO Remit (Japan) Ltd.   | <b>100%</b>             | 100%   | 100%   |
| BDO Remit (Canada) Ltd.  | <b>100%</b>             | 100%   | 100%   |
| BDO Remit Limited  | <b>100%</b>             | 100%   | 100%   |
| BDO Remit (Macau) Ltd.   | <b>100%</b>             | 100%   | 100%   |
| BDO Remit International<br>Holdings B.V. (BDO RIH)               | <b>96.32%</b>           | 96.32% | 96.32% |
| BDO Remit (USA), Inc.  | <b>100%</b>             | 100%   | 100%   |
| BDO Remit (Italia) S.p.A   | -                       | 100%   | 100%   |
| Others   |                         |        |        |
| PCI Realty Corporation   | -                       | -      | 100%   |

Non-controlling interests represent the interests not held by BDO Unibank Group in BDO Network, BDO Capital, BDO Leasing, Averon, BDO Rental, BDO Securities, BDO Nomura, ASI, Equimark and BDO RIH in 2019. For 2021 and 2020, BDO Unibank Group's non-controlling interest is the same as 2019 except for BDO Rental and BDO Nomura, which was merged with BDO Securities.

On December 5, 2020, the BOD of the Parent Bank approved the write-off of the investment in PCI Realty Corporation (see Note 15.2).

On December 1, 2020, the merger of BDO Nomura and BDO Securities was completed, with BDO Securities as the surviving entity (see Note 30.2).

On June 13, 2020, BDO Remit (Italia) S.p.A completed its liquidation and made partial repatriation of funds to BDOSHI. Final capital return was made on July 1, 2021 (see Note 30.4).

On July 26, 2019, the BOD of BDOSHI approved and authorized BDOSHI to incorporate a new finance company with an initial paid-in capital of P1,000, subject to applicable regulatory approvals. On December 9, 2019, the Securities and Exchange Commission (SEC) approved the incorporation of BDO Finance (see Note 30.3).

On May 16, 2019, the Parent Bank completed the sale of its 15% ownership interest in BDO Network.

(d) *Business Combination*

Business acquisitions are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over BDO Unibank Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.21). Impairment losses on goodwill are not reversed.

Negative goodwill, if any, which is the excess of BDO Unibank Group's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost of investment is recognized directly in the statement of income.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segments.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by BDO Unibank Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting or pooling-of-interest method [see Note 2.3(a)].

## **2.4 Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to BDO Unibank Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows BDO Unibank Group's products and services as disclosed in Note 6, which represent the main products and services provided by BDO Unibank Group.

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

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

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

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

## **2.5 Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*. All other non-derivative financial instruments are treated as debt instruments.

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the BDO Unibank Group commits to purchase or sell the asset).

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

### *(a) Classification, Measurement and Reclassification of Financial Assets*

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

(i) *Financial Assets at Amortized Cost*

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

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

Except for other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any expected credit loss (ECL).

Where the business model is to hold assets to collect contractual cash flows, the BDO Unibank Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the BDO Unibank Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(c)]. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The BDO Unibank Group's financial assets at amortized cost are presented as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Investment securities at amortized cost and certain accounts under Other Resources account in the statement of financial position.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins (FCNC), reverse repurchase agreements, certain interbank bank loans receivables and investment securities at amortized cost with original maturities of three months or less from placement date.

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

BDO Unibank Group accounts for financial assets at fair value through other comprehensive income (FVOCI) if the assets meet the following conditions:

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

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

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

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

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

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

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading gain under Other Operating Income in the statement of income. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists.

Interest earned on these investments is recorded under Interest Income while dividend income is reported as part of Dividends under Other Operating Income account in the statement of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.



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

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

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

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

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

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

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

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.5(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) *Impairment of Financial Assets*

At the end of the reporting period, the BDO Unibank Group assesses its ECL on a forward-looking basis associated with its financial assets which consist of debt instruments carried at amortized cost and FVOCI, and other contingent accounts such as committed credit lines and unused commercial letter of credits. No impairment loss is recognized on equity investments. The BDO Unibank Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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

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

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

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

(d) *Measurement of ECL*

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

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

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

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

The BDO Unibank Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in NUGL account, and does not reduce the carrying amount of the financial asset in the statement of financial position, and other contingent accounts, for which the loss allowance is recognized in the other liability account.

The BDO Unibank Group's detailed ECL measurement as determined by the management is disclosed in Note 4.3.5.

(e) *Derecognition of Financial Assets*

(i) *Modification of Loans*

When the BDO Unibank Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the BDO Unibank Group assesses whether or not the new terms are substantially different to the original terms. The BDO Unibank Group considers, among others:

- if the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- whether any substantial new terms are introduced that will affect the risk profile of the loan;
- significant extension of the loan term when the borrower is not in financial difficulty;
- significant change in the interest rate;
- change in the currency the loan is denominated in; and/or,
- insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the BDO Unibank Group derecognizes the financial asset and recognizes a “new” asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the BDO Unibank Group also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are recognized as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the “new” asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the BDO Unibank Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

*(ii) Derecognition of Financial Assets Other than Through Modification*

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

*(f) Classification and Measurement of Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable, insurance contract liabilities and other liabilities (including derivatives with negative fair values, except taxes payable, unearned income and capitalized interest and other charges).

- *Deposit liabilities and other liabilities* are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

- *Bills payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable are subsequently measured at amortized cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- *Derivatives with negative fair values* are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss (see Note 2.6).
- *Lease deposits from operating and finance leases* (presented as Lease deposits under Other Liabilities account in the statement of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day-one gain and is included as part of Miscellaneous - net under Other Operating Income account in the statement of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense account in the statement of income.
- *Dividend distributions to shareholders* are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and subject to the requirements of BSP Circular 888.

(g) *Derecognition of Financial Liabilities*

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

(h) *Financial Guarantees and Undrawn Loan Commitments*

The BDO Unibank Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the BDO Unibank Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the BDO Unibank Group is required to provide a loan with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statement of financial position. These contracts are in the scope of the ECL requirements where the BDO Unibank Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the BDO Unibank Group's historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

## 2.6 *Derivative Financial Instruments*

BDO Unibank Group is a party to various foreign currency forwards, cross-currency swaps and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing BDO Unibank Group's foreign exchange and interest rate exposures, as well as for trading purposes.

Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, BDO Unibank Group recognizes profit or loss at initial recognition.

For more complex instruments, BDO Unibank Group uses valuation models, which usually use the discounted cash flow approach. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference in fair value indicated by valuation techniques is recognized as profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique, in some instances, is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

Certain derivatives, if any, may be designated as either: (i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument, if any, depends on the hedging relationship designated by BDO Unibank Group.

## **2.7 Premises, Furniture, Fixtures and Equipment**

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Property items of the former Equitable PCI Bank (EPCIB), entity merged with BDO Unibank in 2008, stated at appraised values were included in BDO Unibank Group balances at their deemed costs at the date of transition to PFRS in 2005. The revaluation increment is credited to Revaluation Increment account in the equity section of the statement of changes in equity, net of applicable deferred tax (see Note 2.16h).

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

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

|                                   |                |
|-----------------------------------|----------------|
| Buildings                         | 10 to 50 years |
| Furniture, fixtures and equipment | 3 to 15 years  |
| Leasehold rights and improvements | 5 to 10 years  |

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Fully depreciated assets are retained in accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21.h).

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

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

## **2.8 Investment Properties**

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these properties, the cost is recognized initially at fair value. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 50 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Notes 2.7 and 2.21).

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

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss and is presented as part of Income from assets sold or exchanged under Other Operating Income account in the statement of income in the year of retirement or disposal.

Transfers from other accounts (such as premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

### ***2.9 Real Properties for Development and Sale***

Real properties for development and sale (included as part of Other Resources account) consist of subdivision land for sale and development, and land acquired for home building, home development, and other types of real estate development. These are carried at the lower of aggregate cost and net realizable value (NRV). Costs, which are determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land.

Real properties for development and sale are derecognized upon disposal or no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of these properties is recognized in profit or loss and is presented as part of Income from assets sold or exchanged under Other Operating Income account in the year of retirement or disposal.

### ***2.10 Non-current Assets Held for Sale***

Non-current assets held for sale include other properties (chattels) acquired through repossession or foreclosure that BDO Unibank Group intends to sell within one year from the date of classification as held for sale.

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



Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The BDO Unibank Group shall recognize an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation or amortization.

If BDO Unibank Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the BDO Unibank Group shall cease to classify the asset as held for sale and will reclassify it as investment properties for land and building, or other properties for chattel and other assets. For building under investment properties or other properties, this would be subject to depreciation.

The profit or loss arising from the sale of assets held for sale is included as part of Income from assets sold or exchanged under Other Operating Income account in the statement of income.

### ***2.11 Equity Investments***

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented as Equity investments under Other Resources account in the statement of financial position) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.21). Associates are all entities over which the BDO Unibank Group has significant influence but which are neither subsidiaries nor interest in a joint venture.

Investments in subsidiaries and associates are initially recognized at cost and subsequently accounted for using the equity method (see Note 2.3).

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

Impairment loss is provided when there is objective evidence that the investment in a subsidiary and an associate will not be recovered (see Note 2.21).

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

### ***2.12 Other Resources***

Other resources, which include non-current assets held for sale (see Note 2.10), pertain to other assets that are controlled by BDO Unibank Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to BDO Unibank Group and the asset has a cost or value that can be measured reliably. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.21).

### **2.13 Intangible Assets**

Intangible assets include goodwill, trading rights, branch licenses, customer lists, trademark and computer software licenses.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition [see Note 2.3(d)]. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but to an annual test for impairment (see Note 2.21). Goodwill is subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Trading rights represent the rights given to securities subsidiaries of BDO Unibank Group engage in stock brokerage to preserve access to the trading facilities and to transact business on PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. BDO Unibank Group has no intention to sell its trading right in the future as it intends to continue to operate its stock brokerage business. The trading right is tested annually for any impairment in realizable value (see Note 2.21).

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks or as provided by the BSP in addition to the current branches of the acquired banks. Branch licenses are assessed as having an indefinite useful life and are tested annually for any impairment (see Note 2.21).

Customer lists consist of information about customers such as their name, contact information, and managed accounts under BDO Unibank Group's trust business. The customer list is classified as intangible asset with indefinite useful life, hence, would be reviewed for impairment by assessing at each reporting date whether there is any indication that the trust business brought about by the customer lists may be impaired (see Note 2.21).

Trademark pertains to the license granted to the Parent Bank for the exclusive right to use the trademark, service mark, name or logo of Diners Club International, Ltd. (Diners) in connection with the Parent Bank's operation of Diners Club card business in the Philippines. The trademark is covered by a trademark license agreement with a term of five years, renewable every five years, subject to certain conditions set by trademark owner. This intangible asset is recognized at an amount equal to the excess of purchase price for the acquisition of Diners credit card portfolio over the acquisition-date fair value of the net assets acquired. It is amortized on a straight-line basis over a finite useful life of five years based on the term of the trademark license agreement, which is deemed to have a finite useful life since renewal is not guaranteed.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

## 2.14 Insurance Contract Liabilities

### (a) Legal Policy Reserves

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code and guidelines set by the IC.

The BDO Unibank Group uses gross premium valuation (GPV) as the basis for valuation of the reserves for traditional life insurance policies. GPV is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate provided by the IC. For this purpose, the expected future cash flows shall be determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation (MfAD) from the expected experience. The methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines, which now considers other assumptions such as morbidity, lapse and/or persistency, non-guaranteed benefits and MfAD.

The changes in legal policy reserves for traditional life insurance policies are recognized as follows:

- (i) the increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in discount rate will be recognized to profit or loss; and,
- (ii) remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income (see Note 2.16).

### (b) Insurance Contracts with Fixed and Guaranteed Terms

Liabilities are determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums discounted at rates prescribed by the IC. Future cash flows are determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

BDO Unibank Group has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, wherein discount rates are based on risk-free discount rates provided by IC and other assumptions such as mortality, disability, lapse, and expenses taking into account BDO Unibank Group's experience.

### (c) Variable Unit-linked Insurance Contracts

BDO Unibank Group, through BDO Life, issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by BDO Unibank Group with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premiums revenue. As allowed by PFRS 4, BDO Unibank Group chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liability is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of BDO Unibank Group.

(d) *Liability Adequacy Test*

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

Insurance premiums and insurance benefits and claims on insurance contracts are recognized as follows:

(a) *Insurance Premiums*

- (i) *Net insurance premium.* Recognized as gross premium on insurance contracts less reinsurers' share of gross premiums.
- (ii) *Gross premiums on insurance contracts.* Premiums arising from insurance contracts are initially recognized as income on the effective date of the insurance policies. Subsequent to initial recognition, gross earned premiums on life insurance contracts are recognized as revenue at the date when payments are due.
- (iii) *Reinsurers' share of gross premiums.* Gross reinsurance premiums on traditional and variable contracts are recognized as an expense when the policy becomes effective.

(b) *Insurance Benefits and Claims*

- (i) *Net insurance benefits and claims.* BDO Unibank Group's net insurance benefits and claims consist of gross benefits and claims, reinsurers' share on benefits and claims, gross change in legal policy reserves and reinsurers' share on gross change in legal policy reserves.
- (ii) *Gross benefits and claims.* Gross benefits and claims of the policyholders include the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.
- (iii) *Reinsurers' share on benefits and claims.* Reinsurers' share on benefits and claims pertain to the amount recoverable from reinsurers for recognized claims during the year. These are accounted for when the corresponding claims are recognized.
- (iv) *Gross change in legal policy reserves.* Gross change in legal policy reserves represents the change in the valuation of legal policy reserves recognized as part of Insurance Contract Liabilities account in the statement of financial position.

- (v) *Reinsurers' share on gross change in legal policy reserves.* Reinsurers' share on gross change in legal policy reserves pertain to the reinsurers' share in the change of legal policy reserves. These are accounted for in the same period as the corresponding change in insurance contract liabilities.

### **2.15 Offsetting Financial Instruments**

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

### **2.16 Equity**

Equity consists of the following:

- a. Capital stock represents the nominal value of shares that have been issued.
- b. Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.
- c. Surplus reserves consist of (i) reserve for trust business - represents the accumulated amount set aside by BDO Unibank Group under existing regulations requiring the BDO Unibank Group to carry to surplus 10% of its net profits accruing from its trust business until the surplus shall amount to 20% of the regulatory capital and, to the appropriation for general loan loss provision as prescribed by BSP; (ii) reserve for insurance fund and additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 22); and (iii) share options outstanding (SOO) - represents the accumulated total of employee share options' amortizations over the vesting period as the share-based employee remuneration are recognized and reported in the statement of income. SOO will be deducted for any exercise or forfeiture of share options already vested.
- d. Other reserves pertain to amount recognized from increase in percentage of ownership to any of the subsidiaries of BDO Unibank Group.
- e. Surplus free includes all current and prior period results as disclosed in the statement of income and which are available and not restricted for use by BDO Unibank Group, reduced by the amounts of dividends declared, if any.
- f. NUGL on FVOCI compose of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.
- g. Accumulated actuarial gains (losses) from the remeasurements of post-employment defined benefit plan.
- h. Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is now treated as part of the deemed cost of the assets (see Note 2.7).

- i. Remeasurement on life insurance reserves arises from the increase or decrease of the reserves brought about by changes in discount rates (see Note 2.14).
- j. Accumulated translation adjustment pertains to foreign exchange differences arising on translation of the resources and liabilities of foreign branch and subsidiaries that are taken up in other comprehensive income (see Note 2.22).
- k. Accumulated share in other comprehensive income (loss) of subsidiaries and associates pertains to changes resulting from the BDO Unibank Group and the Parent Bank's share in other comprehensive income (loss) of subsidiaries and associates or items recognized directly in the subsidiaries and associates' equity.
- l. Non-controlling interests represent the portion of the net resources and profit or loss not attributable to BDO Unibank Group, which are presented separately in BDO Unibank Group's statement of income, statement of comprehensive income and within the equity in BDO Unibank Group's statement of financial position and changes in equity.

### ***2.17 Related Party Transactions and Relationships***

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with BDO Unibank Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of BDO Unibank Group that gives them significant influence over BDO Unibank Group and close members of the family of any such individual; and, (d) BDO Unibank Group's funded retirement plan (see Note 26.2).

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. The BDO Unibank Group established policies and procedures on related party transactions in accordance with the regulations of the BSP and the SEC. All material related party transactions, which exceed the established materiality thresholds, must undergo prior review from the board-level Related Party Transactions Committee before endorsing the same to the BOD for approval.

Related party transactions, whose value exceeds 10% of the BDO Unibank Group's total resources, either single or aggregated within a 12-month period, require review of an external independent party and approval of two-thirds vote of the BOD, with at least a majority of the independent directors voting affirmatively. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within 12-month period that breaches the materiality threshold of 10% of BDO Unibank Group's total resources based on the latest audited consolidated financial statements, the same approval of the BOD would be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

## **2.18 Other Income and Expense Recognition**

Revenue is recognized only when (or as) the BDO Unibank Group satisfies a performance obligation by transferring control of the promised services to the customer. A contract with a customer that results in a recognized financial instrument in the BDO Unibank Group's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the BDO Unibank Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis, except to the extent that they are capitalized.

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

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

The BDO Unibank Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the BDO Unibank Group in accordance with PFRS 15.

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

- (a) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized over time as the service is being provided and is based on the various criteria of recognition for each specific income source. These include the following accounts:
  - (i) *Commission and fees* arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.
  - (ii) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
  - (iii) *Arranger fees* arising from negotiating or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying assumptions.
  - (iv) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.

- (b) *Asset Management Services* – The BDO Unibank Group recognizes trust fees related to asset management services, which include trust and fiduciary services. Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

- (a) *Trading and Securities Gains (Losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.
- (b) *Gain or loss from assets sold or exchange* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in statement of income as part of Other Operating Income account.
- (c) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in statement of income as part of Other Operating Income account.

The BDO Unibank Group recognizes an expense and liability relative to the fair value of the reward points earned by clients and customers [see Note 3.2(j)] since such points are redeemable primarily from the goods or services provided by a third party participating in the program, for example, SM Group (a related party) and rewards partners of the Parent Bank.

### **2.19 Provisions and Contingencies**

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

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



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

The BDO Unibank Group offers monetized rewards to active account holders in relation to its credit card and marketing rewards program. Provisions for rewards are recognized at a certain rate of the account holders' availments, determined by management based on redeemable amounts.

## **2.20 Leases**

BDO Unibank Group accounts for its leases as follows:

### *(a) BDO Unibank Group as Lessor*

Leases, wherein BDO Unibank Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to BDO Unibank Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on BDO Unibank Group's net investment outstanding in respect of the finance lease.

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease collections are recognized as income in profit or loss as part of Rental under Other Operating Income account in the statement of income on a straight-line basis over the lease term.

### *(b) BDO Unibank Group as Lessee*

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

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to BDO Unibank Group;
- BDO Unibank Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- BDO Unibank Group has the right to direct the use of the identified asset throughout the period of use. BDO Unibank Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the BDO Unibank Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by BDO Unibank Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, BDO Unibank Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The BDO Unibank Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.21).

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

BDO Unibank Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense as incurred.

On the statement of financial position, right-of-use assets and lease liabilities have been presented as part of Premises, Furniture, Fixtures and Equipment and Other Liabilities, respectively.

## ***2.21 Impairment of Non-financial Assets***

BDO Unibank Group's equity investments, goodwill, branch licenses, trading rights, trademark and customer lists recorded as part of Other Resources, Premises, Furniture, Fixtures and Equipment, Investment Properties and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, branch licenses, customer lists and trading rights are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

## ***2.22 Foreign Currency Transactions and Translations***

### *(a) Foreign Currency Transactions*

The financial statements of the Foreign Currency Deposit Unit (FCDU) of BDO Unibank Group are translated at the prevailing current exchange rates (for statement of financial position accounts) and average exchange rate during the period (for statement of income accounts) for consolidation purposes.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

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

### *(b) Foreign Currency Translation*

The accounting records of BDO Unibank Group are maintained in Philippine pesos except for foreign branches and subsidiaries, which are maintained in U.S. dollars (USD), Canadian Dollar (CAD), European Union Euro (Euro), Great Britain Pound (GBP), Japanese Yen (JPY), Hong Kong Dollars (HKD) or Singapore Dollar (SGD).

The operating results and financial position of foreign branches and subsidiaries which are measured using the USD, CAD, Euro, GBP, JPY, HKD or SGD, respectively, are translated to Philippine pesos (BDO Unibank Group's functional currency) as follows:

- (i)* Resources and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each statement of income are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation due from foreign branch and net investment in foreign subsidiaries are recognized in other comprehensive income as part of Accumulated Translation Adjustment (see Note 2.16). When a foreign operation is sold, the cumulative amount of exchange differences is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the USD, CAD, Euro, GBP, JPY, HKD or SGD amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

### **2.23 Compensation and Benefits Expense**

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

(a) *Post-employment Defined Benefit*

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

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) less the fair value of plan assets at the end of reporting period, together with adjustments for asset ceiling. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interpolated yields of government bonds as calculated by Bloomberg which used Bloomberg Valuation Service (BVAL) Evaluated Pricing Service to calculate the PHP BVAL Reference Rates which are published by Philippine Dealing & Exchange Corp. (PDEX). These yields are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. If there is a plan amendment, curtailment or settlement during the period, the BDO Unibank Group remeasures its net defined benefit liability or asset using updated actuarial assumptions to determine the current service cost and net interest for the remaining of the annual reporting period after the change to the plan. Net interest is reported as part of Interest expense on bills payable and other borrowings under Interest Expense account in the statement of income.

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

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays the required employer's contributions into an independent entity, such as the Social Security System. BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the required employer's contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) *Short-term Benefits*

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Other Liabilities account in the statement of financial position.

(d) *Termination Benefits*

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

(e) *Bonus Plans*

BDO Unibank Group recognizes a liability and an expense for bonuses based on the BDO Unibank Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

(f) *Employee Stock Option Plan*

BDO Unibank Group has an employee stock option plan (ESOP) for its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. None of the BDO Unibank Group's stock plan are cash settled.

All services received in exchange for the grant of the stock options are measured at their fair values using the Black-Scholes option model. Where employees are rewarded using stock options, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. The amount of stock options allocated to the qualified officers is based on the performance of the senior officers as determined by management and it requires a vesting period of five years. These are adjusted accordingly for any resignation or disqualification. The vested options may be exercised within three years from vesting date. The cost of ESOP is amortized over five years (vesting period) starting from the approval of the BOD. The annual amortization of stock options is included in Compensation and benefits under Other Operating Expenses account in the statement of income with corresponding recognition of SOO (included as part of Surplus Reserves under the Equity section of the statement of financial position).

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to capital stock to the nominal (or par) value of the shares issued with any excess being recorded as additional paid-in-capital. In case of forfeiture, the previously recognized share options outstanding will be transferred to additional paid-in-capital.

(g) *Unavailed Leaves*

Unavailed leaves (excluding those qualified under the retirement benefit plan), included in Other Liabilities account, are recognized as expense at the amount BDO Unibank Group expects to pay at the end of reporting period. Unavailed leaves of employees qualified under the retirement plan are valued and funded as part of the present value of DBO in Note 2.23(a).

**2.24 Income Taxes**

Tax expense recognized in statement of income comprises the sum of current tax and deferred tax not recognized in other comprehensive income or directly in equity, if any.

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which BDO Unibank Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if BDO Unibank Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority (see Note 31.1).

### ***2.25 Earnings Per Share***

Basic earnings per share is determined by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is also computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period. However, consolidated net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers (to the extent that shares under the stock option plan shall be issued from the unissued authorized capital stock and not purchased from the market or stock exchange).

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. The stock option plan is deemed to have been converted into common stock in the year the stock option is granted.

### ***2.26 Trust Activities***

BDO Unibank Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Resources and income arising thereon are excluded from these financial statements, as these are neither resources nor income of BDO Unibank Group.

### ***2.27 Events After the End of the Reporting Period***

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

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

BDO Unibank Group and the Parent Bank's financial statements, prepared in accordance with PFRS, require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

#### *3.1 Critical Management Judgments in Applying Accounting Policies*

In the process of applying BDO Unibank Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

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

BDO Unibank Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant judgement is required.

BDO Unibank Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3.5).

(b) *Evaluation of Business Model Applied in Managing Financial Instruments*

BDO Unibank Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

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

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



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

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

If more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In making this judgment, BDO Unibank Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if BDO Unibank Group can explain the reasons for those sales and why those sales do not reflect a change in BDO Unibank Group's objective for the business model.

In 2021 and 2020, the BDO Unibank Group and the Parent Bank disposed of certain debt securities from its amortized cost portfolio in accordance with its investment policy. Such disposals have qualified under the permitted sale events set forth in BDO Unibank Group's and Parent Bank's business model in managing financial assets manual and the requirements of PFRS 9 (see Note 10.3).

(d) *Distinction Between Investment Properties and Owner-occupied Properties*

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

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

(e) *Distinction Between Operating and Finance Leases for Contracts where BDO Unibank Group is the Lessor*

BDO Unibank Group has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources.

(f) *Determination of Lease Term*

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

For leases of land and office spaces, the factors that are normally the most relevant are (i) if there are significant penalties should BDO Unibank Group pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, BDO Unibank Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, BDO Unibank Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

BDO Unibank Group did not include the renewal period as part of the lease term of the land and office spaces because the terms of most of the contracts are renewable upon the mutual agreement of the parties.

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

(g) *Classification and Fair Value Determination of Acquired Properties*

BDO Unibank Group classifies its acquired properties as Premises, Furniture, Fixtures and Equipment if used in operations, chattels as Non-current assets held for sale (presented under Other Resources account) if expected to be recovered through sale rather than use, real properties as Investment Properties if intended to be held for capital appreciation or lease, as financial assets if qualified as such in accordance with PFRS 9 or as Other properties (presented under Other Resources account) if held for sale but the depreciable properties (other than building) are not yet disposed within certain years. At initial recognition, BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties. The BDO Unibank Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.5.

(b) *Assessment of Significant Influence on Entities in which BDO Unibank Group Holds Less than 20% Ownership*

The management considers that the BDO Unibank Group and the Parent Bank have significant influence on NLEX Corporation even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the BDO Unibank Group and the Parent Bank's voting rights, which is based from its acquired right to nominate a director in NLEX Corporation as granted in the Amended and Restated Shareholders' Agreement (ARSA).

ARSA provides that investors shall be entitled to nominate one director for as long as it owns at least 10% of the equity of NLEX Corporation, or shall be entitled to nominate two directors for as long as it owns at least 16.5% of the equity of NLEX Corporation.

Failure to make the right judgment will result in either overstatement or understatement of resources, liabilities, income and expenses.

(i) *Determination of Timing of Satisfaction of Performance Obligations*

BDO Unibank Group determines that its revenues from services for account management, loan administration and fees from annual credit card membership shall be recognized over time. In making its judgment, BDO Unibank Group considers the timing of receipt and consumption of benefits provided by BDO Unibank Group to the customers. As the work is performed, BDO Unibank Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the BDO Unibank Group's rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the BDO Unibank Group's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(j) *Determination of Branch Licenses Having Indefinite Useful Lives*

The BDO Unibank Group's licenses were regarded as having an indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the BDO Unibank Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(k) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.19 and relevant disclosures are presented in Note 34.

### **3.2 Key Sources of Estimation Uncertainty**

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

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost and debt instruments measured at FVOCI is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.

The carrying value of financial assets at FVOCI, Investment securities at amortized cost and Loans and Other Receivables, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 10.2, 10.3, 11, and 16 respectively.

(b) *Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. The BDO Unibank Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

The carrying values of the BDO Unibank Group's financial assets at FVTPL and financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 10.1 and 10.2, respectively.

(c) *Determination of Fair Value of Derivatives*

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques normally using the discounted cash flow model.

Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions and correlations could affect reported fair value of financial instruments. The value produced by a model or other valuation technique, in some instances, is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

BDO Unibank Group and the Parent Bank use judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

(d) *Estimation of Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources*

BDO Unibank Group estimates the useful lives of premises, furniture, fixtures and equipment, investment properties and other properties, including trademark and computer software license, based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The BDO Unibank's goodwill and branch licenses were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the BDO Unibank Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 12 while investment properties and other resources, including trademark, goodwill and branch licenses, are analyzed in Notes 14 and 15, respectively.

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

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

(f) *Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 13 to the financial statements is determined by BDO Unibank Group using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period such as selling price under installment sales, expected timing of sale and appropriate discount rates. The expected selling price is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition (see Note 7.5).

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) *Determination of Realizable Amount of Deferred Tax Assets*

BDO Unibank Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is applied by the management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of BDO Unibank Group's future taxable income. The BDO Unibank Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2021 and 2020 is disclosed in Note 31.1.

(b) *Impairment of Non-financial Assets*

Except for goodwill and other intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. BDO Unibank Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.21. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 16.

(i) *Valuation of Post-employment Defined Benefit*

The determination of BDO Unibank Group's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26.2 and include, among others, discount rates, expected rate of return on plan asset and salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions in estimating such obligation are presented in Note 26.2.

(j) *Recognition of Reward Points*

BDO Unibank Group provides rewards points to its banking clients and customers based on the month-to-date average daily balance they maintain in their personal CASA. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain loyalty points for credit card have no expiration date unless the credit card is cancelled but for other rewards program, unredeemed points may expire at some future date.

BDO Unibank Group sets up a liability to cover the cost of future reward redemptions for points earned to date. The estimated liability is based upon points earned by the clients and the current cost per point of redemption. The estimated points to be redeemed are measured and adjusted based on many factors including but not limited to past redemption behavior of the clients, product type on which the points are earned and their ultimate redemption rate on the points earned to date but not yet redeemed.

BDO Unibank Group continually evaluates its estimates for rewards based on developments in redemption patterns, cost per point redeemed and other factors. The estimated liability for unredeemed points is impacted over time by enrollment levels, amount of points earned and redeemed, weighted-average cost per point, redemption choices made by the clients and other membership rewards program changes. The calculation is most sensitive to changes in the estimated ultimate redemption rate. This rate is based on the expectation that a large majority of all points earned will eventually be redeemed and the rewards will be redeemed through goods or services supplied by a third party or affiliated retail partners based on BDO Unibank Group's past experience.

The carrying value of the rewards points accrued by BDO Unibank Group are presented as part of Accrued expenses under Other Liabilities account in the statement of financial position as disclosed in Note 21.

(k) *Valuation of Legal Policy Reserves*

Legal policy reserves represent estimates of present value of future benefits and expenses in excess of present value of future gross premiums. These estimates are based on interest rates, mortality/morbidity tables, and valuation method subject to the provisions of the Insurance Code and guidelines set by IC.

The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used relate to mortality, morbidity, lapse, and discount rate.

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the BDO Unibank Group is exposed to risk. The BDO Unibank Group uses mortality tables and lapse rates subject to the guidelines set by the IC as the basis of these estimates. The estimated number of lapses, deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums.

(l) *Fair Value Measurement of Share Options*

The BDO Unibank Group estimates the fair value of the executive stock option by applying the Black-Scholes Option pricing model, considering the terms and conditions on which the stock option plan was granted. The estimates and assumptions used include, among others, the option's vesting period, applicable risk-free interest rate, expected dividend yield, volatility of the BDO Unibank Group's share price, and fair value of the BDO Unibank Group's common shares. Changes in these factors can affect the fair value of stock options at grant date.

#### 4. **RISK MANAGEMENT**

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

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



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

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

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

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

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

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

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

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

In 2021, there is no significant change on the policies and process for managing the risk and the methods used to measure the risk of the BDO Unibank Group and the Parent Bank, except for the performance of the comprehensive review of the financial instruments, particularly for loan accounts, to assess vulnerability to the significant increase in credit risk in response to the continuing impact of COVID-19 pandemic, updating of the BDO Unibank Group's Treasury system to capture the complex computation of Secured Overnight Financing Rate (SOFR) in relation to the LIBOR phase out and adhering to the protocols set by International Swaps and Derivatives Association (ISDA) on LIBOR Reform (see Note 4.6).

#### ***4.1 Liquidity Risk***

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. BDO Unibank Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions.

The analysis of the maturity groupings of resources, liabilities and off-book items as of December 31, 2021 and 2020 in accordance with account classification of the BSP is presented in the succeeding pages. The amounts disclosed in the maturity analysis are the contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

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|                                      | 2021                      |   |   |                             |                   |
|--------------------------------------|---------------------------|---|---|-----------------------------|-------------------|
|                                      | One to<br>Three<br>Months | More<br>Than Three<br>Months to<br>One Year | More Than<br>One Year to<br>Three Years | More<br>Than Three<br>Years | Total             |
| Resources:                           |                           |   |   |                             |                   |
| Cash and other<br>cash items         | P 69,105                  | P -   | P -                                     | P -                         | P 69,105          |
| Due from BSP and<br>other banks      | 150,526                   | 22,027                                      | 55,300                                  | 147,145                     | 374,998           |
| Trading and investment<br>securities | 22,687                    | 31,904                                      | 140,229                                 | 421,441                     | 616,261           |
| Loans and other<br>receivables - net | 503,503                   | 252,927                                     | 395,115                                 | 1,299,358                   | 2,450,903         |
| Other resources - net*               | -                         | 118   | 46                                      | 112,318                     | 112,482           |
| Total Resources                      | <u>745,821</u>            | <u>306,976</u>                              | <u>590,690</u>                          | <u>1,980,262</u>            | <u>3,623,749</u>  |
| Liabilities and Equity:              |                           |   |   |                             |                   |
| Deposit liabilities                  | 563,666                   | 177,738                                     | 595,385                                 | 1,484,107                   | 2,820,896         |
| Bills payable                        | 24,278                    | 89,567                                      | 55,139                                  | 35,447                      | 204,431           |
| Insurance contract<br>liabilities**  | 349                       | ( 613)                                      | 206                                     | 65,386                      | 65,328            |
| Other liabilities                    | 41,159                    | 4,099                                       | 4,601                                   | 58,687                      | 108,546           |
| Total Liabilities                    | 629,452                   | 270,791                                     | 655,331                                 | 1,643,627                   | 3,199,201         |
| Equity                               | -                         | -   | -                                       | 424,548                     | 424,548           |
| Total Liabilities and Equity         | <u>629,452</u>            | <u>270,791</u>                              | <u>655,331</u>                          | <u>2,068,175</u>            | <u>3,623,749</u>  |
| On-book gap                          | <u>116,369</u>            | <u>36,185</u>                               | <u>( 64,641 )</u>                       | <u>( 87,913 )</u>           | <u>-</u>          |
| Cumulative on-book gap               | <u>116,369</u>            | <u>152,554</u>                              | <u>87,913</u>                           | <u>-</u>                    | <u>-</u>          |
| Contingent assets                    | 263,000                   | 81,896                                      | 20,865                                  | 23,227                      | 388,988           |
| Contingent liabilities               | 325,897                   | 82,924                                      | 28,606                                  | 23,100                      | 460,527           |
| Off-book gap                         | <u>( 62,897 )</u>         | <u>( 1,028 )</u>                            | <u>( 7,741 )</u>                        | <u>127</u>                  | <u>( 71,539 )</u> |
| Net Periodic Gap                     | <u>53,472</u>             | <u>35,157</u>                               | <u>( 72,382 )</u>                       | <u>( 87,786 )</u>           | <u>71,539</u>     |
| Cumulative Total Gap                 | <u>P 53,472</u>           | <u>P 88,629</u>                             | <u>P 16,247</u>                         | <u>(P 71,539)</u>           | <u>P -</u>        |

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

\*\* Insurance Contract Liabilities with maturity of more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

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|                                     | 2020                      |   |   |                             |                  |
|-------------------------------------|---------------------------|---|---|-----------------------------|------------------|
|                                     | One to<br>Three<br>Months | More<br>Than Three<br>Months to<br>One Year | More Than<br>One Year to<br>Three Years | More<br>Than Three<br>Years | Total            |
| <b>Resources:</b>                   |                           |   |   |                             |                  |
| Cash and other cash items           | P 74,851                  | P -   | P -                                     | P -                         | P 74,851         |
| Due from BSP and other banks        | 177,536                   | 625   | 3,147                                   | 192,617                     | 373,925          |
| Trading and investment securities   | 78,817                    | 20,246                                      | 102,007                                 | 307,740                     | 508,810          |
| Loans and other receivables - net   | 446,216                   | 249,633                                     | 345,380                                 | 1,260,752                   | 2,301,981        |
| Other resources - net*              | -                         | 108   | 40                                      | 115,185                     | 115,333          |
| <b>Total Resources</b>              | <b>777,420</b>            | <b>270,612</b>                              | <b>450,574</b>                          | <b>1,876,294</b>            | <b>3,374,900</b> |
| <b>Liabilities and Equity:</b>      |                           |   |   |                             |                  |
| Deposit liabilities                 | 589,956                   | 22,147                                      | 30,071                                  | 1,967,977                   | 2,610,151        |
| Bills payable                       | 34,050                    | 33,142                                      | 112,819                                 | 29,733                      | 209,744          |
| Insurance contract liabilities**    | 409                       | 443   | ( 460)                                  | 58,018                      | 58,410           |
| Other liabilities                   | 36,785                    | 1,596                                       | 1,623                                   | 63,570                      | 103,574          |
| Total Liabilities                   | 661,200                   | 57,328                                      | 144,053                                 | 2,119,298                   | 2,981,879        |
| Equity                              | -                         | -   | -                                       | 393,021                     | 393,021          |
| <b>Total Liabilities and Equity</b> | <b>661,200</b>            | <b>57,328</b>                               | <b>144,053</b>                          | <b>2,512,319</b>            | <b>3,374,900</b> |
| On-book gap                         | 116,220                   | 213,284                                     | 306,521                                 | ( 636,025)                  | -                |
| Cumulative on-book gap              | 116,220                   | 329,504                                     | 636,025                                 | -                           | -                |
| Contingent assets                   | 225,816                   | 56,673                                      | 26,387                                  | 16,559                      | 325,435          |
| Contingent liabilities              | 279,492                   | 58,342                                      | 26,171                                  | 16,462                      | 380,467          |
| Off-book gap                        | ( 53,676)                 | ( 1,669)                                    | 216                                     | 97                          | ( 55,032 )       |
| Net Periodic Gap                    | 62,544                    | 211,615                                     | 306,737                                 | ( 635,928)                  | 55,032           |
| Cumulative Total Gap                | P 62,544                  | P 274,159                                   | P 580,896                               | (P 55,032)                  | P -              |

\* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

\*\* Insurance Contract Liabilities with maturities of one to three months and more than one to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

**Parent Bank**

|                                   | 2021                               |   |  |                                      |                    |
|-----------------------------------|------------------------------------|---|--|--------------------------------------|--------------------|
|                                   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More Than<br/>One Year to<br/>Three Years</u> | <u>More<br/>Than Three<br/>Years</u> | <u>Total</u>       |
| Resources:                        |                                    |   |  |                                      |                    |
| Cash and other cash items         | P 66,440                           | P -   | P -  | P -                                  | P 66,440           |
| Due from BSP and other banks      | 143,601                            | 21,971  | 55,296   | 146,141                              | 367,009            |
| Trading and investment securities | 8,166                              | 27,987  | 119,732  | 342,078                              | 497,963            |
| Loans and other receivables – net | 494,423                            | 239,634   | 371,315  | 1,294,611                            | 2,399,983          |
| Other resources – net*            | <u>-</u>                           | <u>-</u>  | <u>-</u>   | <u>134,611</u>                       | <u>134,611</u>     |
| Total Resources                   | <u>P 712,630</u>                   | <u>P 289,592</u>                                      | <u>P 546,343</u>                                 | <u>P 1,917,441</u>                   | <u>P 3,466,006</u> |
| Liabilities and Equity:           |                                    |   |  |                                      |                    |
| Deposit liabilities               | 538,429                            | 175,500   | 595,264  | 1,442,522                            | 2,751,715          |
| Bills payable                     | 17,687                             | 89,068  | 52,305   | 37,114                               | 196,174            |
| Other liabilities                 | <u>37,139</u>                      | <u>2,806</u>  | <u>2,543</u>                                     | <u>52,168</u>                        | <u>94,656</u>      |
| Total Liabilities                 | 593,255                            | 267,374   | 650,112  | 1,531,804                            | 3,042,545          |
| Equity                            | <u>-</u>                           | <u>-</u>  | <u>-</u>   | <u>423,461</u>                       | <u>423,461</u>     |
| Total Liabilities and Equity      | <u>593,255</u>                     | <u>267,374</u>  | <u>650,112</u>                                   | <u>1,955,265</u>                     | <u>3,466,006</u>   |
| On-book gap                       | <u>119,375</u>                     | <u>22,218</u>   | <u>( 103,769 )</u>                               | <u>( 37,824 )</u>                    | <u>-</u>           |
| Cumulative on-book gap            | <u>119,375</u>                     | <u>141,593</u>  | <u>37,824</u>                                    | <u>-</u>                             | <u>-</u>           |
| Contingent assets                 | 259,638                            | 63,697  | 2,998  | 3,022                                | 329,355            |
| Contingent liabilities            | <u>322,537</u>                     | <u>64,872</u>   | <u>10,972</u>                                    | <u>3,021</u>                         | <u>401,402</u>     |
| Off-book gap                      | <u>( 62,899 )</u>                  | <u>( 1,175 )</u>                                      | <u>( 7,974 )</u>                                 | <u>1</u>                             | <u>( 72,047 )</u>  |
| Net Periodic Gap                  | <u>56,476</u>                      | <u>21,043</u>   | <u>( 111,743 )</u>                               | <u>( 37,823 )</u>                    | <u>72,047</u>      |
| Cumulative Total Gap              | <u>P 56,476</u>                    | <u>P 77,519</u>                                       | <u>(P 34,224)</u>                                | <u>(P 72,047)</u>                    | <u>P -</u>         |

\* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

Parent Bank

|                                     | 2020                      |   |   |                             |                    |
|-------------------------------------|---------------------------|---|---|-----------------------------|--------------------|
|                                     | One to<br>Three<br>Months | More<br>Than Three<br>Months to<br>One Year | More Than<br>One Year to<br>Three Years | More<br>Than Three<br>Years | Total              |
| <b>Resources:</b>                   |                           |   |   |                             |                    |
| Cash and other cash items           | P 72,301                  | P -   | P -                                     | P -                         | P 72,301           |
| Due from BSP and other banks        | 173,187                   | 602   | 3,137                                   | 191,434                     | 368,360            |
| Trading and investment securities   | 63,707                    | 14,954                                      | 87,606                                  | 233,189                     | 399,456            |
| Loans and other receivables - net   | 436,324                   | 238,203                                     | 325,923                                 | 1,259,236                   | 2,259,686          |
| Other resources - net*              | -                         | -   | -                                       | 135,580                     | 135,580            |
| <b>Total Resources</b>              | <b>P 745,519</b>          | <b>P 253,759</b>                            | <b>P 416,666</b>                        | <b>P 1,819,439</b>          | <b>P 3,235,383</b> |
| <b>Liabilities and Equity:</b>      |                           |   |   |                             |                    |
| Deposit liabilities                 | 569,949                   | 19,984                                      | 29,793                                  | 1,928,565                   | 2,548,291          |
| Bills payable                       | 25,974                    | 32,629                                      | 110,932                                 | 33,332                      | 202,867            |
| Other liabilities                   | 33,307                    | 242   | -                                       | 58,622                      | 92,171             |
| Total Liabilities                   | 629,230                   | 52,855                                      | 140,725                                 | 2,020,519                   | 2,843,329          |
| Equity                              | -                         | -   | -                                       | 392,054                     | 392,054            |
| <b>Total Liabilities and Equity</b> | <b>629,230</b>            | <b>52,855</b>                               | <b>140,725</b>                          | <b>2,412,573</b>            | <b>3,235,383</b>   |
| On-book gap                         | 116,289                   | 200,904                                     | 275,941                                 | (593,134)                   | -                  |
| Cumulative on-book gap              | 116,289                   | 317,193                                     | 593,134                                 | -                           | -                  |
| Contingent assets                   | 216,952                   | 54,412                                      | 3,278                                   | 1,579                       | 276,221            |
| Contingent liabilities              | 270,656                   | 56,271                                      | 3,322                                   | 1,605                       | 331,854            |
| Off-book gap                        | (53,704)                  | (1,859)                                     | (44)                                    | (26)                        | (55,633)           |
| Net Periodic Gap                    | 62,585                    | 199,045                                     | 275,897                                 | (593,160)                   | 55,633             |
| Cumulative Total Gap                | P 62,585                  | P 261,630                                   | P 537,527                               | (P 55,633)                  | P -                |

\* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of resources and liabilities. The MCO measures the maximum funding requirement the BDO Unibank Group may need to support its maturing obligations. To ensure that the BDO Unibank Group maintains a prudent and manageable level of cumulative negative gap, the BDO Unibank Group maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the BDO Unibank Group's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management.

In case of breach in the MCO Limit, the RMG elevates the concern to the BOD through the RMC for corrective action by senior management. Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis. More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the BDO Unibank Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the BDO Unibank Group demand deposit accounts with the BSP. The BSP also requires the BDO Unibank Group to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

#### ***4.1.1 Liquidity Risk Stress***

To augment the effectiveness of the BDO Unibank Group's gap analysis, the BDO Unibank Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the BDO Unibank Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management*. The results of these liquidity stress simulations are reported monthly to RMC.

#### ***4.1.2 Foreign Currency Liquidity Management***

The liquidity risk management policies and objectives described in this section also apply to the management of any foreign currency to which the BDO Unibank Group maintains significant exposure. Specifically, the BDO Unibank Group ensures that its measurement, monitoring and control systems account for these exposures as well. The BDO Unibank Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The BDO Unibank Group also assesses its access to foreign exchange markets when setting up its risk limits.

### ***4.2 Market Risk***

BDO Unibank Group's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities, equity securities and derivatives. BDO Unibank Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. The Market and Liquidity Risk Management Unit of the Parent Bank recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and the BOD.

#### ***4.2.1 Foreign Exchange Risk***

BDO Unibank Group manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

BDO Unibank Group's net foreign exchange exposure is computed as its foreign currency resources less foreign currency liabilities. BSP regulations impose a cap of 25% of qualifying capital or US\$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in BDO Unibank Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. BDO Unibank Group, being a major market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

BDO Unibank Group's foreign exchange exposure at end-of-day is guided by the limits set forth in BDO Unibank Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, BDO Unibank Group reports to the BSP on its compliance with the mandated foreign currency exposure limits.

In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries. The breakdown of the financial assets and financial liabilities as to foreign and peso-denominated balances as of December 31, 2021 and 2020 follows:

**BDO Unibank Group**

|  | 2021               |                    |                    | 2020               |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | Foreign Currencies | Philippine Pesos   | Total              | Foreign Currencies | Philippine Pesos   | Total              |
| Resources:                                 |                    |                    |                    |                    |                    |                    |
| Cash and other cash items and due from BSP | P 107              | P 373,904          | P 374,011          | P 118              | P 383,369          | P 383,487          |
| Due from other banks                       | 68,401             | 1,691              | 70,092             | 64,877             | 412                | 65,289             |
| Trading and investment securities:         |                    |                    |                    |                    |                    |                    |
| At FVTPL                                   | 6,622              | 41,312             | 47,934             | 5,701              | 31,409             | 37,110             |
| At FVOCI                                   | 86,804             | 83,989             | 170,793            | 88,748             | 96,133             | 184,881            |
| At amortized cost                          | 164,529            | 233,005            | 397,534            | 153,492            | 133,327            | 286,819            |
| Loans and other receivables                | 331,327            | 2,119,576          | 2,450,903          | 292,865            | 2,009,116          | 2,301,981          |
| Other resources                            | 6,214              | 1,246              | 7,460              | 8,824              | 438                | 9,262              |
|  | <u>P 664,004</u>   | <u>P 2,854,723</u> | <u>P 3,518,727</u> | <u>P 614,625</u>   | <u>P 2,654,204</u> | <u>P 3,268,829</u> |
| Liabilities:                               |                    |                    |                    |                    |                    |                    |
| Deposit liabilities                        | P 463,368          | P 2,357,528        | P 2,820,896        | P 418,262          | P 2,191,889        | P 2,610,151        |
| Bills payable                              | 120,920            | 83,511             | 204,431            | 126,894            | 82,850             | 209,744            |
| Insurance contract liabilities             | 8,702              | 56,626             | 65,328             | 8,376              | 50,034             | 58,410             |
| Other liabilities                          | 16,951             | 80,666             | 97,617             | 6,850              | 86,890             | 93,740             |
|  | <u>P 609,941</u>   | <u>P 2,578,331</u> | <u>P 3,188,272</u> | <u>P 560,382</u>   | <u>P 2,411,663</u> | <u>P 2,972,045</u> |

**Parent Bank**

|  | 2021               |                    |                    | 2020               |                    |                    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|  | Foreign Currencies | Philippine Pesos   | Total              | Foreign Currencies | Philippine Pesos   | Total              |
| Resources:                                 |                    |                    |                    |                    |                    |                    |
| Cash and other cash items and due from BSP | P 33               | P 369,067          | P 369,100          | P 41               | P 377,339          | P 377,380          |
| Due from other banks                       | 64,188             | 161                | 64,349             | 63,015             | 266                | 63,281             |
| Trading and investment securities:         |                    |                    |                    |                    |                    |                    |
| At FVTPL                                   | 2,759              | 1,857              | 4,616              | 3,037              | 1,825              | 4,862              |
| At FVOCI                                   | 74,197             | 41,768             | 115,965            | 71,907             | 55,015             | 126,922            |
| At amortized cost                          | 159,235            | 218,147            | 377,382            | 146,757            | 120,915            | 267,672            |
| Loans and other receivables                | 330,424            | 2,069,559          | 2,399,983          | 291,879            | 1,967,807          | 2,259,686          |
| Other resources                            | 5,784              | 968                | 6,752              | 8,756              | 78                 | 8,834              |
|  | <u>P 636,620</u>   | <u>P 2,701,527</u> | <u>P 3,338,147</u> | <u>P 585,392</u>   | <u>P 2,523,245</u> | <u>P 3,108,637</u> |
| Liabilities:                               |                    |                    |                    |                    |                    |                    |
| Deposit liabilities                        | P 450,484          | P 2,301,231        | P 2,751,715        | P 401,030          | P 2,147,261        | P 2,548,291        |
| Bills payable                              | 119,738            | 76,436             | 196,174            | 126,711            | 76,156             | 202,867            |
| Other liabilities                          | 15,927             | 69,452             | 85,379             | 6,188              | 77,727             | 83,915             |
|  | <u>P 586,149</u>   | <u>P 2,447,119</u> | <u>P 3,033,268</u> | <u>P 533,929</u>   | <u>P 2,301,144</u> | <u>P 2,835,073</u> |



#### 4.2.2 Interest Rate Risk

BDO Unibank Group prepares an interest rate gap analysis in the Banking Book to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The Banking Book is a term for resources on a bank's statement of financial position that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The Banking Book can also include those derivatives that are used to hedge exposures arising from the Banking Book activity, including interest rate risk. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the re-pricing profile of its interest sensitive resources and liabilities in the Banking Book.

An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give BDO Unibank Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. Interest rate financial instruments (e.g., interest rate derivatives) may be used to hedge the interest rate exposures in the Banking Book. There are however, no outstanding interest rate derivatives used as hedges in the Banking Book.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2021 and 2020 based on the expected interest realization or recognition are shown below and in the succeeding pages.

#### BDO Unibank Group

|   | 2021                               |   |   |                                     |                               |                    |
|---|------------------------------------|---|---|-------------------------------------|-------------------------------|--------------------|
|   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More<br/>Than One<br/>Year to<br/>Five Years</u> | <u>More<br/>Than Five<br/>Years</u> | <u>Non-rate<br/>Sensitive</u> | <u>Total</u>       |
| Resources:  |                                    |   |   |                                     |                               |                    |
| Cash and other cash items                                 | P -                                | P -   | P -   | P -                                 | P 69,105                      | P 69,105           |
| Due from BSP and other banks                              | 41,470                             | -   | -   | -                                   | 333,528                       | 374,998            |
| Trading and investment securities                         | 8,346                              | 31,238  | 231,337   | 297,406                             | 47,934                        | 616,261            |
| Loans and other receivables - net                         | 1,140,250                          | 287,117   | 904,358   | 119,178                             | -                             | 2,450,903          |
| Other resources - net*                                    | -                                  | -   | -   | -                                   | 112,482                       | 112,482            |
| Total Resources   | <u>1,190,066</u>                   | <u>318,355</u>  | <u>1,135,695</u>                                    | <u>416,584</u>                      | <u>563,049</u>                | <u>3,623,749</u>   |
| Liabilities and Equity:                                   |                                    |   |   |                                     |                               |                    |
| Deposit liabilities                                       | 328,737                            | 48,785  | 48,092  | 13,868                              | 2,381,414                     | 2,820,896          |
| Bills payable   | 42,137                             | 89,567  | 72,727  | -                                   | -                             | 204,431            |
| Insurance contract liabilities**                          | ( 364)                             | ( 1,322)  | 1,038   | 39,713                              | 26,263                        | 65,328             |
| Other liabilities   | -                                  | 33  | 438   | 4                                   | 108,071                       | 108,546            |
| Total Liabilities   | <u>370,510</u>                     | <u>137,063</u>  | <u>122,295</u>                                      | <u>53,585</u>                       | <u>2,515,748</u>              | <u>3,199,201</u>   |
| Equity  | -                                  | -   | -   | -                                   | 424,548                       | 424,548            |
| Total Liabilities and Equity<br>(Balance carried forward) | <u>P 370,510</u>                   | <u>P 137,063</u>                                      | <u>P 122,295</u>                                    | <u>P 53,585</u>                     | <u>P 2,940,296</u>            | <u>P 3,623,749</u> |

\* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

\*\* Insurance Contract Liabilities with maturities of one to three months and more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

**BDO Unibank Group**

|   | 2021                               |   |   |                                     |                               |              |
|---|------------------------------------|---|---|-------------------------------------|-------------------------------|--------------|
|   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More<br/>Than One<br/>Year to<br/>Five Years</u> | <u>More<br/>Than Five<br/>Years</u> | <u>Non-rate<br/>Sensitive</u> | <u>Total</u> |
| Total Liabilities and Equity<br>(Balance brought forward) | P 370,510                          | P 137,063   | P 122,295   | P 53,585                            | P 2,940,296                   | P 3,623,749  |
| On-book gap   | 819,556                            | 181,292   | 1,013,400   | 362,999                             | ( 2,377,247)                  | -            |
| Cumulative on-book gap                                    | 819,556                            | 1,000,848   | 2,014,248   | 2,377,247                           | -                             | -            |
| Contingent assets   | 7,583                              | 4,151   | -   | -                                   | -                             | 11,734       |
| Contingent liabilities                                    | 2,523                              | 4,164   | -   | -                                   | -                             | 6,687        |
| Off-book gap  | 5,060                              | ( 13)   | -   | -                                   | -                             | 5,047        |
| Net Periodic Gap  | 824,616                            | 181,279   | 1,013,400   | 362,999                             | ( 2,377,247)                  | ( 5,047)     |
| Cumulative Total Gap                                      | P 824,616                          | P 1,005,895   | P 2,019,295   | P 2,382,294                         | P 5,047                       | P -          |
|   | 2020                               |   |   |                                     |                               |              |
|   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More<br/>Than One<br/>Year to<br/>Five Years</u> | <u>More<br/>Than Five<br/>Years</u> | <u>Non-rate<br/>Sensitive</u> | <u>Total</u> |
| Resources:  |                                    |   |   |                                     |                               |              |
| Cash and other cash items                                 | P -                                | P -   | P -   | P -                                 | P 74,851                      | P 74,851     |
| Due from BSP and other banks                              | 76,419                             | -   | -   | -                                   | 297,506                       | 373,925      |
| Trading and investment securities                         | 66,844                             | 19,653  | 243,498   | 141,705                             | 37,110                        | 508,810      |
| Loans and other receivables - net                         | 1,033,420                          | 267,692   | 821,195   | 179,674                             | -                             | 2,301,981    |
| Other resources - net*                                    | -                                  | -   | -   | -                                   | 115,333                       | 115,333      |
| Total Resources   | 1,176,683                          | 287,345   | 1,064,693   | 321,379                             | 524,800                       | 3,374,900    |
| Liabilities and Equity:                                   |                                    |   |   |                                     |                               |              |
| Deposit liabilities                                       | 379,153                            | 45,248  | 59,749  | 13,294                              | 2,112,707                     | 2,610,151    |
| Bills payable   | 38,852                             | 30,744  | 117,622   | 22,526                              | -                             | 209,744      |
| Insurance contract liabilities**                          | ( 180)                             | 21  | 605   | 39,976                              | 17,988                        | 58,410       |
| Other liabilities   | -                                  | 17  | 112   | 3                                   | 103,442                       | 103,574      |
| Total Liabilities   | 417,825                            | 76,030  | 178,088   | 75,799                              | 2,234,137                     | 2,981,879    |
| Equity  | -                                  | -   | -   | -                                   | 393,021                       | 393,021      |
| Total Liabilities and Equity<br>(Balance carried forward) | P 417,825                          | P 76,030  | P 178,088   | P 75,799                            | P 2,627,158                   | P 3,374,900  |

\* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

\*\* Insurance Contract Liabilities with maturity of one to three months have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

|   | 2020                               |   |   |                                     |                               |              |
|---|------------------------------------|---|---|-------------------------------------|-------------------------------|--------------|
|   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More<br/>Than One<br/>Year to<br/>Five Years</u> | <u>More<br/>Than Five<br/>Years</u> | <u>Non-rate<br/>Sensitive</u> | <u>Total</u> |
| Total Liabilities and Equity<br>(Balance brought forward) | P 417,825                          | P 76,030  | P 178,088   | P 75,799                            | P 2,627,158                   | P 3,374,900  |
| On-book gap   | 758,858                            | 211,315   | 886,605   | 245,580                             | ( 2,102,358)                  | -            |
| Cumulative on-book gap                                    | 758,858                            | 970,173   | 1,856,778   | 2,102,358                           | -                             | -            |
| Contingent assets   | 3,434                              | 1,637   | -   | -                                   | -                             | 5,071        |
| Contingent liabilities                                    | 9,605                              | 3,362   | -   | -                                   | -                             | 12,967       |
| Off-book gap  | ( 6,171)                           | ( 1,725)  | -   | -                                   | -                             | ( 7,896)     |
| Net Periodic Gap  | 752,687                            | 209,590   | 886,605   | 245,580                             | ( 2,102,358)                  | 7,896        |
| Cumulative Total Gap                                      | P 752,687                          | P 962,277   | P 1,848,882   | P 2,094,462                         | (P 7,896)                     | P -          |

Parent Bank

|                                   | 2021                               |   |   |                                     |                               |              |
|-----------------------------------|------------------------------------|---|---|-------------------------------------|-------------------------------|--------------|
|                                   | <u>One to<br/>Three<br/>Months</u> | <u>More<br/>Than Three<br/>Months to<br/>One Year</u> | <u>More<br/>Than One<br/>Year to<br/>Five Years</u> | <u>More<br/>Than Five<br/>Years</u> | <u>Non-rate<br/>Sensitive</u> | <u>Total</u> |
| Resources:                        |                                    |   |   |                                     |                               |              |
| Cash and other cash items         | P -                                | P -   | P -   | P -                                 | P 66,440                      | P 66,440     |
| Due from BSP and other banks      | 40,800                             | -   | -   | -                                   | 326,209                       | 367,009      |
| Trading and investment securities | 6,023                              | 27,987  | 202,032   | 257,306                             | 4,615                         | 497,963      |
| Loans and other receivables - net | 1,133,066                          | 279,191   | 868,587   | 119,139                             | -                             | 2,399,983    |
| Other resources - net*            | -                                  | -   | -   | -                                   | 134,611                       | 134,611      |
| Total Resources                   | 1,179,889                          | 307,178   | 1,070,619   | 376,445                             | 531,875                       | 3,466,006    |
| Liabilities and Equity:           |                                    |   |   |                                     |                               |              |
| Deposit liabilities               | 312,535                            | 44,502  | 47,101  | 18,239                              | 2,329,338                     | 2,751,715    |
| Bills payable                     | 35,546                             | 89,068  | 71,560  | -                                   | -                             | 196,174      |
| Other liabilities                 | -                                  | -   | -   | -                                   | 94,656                        | 94,656       |
| Total Liabilities                 | 348,081                            | 133,570   | 118,661   | 18,239                              | 2,423,994                     | 3,042,545    |
| Equity                            | -                                  | -   | -   | -                                   | 423,461                       | 423,461      |
| Total Liabilities and Equity      | 348,081                            | 133,570   | 118,661   | 18,239                              | 2,847,455                     | 3,466,006    |
| On-book gap                       | 831,808                            | 173,608   | 951,958   | 358,206                             | ( 2,315,580)                  | -            |
| Cumulative on-book gap            | 831,808                            | 1,005,416   | 1,957,374   | 2,315,580                           | -                             | -            |
| Contingent assets                 | 5,231                              | 2,634   | -   | -                                   | -                             | 7,865        |
| Contingent liabilities            | 131                                | 2,634   | -   | -                                   | -                             | 2,765        |
| Off-book gap                      | 5,100                              | -   | -   | -                                   | -                             | 5,100        |
| Net Periodic Gap                  | 836,908                            | 173,608   | 951,958   | 358,206                             | ( 2,315,580)                  | ( 5,100)     |
| Cumulative Total Gap              | P 836,908                          | P 1,010,516   | P 1,962,474   | P 2,320,680                         | P 5,100                       | P -          |

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

Parent Bank

|                                     | 2020                      |   |   |                            |                       |                  |
|-------------------------------------|---------------------------|---|---|----------------------------|-----------------------|------------------|
|                                     | One to<br>Three<br>Months | More<br>Than Three<br>Months to<br>One Year | More<br>Than One<br>Year to<br>Five Years | More<br>Than Five<br>Years | Non-rate<br>Sensitive | Total            |
| Resources:                          |                           |   |   |                            |                       |                  |
| Cash and other cash items           | P -                       | P -   | P -                                       | P -                        | P 72,301              | P 72,301         |
| Due from BSP and other banks        | 76,050                    | -   | -   | -                          | 292,310               | 368,360          |
| Trading and investment securities   | 60,618                    | 14,954                                      | 213,307                                   | 105,715                    | 4,862                 | 399,456          |
| Loans and other receivables - net   | 1,025,361                 | 261,052                                     | 792,783                                   | 180,490                    | -                     | 2,259,686        |
| Other resources - net*              | -                         | -   | -   | -                          | 135,580               | 135,580          |
| <b>Total Resources</b>              | <b>1,162,029</b>          | <b>276,006</b>                              | <b>1,006,090</b>                          | <b>286,205</b>             | <b>505,053</b>        | <b>3,235,383</b> |
| Liabilities and Equity:             |                           |   |   |                            |                       |                  |
| Deposit liabilities                 | 363,719                   | 40,255                                      | 59,014                                    | 17,297                     | 2,068,006             | 2,548,291        |
| Bills payable                       | 30,776                    | 30,232                                      | 115,735                                   | 26,124                     | -                     | 202,867          |
| Other liabilities                   | -                         | -   | -   | -                          | 92,171                | 92,171           |
| <b>Total Liabilities</b>            | <b>394,495</b>            | <b>70,487</b>                               | <b>174,749</b>                            | <b>43,421</b>              | <b>2,160,177</b>      | <b>2,843,329</b> |
| Equity                              | -                         | -   | -   | -                          | 392,054               | 392,054          |
| <b>Total Liabilities and Equity</b> | <b>394,495</b>            | <b>70,487</b>                               | <b>174,749</b>                            | <b>43,421</b>              | <b>2,552,231</b>      | <b>3,235,383</b> |
| On-book gap                         | 767,534                   | 205,519                                     | 831,341                                   | 242,784                    | ( 2,047,178)          | -                |
| Cumulative on-book gap              | 767,534                   | 973,053                                     | 1,804,394                                 | 2,047,178                  | -                     | -                |
| Contingent assets                   | 1                         | 1,146                                       | -   | -                          | -                     | 1,147            |
| Contingent liabilities              | 6,244                     | 2,881                                       | -   | -                          | -                     | 9,125            |
| Off-book gap                        | ( 6,243)                  | ( 1,735)                                    | -   | -                          | -                     | ( 7,978)         |
| Net Periodic Gap                    | 761,291                   | 203,784                                     | 831,341                                   | 242,784                    | ( 2,047,178)          | 7,978            |
| Cumulative Total Gap                | P 761,291                 | P 965,075                                   | P 1,796,416                               | P 2,039,200                | (P 7,978)             | P -              |

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

The BDO Unibank Group and the Parent Bank's market risk management limits are generally categorized as limits on:

- Value-at-risk (VaR) – The RMG computes the VaR benchmarked at a level, which is a percentage of projected earnings. The BDO Unibank Group and the Parent Bank use the VaR model to estimate the daily potential loss that the BDO Unibank Group and the Parent Bank can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over limits should only arise in very exceptional circumstances.
- Stop loss – The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.
- Nominal position – The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other established limits.

- Trading volume – The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.
- Earnings-at-risk (EAR) – The RMG computes the EAR based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures in BDO Unibank Group and Parent Bank's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The BDO Unibank Group and the Parent Bank use a 99% confidence level and a 260-day observation period in VaR calculation. The BDO Unibank Group and the Parent Bank's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in the BDO Unibank Group and the Parent Bank's portfolios exceed tolerable levels. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A one-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and,
- The VaR measure is dependent upon the BDO Unibank Group and the Parent Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice-versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the BDO Unibank Group and the Parent Bank use a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the BDO Unibank Group and the Parent Bank's overall position. Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the trading portfolios at December 31 follows:

|                                 | 2021          |                  | 2020           |                  |
|---------------------------------|---------------|------------------|----------------|------------------|
|                                 | VaR           | Stress VaR       | VaR            | Stress VaR       |
| <b><u>BDO Unibank Group</u></b> |               |                  |                |                  |
| Foreign currency risk           | (P 8)         | (P 107)          | (P 30)         | (P 480)          |
| Interest rate risk – Peso       | ( 53)         | ( 888)           | ( 85)          | ( 1,083)         |
| Interest rate risk – USD        | ( 13)         | ( 355)           | ( 46)          | ( 581)           |
|                                 | <u>(P 74)</u> | <u>(P 1,350)</u> | <u>(P 161)</u> | <u>(P 2,144)</u> |
| <b><u>Parent Bank</u></b>       |               |                  |                |                  |
| Foreign currency risk           | (P 4)         | (P 56)           | (P 30)         | (P 471)          |
| Interest rate risk – Peso       | ( 15)         | ( 252)           | ( 33)          | ( 311)           |
| Interest rate risk – USD        | ( 2)          | ( 36)            | ( 27)          | ( 373)           |
|                                 | <u>(P 21)</u> | <u>(P 344)</u>   | <u>(P 90)</u>  | <u>(P 1,155)</u> |

For the BDO Unibank Group, the earnings perspective using an EAR approach is the more relevant measure for the interest rate risks in the Banking Book given a “going-concern” assumption and also because the component of earnings in focus is net interest income. EAR is a measure of likely earnings volatility for accrual portfolios. The appropriate yield curve used is the relevant benchmark rate and the volatilities of the relevant benchmark interest rate curve are calculated similar to the method employed for VaR. The volatility calculations make use of actual pre-defined time series data, using five-years’ worth of yearly changes, at the 99% confidence level. The frequency of measurement for EAR is monthly. EAR Stress Test uses 300 basis points increase in USD interest rates and 400 basis points increase in Peso interest rates.

The EAR before tax in a rising and declining interest rate scenario for financial assets and liabilities repriced during 2021 and 2020 is shown below and in the succeeding pages.

**BDO Unibank Group**

|   | 2021                                       |                |                  |                |
|---|--|----------------|------------------|----------------|
|   | Change in Interest Rates (in basis points) |                |                  |                |
|   | -100                                       | +100           | -50              | +50            |
| Change on annualized net interest income                                | <u>(P 8,331)</u>                           | <u>P 8,331</u> | <u>(P 4,165)</u> | <u>P 4,165</u> |
| As a percentage of the BDO Unibank Group’s net interest income for 2021 | <u>( 6.34%)</u>                            | <u>6.34%</u>   | <u>( 3.17%)</u>  | <u>3.17%</u>   |
| EAR   | <u>P 24,347</u>                            |                |                  |                |
| As a percentage of the BDO Unibank Group’s net interest income for 2021 | <u>18.54%</u>                              |                |                  |                |
| Average (1yr) EAR   | <u>P 24,391</u>                            |                |                  |                |
| Stress EAR  | <u>P 31,984</u>                            |                |                  |                |

BDO Unibank Group

|   | 2020                                       |         |           |         |
|---|--|---------|-----------|---------|
|   | Change in Interest Rates (in basis points) |         |           |         |
|   | -100                                       | +100    | -50       | +50     |
| Change on annualized net interest income                                | (P 7,933)                                  | P 7,933 | (P 3,966) | P 3,966 |
| As a percentage of the BDO Unibank Group's net interest income for 2020 | ( 5.93%)                                   | 5.93%   | ( 2.97%)  | 2.97%   |
| EAR   | P 23,844                                   |         |           |         |
| As a percentage of the BDO Unibank Group's net interest income for 2020 | 17.83%                                     |         |           |         |
| Average (1yr) EAR   | P 18,468                                   |         |           |         |
| Stress EAR  | P 31,236                                   |         |           |         |

Parent Bank

|   | 2021                                       |         |           |         |
|---|--|---------|-----------|---------|
|   | Change in Interest Rates (in basis points) |         |           |         |
|   | -100                                       | +100    | -50       | +50     |
| Change on annualized net interest income                          | (P 8,404)                                  | P 8,404 | (P 4,202) | P 4,202 |
| As a percentage of the Parent Bank's net interest income for 2021 | ( 6.79%)                                   | 6.79%   | ( 3.39%)  | 3.39%   |
| EAR   | P 24,735                                   |         |           |         |
| As a percentage of the Parent Bank's net interest income for 2021 | 19.97%                                     |         |           |         |
| Average (1yr) EAR   | P 24,627                                   |         |           |         |
| Stress EAR  | P 32,233                                   |         |           |         |

|   | 2020                                       |         |           |         |
|---|--|---------|-----------|---------|
|   | Change in Interest Rates (in basis points) |         |           |         |
|   | -100                                       | +100    | -50       | +50     |
| Change on annualized net interest income                          | (P 8,089)                                  | P 8,089 | (P 4,044) | P 4,044 |
| As a percentage of the Parent Bank's net interest income for 2020 | ( 6.35%)                                   | 6.35%   | ( 3.18%)  | 3.18%   |
| EAR   | P 24,494                                   |         |           |         |

Parent Bank

|   | 2020                                       |      |     |     |
|---|--|------|-----|-----|
|   | Change in Interest Rates (in basis points) |      |     |     |
|   | -100                                       | +100 | -50 | +50 |
| As a percentage of the Parent Bank's net interest income for 2020 | <u>19.24%</u>                              |      |     |     |
| Average (1yr) EAR   | <u>P 18,938</u>                            |      |     |     |
| Stress EAR  | <u>P 31,466</u>                            |      |     |     |

**4.2.3 Price Risk**

The BDO Unibank Group and the Parent Bank are exposed to equity securities price risk because of investments in equity securities held by BDO Unibank Group and Parent Bank classified on the statement of financial position either as financial assets at FVOCI or financial assets at FVTPL. The BDO Unibank Group and the Parent Bank are not exposed to commodity price risk. To manage its price risk arising from investments in listed equity securities, BDO Unibank Group maintains a diversified portfolio. Diversification of the portfolio is done in accordance with the limits set by BDO Unibank Group.

The table below summarizes the impact of equity prices on listed equity securities classified as financial assets at FVTPL and financial assets at FVOCI on BDO Unibank Group and Parent Bank's net profit after tax and equity as of December 31, 2021 and 2020. The results are based on the volatility assumption of the benchmark equity index, which was 3.52% and 9.71% in 2021 and 2020, respectively, for securities classified as financial assets at FVTPL and FVOCI securities with all other variables held constant and all the BDO Unibank Group and the Parent Bank's equity instruments moved according to the historical correlation with the index.

|                           | Impact on<br>Net Profit After Tax<br>Increase |                       |                     | Impact on Other<br>Comprehensive Income<br>Increase |                     |                     |
|---------------------------|---|-----------------------|---------------------|---|---------------------|---------------------|
|                           | <u>2021</u>                                   | <u>2020</u>           | <u>2019</u>         | <u>2021</u>   | <u>2020</u>         | <u>2019</u>         |
|                           | <b>BDO Unibank Group</b>                      |                       |                     |   |                     |                     |
| Financial assets at FVTPL | <b>P 806</b>                                  | P 1,554               | P 335               | <b>P -</b>  | P -                 | P -                 |
| Financial assets at FVOCI | <u>-</u>                                      | <u>-</u>              | <u>-</u>            | <u>148</u>  | <u>350</u>          | <u>203</u>          |
|                           | <b><u>P 806</u></b>                           | <b><u>P 1,554</u></b> | <b><u>P 335</u></b> | <b><u>P 148</u></b>                                 | <b><u>P 350</u></b> | <b><u>P 203</u></b> |
| <b>Parent Bank</b>        |   |                       |                     |   |                     |                     |
| Financial assets at FVOCI | <b><u>P -</u></b>                             | <b><u>P -</u></b>     | <b><u>P -</u></b>   | <b><u>P 30</u></b>                                  | <b><u>P 291</u></b> | <b><u>P 48</u></b>  |
|                           | <b><u>P -</u></b>                             | <b><u>P -</u></b>     | <b><u>P -</u></b>   | <b><u>P 30</u></b>                                  | <b><u>P 291</u></b> | <b><u>P 48</u></b>  |



### **4.3 Credit Risk**

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the BDO Unibank Group. RMG undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that BDO Unibank Group's credit policies and procedures are adequate to meet the demands of the business.

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

BDO Unibank Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the Credit Committee. On the industry segments, set limits and exposures are monitored and reported to the RMC.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

#### **4.3.1 Credit Risk Assessment**

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

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

- Current : Grades AAA to B
- Watchlisted : Grade B-
- Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(a) *Current*

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

(b) *Watchlisted*

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

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

(c) *Adversely Classified*

(i) *Especially Mentioned (EM)*

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

(ii) *Substandard*

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

(iii) *Doubtful*

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

(iv) *Loss*

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

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

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

#### 4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2021 and 2020, there are no POCI financial assets in both BDO Unibank Group and Parent Bank's financial statements.

The following table shows the exposure to credit risk as of December 31, 2021 and 2020 for each internal risk grade and the related allowance for ECL:

##### BDO Unibank Group

|   | 2021               |                 |                 |                    |
|---|--------------------|-----------------|-----------------|--------------------|
|   | Stage 1            | Stage 2         | Stage 3         | Total              |
| <b>Receivables from customers - corporate</b> |                    |                 |                 |                    |
| Grades AAA to B : Current                     | P 1,733,845        | P -             | P -             | P 1,733,845        |
| Grade B : Watchlisted                         | 106                | 30,835          | 502             | 31,443             |
| Grade C : EM                                  | 5                  | 81,131          | 2,009           | 83,145             |
| Grade D : Substandard                         | -                  | 4,403           | 7,059           | 11,462             |
| Grade E : Doubtful                            | -                  | -               | 5,578           | 5,578              |
| Grade F : Loss                                | -                  | -               | 3,882           | 3,882              |
|   | <u>1,733,956</u>   | <u>116,369</u>  | <u>19,030</u>   | <u>1,869,355</u>   |
| ECL allowance                                 | ( 7,513)           | ( 17,205)       | ( 13,237)       | ( 37,955)          |
| Carrying amount                               | <u>P 1,726,443</u> | <u>P 99,164</u> | <u>P 5,793</u>  | <u>P 1,831,400</u> |
| <b>Receivables from customers - consumer</b>  |                    |                 |                 |                    |
| Grades AAA to B : Current                     | P 473,747          | P -             | P 160           | P 473,907          |
| Grade B : Watchlisted                         | 9                  | 181             | 62              | 252                |
| Grade C : EM                                  | -                  | 1,506           | 107             | 1,613              |
| Grade D : Substandard                         | -                  | 1,356           | 8,078           | 9,434              |
| Grade E : Doubtful                            | -                  | -               | 16,658          | 16,658             |
| Grade F : Loss                                | -                  | -               | 28,974          | 28,974             |
|   | <u>473,756</u>     | <u>3,043</u>    | <u>54,039</u>   | <u>530,838</u>     |
| ECL allowance                                 | ( 5,554)           | ( 504)          | ( 21,246)       | ( 27,304)          |
| Carrying amount                               | <u>P 468,202</u>   | <u>P 2,539</u>  | <u>P 32,793</u> | <u>P 503,534</u>   |
| <b>Other receivables</b>                      |                    |                 |                 |                    |
| Grades AAA to B : Current                     | P 114,790          | P 22            | P 238           | P 115,050          |
| Grade C : EM                                  | -                  | 41              | -               | 41                 |
| Grade D : Substandard                         | 503                | 407             | 258             | 1,168              |
| Grade E : Doubtful                            | 16                 | -               | 249             | 265                |
| Grade F : Loss                                | -                  | -               | 1,929           | 1,929              |
|   | <u>115,309</u>     | <u>470</u>      | <u>2,674</u>    | <u>118,453</u>     |
| ECL allowance                                 | ( 79)              | ( 77)           | ( 2,328)        | ( 2,484)           |
| Carrying amount                               | <u>P 115,230</u>   | <u>P 393</u>    | <u>P 346</u>    | <u>P 115,969</u>   |

**BDO Unibank Group**

|   |          | 2021                    |                         |                        |                           |
|---|----------|-------------------------|-------------------------|------------------------|---------------------------|
|   |          | Stage 1                 | Stage 2                 | Stage 3                | Total                     |
| <b>Debt investment securities at</b>          |          |                         |                         |                        |                           |
| <b>amortized cost</b>                         |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | P        | 397,595                 | P -                     | P -                    | P 397,595                 |
| Grade E : Doubtful                            |          | -                       | -                       | 1,146                  | 1,146                     |
| Grade F : Loss                                |          | -                       | -                       | 264                    | 264                       |
|   |          | <u>397,595</u>          | <u>-</u>                | <u>1,410</u>           | <u>399,005</u>            |
| ECL allowance                                 | (        | 61)                     | -                       | (1,410)                | (1,471)                   |
| Carrying amount                               | <b>P</b> | <b><u>397,534</u></b>   | <b><u>P -</u></b>       | <b><u>P -</u></b>      | <b><u>P 397,534</u></b>   |
| <b>Debt investment securities at FVOCI</b>    |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | <b>P</b> | <b><u>165,461</u></b>   | <b><u>P -</u></b>       | <b><u>P -</u></b>      | <b><u>P 165,461</u></b>   |
| <b>Loan commitments and other</b>             |          |                         |                         |                        |                           |
| <b>contingent accounts</b>                    |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | P        | 112,403                 | P -                     | P -                    | P 112,403                 |
| Grade B- : Watchlisted                        |          | -                       | 461                     | -                      | 461                       |
| Grade C : EM                                  |          | -                       | 42                      | -                      | 42                        |
|   |          | <u>112,403</u>          | <u>503</u>              | <u>-</u>               | <u>112,906</u>            |
| ECL allowance                                 | (        | 289)                    | -                       | -                      | (289)                     |
| Carrying amount                               | <b>P</b> | <b><u>112,114</u></b>   | <b><u>P 503</u></b>     | <b><u>P -</u></b>      | <b><u>P 112,617</u></b>   |
|   |          | 2020                    |                         |                        |                           |
|   |          | Stage 1                 | Stage 2                 | Stage 3                | Total                     |
| <b>Receivables from customers - corporate</b> |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | P        | 1,557,559               | P -                     | P -                    | P 1,557,559               |
| Grade B- : Watchlisted                        |          | 38                      | 63,088                  | 1,420                  | 64,546                    |
| Grade C : EM                                  |          | 99                      | 95,710                  | 2,611                  | 98,420                    |
| Grade D : Substandard                         |          | -                       | 4,414                   | 1,435                  | 5,849                     |
| Grade E : Doubtful                            |          | -                       | -                       | 4,769                  | 4,769                     |
| Grade F : Loss                                |          | -                       | -                       | 4,795                  | 4,795                     |
|   |          | <u>1,557,696</u>        | <u>163,212</u>          | <u>15,030</u>          | <u>1,735,938</u>          |
| ECL allowance                                 | (        | 6,254)                  | (11,699)                | (10,056)               | (28,009)                  |
| Carrying amount                               | <b>P</b> | <b><u>1,551,442</u></b> | <b><u>P 151,513</u></b> | <b><u>P 4,974</u></b>  | <b><u>P 1,707,929</u></b> |
| <b>Receivables from customers - consumer</b>  |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | P        | 475,080                 | P -                     | P -                    | P 475,080                 |
| Grade B- : Watchlisted                        |          | 9                       | 406                     | 118                    | 533                       |
| Grade C : EM                                  |          | 1                       | 3,681                   | 128                    | 3,810                     |
| Grade D : Substandard                         |          | -                       | 3,062                   | 6,084                  | 9,146                     |
| Grade E : Doubtful                            |          | -                       | -                       | 22,699                 | 22,699                    |
| Grade F : Loss                                |          | -                       | -                       | 16,496                 | 16,496                    |
|   |          | <u>475,090</u>          | <u>7,149</u>            | <u>45,525</u>          | <u>527,764</u>            |
| ECL allowance                                 | (        | 7,795)                  | (997)                   | (19,619)               | (28,411)                  |
| Carrying amount                               | <b>P</b> | <b><u>467,295</u></b>   | <b><u>P 6,152</u></b>   | <b><u>P 25,906</u></b> | <b><u>P 499,353</u></b>   |
| <b>Other receivables</b>                      |          |                         |                         |                        |                           |
| Grades AAA to B : Current                     | P        | 93,453                  | P 37                    | P -                    | P 93,490                  |
| Grade B- : Watchlisted                        |          | -                       | -                       | 78                     | 78                        |
| Grade C : EM                                  |          | 1                       | -                       | -                      | 1                         |
| Grade D : Substandard                         |          | 501                     | 414                     | 355                    | 1,270                     |
| Grade E : Doubtful                            |          | 17                      | -                       | 303                    | 320                       |
| Grade F : Loss                                |          | 51                      | -                       | 1,920                  | 1,971                     |
|   |          | <u>94,023</u>           | <u>451</u>              | <u>2,656</u>           | <u>97,130</u>             |
| ECL allowance                                 | (        | 151)                    | (18)                    | (2,262)                | (2,431)                   |
| Carrying amount                               | <b>P</b> | <b><u>93,872</u></b>    | <b><u>P 433</u></b>     | <b><u>P 394</u></b>    | <b><u>P 94,699</u></b>    |

BDO Unibank Group

|  | 2020             |              |              |                  |
|--|------------------|--------------|--------------|------------------|
|  | Stage 1          | Stage 2      | Stage 3      | Total            |
| Debt investment securities at amortized cost   |                  |              |              |                  |
| Grades AAA to B : Current                      | P 287,067        | P -          | P -          | P 287,067        |
| Grade E : Doubtful                             | -                | -            | 1,079        | 1,079            |
| Grade F : Loss                                 | -                | -            | 263          | 263              |
|  | <u>287,067</u>   | <u>-</u>     | <u>1,342</u> | <u>288,409</u>   |
| ECL allowance                                  | ( 248)           | -            | ( 1,342)     | ( 1,590)         |
| Carrying amount                                | <u>P 286,819</u> | <u>P -</u>   | <u>P -</u>   | <u>P 286,819</u> |
| Debt investment securities at FVOCI            |                  |              |              |                  |
| Grades AAA to B : Current                      | <u>P 174,559</u> | <u>P -</u>   | <u>P -</u>   | <u>P 174,559</u> |
| Loan commitments and other contingent accounts |                  |              |              |                  |
| Grades AAA to B : Current                      | P 96,509         | P -          | P -          | P 96,509         |
| Grade B- : Watchlisted                         | -                | 145          | -            | 145              |
| Grade E : Doubtful                             | -                | -            | 16           | 16               |
|  | <u>96,509</u>    | <u>145</u>   | <u>16</u>    | <u>96,670</u>    |
| ECL allowance                                  | ( 314)           | ( 3)         | -            | ( 317)           |
| Carrying amount                                | <u>P 96,195</u>  | <u>P 142</u> | <u>P 16</u>  | <u>P 96,353</u>  |

The table below sets out the credit quality of trading debt securities of the BDO Unibank Group measured at FVTPL (see Note 10.1).

|              | 2021                   | 2020                  |
|--------------|------------------------|-----------------------|
| Grade:       |                        |                       |
| AAA          | <b>P 4,449</b>         | P 4,030               |
| AA+ to AA    | <b>330</b>             | 107                   |
| A+ to A-     | <b>371</b>             | 706                   |
| BBB+ to BBB- | <b>4,440</b>           | 4,152                 |
| BB+ to BB-   | <b>516</b>             | 185                   |
|              | <b><u>P 10,106</u></b> | <b><u>P 9,180</u></b> |

The table below shows an analysis of counterparty credit exposures arising from derivative transactions of the BDO Unibank Group. Outstanding derivative exposures to counterparties are generally to investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

|                        | Over-the-counter |            |                 |            |                        |            |                                |            |
|------------------------|------------------|------------|-----------------|------------|------------------------|------------|--------------------------------|------------|
|                        | Total            |            | Exchange-traded |            | Central Counterparties |            | Other Bilateral Collateralized |            |
|                        | Notional Amount  | Fair Value | Notional Amount | Fair Value | Notional Amount        | Fair Value | Notional Amount                | Fair Value |
| <b>2021</b>            |                  |            |                 |            |                        |            |                                |            |
| Derivative assets      | P 190,129        | P 6,232    | P 131           | P 1        | P 163,556              | P 2,468    | P 26,442                       | P 3,763    |
| Derivative liabilities | 201,482          | 5,742      | 1,792           | -          | 171,809                | 2,462      | 27,881                         | 3,280      |
| <b>2020</b>            |                  |            |                 |            |                        |            |                                |            |
| Derivative assets      | P 169,313        | P 4,468    | P 186           | P -        | P 143,909              | P 1,769    | P 25,218                       | P 2,699    |
| Derivative liabilities | 177,735          | 4,129      | 186             | -          | 154,158                | 2,001      | 23,391                         | 2,128      |

As of December 31, 2021 and 2020, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P444,103 and P448,776, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

**Parent Bank**

|   | 2021               |                 |                 |                    |
|---|--------------------|-----------------|-----------------|--------------------|
|   | Stage 1            | Stage 2         | Stage 3         | Total              |
| <b>Receivables from customers - corporate</b>         |                    |                 |                 |                    |
| Grades AAA to B : Current                             | P 1,728,038        | P -             | P -             | P 1,728,038        |
| Grade B : Watchlisted                                 | -                  | 30,830          | 502             | 31,332             |
| Grade C : EM  | -                  | 81,131          | 2,009           | 83,140             |
| Grade D : Substandard                                 | -                  | 4,403           | 7,059           | 11,462             |
| Grade E : Doubtful                                    | -                  | -               | 5,578           | 5,578              |
| Grade F : Loss  | -                  | -               | 3,878           | 3,878              |
|   | <u>1,728,038</u>   | <u>116,364</u>  | <u>19,026</u>   | <u>1,863,428</u>   |
| ECL allowance   | ( 7,477)           | ( 17,204)       | ( 13,233)       | ( 37,914)          |
| Carrying amount                                       | <u>P 1,720,561</u> | <u>P 99,160</u> | <u>P 5,793</u>  | <u>P 1,825,514</u> |
| <b>Receivables from customers - consumer</b>          |                    |                 |                 |                    |
| Grades AAA to B : Current                             | P 438,721          | P -             | P -             | P 438,721          |
| Grade B : Watchlisted                                 | -                  | 181             | 62              | 243                |
| Grade C : EM  | -                  | 1,468           | 47              | 1,515              |
| Grade D : Substandard                                 | -                  | 1,094           | 8,013           | 9,107              |
| Grade E : Doubtful                                    | -                  | -               | 11,677          | 11,677             |
| Grade F : Loss  | -                  | -               | 26,860          | 26,860             |
|   | <u>438,721</u>     | <u>2,743</u>    | <u>46,659</u>   | <u>488,123</u>     |
| ECL allowance   | ( 5,194)           | ( 414)          | ( 19,752)       | ( 25,360)          |
| Carrying amount                                       | <u>P 433,527</u>   | <u>P 2,329</u>  | <u>P 26,907</u> | <u>P 462,763</u>   |
| <b>Other receivables</b>                              |                    |                 |                 |                    |
| Grades AAA to B : Current                             | P 110,798          | P -             | P -             | P 110,798          |
| Grade D : Substandard                                 | 502                | 406             | 251             | 1,159              |
| Grade E : Doubtful                                    | -                  | -               | 211             | 211                |
| Grade F : Loss  | -                  | -               | 1,856           | 1,856              |
|   | <u>111,300</u>     | <u>406</u>      | <u>2,318</u>    | <u>114,024</u>     |
| ECL allowance   | ( 31)              | ( 77)           | ( 2,210)        | ( 2,318)           |
| Carrying amount                                       | <u>P 111,269</u>   | <u>P 329</u>    | <u>P 108</u>    | <u>P 111,706</u>   |
| <b>Debt investment securities at amortized cost</b>   |                    |                 |                 |                    |
| Grades AAA to B : Current                             | P 377,427          | P -             | P -             | P 377,427          |
| Grade E : Doubtful                                    | -                  | -               | 1,146           | 1,146              |
| Grade F : Loss  | -                  | -               | 264             | 264                |
|   | <u>377,427</u>     | <u>-</u>        | <u>1,410</u>    | <u>378,837</u>     |
| ECL allowance   | ( 45)              | -               | ( 1,410)        | ( 1,455)           |
| Carrying amount                                       | <u>P 377,382</u>   | <u>P -</u>      | <u>P -</u>      | <u>P 377,382</u>   |
| <b>Debt investment securities at FVOCI</b>            |                    |                 |                 |                    |
| Grades AAA to B : Current                             | <u>P 114,095</u>   | <u>P -</u>      | <u>P -</u>      | <u>P 114,095</u>   |
| <b>Loan commitments and other contingent accounts</b> |                    |                 |                 |                    |
| Grades AAA to B : Current                             | P 112,403          | P -             | P -             | P 112,403          |
| Grade B : Watchlisted                                 | -                  | 461             | -               | 461                |
| Grade C : EM  | -                  | 42              | -               | 42                 |
|   | <u>112,403</u>     | <u>503</u>      | <u>-</u>        | <u>112,906</u>     |
| ECL allowance   | ( 289)             | -               | -               | ( 289)             |
| Carrying amount                                       | <u>P 112,114</u>   | <u>P 503</u>    | <u>P -</u>      | <u>P 112,617</u>   |

Parent Bank

|   | 2020               |                  |                 |                    |
|---|--------------------|------------------|-----------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Receivables from customers - corporate</b>         |                    |                  |                 |                    |
| Grades AAA to B : Current                             | P 1,554,068        | P -              | P -             | P 1,554,068        |
| Grade B : Watchlisted                                 | -                  | 62,906           | 1,419           | 64,325             |
| Grade C : EM  | -                  | 95,710           | 2,611           | 98,321             |
| Grade D : Substandard                                 | -                  | 4,414            | 1,435           | 5,849              |
| Grade E : Doubtful                                    | -                  | -                | 4,769           | 4,769              |
| Grade F : Loss  | -                  | -                | 4,793           | 4,793              |
|   | <u>1,554,068</u>   | <u>163,030</u>   | <u>15,027</u>   | <u>1,732,125</u>   |
| ECL allowance   | ( 6,200)           | ( 11,699)        | ( 10,053)       | ( 27,952)          |
| Carrying amount                                       | <u>P 1,547,868</u> | <u>P 151,331</u> | <u>P 4,974</u>  | <u>P 1,704,173</u> |
| <b>Receivables from customers - consumer</b>          |                    |                  |                 |                    |
| Grades AAA to B : Current                             | P 446,247          | P -              | P -             | P 446,247          |
| Grade B : Watchlisted                                 | -                  | 406              | 4               | 410                |
| Grade C : EM  | -                  | 3,063            | 58              | 3,121              |
| Grade D : Substandard                                 | -                  | 1,121            | 5,714           | 6,835              |
| Grade E : Doubtful                                    | -                  | -                | 21,525          | 21,525             |
| Grade F : Loss  | -                  | -                | 14,232          | 14,232             |
|   | <u>446,247</u>     | <u>4,590</u>     | <u>41,533</u>   | <u>492,370</u>     |
| ECL allowance   | ( 7,558)           | ( 671)           | ( 17,808)       | ( 26,037)          |
| Carrying amount                                       | <u>P 438,689</u>   | <u>P 3,919</u>   | <u>P 23,725</u> | <u>P 466,333</u>   |
| <b>Other receivables</b>                              |                    |                  |                 |                    |
| Grades AAA to B : Current                             | P 88,062           | P -              | P -             | P 88,062           |
| Grade D : Substandard                                 | 494                | 413              | 352             | 1,259              |
| Grade E : Doubtful                                    | -                  | -                | 291             | 291                |
| Grade F : Loss  | -                  | -                | 1,853           | 1,853              |
|   | <u>88,556</u>      | <u>413</u>       | <u>2,496</u>    | <u>91,465</u>      |
| ECL allowance   | ( 62)              | ( 19)            | ( 2,204)        | ( 2,285)           |
| Carrying amount                                       | <u>P 88,494</u>    | <u>P 394</u>     | <u>P 292</u>    | <u>P 89,180</u>    |
| <b>Debt investment securities at amortized cost</b>   |                    |                  |                 |                    |
| Grades AAA to B : Current                             | P 267,901          | P -              | P -             | P 267,901          |
| Grade E : Doubtful                                    | -                  | -                | 1,079           | 1,079              |
| Grade F : Loss  | -                  | -                | 263             | 263                |
|   | <u>267,901</u>     | <u>-</u>         | <u>1,342</u>    | <u>269,243</u>     |
| ECL allowance   | ( 229)             | -                | ( 1,342)        | ( 1,571)           |
| Carrying amount                                       | <u>P 267,672</u>   | <u>P -</u>       | <u>P -</u>      | <u>P 267,672</u>   |
| <b>Debt investment securities at FVOCI</b>            |                    |                  |                 |                    |
| Grades AAA to B : Current                             | <u>P 121,848</u>   | <u>P -</u>       | <u>P -</u>      | <u>P 121,848</u>   |
| <b>Loan commitments and other contingent accounts</b> |                    |                  |                 |                    |
| Grades AAA to B : Current                             | P 96,509           | P -              | P -             | P 96,509           |
| Grade B : Watchlisted                                 | -                  | 145              | -               | 145                |
| Grade E : Doubtful                                    | -                  | -                | 16              | 16                 |
|   | <u>96,509</u>      | <u>145</u>       | <u>16</u>       | <u>96,670</u>      |
| ECL allowance   | ( 314)             | ( 3)             | -               | ( 317)             |
| Carrying amount                                       | <u>P 96,195</u>    | <u>P 142</u>     | <u>P 16</u>     | <u>P 96,353</u>    |

The table below sets out the credit quality of trading debt securities of the Parent Bank measured at FVTPL (see Note 10.1).

|              | <u>2021</u>           |   | <u>2020</u>         |
|--------------|-----------------------|---|---------------------|
| Grade:       |                       |   |                     |
| AAA          | <b>P 1,756</b>        | P | 1,707               |
| AA+ to AA    | <b>5</b>              |   | 2                   |
| BBB+ to BBB- | <b>169</b>            |   | 1,327               |
| BB+ to BB-   | <b><u>216</u></b>     |   | <u>56</u>           |
|              | <b><u>P 2,146</u></b> | P | <b><u>3,092</u></b> |

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Parent Bank are generally fully collateralized by cash.

|                        | <u>Total</u>           |                   | <u>Exchange-traded</u> |                   | <u>Over-the-counter</u>       |                   |                                       |                   |
|------------------------|------------------------|-------------------|------------------------|-------------------|-------------------------------|-------------------|---------------------------------------|-------------------|
|                        |                        |                   |                        |                   | <u>Central Counterparties</u> |                   | <u>Other Bilateral Collateralized</u> |                   |
|                        | <u>Notional Amount</u> | <u>Fair Value</u> | <u>Notional Amount</u> | <u>Fair Value</u> | <u>Notional Amount</u>        | <u>Fair Value</u> | <u>Notional Amount</u>                | <u>Fair Value</u> |
| <u>2021</u>            |                        |                   |                        |                   |                               |                   |                                       |                   |
| Derivative assets      | <b>P 163,687</b>       | <b>P 2,469</b>    | <b>P 131</b>           | <b>P -</b>        | <b>P 163,556</b>              | <b>P 2,469</b>    | <b>P -</b>                            | <b>P -</b>        |
| Derivative liabilities | <b>171,940</b>         | <b>2,462</b>      | <b>131</b>             | <b>-</b>          | <b>171,809</b>                | <b>2,462</b>      | <b>-</b>                              | <b>-</b>          |
| <u>2020</u>            |                        |                   |                        |                   |                               |                   |                                       |                   |
| Derivative assets      | <b>P 144,095</b>       | <b>P 1,769</b>    | <b>P 186</b>           | <b>P -</b>        | <b>P 143,909</b>              | <b>P 1,769</b>    | <b>P -</b>                            | <b>P -</b>        |
| Derivative liabilities | <b>154,345</b>         | <b>2,001</b>      | <b>186</b>             | <b>-</b>          | <b>154,159</b>                | <b>2,001</b>      | <b>-</b>                              | <b>-</b>          |

As of December 31, 2021 and 2020, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P433,449 and P440,661, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.



### 4.3.3 Concentrations of Credit Risk

The BDO Unibank Group and the Parent Bank monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below and in the succeeding page.

#### BDO Unibank Group

|   | 2021                          |                                    |   | 2020                          |                                    |   |
|---|-------------------------------|------------------------------------|---|-------------------------------|------------------------------------|---|
|   | Cash and Cash<br>Equivalents* | Receivables<br>from<br>Customers** | Trading and<br>Investment<br>Securities | Cash and Cash<br>Equivalents* | Receivables<br>from<br>Customers** | Trading and<br>Investment<br>Securities |
| Concentration by sector:  |                               |                                    |   |                               |                                    |   |
| Financial and insurance activities  | P 547,827                     | P 397,823                          | P 438,014                               | P 531,246                     | P 335,487                          | P 355,937                               |
| Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use | -                             | 356,129                            | -                                       | -                             | 315,727                            | -                                       |
| Real estate activities  | -                             | 307,048                            | 21,656                                  | 9                             | 308,681                            | 20,856                                  |
| Wholesale and retail trade  | -                             | 282,446                            | 953                                     | -                             | 271,485                            | 863                                     |
| Electricity, gas, steam and air-conditioning supply   | -                             | 282,036                            | 23,345                                  | 4                             | 265,210                            | 24,195                                  |
| Manufacturing   | -                             | 206,445                            | 14,198                                  | -                             | 195,586                            | 12,482                                  |
| Transportation and storage  | -                             | 88,043                             | 4,190                                   | 1                             | 92,578                             | 4,411                                   |
| Arts, entertainment and recreation  | -                             | 77,010                             | 715                                     | -                             | 77,734                             | -                                       |
| Construction  | -                             | 68,951                             | 102                                     | -                             | 69,067                             | 1,050                                   |
| Information and communication   | -                             | 42,845                             | 5,962                                   | -                             | 34,477                             | 2,306                                   |
| Accommodation and food service activities   | -                             | 39,937                             | -                                       | -                             | 39,699                             | 4,097                                   |
| Education   | -                             | 37,199                             | -                                       | -                             | 32,296                             | -                                       |
| Human health and social work activities   | -                             | 30,653                             | 901                                     | -                             | 29,859                             | 853                                     |
| Water supply, sewerage waste management and remediation activities  | -                             | 26,912                             | 148                                     | -                             | 24,017                             | -                                       |
| Agriculture, forestry and fishing   | -                             | 15,266                             | -                                       | -                             | 15,011                             | -                                       |
| Mining and quarrying  | -                             | 10,175                             | 1,279                                   | -                             | 16,172                             | 1,089                                   |
| Professional, scientific and technical services   | -                             | 9,642                              | 975                                     | -                             | 10,255                             | 946                                     |
| Administrative and support services   | -                             | 7,592                              | 1,262                                   | -                             | 8,237                              | -                                       |
| Public administrative and defense; compulsory social security   | -                             | 693                                | 2,629                                   | -                             | 723                                | 2,524                                   |
| Activities of extra-territorial and organizations and bodies  | -                             | -                                  | -                                       | -                             | 5                                  | -                                       |
| Other service activities  | 54                            | 113,348                            | 64,475                                  | 122                           | 121,396                            | 44,843                                  |
|   | <b>P 547,881</b>              | <b>P 2,400,193</b>                 | <b>P 580,804</b>                        | <b>P 531,382</b>              | <b>P 2,263,702</b>                 | <b>P 476,452</b>                        |
| Concentration by location:  |                               |                                    |   |                               |                                    |   |
| Philippines   | P 400,581                     | P 2,261,065                        | P 486,987                               | P 409,805                     | P 2,137,037                        | P 381,831                               |
| Foreign countries   | 147,300                       | 139,128                            | 93,817                                  | 121,577                       | 126,665                            | 94,621                                  |
|   | <b>P 547,881</b>              | <b>P 2,400,193</b>                 | <b>P 580,804</b>                        | <b>P 531,382</b>              | <b>P 2,263,702</b>                 | <b>P 476,452</b>                        |

\* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.5).

\*\*Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

**Parent Bank**

|   | 2021                          |                                    |   | 2020                          |                                    |   |
|---|-------------------------------|------------------------------------|---|-------------------------------|------------------------------------|---|
|   | Cash and Cash<br>Equivalents* | Receivables<br>from<br>Customers** | Trading and<br>Investment<br>Securities | Cash and Cash<br>Equivalents* | Receivables<br>from<br>Customers** | Trading and<br>Investment<br>Securities |
| Concentration by sector:  |                               |                                    |   |                               |                                    |   |
| Financial and insurance activities  | P 535,932                     | P 397,733                          | P 414,478                               | P 520,663                     | P 334,720                          | P 320,309                               |
| Electricity, gas, steam and air-conditioning supply   | -                             | 281,990                            | 21,731                                  | 4                             | 265,067                            | 22,842                                  |
| Real estate activities  | -                             | 308,053                            | 16,953                                  | 4                             | 310,133                            | 15,245                                  |
| Transportation and storage  | -                             | 88,607                             | 3,630                                   | 1                             | 93,701                             | 3,694                                   |
| Wholesale and retail traded   | -                             | 278,173                            | 953                                     | -                             | 268,590                            | 863                                     |
| Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use | -                             | 347,713                            | -                                       | -                             | 307,500                            | -                                       |
| Manufacturing   | -                             | 205,679                            | 12,891                                  | -                             | 195,035                            | 10,855                                  |
| Arts, entertainment and recreation  | -                             | 76,004                             | 715                                     | -                             | 76,699                             | -                                       |
| Construction  | -                             | 68,108                             | 102                                     | -                             | 68,752                             | 1,050                                   |
| Accommodation and food service activities   | -                             | 39,688                             | -                                       | -                             | 39,484                             | 4,097                                   |
| Information and communication   | -                             | 42,634                             | 3,802                                   | -                             | 34,276                             | 324                                     |
| Human health and social work activities   | -                             | 30,392                             | 901                                     | -                             | 29,693                             | 853                                     |
| Water supply, sewerage waste management and remediation activities  | -                             | 26,870                             | 148                                     | -                             | 24,014                             | -                                       |
| Mining and quarrying  | -                             | 10,122                             | 1,279                                   | -                             | 16,150                             | 1,089                                   |
| Agriculture, forestry and fishing   | -                             | 14,600                             | -                                       | -                             | 14,368                             | -                                       |
| Professional, scientific and technical services   | -                             | 9,601                              | 975                                     | -                             | 10,241                             | 946                                     |
| Administrative and support services   | -                             | 7,430                              | 1,262                                   | -                             | 8,182                              | -                                       |
| Education   | -                             | 4,373                              | -                                       | -                             | 5,043                              | -                                       |
| Public administrative and defense; compulsory social security   | -                             | 693                                | 2,629                                   | -                             | 723                                | 2,524                                   |
| Activities of extra-territorial and organizations bodies  | -                             | -                                  | -                                       | -                             | 5                                  | -                                       |
| Other service activities  | -                             | 113,088                            | 15,098                                  | -                             | 122,119                            | 11,097                                  |
|   | <b>P 535,932</b>              | <b>P 2,351,551</b>                 | <b>P 497,547</b>                        | <b>P 520,672</b>              | <b>P 2,224,495</b>                 | <b>P 395,788</b>                        |
| Concentration by location   |                               |                                    |   |                               |                                    |   |
| Philippines   | P 391,881                     | P 2,212,423                        | P 410,296                               | P 400,914                     | P 2,098,414                        | P 310,300                               |
| Foreign countries   | 144,051                       | 139,128                            | 87,251                                  | 119,758                       | 126,081                            | 85,488                                  |
|   | <b>P 535,932</b>              | <b>P 2,351,551</b>                 | <b>P 497,547</b>                        | <b>P 520,672</b>              | <b>P 2,224,495</b>                 | <b>P 395,788</b>                        |

\* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.5).

\*\*Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

#### 4.3.4 Collateral Held as Security and Other Credit Enhancements

BDO Unibank Group and the Parent Bank hold collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, financial collateral including deposits, debt and equity securities, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically. Collateral generally is not held over from due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity.

There is no significant change on the quality of the collateral and other security enhancements held against the credit exposures except for the fair value of the collaterals driven by the change in market conditions.

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

|  | <u>BDO Unibank Group</u>  |                    | <u>Parent Bank</u>        |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | <u>2021</u>               | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Receivable from customers – corporate: |                           |                    |                           |                    |
| Property                               | <b>P 643,403</b>          | P 575,492          | <b>P 632,969</b>          | P 571,158          |
| Equity securities                      | <b>119,361</b>            | 115,910            | <b>117,459</b>            | 115,741            |
| Hold-out deposits                      | <b>31,257</b>             | 104,036            | <b>30,986</b>             | 103,941            |
| Debt securities                        | <b>2,298</b>              | 2,559              | <b>1,252</b>              | 2,474              |
| Others                                 | <b>105,236</b>            | 237,625            | <b>105,024</b>            | 229,483            |
|  | <b><u>901,555</u></b>     | <u>1,035,622</u>   | <b><u>887,690</u></b>     | <u>1,022,797</u>   |
| Receivable from customers – consumer:  |                           |                    |                           |                    |
| Property                               | <b>558,874</b>            | 515,491            | <b>545,335</b>            | 515,491            |
| Hold-out deposits                      | <b>52</b>                 | 2,864              | <b>52</b>                 | 2,844              |
| Debt securities                        | <b>989</b>                | 423                | <b>989</b>                | 128                |
| Equity securities                      | <b>146</b>                | 805                | <b>146</b>                | 100                |
| Others                                 | <b>212,603</b>            | 218,756            | <b>202,216</b>            | 218,590            |
|  | <b><u>772,664</u></b>     | <u>738,339</u>     | <b><u>748,738</u></b>     | <u>737,153</u>     |
| Other receivables:                     |                           |                    |                           |                    |
| Property                               | <b>1,832</b>              | 1,696              | <b>1,668</b>              | 1,696              |
| Others                                 | <b>17,095</b>             | 16,729             | <b>15,800</b>             | 14,135             |
|  | <b><u>18,927</u></b>      | <u>18,425</u>      | <b><u>17,468</u></b>      | <u>15,831</u>      |
|  | <b><u>P 1,693,146</u></b> | <u>P 1,792,386</u> | <b><u>P 1,653,896</u></b> | <u>P 1,775,781</u> |

As of December 31, 2021 and 2020, no collateral is held for due from other banks and trading and investment securities.

The BDO Unibank Group and the Parent Bank have recognized certain properties arising from foreclosures in settlement of loan account amounting to P13,523 and P13,479, respectively, in 2021 and P13,757 and P13,743, respectively, in 2020 (see Note 14 and 15.5).

BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

The general creditworthiness of a corporate and individual customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 4.3.2). However, collateral provides additional security and the BDO Unibank Group generally requests that corporate and individual borrowers provide it. The BDO Unibank Group may take collateral in the form of a first charge over real estate, floating charges over all corporate and individual assets and other liens and guarantees.

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

(a) *Receivable from Customers and Other Receivables*

The net carrying amount of credit-impaired (loans under Stages 2 and 3) receivables and the value of identifiable collateral held against those loans and advances as of December 31, 2021 and 2020 are as follows:

**BDO Unibank Group**

|                            | <u>2021</u>                |                                | <u>2020</u>                |                                |
|----------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                            | <u>Net Carrying Amount</u> | <u>Identifiable Collateral</u> | <u>Net Carrying Amount</u> | <u>Identifiable Collateral</u> |
| Receivable from customers: |                            |                                |                            |                                |
| Corporate                  | P 104,957                  | P 63,098                       | P 156,487                  | P 103,993                      |
| Consumer                   | 35,332                     | 74,986                         | 32,058                     | 65,409                         |
| Other receivables          | 739                        | 2,895                          | 827                        | 3,106                          |

**Parent Bank**

|                            | <u>2021</u>                |                                | <u>2020</u>                |                                |
|----------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                            | <u>Net Carrying Amount</u> | <u>Identifiable Collateral</u> | <u>Net Carrying Amount</u> | <u>Identifiable Collateral</u> |
| Receivable from customers: |                            |                                |                            |                                |
| Corporate                  | P 104,953                  | P 63,083                       | P 156,305                  | P 103,810                      |
| Consumer                   | 29,236                     | 69,602                         | 27,644                     | 64,668                         |
| Other receivables          | 437                        | 2,438                          | 686                        | 2,910                          |

For each loan, the value of disclosed collateral (mainly collateral properties) is capped at the nominal amount of the loan that it is held against.

(b) *Debt Investment Securities*

The BDO Unibank Group and the Parent Bank invest in non-collateralized debt securities issued by various government and corporate entities. The maximum exposure to credit risk of debt investment securities is equivalent to their carrying amount as of December 31, 2021 and December 31, 2020 as shown below:

|                   | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|-------------------|--------------------------|------------------|-------------------------|------------------|
|                   | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Debt securities:  |                          |                  |                         |                  |
| At amortized cost | <b>P 397,534</b>         | P 286,819        | <b>P 377,382</b>        | P 267,672        |
| At FVOCI          | <b>165,461</b>           | 174,559          | <b>114,095</b>          | 121,848          |
| At FVTPL          | <b><u>10,106</u></b>     | <u>9,180</u>     | <b><u>2,146</u></b>     | <u>3,092</u>     |
|                   | <b><u>P 573,101</u></b>  | <u>P 470,558</u> | <b><u>P 493,623</u></b> | <u>P 392,612</u> |

**4.3.5 Amounts Arising from Expected Credit Losses**

At each reporting date, BDO Unibank Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

(a) *Significant Increase in Credit Risk (SICR)*

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

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

The objective of the assessment is to identify whether an SICR has occurred for an exposure by comparing:

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

*(i) Credit risk grading*

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

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

*(ii) Generating the term structure of PD*

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The BDO Unibank Group collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used.

The BDO Unibank Group employs statistical models to analyze the data collected and generates the term structure of PD estimates.

*(iii) Determining whether credit risk has significantly increased*

The BDO Unibank Group assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the BDO Unibank Group.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the BDO Unibank Group's credit risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings and intermittent delays in payments.

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

In 2021 and 2020, the assumptions and estimation technique have been reviewed to consider the continuing impact of the COVID-19 pandemic. In this regard, the BDO Unibank Group and the Parent Bank performed comprehensive review of the financial assets, particularly for loan accounts to assess vulnerability arising from current economic condition, which resulted in the transfer of the classification of some loans from Stage 1 to either Stage 2 or 3 (see Note 35).

*(b) Definition of Default*

The BDO Unibank Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the BDO Unibank Group in full, without recourse by the BDO Unibank Group to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the BDO Unibank Group; or,
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

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

These criteria have been applied to all financial instruments held by the BDO Unibank Group and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the BDO Unibank Group.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments in compliance with the regulatory requirements on transfer between stages.

*(c) Measurement of ECL*

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

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

The methodology of estimating PDs is discussed above under the heading 'Generating the term structure of PD'.

LGD is the magnitude of the likely loss if there is a default. The BDO Unibank Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The BDO Unibank Group derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

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

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

There have been no significant changes in the estimation techniques or significant assumptions made by the BDO Unibank Group in 2021.

*(d) Collective Basis of Measurement of ECL*

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

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



The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The groupings are subject to the regular review by the BDO Unibank Group's RMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

*(e) Forward-looking Information (FLI)*

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

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

The relevant macro-economic variables for selection generally include, but are not limited to, Gross Domestic Product (GDP) growth rate, unemployment rate, inflation rate, foreign exchange rates, stock market index, oil prices and interest rates.

Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different from the projections. The BDO Unibank Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the BDO Unibank Group different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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

*(f) Modified Financial Assets*

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

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

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

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

The revised terms usually include extending the maturity, deferment of principal payment, changing the timing of interest payments and amending the terms of loan covenants for such loans as consumer and corporate loans and credit card receivables. All proposals for loan restructuring are for approval by the BDO Unibank Group's Executive Committee.

For financial assets modified as part of the BDO Unibank Group's restructuring policy, the estimate of credit loss will reflect the probability to collect interest and principal. As part of this process, the BDO Unibank Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of an SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.3.2). A customer needs to demonstrate consistently good payment behavior over a period of time (in accordance with the new terms for six consecutive months or more) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

In response to the unprecedented impact of the COVID-19 pandemic, the BDO Unibank Group and the Parent Bank granted to its customers the mandatory reliefs provided by the government through *Bayaniban to Heal as One Act (Bayaniban I)* and *Bayaniban to Recover as One Act (Bayaniban II)*. In addition, it entered into voluntary renegotiations of terms of loans of some other customers with a view of maximizing recovery of the contractual amount of obligation. These relief measures were granted to eligible borrowers to allow them to get back into the habit of paying loans which includes payment relief including extension of contractual terms, principal and interest relief, as well as extension of balloon payment terms (see Note 35).

Financial reliefs provided by the BDO Unibank Group and the Parent Bank and mandated by the government were assessed to be non-substantial modification and has not resulted in material modification loss as the present value of the original cash flows and the present value of the revised cash flows using the original effective interest rate were substantially the same.

The following tables provide a summary of the outstanding principal balance net of allowance for impairment of modified loans provided by the BDO Unibank Group and the Parent Bank as of December 31, 2021 and 2020:

**BDO Unibank Group**

|   | <u>2021</u>             |                 | <u>2020</u>           |
|---|-------------------------|-----------------|-----------------------|
| <b><u>Stage 1 (Performing)</u></b>      |                         |                 |                       |
| Corporate                               | P 68,893                | P               | 187,822               |
| Consumer                                | <u>121,081</u>          |                 | <u>144,598</u>        |
|   | 189,974                 |                 | 332,420               |
| Allowance for impairment                | <u>( 1,404)</u>         | <u>(</u>        | <u>2,080)</u>         |
|   | <b><u>P 188,570</u></b> | <b><u>P</u></b> | <b><u>330,340</u></b> |
| <b><u>Stage 2 (Underperforming)</u></b> |                         |                 |                       |
| Corporate                               | P 98,434                | P               | 83,289                |
| Consumer                                | <u>1,075</u>            |                 | <u>1,448</u>          |
|   | 99,509                  |                 | 84,737                |
| Allowance for impairment                | <u>( 15,798)</u>        | <u>(</u>        | <u>8,645)</u>         |
|   | <b><u>P 83,711</u></b>  | <b><u>P</u></b> | <b><u>76,092</u></b>  |
| <b><u>Stage 3 (Non-performing)</u></b>  |                         |                 |                       |
| Corporate                               | P 5,673                 | P               | 877                   |
| Consumer                                | <u>7,542</u>            |                 | <u>7,933</u>          |
|   | 13,215                  |                 | 8,810                 |
| Allowance for impairment                | <u>( 4,709)</u>         | <u>(</u>        | <u>2,740)</u>         |
|   | <b><u>P 8,506</u></b>   | <b><u>P</u></b> | <b><u>6,070</u></b>   |

**Parent Bank**

|   | <u>2021</u>             |                 | <u>2020</u>           |
|---|-------------------------|-----------------|-----------------------|
| <b><u>Stage 1 (Performing)</u></b>      |                         |                 |                       |
| Corporate                               | P 68,893                | P               | 187,822               |
| Consumer                                | <u>120,081</u>          |                 | <u>143,057</u>        |
|   | 188,974                 |                 | 330,879               |
| Allowance for impairment                | <u>( 1,367)</u>         | <u>(</u>        | <u>2,057)</u>         |
|   | <b><u>P 187,607</u></b> | <b><u>P</u></b> | <b><u>328,822</u></b> |
| <b><u>Stage 2 (Underperforming)</u></b> |                         |                 |                       |
| Corporate                               | P 98,434                | P               | 83,289                |
| Consumer                                | <u>1,054</u>            |                 | <u>1,348</u>          |
|   | 99,488                  |                 | 84,637                |
| Allowance for impairment                | <u>( 15,793)</u>        | <u>(</u>        | <u>8,635)</u>         |
|   | <b><u>P 83,695</u></b>  | <b><u>P</u></b> | <b><u>76,002</u></b>  |
| <b><u>Stage 3 (Non-performing)</u></b>  |                         |                 |                       |
| Corporate                               | P 5,673                 | P               | 877                   |
| Consumer                                | <u>7,006</u>            |                 | <u>7,389</u>          |
|   | 12,679                  |                 | 8,266                 |
| Allowance for impairment                | <u>( 4,521)</u>         | <u>(</u>        | <u>2,545)</u>         |
|   | <b><u>P 8,158</u></b>   | <b><u>P</u></b> | <b><u>5,721</u></b>   |

(g) *Write-offs*

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

The BDO Unibank Group and the Parent Bank had written off certain accounts from which it no longer have an enforceable right to receive payment amounting to P1,054 and P1,015 respectively, in 2021, and P654 and P533, respectively, in 2020.

(h) *Credit risk exposure*

The BDO Unibank Group and the Parent Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets as shown below and in the succeeding page.

**BDO Unibank Group**

|                                  | <u>Gross<br/>Maximum<br/>Exposure</u> | <u>Fair<br/>Value of<br/>Collaterals</u> | <u>Net<br/>Exposure</u> | <u>Financial<br/>Effect of<br/>Collaterals</u> |
|----------------------------------|---------------------------------------|--|-------------------------|--|
| <b><u>2021</u></b>               |                                       |  |                         |  |
| Loans and discounts:             |                                       |  |                         |  |
| Corporate                        | P 1,869,355                           | P 901,555                                | P 967,800               | P 901,555                                      |
| Consumer                         | 530,838                               | 772,664                                  | -                       | 530,838  |
| Reverse repurchase<br>agreements | 17,095                                | 17,095                                   | -                       | -  |
| Sales contracts receivables      | <u>1,283</u>                          | <u>1,832</u>                             | <u>-</u>                | <u>1,283</u>                                   |
|                                  | <b><u>P 2,418,571</u></b>             | <b><u>P 1,693,146</u></b>                | <b><u>P 967,800</u></b> | <b><u>P 1,433,676</u></b>                      |
| <b><u>2020</u></b>               |                                       |  |                         |  |
| Loans and discounts:             |                                       |  |                         |  |
| Corporate                        | P 1,735,938                           | P 1,035,622                              | P 700,316               | P 1,035,622                                    |
| Consumer                         | 527,764                               | 738,339                                  | -                       | 527,764  |
| Reverse repurchase<br>agreements | 16,729                                | 16,729                                   | -                       | -  |
| Sales contracts receivables      | <u>1,016</u>                          | <u>1,696</u>                             | <u>-</u>                | <u>1,016</u>                                   |
|                                  | <b><u>P 2,281,447</u></b>             | <b><u>P 1,792,386</u></b>                | <b><u>P 700,316</u></b> | <b><u>P 1,564,402</u></b>                      |

**Parent Bank**

|                                  | <b>Gross<br/>Maximum<br/>Exposure</b> | <b>Fair<br/>Value of<br/>Collaterals</b> | <b>Net<br/>Exposure</b> | <b>Financial<br/>Effect of<br/>Collaterals</b> |
|----------------------------------|---------------------------------------|--|-------------------------|--|
| <b><u>2021</u></b>               |                                       |  |                         |  |
| Loans and discounts:             |                                       |  |                         |  |
| Corporate                        | P 1,863,428                           | P 887,690                                | P 975,738               | P 887,690                                      |
| Consumer                         | 488,123                               | 748,738                                  | -                       | 488,123  |
| Reverse repurchase<br>agreements | 15,800                                | 15,800                                   | -                       | -  |
| Sales contracts receivables      | <u>1,226</u>                          | <u>1,668</u>                             | <u>-</u>                | <u>1,226</u>                                   |
|                                  | <b><u>P 2,368,577</u></b>             | <b><u>P 1,653,896</u></b>                | <b><u>P 975,738</u></b> | <b><u>P 1,377,039</u></b>                      |
| <b><u>2020</u></b>               |                                       |  |                         |  |
| Loans and discounts:             |                                       |  |                         |  |
| Corporate                        | P 1,732,125                           | P 1,022,797                              | P 709,328               | P 1,022,797                                    |
| Consumer                         | 492,370                               | 737,153                                  | -                       | 492,370  |
| Reverse Repurchase<br>Agreements | 14,135                                | 14,135                                   | -                       | -  |
| Sales contracts receivables      | <u>977</u>                            | <u>1,696</u>                             | <u>-</u>                | <u>977</u>                                     |
|                                  | <b><u>P 2,239,607</u></b>             | <b><u>P 1,775,781</u></b>                | <b><u>P 709,328</u></b> | <b><u>P 1,516,144</u></b>                      |

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2021 and 2020 is shown below and in the succeeding page.

**BDO Unibank Group**

|                             | <b>Gross<br/>Maximum<br/>Exposure</b> | <b>Fair<br/>Value of<br/>Collaterals</b> | <b>Net<br/>Exposure</b> | <b>Financial<br/>Effect of<br/>Collaterals</b> |
|-----------------------------|---------------------------------------|--|-------------------------|--|
| <b><u>2021</u></b>          |                                       |  |                         |  |
| Loans and discounts:        |                                       |  |                         |  |
| Corporate                   | P 19,030                              | P 6,455                                  | P 12,575                | P 6,455  |
| Consumer                    | 54,039                                | 68,085                                   | -                       | 54,039   |
| Sales contracts receivables | <u>214</u>                            | <u>304</u>                               | <u>-</u>                | <u>214</u>                                     |
|                             | <b><u>P 73,283</u></b>                | <b><u>P 74,844</u></b>                   | <b><u>P 12,575</u></b>  | <b><u>P 60,708</u></b>                         |
| <b><u>2020</u></b>          |                                       |  |                         |  |
| Loans and discounts:        |                                       |  |                         |  |
| Corporate                   | P 15,030                              | P 6,050                                  | P 8,980                 | P 6,050  |
| Consumer                    | 45,525                                | 60,572                                   | -                       | 45,525   |
| Sales contracts receivables | <u>233</u>                            | <u>375</u>                               | <u>-</u>                | <u>233</u>                                     |
|                             | <b><u>P 60,788</u></b>                | <b><u>P 66,997</u></b>                   | <b><u>P 8,980</u></b>   | <b><u>P 51,808</u></b>                         |

**Parent Bank**

|                             | <u>Gross<br/>Maximum<br/>Exposure</u> | <u>Fair<br/>Value of<br/>Collaterals</u> | <u>Net<br/>Exposure</u> | <u>Financial<br/>Effect of<br/>Collaterals</u> |
|-----------------------------|---------------------------------------|--|-------------------------|--|
| <b><u>2021</u></b>          |                                       |  |                         |  |
| Loans and discounts:        |                                       |  |                         |  |
| Corporate                   | P 19,026                              | P 6,455                                  | P 12,571                | P 6,455  |
| Consumer                    | 46,659                                | 66,296                                   | -                       | 46,659   |
| Sales contracts receivables | <u>212</u>                            | <u>302</u>                               | <u>-</u>                | <u>212</u>                                     |
|                             | <b><u>P 65,897</u></b>                | <b><u>P 73,053</u></b>                   | <b><u>P 12,571</u></b>  | <b><u>P 53,326</u></b>                         |
| <b><u>2020</u></b>          |                                       |  |                         |  |
| Loans and discounts:        |                                       |  |                         |  |
| Corporate                   | P 15,027                              | P 6,049                                  | P 8,978                 | P 6,049  |
| Consumer                    | 41,533                                | 58,390                                   | -                       | 41,533   |
| Sales contracts receivables | <u>206</u>                            | <u>347</u>                               | <u>-</u>                | <u>206</u>                                     |
|                             | <b><u>P 56,766</u></b>                | <b><u>P 64,786</u></b>                   | <b><u>P 8,978</u></b>   | <b><u>P 47,788</u></b>                         |

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

|                   | <u>Notes</u> | <u>BDO Unibank Group</u> |                         | <u>Parent Bank</u>      |                         |
|-------------------|--------------|--------------------------|-------------------------|-------------------------|-------------------------|
|                   |              | <u>2021</u>              | <u>2020</u>             | <u>2021</u>             | <u>2020</u>             |
| Cash equivalents  | 8, 9         | <b><u>P 444,103</u></b>  | P 448,776               | <b><u>P 433,449</u></b> | P 440,661               |
| Debt securities:  |              |                          |                         |                         |                         |
| At FVOCI          | 10.2         | <b>165,461</b>           | 174,559                 | <b>114,095</b>          | 121,848                 |
| At amortized cost | 10.3         | <b><u>399,005</u></b>    | <u>288,409</u>          | <b><u>378,837</u></b>   | <u>269,243</u>          |
|                   |              | <b><u>P 564,466</u></b>  | <b><u>P 462,968</u></b> | <b><u>P 492,932</u></b> | <b><u>P 391,091</u></b> |

Cash equivalents includes loans and amounts due from BSP and from other banks. Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(i) *Loss allowance*

In 2021 and 2020, the BDO Unibank Group and the Parent Bank performed recalibration of its existing ECL model to incorporate in the most-recent default and recovery experience of the BDO Unibank Group and the Parent Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the PD could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive and reliable.

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

**BDO Unibank Group**

|   | 2021           |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Receivables from customers – corporate</b>       |                |                 |                 |                 |
| Balance at January 1                                | P 6,254        | P 11,699        | P 10,056        | P 28,009        |
| Transfers to:                                       |                |                 |                 |                 |
| Stage 1   | 414            | ( 414)          | -               | -               |
| Stage 2   | 218            | ( 217)          | ( 1)            | -               |
| Stage 3   | ( 7)           | ( 17)           | 24              | -               |
| Net remeasurement of loss allowance                 | ( 743)         | 6,206           | 1,645           | 7,108           |
| New financial assets originated or purchased        | 3,529          | 877             | 3,960           | 8,366           |
| Derecognition of financial assets                   | ( 2,227)       | ( 1,151)        | ( 1,352)        | ( 4,730)        |
| Write-offs  | -              | -               | ( 1,256)        | ( 1,256)        |
| Foreign exchange                                    | 75             | 222             | 161             | 458             |
| Balance at December 31                              | <u>P 7,513</u> | <u>P 17,205</u> | <u>P 13,237</u> | <u>P 37,955</u> |
| <b>Receivables from customers – consumer</b>        |                |                 |                 |                 |
| Balance at January 1                                | P 7,795        | P 997           | P 19,619        | P 28,411        |
| Transfers to:                                       |                |                 |                 |                 |
| Stage 1   | 3,290          | ( 630)          | ( 2,660)        | -               |
| Stage 2   | ( 210)         | 379             | ( 169)          | -               |
| Stage 3   | ( 2,692)       | ( 393)          | 3,085           | -               |
| Net remeasurement of loss allowance                 | ( 3,099)       | 160             | 10,152          | 7,213           |
| New financial assets originated or purchased        | 1,273          | 109             | 1,015           | 2,397           |
| Derecognition of financial assets                   | ( 805)         | ( 118)          | ( 2,234)        | ( 3,157)        |
| Write-offs  | -              | -               | ( 7,575)        | ( 7,575)        |
| Foreign exchange                                    | 2              | -               | 13              | 15              |
| Balance at December 31                              | <u>P 5,554</u> | <u>P 504</u>    | <u>P 21,246</u> | <u>P 27,304</u> |
| <b>Other receivables</b>                            |                |                 |                 |                 |
| Balance at January 1                                | P 151          | P 18            | P 2,262         | P 2,431         |
| Transfers to:                                       |                |                 |                 |                 |
| Stage 1   | 13             | ( 1)            | ( 12)           | -               |
| Stage 2   | -              | 1               | ( 1)            | -               |
| Stage 3   | ( 6)           | -               | 6               | -               |
| Net remeasurement of loss allowance                 | ( 80)          | 52              | 154             | 126             |
| New financial assets originated or purchased        | 22             | 18              | 527             | 567             |
| Derecognition of financial assets                   | ( 22)          | ( 11)           | ( 474)          | ( 507)          |
| Write-offs  | -              | -               | ( 135)          | ( 135)          |
| Foreign exchange                                    | 1              | -               | 1               | 2               |
| Balance at December 31                              | <u>P 79</u>    | <u>P 77</u>     | <u>P 2,328</u>  | <u>P 2,484</u>  |
| <b>Debt investment securities at amortized cost</b> |                |                 |                 |                 |
| Balance at January 1                                | P 248          | P -             | P 1,342         | P 1,590         |
| Net remeasurement of loss allowance                 | ( 180)         | -               | -               | ( 180)          |
| New financial assets originated or purchased        | 10             | -               | -               | 10              |
| Foreign exchange                                    | 5              | -               | 68              | 73              |
| Derecognition of financial assets                   | ( 22)          | -               | -               | ( 22)           |
| Balance at December 31                              | <u>P 61</u>    | <u>P -</u>      | <u>P 1,410</u>  | <u>P 1,471</u>  |
| <b>Debt investment securities at FVOCI</b>          |                |                 |                 |                 |
| Balance at January 1                                | P 137          | P -             | P -             | P 137           |
| Net remeasurement of loss allowance                 | ( 75)          | -               | -               | ( 75)           |
| New financial assets originated or purchased        | 12             | -               | -               | 12              |
| Derecognition of financial assets                   | ( 24)          | -               | -               | ( 24)           |
| Balance at December 31                              | <u>P 50</u>    | <u>P -</u>      | <u>P -</u>      | <u>P 50</u>     |

**BDO Unibank Group**

|   | 2021           |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Loan commitments and other contingent accounts</b> |                |                 |                 |                 |
| Balance at January 1                                  | P 314          | P 3             | P -             | P 317           |
| Net remeasurement of loss allowance                   | ( 29)          | -               | -               | ( 29)           |
| New financial assets originated or purchased          | 66             | -               | -               | 66              |
| Derecognition of financial assets                     | ( 65)          | ( 3)            | -               | ( 68)           |
| Foreign exchange                                      | 3              | -               | -               | 3               |
| Balance at December 31                                | <u>P 289</u>   | <u>P -</u>      | <u>P -</u>      | <u>P 289</u>    |
|   | 2020           |                 |                 |                 |
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Receivables from customers – corporate</b>         |                |                 |                 |                 |
| Balance at January 1                                  | P 6,609        | P 549           | P 8,412         | P 15,570        |
| Transfers to:   |                |                 |                 |                 |
| Stage 1   | 65             | ( 65)           | -               | -               |
| Stage 2   | ( 1,639)       | 1,639           | -               | -               |
| Stage 3   | ( 32)          | ( 121)          | 153             | -               |
| Net remeasurement of loss allowance                   | 220            | 8,429           | 1,212           | 9,861           |
| New financial assets originated or purchased          | 3,226          | 1,333           | 1,493           | 6,052           |
| Derecognition of financial assets                     | ( 2,166)       | ( 65)           | ( 999)          | ( 3,230)        |
| Foreign exchange                                      | ( 29)          | -               | ( 215)          | ( 244)          |
| Balance at December 31                                | <u>P 6,254</u> | <u>P 11,699</u> | <u>P 10,056</u> | <u>P 28,009</u> |
| <b>Receivables from customers – consumer</b>          |                |                 |                 |                 |
| Balance at January 1                                  | P 5,050        | P 681           | P 8,767         | P 14,498        |
| Transfers to:   |                |                 |                 |                 |
| Stage 1   | 462            | ( 120)          | ( 342)          | -               |
| Stage 2   | ( 201)         | 249             | ( 48)           | -               |
| Stage 3   | ( 1,407)       | ( 1,249)        | 2,656           | -               |
| Net remeasurement of loss allowance                   | 3,060          | 1,446           | 10,616          | 15,122          |
| New financial assets originated or purchased          | 1,609          | 276             | 1,675           | 3,560           |
| Derecognition of financial assets                     | ( 774)         | ( 284)          | ( 1,199)        | ( 2,257)        |
| Write-offs  | -              | -               | ( 2,497)        | ( 2,497)        |
| Foreign exchange                                      | ( 4)           | ( 2)            | ( 9)            | ( 15)           |
| Balance at December 31                                | <u>P 7,795</u> | <u>P 997</u>    | <u>P 19,619</u> | <u>P 28,411</u> |
| <b>Other receivables</b>                              |                |                 |                 |                 |
| Balance at January 1                                  | P 116          | P 269           | P 2,213         | P 2,598         |
| Transfers to:   |                |                 |                 |                 |
| Stage 1   | 41             | -               | ( 41)           | -               |
| Stage 2   | 1              | ( 2)            | 1               | -               |
| Stage 3   | ( 21)          | -               | 21              | -               |
| Net remeasurement of loss allowance                   | ( 3)           | ( 249)          | 674             | 422             |
| New financial assets originated or purchased          | 37             | 10              | 523             | 570             |
| Derecognition of financial assets                     | ( 19)          | ( 10)           | ( 675)          | ( 704)          |
| Write-offs  | -              | -               | ( 452)          | ( 452)          |
| Foreign exchange                                      | ( 1)           | -               | ( 2)            | ( 3)            |
| Balance at December 31                                | <u>P 151</u>   | <u>P 18</u>     | <u>P 2,262</u>  | <u>P 2,431</u>  |
| <b>Debt investment securities at amortized cost</b>   |                |                 |                 |                 |
| Balance at January 1                                  | P 151          | P -             | P 1,402         | P 1,553         |
| Net remeasurement of loss allowance                   | 90             | -               | -               | 90              |
| New financial assets originated or purchased          | 42             | -               | -               | 42              |
| Foreign exchange                                      | ( 8)           | -               | ( 60)           | ( 68)           |
| Derecognition of financial assets                     | ( 27)          | -               | -               | ( 27)           |
| Balance at December 31                                | <u>P 248</u>   | <u>P -</u>      | <u>P 1,342</u>  | <u>P 1,590</u>  |



BDO Unibank Group

|   | 2020         |            |            |              |
|---|--------------|------------|------------|--------------|
|   | Stage 1      | Stage 2    | Stage 3    | Total        |
| <b>Debt investment securities at FVOCI</b>            |              |            |            |              |
| Balance at January 1                                  | P 100        | P -        | P -        | P 100        |
| Net remeasurement of loss allowance                   | 41           | -          | -          | 41           |
| New financial assets originated or purchased          | 27           | -          | -          | 27           |
| Foreign exchange                                      | ( 1)         | -          | -          | ( 1)         |
| Derecognition of financial assets                     | ( 30)        | -          | -          | ( 30)        |
| Balance at December 31                                | <u>P 137</u> | <u>P -</u> | <u>P -</u> | <u>P 137</u> |
| <b>Loan commitments and other contingent accounts</b> |              |            |            |              |
| Balance at January 1                                  | P 114        | P -        | P -        | P 114        |
| Net remeasurement of loss allowance                   | 21           | 1          | -          | 22           |
| New financial assets originated or purchased          | 220          | 2          | -          | 222          |
| Derecognition of financial assets                     | ( 39)        | -          | -          | ( 39)        |
| Foreign exchange                                      | ( 2)         | -          | -          | ( 2)         |
| Balance at December 31                                | <u>P 314</u> | <u>P 3</u> | <u>P -</u> | <u>P 317</u> |

Parent Bank

|   | 2021           |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Receivables from customers – corporate</b> |                |                 |                 |                 |
| Balance at January 1                          | P 6,200        | P 11,699        | P 10,053        | P 27,952        |
| Transfers to:                                 |                |                 |                 |                 |
| Stage 1                                       | 398            | ( 398)          | -               | -               |
| Stage 2                                       | 218            | ( 217)          | ( 1)            | -               |
| Stage 3                                       | ( 7)           | ( 15)           | 22              | -               |
| Net remeasurement of loss allowance           | ( 709)         | 6,187           | 1,646           | 7,124           |
| New financial assets originated or purchased  | 3,515          | 877             | 3,959           | 8,351           |
| Derecognition of financial assets             | ( 2,213)       | ( 1,151)        | ( 1,351)        | ( 4,715)        |
| Write-offs                                    | -              | -               | ( 1,256)        | ( 1,256)        |
| Foreign exchange                              | 75             | 222             | 161             | 458             |
| Balance at December 31                        | <u>P 7,477</u> | <u>P 17,204</u> | <u>P 13,233</u> | <u>P 37,914</u> |
| <b>Receivables from customers – consumer</b>  |                |                 |                 |                 |
| Balance at January 1                          | P 7,558        | P 671           | P 17,808        | P 26,037        |
| Transfers to:                                 |                |                 |                 |                 |
| Stage 1                                       | 2,832          | ( 409)          | ( 2,423)        | -               |
| Stage 2                                       | ( 206)         | 370             | ( 164)          | -               |
| Stage 3                                       | ( 2,663)       | ( 349)          | 3,012           | -               |
| Net remeasurement of loss allowance           | ( 2,599)       | 159             | 9,508           | 7,068           |
| New financial assets originated or purchased  | 1,033          | 58              | 797             | 1,888           |
| Derecognition of financial assets             | ( 763)         | ( 86)           | ( 1,832)        | ( 2,681)        |
| Write-offs                                    | -              | -               | ( 6,967)        | ( 6,967)        |
| Foreign exchange                              | 2              | -               | 13              | 15              |
| Balance at December 31                        | <u>P 5,194</u> | <u>P 414</u>    | <u>P 19,752</u> | <u>P 25,360</u> |
| <b>Other receivables</b>                      |                |                 |                 |                 |
| Balance at January 1                          | P 62           | P 19            | P 2,204         | P 2,285         |
| Transfers to:                                 |                |                 |                 |                 |
| Stage 1                                       | 13             | ( 1)            | ( 12)           | -               |
| Stage 3                                       | ( 1)           | -               | 1               | -               |
| Net remeasurement of loss allowance           | ( 44)          | 55              | 89              | 100             |
| New financial assets originated or purchased  | 21             | 15              | 520             | 556             |
| Derecognition of financial assets             | ( 21)          | ( 11)           | ( 465)          | ( 497)          |
| Write-offs                                    | -              | -               | ( 128)          | ( 128)          |
| Foreign exchange                              | 1              | -               | 1               | 2               |
| Balance at December 31                        | <u>P 31</u>    | <u>P 77</u>     | <u>P 2,210</u>  | <u>P 2,318</u>  |

**Parent Bank**

|   | 2021           |                 |                 |                 |
|---|----------------|-----------------|-----------------|-----------------|
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Debt investment securities at amortized cost</b>   |                |                 |                 |                 |
| Balance at January 1                                  | P 229          | P -             | P 1,342         | P 1,571         |
| Net remeasurement of loss allowance                   | ( 175)         | -               | -               | ( 175)          |
| New financial assets originated or purchased          | 5              | -               | -               | 5               |
| Foreign exchange                                      | 5              | -               | 68              | 73              |
| Derecognition of financial assets                     | ( 19)          | -               | -               | ( 19)           |
| Balance at December 31                                | <u>P 45</u>    | <u>P -</u>      | <u>P 1,410</u>  | <u>P 1,455</u>  |
| <b>Debt investment securities at FVOCI</b>            |                |                 |                 |                 |
| Balance at January 1                                  | P 108          | P -             | P -             | P 108           |
| Net remeasurement of loss allowance                   | ( 63)          | -               | -               | ( 63)           |
| New financial assets originated or purchased          | 8              | -               | -               | 8               |
| Derecognition of financial assets                     | ( 16)          | -               | -               | ( 16)           |
| Balance at December 31                                | <u>P 37</u>    | <u>P -</u>      | <u>P -</u>      | <u>P 37</u>     |
| <b>Loan commitments and other contingent accounts</b> |                |                 |                 |                 |
| Balance at January 1                                  | P 314          | P 3             | P -             | P 317           |
| Net remeasurement of loss allowance                   | ( 29)          | -               | -               | ( 29)           |
| New financial assets originated or purchased          | 66             | -               | -               | 66              |
| Derecognition of financial assets                     | ( 65)          | ( 3)            | -               | ( 68)           |
| Foreign exchange                                      | 3              | -               | -               | 3               |
| Balance at December 31                                | <u>P 289</u>   | <u>P -</u>      | <u>P -</u>      | <u>P 289</u>    |
| 2020  |                |                 |                 |                 |
|   | Stage 1        | Stage 2         | Stage 3         | Total           |
| <b>Receivables from customers – corporate</b>         |                |                 |                 |                 |
| Balance at January 1                                  | P 6,520        | P 538           | P 7,991         | P 15,049        |
| Transfers to:   |                |                 |                 |                 |
| Stage 1   | 46             | ( 46)           | -               | -               |
| Stage 2   | ( 1,638)       | 1,638           | -               | -               |
| Stage 3   | ( 26)          | ( 108)          | 134             | -               |
| Net remeasurement of loss allowance                   | 219            | 8,405           | 961             | 9,585           |
| New financial assets originated or purchased          | 3,212          | 1,331           | 1,485           | 6,028           |
| Derecognition of financial assets                     | ( 2,104)       | ( 59)           | ( 303)          | ( 2,466)        |
| Write-offs  | -              | -               | -               | -               |
| Foreign exchange                                      | ( 29)          | -               | ( 215)          | ( 244)          |
| Balance at December 31                                | <u>P 6,200</u> | <u>P 11,699</u> | <u>P 10,053</u> | <u>P 27,952</u> |
| <b>Receivables from customers – consumer</b>          |                |                 |                 |                 |
| Balance at January 1                                  | P 4,549        | P 541           | P 7,243         | P 12,333        |
| Transfers to:   |                |                 |                 |                 |
| Stage 1   | 141            | ( 61)           | ( 80)           | -               |
| Stage 2   | ( 139)         | 174             | ( 35)           | -               |
| Stage 3   | ( 1,279)       | ( 335)          | 1,614           | -               |
| Net remeasurement of loss allowance                   | 3,302          | 375             | 11,009          | 14,686          |
| New financial assets originated or purchased          | 1,410          | 116             | 1,172           | 2,698           |
| Derecognition of financial assets                     | ( 422)         | ( 137)          | ( 731)          | ( 1,290)        |
| Write-offs  | -              | -               | ( 2,375)        | ( 2,375)        |
| Foreign exchange                                      | ( 4)           | ( 2)            | ( 9)            | ( 15)           |
| Balance at December 31                                | <u>P 7,558</u> | <u>P 671</u>    | <u>P 17,808</u> | <u>P 26,037</u> |

Parent Bank

|  | 2020         |             |                |                |
|--|--------------|-------------|----------------|----------------|
|  | Stage 1      | Stage 2     | Stage 3        | Total          |
| Other receivables                              |              |             |                |                |
| Balance at January 1                           | P 46         | P 269       | P 2,136        | P 2,451        |
| Transfers to:                                  |              |             |                |                |
| Stage 1  | ( 2)         | -           | 2              | -              |
| Stage 2  | 1            | ( 2)        | 1              | -              |
| Stage 3  | 5            | 1           | ( 6)           | -              |
| Net remeasurement of loss allowance            | ( 3)         | ( 249)      | 647            | 395            |
| New financial assets originated or purchased   | 36           | 10          | 523            | 569            |
| Derecognition of financial assets              | ( 20)        | ( 10)       | ( 645)         | ( 675)         |
| Write-offs                                     | -            | -           | ( 452)         | ( 452)         |
| Foreign exchange                               | ( 1)         | -           | ( 2)           | ( 3)           |
| Balance at December 31                         | <u>P 62</u>  | <u>P 19</u> | <u>P 2,204</u> | <u>P 2,285</u> |
| Debt investment securities at amortized cost   |              |             |                |                |
| Balance at January 1                           | P 141        | P -         | P 1,402        | P 1,543        |
| Net remeasurement of loss allowance            | 85           | -           | -              | 85             |
| New financial assets originated or purchased   | 35           | -           | -              | 35             |
| Foreign exchange                               | ( 8)         | -           | ( 60)          | ( 68)          |
| Derecognition of financial assets              | ( 24)        | -           | -              | ( 24)          |
| Balance at December 31                         | <u>P 229</u> | <u>P -</u>  | <u>P 1,342</u> | <u>P 1,571</u> |
| Debt investment securities at FVOCI            |              |             |                |                |
| Balance at January 1                           | P 72         | P -         | P -            | P 72           |
| Net remeasurement of loss allowance            | 34           | -           | -              | 34             |
| New financial assets originated or purchased   | 20           | -           | -              | 20             |
| Derecognition of financial assets              | ( 18)        | -           | -              | ( 18)          |
| Balance at December 31                         | <u>P 108</u> | <u>P -</u>  | <u>P -</u>     | <u>P 108</u>   |
| Loan commitments and other contingent accounts |              |             |                |                |
| Balance at January 1                           | P 114        | P -         | P -            | P 114          |
| Net remeasurement of loss allowance            | 21           | 1           | -              | 22             |
| New financial assets originated or purchased   | 220          | 2           | -              | 222            |
| Derecognition of financial assets              | ( 39)        | -           | -              | ( 39)          |
| Foreign exchange                               | ( 2)         | -           | -              | ( 2)           |
| Balance at December 31                         | <u>P 314</u> | <u>P 3</u>  | <u>P -</u>     | <u>P 317</u>   |

The following table sets out a reconciliation of changes in the total loss allowance.

|  | <u>BDO Unibank Group</u> |                 | <u>Parent Bank</u>     |                 |
|--|--------------------------|-----------------|------------------------|-----------------|
|  | <u>2021</u>              | <u>2020</u>     | <u>2021</u>            | <u>2020</u>     |
| Balance at January 1                         | <b>P 60,895</b>          | P 34,433        | <b>P 58,270</b>        | P 31,562        |
| Net remeasurement of loss allowance          | <b>14,163</b>            | 25,558          | <b>14,025</b>          | 24,807          |
| New financial assets originated or purchased | <b>11,418</b>            | 10,473          | <b>10,874</b>          | 9,572           |
| Derecognition of financial assets            | <b>( 8,508)</b>          | ( 6,287)        | <b>( 7,996)</b>        | ( 4,512)        |
| Write-offs                                   | <b>( 8,966)</b>          | ( 2,949)        | <b>( 8,351)</b>        | ( 2,827)        |
| Foreign exchange                             | <b>551</b>               | ( 333)          | <b>551</b>             | ( 332)          |
| Balance at December 31                       | <u><b>P 69,553</b></u>   | <u>P 60,895</u> | <u><b>P 67,373</b></u> | <u>P 58,270</u> |

(j) *Significant Changes in Gross Carrying Amount Affecting Allowance for ECL*

The tables below and in the succeeding pages provide information how the significant changes in the gross carrying amount of financial instruments in 2021 and 2020 contributed to the changes in the allowance for ECL.

**BDO Unibank Group**

|  | 2021               |                  |                 |                    |
|--|--------------------|------------------|-----------------|--------------------|
|  | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Receivables from customers –</b>          |                    |                  |                 |                    |
| <b>corporate</b>                             |                    |                  |                 |                    |
| Balance at January 1                         | P 1,557,696        | P 163,212        | P 15,030        | P 1,735,938        |
| Transfers to:                                |                    |                  |                 |                    |
| Stage 1                                      | 13,931             | ( 13,930)        | ( 1)            | -                  |
| Stage 2                                      | ( 1,875)           | 1,930            | ( 55)           | -                  |
| Stage 3                                      | ( 471)             | ( 552)           | 1,023           | -                  |
| New financial assets originated or purchased | 1,306,861          | 5,575            | 5,714           | 1,318,150          |
| Derecognition of financial assets            | ( 1,142,186)       | ( 39,866)        | ( 1,425)        | ( 1,183,477)       |
| Write-offs                                   | -                  | -                | ( 1,256)        | ( 1,256)           |
| Balance at December 31                       | <u>P 1,733,956</u> | <u>P 116,369</u> | <u>P 19,030</u> | <u>P 1,869,355</u> |
| <b>Receivables from customers –</b>          |                    |                  |                 |                    |
| <b>consumer</b>                              |                    |                  |                 |                    |
| Balance at January 1                         | P 475,090          | P 7,149          | P 45,525        | P 527,764          |
| Transfers to:                                |                    |                  |                 |                    |
| Stage 1                                      | 10,022             | ( 3,144)         | ( 6,878)        | -                  |
| Stage 2                                      | ( 2,097)           | 2,465            | ( 368)          | -                  |
| Stage 3                                      | ( 22,686)          | ( 2,207)         | 24,893          | -                  |
| New financial assets originated or purchased | 131,086            | 293              | 3,877           | 135,256            |
| Derecognition of financial assets            | ( 117,659)         | ( 1,513)         | ( 5,435)        | ( 124,607)         |
| Write-offs                                   | -                  | -                | ( 7,575)        | ( 7,575)           |
| Balance at December 31                       | <u>P 473,756</u>   | <u>P 3,043</u>   | <u>P 54,039</u> | <u>P 530,838</u>   |
| <b>Other receivables</b>                     |                    |                  |                 |                    |
| Balance at January 1                         | P 94,023           | P 451            | P 2,656         | P 97,130           |
| Transfers to:                                |                    |                  |                 |                    |
| Stage 1                                      | 71                 | ( 14)            | ( 57)           | -                  |
| Stage 2                                      | ( 10)              | 13               | ( 3)            | -                  |
| Stage 3                                      | ( 85)              | ( 3)             | 88              | -                  |
| New financial assets originated or purchased | 25,808             | 168              | 1,076           | 27,052             |
| Derecognition of financial assets            | ( 4,498)           | ( 145)           | ( 951)          | ( 5,594)           |
| Write-offs                                   | -                  | -                | ( 135)          | ( 135)             |
| Balance at December 31                       | <u>P 115,309</u>   | <u>P 470</u>     | <u>P 2,674</u>  | <u>P 118,453</u>   |
| <b>Debt investment securities at</b>         |                    |                  |                 |                    |
| <b>amortized cost</b>                        |                    |                  |                 |                    |
| Balance at January 1                         | P 287,067          | P -              | P 1,342         | P 288,409          |
| Amortization                                 | ( 1,202)           | -                | -               | ( 1,202)           |
| New financial assets originated or purchased | 166,073            | -                | -               | 166,073            |
| Foreign exchange                             | 9,068              | -                | 68              | 9,136              |
| Derecognition of financial assets            | ( 63,411)          | -                | -               | ( 63,411)          |
| Balance at December 31                       | <u>P 397,595</u>   | <u>P -</u>       | <u>P 1,410</u>  | <u>P 399,005</u>   |
| <b>Debt investment securities at FVOCI</b>   |                    |                  |                 |                    |
| Balance at January 1                         | P 174,559          | P -              | P -             | P 174,559          |
| Amortization                                 | ( 483)             | -                | -               | ( 483)             |
| Fair value gain                              | ( 5,576)           | -                | -               | ( 5,576)           |
| New financial assets originated or purchased | 474,062            | -                | -               | 474,062            |
| Foreign Exchange                             | 4,986              | -                | -               | 4,986              |
| Derecognition of financial assets            | ( 482,087)         | -                | -               | ( 482,087)         |
| Balance at December 31                       | <u>P 165,461</u>   | <u>P -</u>       | <u>P -</u>      | <u>P 165,461</u>   |

**BDO Unibank Group**

|   | 2021               |                  |                 |                    |
|---|--------------------|------------------|-----------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Loan commitments and other contingent accounts</b> |                    |                  |                 |                    |
| Balance at January 1                                  | P 96,509           | P 145            | P 16            | P 96,670           |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | 48                 | ( 48)            | -               | -                  |
| New financial assets originated or purchased          | 54,277             | 451              | -               | 54,728             |
| Derecognition of financial assets                     | ( 38,431)          | ( 45)            | ( 16)           | ( 38,492)          |
| Balance at December 31                                | <u>P 112,403</u>   | <u>P 503</u>     | <u>P -</u>      | <u>P 112,906</u>   |
|   | 2020               |                  |                 |                    |
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Receivables from customers – corporate</b>         |                    |                  |                 |                    |
| Balance at January 1                                  | P 1,675,381        | P 7,980          | P 10,647        | P 1,694,008        |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | 2,363              | ( 2,363)         | -               | -                  |
| Stage 2   | ( 133,928)         | 133,932          | ( 4)            | -                  |
| Stage 3   | ( 3,221)           | ( 784)           | 4,005           | -                  |
| New financial assets originated or purchased          | 793,998            | 25,413           | 4,004           | 823,415            |
| Derecognition of financial assets                     | ( 776,897)         | ( 966)           | ( 3,622)        | ( 781,485)         |
| Balance at December 31                                | <u>P 1,557,696</u> | <u>P 163,212</u> | <u>P 15,030</u> | <u>P 1,735,938</u> |
| <b>Receivables from customers – consumer</b>          |                    |                  |                 |                    |
| Balance at January 1                                  | P 496,344          | P 3,029          | P 14,669        | P 514,042          |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | 8,845              | ( 10,117)        | 1,272           | -                  |
| Stage 2   | ( 3,695)           | 3,890            | ( 195)          | -                  |
| Stage 3   | ( 25,136)          | ( 2,764)         | 27,900          | -                  |
| New financial assets originated or purchased          | 455,090            | 14,188           | 9,518           | 478,796            |
| Derecognition of financial assets                     | ( 456,358)         | ( 1,077)         | ( 5,142)        | ( 462,577)         |
| Write-offs  | -                  | -                | ( 2,497)        | ( 2,497)           |
| Balance at December 31                                | <u>P 475,090</u>   | <u>P 7,149</u>   | <u>P 45,525</u> | <u>P 527,764</u>   |
| <b>Other receivables</b>                              |                    |                  |                 |                    |
| Balance at January 1                                  | P 47,185           | P 325            | P 2,883         | P 50,393           |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | ( 28)              | 16               | 12              | -                  |
| Stage 2   | ( 2)               | -                | 2               | -                  |
| Stage 3   | 18                 | ( 22)            | 4               | -                  |
| New financial assets originated or purchased          | 103,346            | 300              | 820             | 104,466            |
| Derecognition of financial assets                     | ( 56,496)          | ( 168)           | ( 613)          | ( 57,277)          |
| Write-offs  | -                  | -                | ( 452)          | ( 452)             |
| Balance at December 31                                | <u>P 94,023</u>    | <u>P 451</u>     | <u>P 2,656</u>  | <u>P 97,130</u>    |
| <b>Debt investment securities at amortized cost</b>   |                    |                  |                 |                    |
| Balance at January 1                                  | P 263,736          | P -              | P 1,402         | P 265,138          |
| Amortization  | 2,605              | -                | -               | 2,605              |
| New financial assets originated or purchased          | 102,273            | -                | -               | 102,273            |
| Foreign exchange                                      | ( 7,576)           | -                | ( 60)           | ( 7,636)           |
| Derecognition of financial assets                     | ( 73,971)          | -                | -               | ( 73,971)          |
| Balance at December 31                                | <u>P 287,067</u>   | <u>P -</u>       | <u>P 1,342</u>  | <u>P 288,409</u>   |

BDO Unibank Group

|   | 2020             |              |             |                  |
|---|------------------|--------------|-------------|------------------|
|   | Stage 1          | Stage 2      | Stage 3     | Total            |
| <b>Debt investment securities at FVOCI</b>            |                  |              |             |                  |
| Balance at January 1                                  | P 134,123        | P -          | P -         | P 134,123        |
| Amortization  | 336              | -            | -           | 336              |
| Fair value gain                                       | 4,069            | -            | -           | 4,069            |
| New financial assets originated or purchased          | 193,217          | -            | -           | 193,217          |
| Foreign Exchange                                      | ( 4,362)         | -            | -           | ( 4,362)         |
| Derecognition of financial assets                     | ( 152,824)       | -            | -           | ( 152,824)       |
| Balance at December 31                                | <u>P 174,559</u> | <u>P -</u>   | <u>P -</u>  | <u>P 174,559</u> |
| <b>Loan commitments and other contingent accounts</b> |                  |              |             |                  |
| Balance at January 1                                  | P 457,736        | P 1          | P 44        | P 457,781        |
| Transfers to Stage 2                                  | ( 25)            | 25           | -           | -                |
| New financial assets originated or purchased          | 65,525           | 119          | -           | 65,644           |
| Derecognition of financial assets                     | ( 426,727)       | -            | ( 28)       | ( 426,755)       |
| Balance at December 31                                | <u>P 96,509</u>  | <u>P 145</u> | <u>P 16</u> | <u>P 96,670</u>  |

Parent Bank

|   | 2021               |                  |                 |                    |
|---|--------------------|------------------|-----------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Receivables from customers – corporate</b> |                    |                  |                 |                    |
| Balance at January 1                          | P 1,554,068        | P 163,030        | P 15,027        | P 1,732,125        |
| Transfers to:                                 |                    |                  |                 |                    |
| Stage 1                                       | 13,707             | ( 13,707)        | -               | -                  |
| Stage 2                                       | ( 1,868)           | 1,922            | ( 54)           | -                  |
| Stage 3                                       | ( 470)             | ( 550)           | 1,020           | -                  |
| New financial assets originated or purchased  | 1,301,391          | 5,535            | 5,713           | 1,312,639          |
| Derecognition of financial assets             | ( 1,138,790)       | ( 39,866)        | ( 1,424)        | ( 1,180,080)       |
| Write-offs                                    | -                  | -                | ( 1,256)        | ( 1,256)           |
| Balance at December 31                        | <u>P 1,728,038</u> | <u>P 116,364</u> | <u>P 19,026</u> | <u>P 1,863,428</u> |
| <b>Receivables from customers – consumer</b>  |                    |                  |                 |                    |
| Balance at January 1                          | P 446,247          | P 4,590          | P 41,533        | P 492,370          |
| Transfers to:                                 |                    |                  |                 |                    |
| Stage 1                                       | 7,056              | ( 1,318)         | ( 5,738)        | -                  |
| Stage 2                                       | ( 1,887)           | 2,227            | ( 340)          | -                  |
| Stage 3                                       | ( 21,190)          | ( 1,908)         | 23,098          | -                  |
| New financial assets originated or purchased  | 99,753             | 145              | 482             | 100,380            |
| Derecognition of financial assets             | ( 91,258)          | ( 993)           | ( 5,409)        | ( 97,660)          |
| Write-offs                                    | -                  | -                | ( 6,967)        | ( 6,967)           |
| Balance at December 31                        | <u>P 438,721</u>   | <u>P 2,743</u>   | <u>P 46,659</u> | <u>P 488,123</u>   |
| <b>Other receivables</b>                      |                    |                  |                 |                    |
| Balance at January 1                          | P 88,556           | P 413            | P 2,496         | P 91,465           |
| Transfers to:                                 |                    |                  |                 |                    |
| Stage 1                                       | 71                 | ( 14)            | ( 57)           | -                  |
| Stage 2                                       | ( 10)              | 13               | ( 3)            | -                  |
| Stage 3                                       | ( 73)              | ( 2)             | 75              | -                  |
| New financial assets originated or purchased  | 23,597             | 135              | 843             | 24,575             |
| Derecognition of financial assets             | ( 841)             | ( 139)           | ( 908)          | ( 1,888)           |
| Write-offs                                    | -                  | -                | ( 128)          | ( 128)             |
| Balance at December 31                        | <u>P 111,300</u>   | <u>P 406</u>     | <u>P 2,318</u>  | <u>P 114,024</u>   |

**Parent Bank**

|   | 2021               |                  |                 |                    |
|---|--------------------|------------------|-----------------|--------------------|
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Debt investment securities at amortized cost</b>   |                    |                  |                 |                    |
| Balance at January 1                                  | P 267,901          | P -              | P 1,342         | P 269,243          |
| Amortization  | ( 1,186)           | -                | -               | ( 1,186)           |
| New financial assets originated or purchased          | 157,763            | -                | -               | 157,763            |
| Foreign exchange                                      | 8,746              | -                | 68              | 8,814              |
| Derecognition of financial assets                     | ( 55,797)          | -                | -               | ( 55,797)          |
| Balance at December 31                                | <u>P 377,427</u>   | <u>P -</u>       | <u>P 1,410</u>  | <u>P 378,837</u>   |
| <b>Debt investment securities at FVOCI</b>            |                    |                  |                 |                    |
| Balance at January 1                                  | P 121,848          | P -              | P -             | P 121,848          |
| Amortization  | ( 334)             | -                | -               | ( 334)             |
| Fair value gain                                       | ( 2,861)           | -                | -               | ( 2,861)           |
| New financial assets originated or purchased          | 445,300            | -                | -               | 445,300            |
| Foreign exchange                                      | 4,249              | -                | -               | 4,249              |
| Derecognition of financial assets                     | ( 454,107)         | -                | -               | ( 454,107)         |
| Balance at December 31                                | <u>P 114,095</u>   | <u>P -</u>       | <u>P -</u>      | <u>P 114,095</u>   |
| <b>Loan commitments and other contingent accounts</b> |                    |                  |                 |                    |
| Balance at January 1                                  | P 96,509           | P 145            | P 16            | P 96,670           |
| Transfers to Stage 2                                  | 48                 | ( 48)            | -               | -                  |
| New financial assets originated or purchased          | 54,277             | 451              | -               | 54,728             |
| Derecognition of financial assets                     | ( 38,431)          | ( 45)            | ( 16)           | ( 38,492)          |
| Balance at December 31                                | <u>P 112,403</u>   | <u>P 503</u>     | <u>P -</u>      | <u>P 112,906</u>   |
| 2020  |                    |                  |                 |                    |
|   | Stage 1            | Stage 2          | Stage 3         | Total              |
| <b>Receivables from customers – corporate</b>         |                    |                  |                 |                    |
| Balance at January 1                                  | P 1,660,571        | P 7,433          | P 9,536         | P 1,677,540        |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | 1,919              | ( 1,919)         | -               | -                  |
| Stage 2   | ( 133,669)         | 133,669          | -               | -                  |
| Stage 3   | ( 1,444)           | ( 524)           | 1,968           | -                  |
| New financial assets originated or purchased          | 791,337            | 25,150           | 4,057           | 820,544            |
| Derecognition of financial assets                     | ( 764,646)         | ( 779)           | ( 534)          | ( 765,959)         |
| Balance at December 31                                | <u>P 1,554,068</u> | <u>P 163,030</u> | <u>P 15,027</u> | <u>P 1,732,125</u> |
| <b>Receivables from customers – consumer</b>          |                    |                  |                 |                    |
| Balance at January 1                                  | P 465,938          | P 2,262          | P 12,126        | P 480,326          |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | ( 5,608)           | ( 354)           | 5,962           | -                  |
| Stage 2   | ( 3,159)           | 3,208            | ( 49)           | -                  |
| Stage 3   | ( 24,457)          | ( 1,464)         | 25,921          | -                  |
| New financial assets originated or purchased          | 456,539            | 1,308            | 3,875           | 461,722            |
| Derecognition of financial assets                     | ( 443,006)         | ( 370)           | ( 3,927)        | ( 447,303)         |
| Write-offs  | -                  | -                | ( 2,375)        | ( 2,375)           |
| Balance at December 31                                | <u>P 446,247</u>   | <u>P 4,590</u>   | <u>P 41,533</u> | <u>P 492,370</u>   |
| <b>Other receivables</b>                              |                    |                  |                 |                    |
| Balance at January 1                                  | P 45,128           | P 324            | P 2,170         | P 47,622           |
| Transfers to:   |                    |                  |                 |                    |
| Stage 1   | ( 147)             | 17               | 130             | -                  |
| Stage 2   | 9                  | ( 17)            | 8               | -                  |
| Stage 3   | 19                 | -                | ( 19)           | -                  |
| New financial assets originated or purchased          | 89,424             | 300              | 1,227           | 90,951             |
| Derecognition of financial assets                     | ( 45,877)          | ( 211)           | ( 568)          | ( 46,656)          |
| Write-offs  | -                  | -                | ( 452)          | ( 452)             |
| Balance at December 31                                | <u>P 88,556</u>    | <u>P 413</u>     | <u>P 2,496</u>  | <u>P 91,465</u>    |

Parent Bank

|  | 2020             |              |                |                  |
|--|------------------|--------------|----------------|------------------|
|  | Stage 1          | Stage 2      | Stage 3        | Total            |
| Debt investment securities at amortized cost   |                  |              |                |                  |
| Balance at January 1                           | P 247,449        | P -          | P 1,402        | P 248,851        |
| Amortization                                   | 2,608            | -            | -              | 2,608            |
| New financial assets originated or purchased   | 96,702           | -            | -              | 96,702           |
| Foreign exchange                               | ( 7,254)         | -            | ( 60)          | ( 7,314)         |
| Derecognition of financial assets              | ( 71,604)        | -            | -              | ( 71,604)        |
| Balance at December 31                         | <u>P 267,901</u> | <u>P -</u>   | <u>P 1,342</u> | <u>P 269,243</u> |
| Debt investment securities at FVOCI            |                  |              |                |                  |
| Balance at January 1                           | P 89,431         | P -          | P -            | P 89,431         |
| Amortization                                   | ( 27)            | -            | -              | ( 27)            |
| Fair value gain                                | 2,381            | -            | -              | 2,381            |
| New financial assets originated or purchased   | 160,325          | -            | -              | 160,325          |
| Foreign exchange                               | ( 3,414)         | -            | -              | ( 3,414)         |
| Derecognition of financial assets              | ( 126,848)       | -            | -              | ( 126,848)       |
| Balance at December 31                         | <u>P 121,848</u> | <u>P -</u>   | <u>P -</u>     | <u>P 121,848</u> |
| Loan commitments and other contingent accounts |                  |              |                |                  |
| Balance at January 1                           | P 457,736        | P 1          | P 44           | P 457,781        |
| Transfers to Stage 2                           | ( 25)            | 25           | -              | -                |
| New financial assets originated or purchased   | 65,525           | 119          | -              | 65,644           |
| Derecognition of financial assets              | ( 426,727)       | -            | ( 28)          | ( 426,755)       |
| Balance at December 31                         | <u>P 96,509</u>  | <u>P 145</u> | <u>P 16</u>    | <u>P 96,670</u>  |

(k) Sensitivity Analysis on ECL Measurement

Set out below are the changes to the BDO Unibank Group's 12-month ECL as of December 31, 2021 and 2020 that would result from reasonably possible changes in these parameters from the actual assumptions used in the BDO Unibank Group's economic variable assumptions.

|  | Change in MEVs |          | Impact on ECL   |                 |
|--|----------------|----------|-----------------|-----------------|
|  | Increase       | Decrease | Increase in MEV | Decrease in MEV |
| <b>2021</b>                                |                |          |                 |                 |
| Corporate or Commercial Loans:             |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -6.8%           | 6.8%            |
| Inflation rate                             | +1%            | -1%      | 2.1%            | -2.6%           |
| Credit Card Receivables or Personal Loans: |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -1.4%           | 1.4%            |
| Unemployment rate                          | +1%            | -1%      | 1.1%            | -1.1%           |
| Home/Housing Loans:                        |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -0.6%           | 0.6%            |
| Inflation rate                             | +1%            | -1%      | 0.1%            | -0.1%           |
| Auto Loans:                                |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -0.5%           | 0.5%            |
| Unemployment rate                          | +1%            | -1%      | 3.7%            | -3.7%           |



|  | Change in MEVs |          | Impact on ECL   |                 |
|--|----------------|----------|-----------------|-----------------|
|  | Increase       | Decrease | Increase in MEV | Decrease in MEV |
| <u>2020</u>                                |                |          |                 |                 |
| Corporate or Commercial Loans:             |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -1.7%           | 1.7%            |
| Inflation rate                             | +1%            | -1%      | 0.1%            | -0.1%           |
| Credit Card Receivables or Personal Loans: |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -5.0%           | 5.0%            |
| Unemployment rate                          | +1%            | -1%      | 0.2%            | -0.2%           |
| Home/Housing Loans:                        |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -3.0%           | 3.0%            |
| Unemployment rate                          | +1%            | -1%      | 2.0%            | -2.0%           |
| Inflation rate                             | +1%            | -1%      | 0.2%            | -0.2%           |
| Auto Loans:                                |                |          |                 |                 |
| GDP growth rate                            | +1%            | -1%      | -0.5%           | 0.5%            |
| Unemployment rate                          | +1%            | -1%      | 3.0%            | -3.0%           |

#### **4.4 Operational Risk**

Operational risk is the risk of loss due to BDO Unibank Group's:

- failure to comply with defined operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

BDO Unibank Group manages its operational risks by instituting policies to minimize its expected losses, allocating capital for the unexpected losses and having insurance and/or a business continuity plan to prepare for catastrophic losses.

#### **Framework**

True to its commitment to sound management and corporate governance, BDO Unibank Group considers operational risk management as a critical element in the conduct of its business. Under BDO Unibank Group's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in BDO Unibank Group.

The RMG provides the common risk language and management tools across BDO Unibank Group as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The BDO Unibank Group continues to conduct periodic Risk and Control Self-Assessment (RCSA) so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the BDO Unibank Group to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

The BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of top KRIs to the BOD through the RMC is done quarterly.

The BDO Unibank Group likewise uses Loss Data Collection, Analysis and Reporting that allows the BDO Unibank Group to gather data per Basel loss event category across business lines. The collected data are processed for information and appropriate escalation, root cause analysis, control effectiveness and enables action plans to prevent recurrence.

These ORM tools are continually being reviewed and enhanced to proactively manage operational risks. The Operational Risk Management Solution (ORMS) was implemented to automate the reporting of BDO Unibank Group's RCSAs, KRIs and operational losses. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the BDO Unibank Group's classification standards, information risks, as well as protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The BDO Unibank Group's data privacy framework is in accordance with the R.A. No. 10173, *Data Privacy Act of 2012*.

Information technology risks which include current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats are appropriately managed through policies and measures that are integrated into BDO Unibank Group's day-to-day operations.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into BDO Unibank Group's Day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

The BDO Unibank Group continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

#### ***4.5 Anti-Money Laundering Controls***

The Anti-Money Laundering (AML) Program of the BDO Unibank Group and the Parent Bank is articulated in the Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual. The MTPP encapsulates the policies and procedures covering the: (i) on-boarding of clients, Know Your Client and required due diligence; (ii) customer risk assessment; (iii) on-going monitoring of transactions; (iv) regulatory reporting; (v) record-keeping; (vi) training of all officers and staff including BOD; (vii) Independent Compliance Testing (ICT); and (viii) Institutional Risk Assessment.

The MTTP provides the framework for the BDO Unibank Group and the Parent Bank to adhere with the AML and Counter-Terrorism Financing Laws and Regulations:

1. R.A. No. 9160: *The Anti-Money Laundering Act of 2001* (AMLA) as amended by R.A. No 9194 (2003); R.A. 10167 (2012); R.A. 10365 (2013); R.A. No. 10927 (2017) and R.A. No. 11521 (2021); together with applicable Implementing Rules and Regulations (IRR)
2. BSP Circular No. 706 (2011), as amended by BSP Circular No. 950 (2017); and BSP Circular No. 1022 (2018)
3. R.A. 10168: *The Terrorism Financing Prevention and Suppression Act of 2012* and its IRR; R.A. 10697 *Strategic Trade Management Act (2015)* and its IRR; and the R.A. 11479 *Anti-Terrorism Act (2020)*

The Chief Compliance Officer directly reports to the BOD through the Board Audit Committee and is also a member of the AML Committee of the Parent Bank. The AML Committee, composed of senior officers from various units, is tasked to oversee the operational implementation of BDO's AML/CTF Program.

#### **4.6 Impact of LIBOR Reform**

As disclosed in Note 2.2(a), the BDO Unibank Group currently has exposure to contracts which reference LIBOR and extend beyond 2021, including swaps which will transition under the ISDA protocols.

In 2020, the Parent Bank established a steering committee, consisting of key finance, risk, information technology, treasury, legal and compliance personnel and external advisors, to oversee the BDO Unibank Group LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR, with the aim of minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at December 31, 2021, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by LIBOR reform have not yet been proposed or agreed. The BDO Unibank Group has identified that the areas of most significant risk arising from the replacement of LIBOR are: (i) updating systems and processes which capture LIBOR referenced contracts; (ii) amending affected contracts, or existing fallback/transition clauses not operating as anticipated; and, (iii) reviewing mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management.

The BDO Unibank Group continues to engage with industry participants and the BSP to ensure an orderly transition to SOFR and minimize the risks arising from the transition. The BDO Unibank Group continues to identify and assess risks associated with USD LIBOR replacement.

The following table contains details of all of the financial instruments that the BDO Unibank Group and the Parent Bank hold at December 31, 2021 for each LIBOR rate that have not yet transitioned to SOFR or an alternative interest rate benchmark as of December 31, 2021:

|                                 |   | <u>Carrying value</u> |   | <u>Notional amount</u> |
|---------------------------------|---|-----------------------|---|------------------------|
| <b><u>BDO Unibank Group</u></b> |   |                       |   |                        |
| USD LIBOR                       | P | 353,525               | P | 366,610                |
| GBP LIBOR                       |   | 2,959                 |   | 3,226                  |
| EUR LIBOR                       |   | 1,218                 |   | 460                    |
| JPY LIBOR                       |   | <u>135</u>            |   | <u>47</u>              |
|                                 | P | <u>357,837</u>        | P | <u>370,343</u>         |
| <b><u>Parent Bank</u></b>       |   |                       |   |                        |
| USD LIBOR                       | P | 352,347               | P | 309,088                |
| GBP LIBOR                       |   | 2,959                 |   | 3,226                  |
| EUR LIBOR                       |   | 1,218                 |   | 460                    |
| JPY LIBOR                       |   | <u>135</u>            |   | <u>46</u>              |
|                                 | P | <u>356,659</u>        | P | <u>312,820</u>         |

The breakdown of the financial instruments between non-derivative financial assets and liabilities and derivative instruments are as follows:

|  |   | <u>Carrying value</u> |   | <u>Notional amount</u> |
|--|---|-----------------------|---|------------------------|
| <b><u>BDO Unibank Group</u></b>        |   |                       |   |                        |
| Non-derivative financial assets –      |   |                       |   |                        |
| Loans and other receivables            | P | 158,669               | P | -                      |
| Non-derivative financial liabilities – |   |                       |   |                        |
| Bills payable                          |   | 41,534                |   | -                      |
| Other liabilities                      |   | 9,282                 |   | -                      |
| Derivatives:                           |   |                       |   |                        |
| With positive fair values              |   | 6,223                 |   | 183,012                |
| With negative fair values              | ( | <u>5,629</u> )        |   | <u>187,331</u>         |
|  | P | <u>210,079</u>        | P | <u>370,343</u>         |

|  |   | <u>Carrying value</u> |   | <u>Notional amount</u> |
|--|---|-----------------------|---|------------------------|
| <b><u>Parent Bank</u></b>              |   |                       |   |                        |
| Non-derivative financial assets –      |   |                       |   |                        |
| Loans and other receivables            | P | 157,976               | P | -                      |
| Non-derivative financial liabilities – |   |                       |   |                        |
| Bills payable                          |   | 41,534                |   | -                      |
| Other liabilities                      |   | 9,282                 |   | -                      |
| Derivatives:                           |   |                       |   |                        |
| With positive fair values              |   | 2,430                 |   | 154,973                |
| With negative fair values              | ( | <u>2,321</u> )        |   | <u>157,847</u>         |
|  | P | <u>208,901</u>        | P | <u>312,820</u>         |

The following are the key risks for the BDO Unibank Group arising from the transition.

- **Liquidity risk:** There are fundamental differences between LIBOR and the various alternative benchmark rates which the BDO Unibank Group will be adopting. LIBOR are forward-looking term rates published for a period (e.g., three months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The BDO Unibank Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.
- **Litigation risk:** If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g., arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The BDO Unibank Group is working closely with all counterparties to avoid this from occurring.
- **Operational risk:** The BDO Unibank Group's current treasury management system is undergoing upgrades to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The BDO Unibank Group is working closely with its system provider to ensure the relevant updates are made in good time and the BDO Unibank Group has alternative manual procedures in place with relevant controls to address any potential delay.

## 5. CAPITAL MANAGEMENT

### *5.1 Capital Management and Regulatory Capital*

On January 15, 2009, the BSP issued Circular No. 639 articulating the need for banks to adopt and document an Internal Capital 2021 Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks and maintain adequate capital to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which covered only credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 effectively extending the implementation of ICAAP from January 1, 2010 to January 1, 2011.

In October 2009, BDO Unibank Group presented its ICAAP and submitted the initial draft of its ICAAP document to the BSP. Based on comments from the BSP, BDO Unibank Group subsequently revised its ICAAP document and secured approval from its BOD on January 8, 2011. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

The ICAAP document articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews.

The lead regulator of the banking industry, the BSP, sets and monitors capital requirements for BDO Unibank Group. In implementing current capital requirements, the BSP requires BDO Unibank Group to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The BSP has adopted the Basel 3 risk-based capital adequacy framework effective January 1, 2014, which was amended on January 1, 2019, which requires BDO Unibank Group to maintain:

- (a) Common Equity Tier 1 (CET 1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets;
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET 1 Capital; and,
- (e) Countercyclical Capital Buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%.

The regulatory capital is analyzed as CET 1 Capital, Additional Tier 1 Capital and Tier 2 Capital, each adjusted for prescribed regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

BDO Unibank Group's policy is to maintain a strong capital base to promote investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and BDO Unibank Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Under BSP Circular No. 781, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2021 and 2020, the Parent Bank has complied with the above capitalization requirement.

BSP issued Circular No. 856 on the guidelines on the framework for dealing with domestic systemically important banks (DSIB) that is consistent with the Basel principles, as amended by BSP Circular No. 1051 dated September 27, 2019. Banks, which are identified as DSIB, shall be required to have a higher loss absorbency (HLA) depending on their computed systemic importance. The HLA requirement is aimed at ensuring that DSIBs have a higher share of their statements of financial position funded by instruments, which increase their resilience as a going concern. The HLA requirement is to be met with CET 1 capital.

Under BSP Circular No. 1051, banks identified by the BSP as DSIB are required to put up lower HLA to be met CET 1 capital ranging from 1.50% to 2.50%, effective October 12, 2019.

BSP Circular No. 1024 requires banks to put up a CCyB, which is set initially at 0%, composed of CET 1. CCyB may be subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. This took effect on December 21, 2018.

BDO Unibank Group and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS) based on the Basel 3 risk-based capital adequacy framework as of December 31, 2021 and 2020 as follows:

|  | <b>BDO</b>                  |                           |
|--|-----------------------------|---------------------------|
|  | <b><u>Unibank Group</u></b> | <b><u>Parent Bank</u></b> |
| <b><u>December 31, 2021</u></b>  |                             |                           |
| Tier 1 Capital   |                             |                           |
| CET 1  | <b>P 403,388</b>            | <b>P 404,134</b>          |
| Additional Tier 1  | <u>5,150</u>                | <u>5,150</u>              |
|  | <b>408,538</b>              | <b>409,284</b>            |
| Tier 2 Capital   | <u>25,209</u>               | <u>24,265</u>             |
| Total Regulatory Capital   | <b>433,747</b>              | <b>433,549</b>            |
| Deductions   | <u>(35,097)</u>             | <u>(61,769)</u>           |
| Total Qualifying Capital   | <b><u>P 398,650</u></b>     | <b><u>P 371,780</u></b>   |
| Total Risk-Weighted Assets   | <b><u>P 2,714,820</u></b>   | <b><u>P 2,617,747</u></b> |
| Capital ratios:  |                             |                           |
| Total qualifying capital expressed as a percentage of total risk weighted assets | <b>14.7%</b>                | <b>14.2%</b>              |
| Tier 1 Capital Ratio   | <b>13.8%</b>                | <b>13.3%</b>              |
| Total CET 1 Ratio  | <b>13.6%</b>                | <b>13.1%</b>              |

|  | <b>BDO</b>                  |                  |          |                           |  |
|--|-----------------------------|------------------|----------|---------------------------|--|
|  | <b><u>Unibank Group</u></b> |                  |          | <b><u>Parent Bank</u></b> |  |
| <u>December 31, 2020</u>   |                             |                  |          |                           |  |
| Tier 1 Capital   |                             |                  |          |                           |  |
| CET 1  | P                           | 373,342          | P        | 374,032                   |  |
| Additional Tier 1  |                             | <u>5,150</u>     |          | <u>5,150</u>              |  |
|  |                             | 378,492          |          | 379,182                   |  |
| Tier 2 Capital   |                             | <u>23,947</u>    |          | <u>23,248</u>             |  |
| Total Regulatory Capital   |                             | 402,439          |          | 402,430                   |  |
| Deductions   | (                           | <u>31,803)</u>   | (        | <u>58,626)</u>            |  |
| Total Qualifying Capital   | <u>P</u>                    | <u>370,636</u>   | <u>P</u> | <u>343,804</u>            |  |
| Total Risk-Weighted Assets   | <u>P</u>                    | <u>2,579,533</u> | <u>P</u> | <u>2,492,540</u>          |  |
| Capital ratios:  |                             |                  |          |                           |  |
| Total qualifying capital expressed as a percentage of total risk weighted assets |                             | 14.4%            |          | 13.8%                     |  |
| Tier 1 Capital Ratio   |                             | 13.4%            |          | 12.9%                     |  |
| Total CET 1 Ratio  |                             | 13.2%            |          | 12.7%                     |  |

At the end of each reporting period, the BDO Unibank Group and the Parent Bank have complied with the prescribed ratio of qualifying capital to risk-weighted assets.

## **5.2 Leverage Ratio**

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet, derivatives and securities financing transactions exposures and off-balance sheet items.

The BDO Unibank Group and the Parent Bank's Basel III leverage ratio as reported to the BSP are as follows:

|                                 | <u>2021</u>  | <u>2020</u> | <u>2019</u> |
|---------------------------------|--------------|-------------|-------------|
| <b><u>BDO Unibank Group</u></b> |              |             |             |
| <u>Capital Measure</u>          | <b>10.3%</b> | 10.2%       | 10.0%       |
| Exposure Measure                |              |             |             |
| <b><u>Parent Bank</u></b>       |              |             |             |
| <u>Capital Measure</u>          | <b>9.9%</b>  | 9.8%        | 9.6%        |
| Exposure Measure                |              |             |             |



### 5.3 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. Circular No. 905 requires the BDO Unibank Group to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The BDO Unibank Group has fully complied with the LCR minimum requirement of 100% coverage effective January 1, 2019.

To strengthen the BDO Unibank Group's short-term liquidity position and as a defense against potential onset of liquidity stress, it maintains adequate stock of unencumbered HQLAs that consists of cash or assets that can be freely converted into cash at little or no loss of value in private markets.

The BDO Unibank Group's and the Parent Bank's LCR as of December 31, 2021, 2020, and 2019 is analyzed below.

|  | <u>2021</u>   | <u>2020</u> | <u>2019</u> |
|--|---------------|-------------|-------------|
| <b><u>BDO Unibank Group</u></b>                        |               |             |             |
| <u>Total Stock of High –<br/>Quality Liquid Assets</u> | <b>145.4%</b> | 127.1%      | 108.4%      |
| Total Net Cash Outflows                                |               |             |             |
| <b><u>Parent Bank</u></b>                              |               |             |             |
| <u>Total Stock of High –<br/>Quality Liquid Assets</u> | <b>145.9%</b> | 129.0%      | 109.2%      |
| Total Net Cash Outflows                                |               |             |             |

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the BDO Unibank Group's liquidity profile.

The BDO Unibank Group has fully complied with the NSFR minimum requirement of 100% coverage effective January 1, 2019.

To promote long-term resilience against liquidity risk, the BDO Unibank Group maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

The BDO Unibank Group and the Parent Bank's Basel III NSFR as of December 31, 2021, 2020 and 2019 are summarized below.

|                                 | <u>2021</u>   | <u>2020</u> | <u>2019</u> |
|---------------------------------|---------------|-------------|-------------|
| <b><u>BDO Unibank Group</u></b> |               |             |             |
| <u>Available Stable Funding</u> | <b>123.5%</b> | 122.0%      | 116.7%      |
| Required Stable Funding         |               |             |             |
| <b><u>Parent Bank</u></b>       |               |             |             |
| <u>Available Stable Funding</u> | <b>123.1%</b> | 122.0%      | 117.4%      |
| Required Stable Funding         |               |             |             |

## 6. SEGMENT REPORTING

### 6.1 Business Segments

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

Management currently identifies BDO Unibank Group's five service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8 are combined as Others.

- (a) **Commercial banking** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;
- (b) **Investment banking** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, financial advisory services, and securities brokerage;
- (c) **Private banking** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts;
- (d) **Leasing and financing** – provides direct leases, sale and leaseback arrangements and real estate leases;
- (e) **Insurance** – engages in insurance brokerage and life insurance business by providing protection, education, savings, retirement and estate planning solutions to individual and corporate clients through life insurance products and services; and,
- (f) **Others** – includes remittance and realty management, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of BDO Unibank Group's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

## 6.2 Analysis of Segment Information

Segment information (by service lines) as of and for the years ended December 31, 2021, 2020 and 2019 are as follows:

|  | Commercial<br>Banking  | Investment<br>Banking | Private<br>Banking  | Leasing<br>and<br>Financing | Insurance             | Others             | Total                  |
|--|------------------------|-----------------------|---------------------|-----------------------------|-----------------------|--------------------|------------------------|
| <b>December 31, 2021</b>                     |                        |                       |                     |                             |                       |                    |                        |
| <b>Revenues</b>                              |                        |                       |                     |                             |                       |                    |                        |
| From external customer                       |                        |                       |                     |                             |                       |                    |                        |
| Interest income                              | P 140,997              | P 7                   | P 1,108             | P 632                       | P 2,133               | P 2                | P 144,879              |
| Interest expense                             | ( 13,166)              | ( 1)                  | ( 70)               | ( 229)                      | ( 66)                 | ( 1)               | ( 13,533)              |
| Net interest income                          | <u>127,831</u>         | <u>6</u>              | <u>1,038</u>        | <u>403</u>                  | <u>2,067</u>          | <u>1</u>           | <u>131,346</u>         |
| Intersegment revenue                         |                        |                       |                     |                             |                       |                    |                        |
| Interest income                              | 119                    | 2                     | -                   | -                           | 3                     | 1                  | 125                    |
| Interest expense                             | ( 16)                  | ( 45)                 | ( 4)                | ( 28)                       | ( 11)                 | ( 65)              | ( 169)                 |
| Net interest income                          | <u>103</u>             | <u>( 43)</u>          | <u>( 4)</u>         | <u>( 28)</u>                | <u>( 8)</u>           | <u>( 64)</u>       | <u>( 44)</u>           |
| Other operating income                       |                        |                       |                     |                             |                       |                    |                        |
| Investment banking fees                      | -                      | 2,268                 | -                   | -                           | -                     | -                  | 2,268                  |
| Others                                       | <u>42,725</u>          | <u>277</u>            | <u>1,451</u>        | <u>809</u>                  | <u>20,412</u>         | <u>543</u>         | <u>66,217</u>          |
|  | <u>42,725</u>          | <u>2,545</u>          | <u>1,451</u>        | <u>809</u>                  | <u>20,412</u>         | <u>543</u>         | <u>68,485</u>          |
| <b>Total net revenues</b>                    | <b><u>170,659</u></b>  | <b><u>2,508</u></b>   | <b><u>2,485</u></b> | <b><u>1,184</u></b>         | <b><u>22,471</u></b>  | <b><u>480</u></b>  | <b><u>199,787</u></b>  |
| <b>Expenses</b>                              |                        |                       |                     |                             |                       |                    |                        |
| Other operating expenses                     |                        |                       |                     |                             |                       |                    |                        |
| Depreciation and amortization                | 8,424                  | 85                    | 72                  | 531                         | 137                   | 85                 | 9,334                  |
| Impairment losses                            | 17,066                 | 55                    | ( 20)               | ( 20)                       | ( 18)                 | -                  | 17,063                 |
| Others                                       | <u>90,521</u>          | <u>772</u>            | <u>1,204</u>        | <u>385</u>                  | <u>19,005</u>         | <u>291</u>         | <u>112,178</u>         |
|  | <u>116,011</u>         | <u>912</u>            | <u>1,256</u>        | <u>896</u>                  | <u>19,124</u>         | <u>376</u>         | <u>138,575</u>         |
| Segment operating income                     | 54,648                 | 1,596                 | 1,229               | 288                         | 3,347                 | 104                | 61,212                 |
| Tax expense                                  | <u>11,584</u>          | <u>375</u>            | <u>264</u>          | <u>43</u>                   | <u>623</u>            | <u>18</u>          | <u>12,907</u>          |
| <b>Segment net income</b>                    | <b><u>P 43,064</u></b> | <b><u>P 1,221</u></b> | <b><u>P 965</u></b> | <b><u>P 245</u></b>         | <b><u>P 2,724</u></b> | <b><u>P 86</u></b> | <b><u>P 48,305</u></b> |
| <b>Statement of Financial Position</b>       |                        |                       |                     |                             |                       |                    |                        |
| Total resources                              |                        |                       |                     |                             |                       |                    |                        |
| Segment assets                               | P 3,506,708            | P 6,736               | P 37,937            | P 15,208                    | P 82,976              | P 4,320            | P 3,653,885            |
| Deferred tax assets (liabilities) - net      | 6,843                  | ( 154)                | 15                  | 16                          | 53                    | ( 5)               | 6,768                  |
| Intangible assets                            | <u>7,194</u>           | <u>76</u>             | <u>21</u>           | <u>-</u>                    | <u>44</u>             | <u>1</u>           | <u>7,336</u>           |
|  | <u>P 3,520,745</u>     | <u>P 6,658</u>        | <u>P 37,973</u>     | <u>P 15,224</u>             | <u>P 83,073</u>       | <u>P 4,316</u>     | <u>P 3,667,989</u>     |
| Total liabilities                            | <u>P 3,091,065</u>     | <u>P 2,455</u>        | <u>P 31,905</u>     | <u>P 8,072</u>              | <u>P 71,798</u>       | <u>P 2,212</u>     | <u>P 3,207,507</u>     |
| <b>Other segment information</b>             |                        |                       |                     |                             |                       |                    |                        |
| Capital expenditures                         | <u>P 5,020</u>         | <u>P 26</u>           | <u>P 23</u>         | <u>P 239</u>                | <u>P 3,564</u>        | <u>P 2</u>         | <u>P 8,874</u>         |
| Investment in associates under equity method | <u>P -</u>             | <u>P -</u>            | <u>P -</u>          | <u>P -</u>                  | <u>P -</u>            | <u>P 5,347</u>     | <u>P 5,347</u>         |
| Share in the profit of associates            | <u>P -</u>             | <u>P -</u>            | <u>P -</u>          | <u>P -</u>                  | <u>P -</u>            | <u>P 814</u>       | <u>P 814</u>           |

|  | <u>Commercial<br/>Banking</u> | <u>Investment<br/>Banking</u> | <u>Private<br/>Banking</u> | <u>Leasing<br/>and<br/>Financing</u> | <u>Insurance</u> | <u>Others</u>  | <u>Total</u>       |
|--|-------------------------------|-------------------------------|----------------------------|--------------------------------------|------------------|----------------|--------------------|
| <u>December 31, 2020</u>                     |                               |                               |                            |                                      |                  |                |                    |
| Revenues                                     |                               |                               |                            |                                      |                  |                |                    |
| From external customer                       |                               |                               |                            |                                      |                  |                |                    |
| Interest income                              | P 152,691                     | P 18                          | P 1,196                    | P 1,237                              | P 1,883          | P 6            | P 157,031          |
| Interest expense                             | ( 22,536)                     | ( 3)                          | ( 196)                     | ( 502)                               | ( 86)            | ( 8)           | ( 23,331)          |
| Net interest income                          | <u>130,155</u>                | <u>15</u>                     | <u>1,000</u>               | <u>735</u>                           | <u>1,797</u>     | <u>( 2)</u>    | <u>133,700</u>     |
| Intersegment revenue                         |                               |                               |                            |                                      |                  |                |                    |
| Interest income                              | 238                           | 9                             | -                          | 2                                    | 13               | 1              | 263                |
| Interest expense                             | ( 35)                         | ( 73)                         | ( 6)                       | ( 95)                                | ( 8)             | ( 80)          | ( 297)             |
| Net interest income                          | <u>203</u>                    | <u>( 64)</u>                  | <u>( 6)</u>                | <u>( 93)</u>                         | <u>5</u>         | <u>( 79)</u>   | <u>( 34)</u>       |
| Other operating income                       |                               |                               |                            |                                      |                  |                |                    |
| Investment banking fees                      | -                             | 1,410                         | -                          | -                                    | -                | -              | 1,410              |
| Others                                       | <u>38,683</u>                 | <u>285</u>                    | <u>1,552</u>               | <u>1,478</u>                         | <u>16,440</u>    | <u>551</u>     | <u>58,989</u>      |
|  | <u>38,683</u>                 | <u>1,695</u>                  | <u>1,552</u>               | <u>1,478</u>                         | <u>16,440</u>    | <u>551</u>     | <u>60,399</u>      |
| Total net revenues                           | <u>169,041</u>                | <u>1,646</u>                  | <u>2,546</u>               | <u>2,120</u>                         | <u>18,242</u>    | <u>470</u>     | <u>194,065</u>     |
| Expenses                                     |                               |                               |                            |                                      |                  |                |                    |
| Other operating expenses                     |                               |                               |                            |                                      |                  |                |                    |
| Depreciation and amortization                | 8,289                         | 105                           | 71                         | 677                                  | 101              | 91             | 9,334              |
| Impairment losses                            | 29,714                        | 19                            | 9                          | 444                                  | 54               | -              | 30,240             |
| Others                                       | <u>85,849</u>                 | <u>817</u>                    | <u>1,168</u>               | <u>549</u>                           | <u>16,059</u>    | <u>290</u>     | <u>104,732</u>     |
|  | <u>123,852</u>                | <u>941</u>                    | <u>1,248</u>               | <u>1,670</u>                         | <u>16,214</u>    | <u>381</u>     | <u>144,306</u>     |
| Segment operating income                     | 45,189                        | 705                           | 1,298                      | 450                                  | 2,028            | 89             | 49,759             |
| Tax expense                                  | <u>16,462</u>                 | <u>262</u>                    | <u>291</u>                 | <u>171</u>                           | <u>571</u>       | <u>19</u>      | <u>17,776</u>      |
| Segment net income                           | <u>P 28,727</u>               | <u>P 443</u>                  | <u>P 1,007</u>             | <u>P 279</u>                         | <u>P 1,457</u>   | <u>P 70</u>    | <u>P 31,983</u>    |
| Statement of Financial Position              |                               |                               |                            |                                      |                  |                |                    |
| Total resources                              |                               |                               |                            |                                      |                  |                |                    |
| Segment assets                               | P 3,262,339                   | P 6,522                       | P 41,408                   | P 16,223                             | P 70,354         | P 4,388        | P 3,401,234        |
| Deferred tax assets (liabilities) - net      | 8,023                         | ( 166)                        | 8                          | 6                                    | 42               | ( 2)           | 7,911              |
| Intangible assets                            | <u>5,677</u>                  | <u>114</u>                    | <u>17</u>                  | <u>2</u>                             | <u>47</u>        | <u>-</u>       | <u>5,857</u>       |
|  | <u>P 3,276,039</u>            | <u>P 6,470</u>                | <u>P 41,433</u>            | <u>P 16,231</u>                      | <u>P 70,443</u>  | <u>P 4,386</u> | <u>P 3,415,002</u> |
| Total liabilities                            | <u>P 2,877,836</u>            | <u>P 2,579</u>                | <u>P 35,288</u>            | <u>P 9,268</u>                       | <u>P 64,499</u>  | <u>P 2,191</u> | <u>P 2,991,661</u> |
| Other segment information                    |                               |                               |                            |                                      |                  |                |                    |
| Capital expenditures                         | <u>P 4,019</u>                | <u>P 12</u>                   | <u>P 10</u>                | <u>P 314</u>                         | <u>P 24</u>      | <u>P 4</u>     | <u>P 4,383</u>     |
| Investment in associates under equity method | <u>P -</u>                    | <u>P -</u>                    | <u>P -</u>                 | <u>P -</u>                           | <u>P -</u>       | <u>P 5,015</u> | <u>P 5,015</u>     |
| Share in the profit of associates            | <u>P -</u>                    | <u>P -</u>                    | <u>P -</u>                 | <u>P -</u>                           | <u>P -</u>       | <u>P 470</u>   | <u>P 470</u>       |

|  | <u>Commercial<br/>Banking</u> | <u>Investment<br/>Banking</u> | <u>Private<br/>Banking</u> | <u>Leasing<br/>and<br/>Financing</u> | <u>Insurance</u> | <u>Others</u>  | <u>Total</u>       |
|--|-------------------------------|-------------------------------|----------------------------|--------------------------------------|------------------|----------------|--------------------|
| <u>December 31, 2019</u>                     |                               |                               |                            |                                      |                  |                |                    |
| Revenues                                     |                               |                               |                            |                                      |                  |                |                    |
| From external customer                       |                               |                               |                            |                                      |                  |                |                    |
| Interest income                              | P 155,463                     | P 26                          | P 1,466                    | P 1,976                              | P 1,632          | P 9            | P 160,572          |
| Interest expense                             | ( 38,659)                     | 1                             | ( 643)                     | ( 1,282)                             | ( 89)            | ( 2)           | ( 40,681)          |
| Net interest income                          | <u>116,804</u>                | <u>27</u>                     | <u>823</u>                 | <u>687</u>                           | <u>1,543</u>     | <u>7</u>       | <u>119,891</u>     |
| Intersegment revenues                        |                               |                               |                            |                                      |                  |                |                    |
| Interest income                              | 231                           | 41                            | -                          | -                                    | 38               | 43             | 353                |
| Interest expense                             | ( 91)                         | ( 73)                         | ( 27)                      | ( 101)                               | ( 6)             | ( 84)          | ( 382)             |
| Net interest income                          | <u>140</u>                    | <u>( 32)</u>                  | <u>( 27)</u>               | <u>( 101)</u>                        | <u>32</u>        | <u>( 41)</u>   | <u>( 29)</u>       |
| Other operating income                       |                               |                               |                            |                                      |                  |                |                    |
| Investment banking fees                      | -                             | 1,371                         | -                          | -                                    | -                | -              | 1,371              |
| Others                                       | <u>44,684</u>                 | <u>405</u>                    | <u>1,662</u>               | <u>1,054</u>                         | <u>17,079</u>    | <u>587</u>     | <u>65,471</u>      |
|  | <u>44,684</u>                 | <u>1,776</u>                  | <u>1,662</u>               | <u>1,054</u>                         | <u>17,079</u>    | <u>587</u>     | <u>66,842</u>      |
| Total net revenues                           | <u>161,628</u>                | <u>1,771</u>                  | <u>2,458</u>               | <u>1,640</u>                         | <u>18,654</u>    | <u>553</u>     | <u>186,704</u>     |
| Expenses                                     |                               |                               |                            |                                      |                  |                |                    |
| Other operating expenses                     |                               |                               |                            |                                      |                  |                |                    |
| Depreciation and amortization                | 7,841                         | 107                           | 66                         | 794                                  | 87               | 85             | 8,980              |
| Impairment losses                            | 6,003                         | 68                            | 28                         | 63                                   | 5                | -              | 6,167              |
| Others                                       | <u>89,885</u>                 | <u>833</u>                    | <u>1,259</u>               | <u>702</u>                           | <u>13,908</u>    | <u>349</u>     | <u>106,936</u>     |
|  | <u>103,729</u>                | <u>1,008</u>                  | <u>1,353</u>               | <u>1,559</u>                         | <u>14,000</u>    | <u>434</u>     | <u>122,083</u>     |
| Segment operating income                     | 57,899                        | 763                           | 1,105                      | 81                                   | 4,654            | 119            | 64,621             |
| Tax expense                                  | <u>13,496</u>                 | <u>256</u>                    | <u>226</u>                 | <u>34</u>                            | <u>967</u>       | <u>40</u>      | <u>15,019</u>      |
| Segment net income                           | <u>P 44,403</u>               | <u>P 507</u>                  | <u>P 879</u>               | <u>P 47</u>                          | <u>P 3,687</u>   | <u>P 79</u>    | <u>P 49,602</u>    |
| Statement of Financial Position              |                               |                               |                            |                                      |                  |                |                    |
| Total resources                              |                               |                               |                            |                                      |                  |                |                    |
| Segment assets                               | P 3,081,358                   | P 7,175                       | P 34,857                   | P 30,806                             | P 58,302         | P 5,329        | P 3,217,827        |
| Deferred tax assets (liabilities) - net      | 8,878                         | ( 154)                        | 24                         | 133                                  | 48               | ( 2)           | 8,927              |
| Intangible assets                            | <u>5,400</u>                  | <u>139</u>                    | <u>18</u>                  | <u>2</u>                             | <u>55</u>        | <u>1</u>       | <u>5,615</u>       |
|  | <u>P 3,095,636</u>            | <u>P 7,160</u>                | <u>P 34,899</u>            | <u>P 30,941</u>                      | <u>P 58,405</u>  | <u>P 5,328</u> | <u>P 3,232,369</u> |
| Total liabilities                            | <u>P 2,720,385</u>            | <u>P 2,963</u>                | <u>P 29,083</u>            | <u>P 25,327</u>                      | <u>P 48,549</u>  | <u>P 2,184</u> | <u>P 2,828,491</u> |
| Other segment information                    |                               |                               |                            |                                      |                  |                |                    |
| Capital expenditures                         | <u>P 6,332</u>                | <u>P 22</u>                   | <u>P 18</u>                | <u>P 533</u>                         | <u>P 76</u>      | <u>P 14</u>    | <u>P 6,995</u>     |
| Investment in associates under equity method | <u>P -</u>                    | <u>P -</u>                    | <u>P -</u>                 | <u>P -</u>                           | <u>P -</u>       | <u>P 5,048</u> | <u>P 5,048</u>     |
| Share in the profit of associates            | <u>P -</u>                    | <u>P -</u>                    | <u>P -</u>                 | <u>(P 42)</u>                        | <u>P -</u>       | <u>P 738</u>   | <u>P 696</u>       |

### 6.3 Reconciliation

Presented below is a reconciliation of the BDO Unibank Group's segment information to the key financial information presented in its consolidated financial statements.

|  | <u>2021</u>        | <u>2020</u>        | <u>2019</u>        |
|--|--------------------|--------------------|--------------------|
| <b>Revenue</b>                             |                    |                    |                    |
| Total segment net revenues                 | P 199,787          | P 194,065          | P 186,704          |
| Elimination of intersegment revenues       | ( 7,087 )          | ( 5,155 )          | ( 6,702 )          |
| Net revenues as reported in profit or loss | <u>P 192,700</u>   | <u>P 188,910</u>   | <u>P 180,002</u>   |
| <b>Profit or loss</b>                      |                    |                    |                    |
| Total segment net income                   | P 48,305           | P 31,983           | P 49,602           |
| Elimination of intersegment profit         | ( 5,450 )          | ( 3,729 )          | ( 5,434 )          |
| Net profit as reported in profit or loss   | <u>P 42,855</u>    | <u>P 28,254</u>    | <u>P 44,168</u>    |
| <b>Resources</b>                           |                    |                    |                    |
| Total segment resources                    | P 3,667,989        | P 3,415,002        | P 3,232,369        |
| Elimination of intersegment assets         | ( 44,240 )         | ( 40,102 )         | ( 43,511 )         |
| Total resources                            | <u>P 3,623,749</u> | <u>P 3,374,900</u> | <u>P 3,188,858</u> |
| <b>Liabilities</b>                         |                    |                    |                    |
| Total segment liabilities                  | P 3,207,507        | P 2,991,661        | P 2,828,491        |
| Elimination of intersegment liabilities    | ( 8,306 )          | ( 9,782 )          | ( 10,220 )         |
| Total liabilities                          | <u>P 3,199,201</u> | <u>P 2,981,879</u> | <u>P 2,818,271</u> |

## 7. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### 7.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding pages.

#### BDO Unibank Group

|                                | 2021                 |                  |                    |                    |
|--------------------------------|----------------------|------------------|--------------------|--------------------|
|                                | Classes              |                  | Carrying<br>Amount | Fair<br>Value      |
|                                | At Amortized<br>Cost | At Fair<br>Value |                    |                    |
| Financial assets               |                      |                  |                    |                    |
| At amortized cost:             |                      |                  |                    |                    |
| Cash and other cash items      | P 69,105             | P -              | P 69,105           | P 69,105           |
| Due from BSP                   | 304,906              | -                | 304,906            | 304,907            |
| Due from other banks           | 70,092               | -                | 70,092             | 70,092             |
| Loans and other receivables    | 2,450,903            | -                | 2,450,903          | 2,460,214          |
| Other resources                | 7,460                | -                | 7,460              | 7,460              |
| Investment securities          | 397,534              | -                | 397,534            | 399,761            |
| Financial assets at FVTPL      | -                    | 47,934           | 47,934             | 47,934             |
| Financial assets at FVOCI      | -                    | 170,793          | 170,793            | 170,793            |
|                                | <u>P 3,300,000</u>   | <u>P 218,727</u> | <u>P 3,518,727</u> | <u>P 3,530,266</u> |
| Financial liabilities          |                      |                  |                    |                    |
| At amortized cost:             |                      |                  |                    |                    |
| Deposit liabilities            | P 2,820,896          | P -              | P 2,820,896        | P 2,861,596        |
| Bills payable                  | 204,431              | -                | 204,431            | 206,988            |
| Insurance contract liabilities | 65,328               | -                | 65,328             | 65,328             |
| Other liabilities              | 91,875               | -                | 91,875             | 91,875             |
| At fair value –                |                      |                  |                    |                    |
| Other liabilities              | -                    | 5,742            | 5,742              | 5,742              |
|                                | <u>P 3,182,530</u>   | <u>P 5,742</u>   | <u>P 3,188,272</u> | <u>P 3,231,529</u> |

BDO Unibank Group

|                                |   | 2020                 |                  |                    |                    |
|--------------------------------|---|----------------------|------------------|--------------------|--------------------|
|                                |   | Classes              |                  | Carrying<br>Amount | Fair<br>Value      |
|                                |   | At Amortized<br>Cost | At Fair<br>Value |                    |                    |
| Financial assets               |   |                      |                  |                    |                    |
| At amortized cost:             |   |                      |                  |                    |                    |
| Cash and other cash items      | P | 74,851               | P -              | P 74,851           | P 74,851           |
| Due from BSP                   |   | 308,636              | -                | 308,636            | 308,627            |
| Due from other banks           |   | 65,289               | -                | 65,289             | 65,289             |
| Loans and other receivables    |   | 2,301,981            | -                | 2,301,981          | 2,306,593          |
| Other resources                |   | 9,262                | -                | 9,262              | 9,262              |
| Investment securities at       |   | 286,819              | -                | 286,819            | 300,168            |
| Financial assets at FVTPL      |   | -                    | 37,110           | 37,110             | 37,110             |
| Financial assets at FVOCI      |   | -                    | 184,881          | 184,881            | 184,881            |
|                                |   | <u>P 3,046,838</u>   | <u>P 221,991</u> | <u>P 3,268,829</u> | <u>P 3,286,781</u> |
| Financial liabilities          |   |                      |                  |                    |                    |
| At amortized cost:             |   |                      |                  |                    |                    |
| Deposit liabilities            | P | 2,610,151            | P -              | P 2,610,151        | P 2,653,290        |
| Bills payable                  |   | 209,744              | -                | 209,744            | 213,381            |
| Insurance contract liabilities |   | 58,410               | -                | 58,410             | 58,410             |
| Other liabilities              |   | 89,611               | -                | 89,611             | 89,611             |
| At fair value -                |   |                      |                  |                    |                    |
| Other liabilities              |   | -                    | 4,129            | 4,129              | 4,129              |
|                                |   | <u>P 2,967,916</u>   | <u>P 4,129</u>   | <u>P 2,972,045</u> | <u>P 3,018,821</u> |

Parent Bank

|                             |   | 2021                 |                  |                    |                    |
|-----------------------------|---|----------------------|------------------|--------------------|--------------------|
|                             |   | Classes              |                  | Carrying<br>Amount | Fair<br>Value      |
|                             |   | At Amortized<br>Cost | At Fair<br>Value |                    |                    |
| Financial assets            |   |                      |                  |                    |                    |
| At amortized cost:          |   |                      |                  |                    |                    |
| Cash and other cash items   | P | 66,440               | P -              | P 66,440           | P 66,440           |
| Due from BSP                |   | 302,660              | -                | 302,660            | 302,661            |
| Due from other banks        |   | 64,349               | -                | 64,349             | 64,349             |
| Loans and other receivables |   | 2,399,983            | -                | 2,399,983          | 2,412,229          |
| Other resources             |   | 6,752                | -                | 6,752              | 6,752              |
| Investment securities       |   | 377,382              | -                | 377,382            | 379,266            |
| Financial assets at FVTPL   |   | -                    | 4,616            | 4,616              | 4,616              |
| Financial assets at FVOCI   |   | -                    | 115,965          | 115,965            | 115,965            |
|                             |   | <u>P 3,217,566</u>   | <u>P 120,581</u> | <u>P 3,338,147</u> | <u>P 3,352,278</u> |



**Parent Bank**

|                             |   | 2021                         |                          |                            |                           |
|-----------------------------|---|------------------------------|--------------------------|----------------------------|---------------------------|
|                             |   | <u>Classes</u>               |                          | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u>     |
|                             |   | <u>At Amortized<br/>Cost</u> | <u>At Fair<br/>Value</u> |                            |                           |
| Financial liabilities       |   |                              |                          |                            |                           |
| At amortized cost:          |   |                              |                          |                            |                           |
| Deposit liabilities         | P | 2,751,715                    | P -                      | P 2,751,715                | P 2,787,683               |
| Bills payable               |   | 196,174                      | -                        | 196,174                    | 198,756                   |
| Other liabilities           |   | 82,917                       | -                        | 82,917                     | 82,917                    |
| At fair value –             |   |                              |                          |                            |                           |
| Other liabilities           |   | <u>-</u>                     | <u>2,462</u>             | <u>2,462</u>               | <u>2,462</u>              |
|                             |   | <b><u>P 3,030,806</u></b>    | <b><u>P 2,462</u></b>    | <b><u>P 3,033,268</u></b>  | <b><u>P 3,071,818</u></b> |
|                             |   | 2020                         |                          |                            |                           |
|                             |   | <u>Classes</u>               |                          | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u>     |
|                             |   | <u>At Amortized<br/>Cost</u> | <u>At Fair<br/>Value</u> |                            |                           |
| Financial assets            |   |                              |                          |                            |                           |
| At amortized cost:          |   |                              |                          |                            |                           |
| Cash and other cash items   | P | 72,301                       | P -                      | P 72,301                   | P 72,301                  |
| Due from BSP                |   | 305,079                      | -                        | 305,079                    | 305,069                   |
| Due from other banks        |   | 63,281                       | -                        | 63,281                     | 63,281                    |
| Loans and other receivables |   | 2,259,686                    | -                        | 2,259,686                  | 2,266,579                 |
| Other resources             |   | 8,834                        | -                        | 8,834                      | 8,834                     |
| Investment securities       |   | 267,672                      | -                        | 267,672                    | 283,067                   |
| Financial assets at FVTPL   |   | -                            | 4,862                    | 4,862                      | 4,862                     |
| Financial assets at FVOCI   |   | <u>-</u>                     | <u>126,922</u>           | <u>126,922</u>             | <u>126,922</u>            |
|                             |   | <b><u>P 2,976,853</u></b>    | <b><u>P 131,784</u></b>  | <b><u>P 3,108,637</u></b>  | <b><u>P 3,130,915</u></b> |
| Financial liabilities       |   |                              |                          |                            |                           |
| At amortized cost:          |   |                              |                          |                            |                           |
| Deposit liabilities         | P | 2,548,291                    | P -                      | P 2,548,291                | P 2,587,223               |
| Bills payable               |   | 202,867                      | -                        | 202,867                    | 208,284                   |
| Other liabilities           |   | 81,914                       | -                        | 81,914                     | 81,914                    |
| At fair value –             |   |                              |                          |                            |                           |
| Other liabilities           |   | <u>-</u>                     | <u>2,001</u>             | <u>2,001</u>               | <u>2,001</u>              |
|                             |   | <b><u>P 2,833,072</u></b>    | <b><u>P 2,001</u></b>    | <b><u>P 2,835,073</u></b>  | <b><u>P 2,879,422</u></b> |

## 7.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

### 7.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2021 and 2020 are grouped into the fair value hierarchy as presented in the tables below and in the succeeding pages.

Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

#### **BDO Unibank Group**

|                                       | <u>Notes</u> | <u>Level 1</u>   | <u>Level 2</u>  | <u>Level 3</u> | <u>Total</u>     |
|---------------------------------------|--------------|------------------|-----------------|----------------|------------------|
| <b><u>December 31, 2021</u></b>       |              |                  |                 |                |                  |
| Resources:                            |              |                  |                 |                |                  |
| Financial assets at FVTPL:            | 10.1         |                  |                 |                |                  |
| Equity securities - quoted            |              | P 28,752         | P 2,844         | P -            | P 31,596         |
| Government debt securities            |              | 5,427            | -               | -              | 5,427            |
| Corporate debt securities             |              | 1,086            | 3,593           | -              | 4,679            |
| Derivative financial assets           |              | -                | 6,232           | -              | 6,232            |
|                                       |              | <u>35,265</u>    | <u>12,669</u>   | <u>-</u>       | <u>47,934</u>    |
| Financial assets at FVOCI:            | 10.2         |                  |                 |                |                  |
| Government debt securities            |              | 110,182          | -               | -              | 110,182          |
| Corporate debt securities             |              | 55,279           | -               | -              | 55,279           |
| Equity securities - quoted            |              | 4,722            | 288             | -              | 5,010            |
| Equity securities - not quoted        |              | -                | -               | 322            | 322              |
|                                       |              | <u>170,183</u>   | <u>288</u>      | <u>322</u>     | <u>170,793</u>   |
|                                       |              | <u>P 205,448</u> | <u>P 12,957</u> | <u>P 322</u>   | <u>P 218,727</u> |
| Liabilities –                         |              |                  |                 |                |                  |
| Derivatives with negative fair values | 21           | <u>P 91</u>      | <u>P 5,651</u>  | <u>P -</u>     | <u>P 5,742</u>   |
| <b><u>December 31, 2020</u></b>       |              |                  |                 |                |                  |
| Resources:                            |              |                  |                 |                |                  |
| Financial assets at FVTPL:            | 10.1         |                  |                 |                |                  |
| Equity securities - quoted            |              | P 21,641         | P 1,821         | P -            | P 23,462         |
| Government debt securities            |              | 5,401            | -               | -              | 5,401            |
| Corporate debt securities             |              | 834              | 2,945           | -              | 3,779            |
| Derivative financial assets           |              | -                | 4,468           | -              | 4,468            |
|                                       |              | <u>27,876</u>    | <u>9,234</u>    | <u>-</u>       | <u>37,110</u>    |
| Financial assets at FVOCI:            | 10.2         |                  |                 |                |                  |
| Government debt securities            |              | 117,663          | -               | -              | 117,663          |
| Corporate debt securities             |              | 56,896           | -               | -              | 56,896           |
| Equity securities - quoted            |              | 9,829            | 234             | -              | 10,063           |
| Equity securities - not quoted        |              | -                | -               | 259            | 259              |
|                                       |              | <u>184,388</u>   | <u>234</u>      | <u>259</u>     | <u>184,881</u>   |
|                                       |              | <u>P 212,264</u> | <u>P 9,468</u>  | <u>P 259</u>   | <u>P 221,991</u> |
| Liabilities –                         |              |                  |                 |                |                  |
| Derivatives with negative fair values | 21           | <u>P 82</u>      | <u>P 4,047</u>  | <u>P -</u>     | <u>P 4,129</u>   |

**Parent Bank**

|                                       | <u>Notes</u> | <u>Level 1</u>   | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u>     |
|---------------------------------------|--------------|------------------|----------------|----------------|------------------|
| <b><u>December 31, 2021</u></b>       |              |                  |                |                |                  |
| Resources:                            |              |                  |                |                |                  |
| Financial assets at FVTPL:            | 10.1         |                  |                |                |                  |
| Government debt securities            |              | P 1,919          | P -            | P -            | P 1,919          |
| Derivative financial assets           |              | -                | 2,469          | -              | 2,469            |
| Corporate debt securities             |              | 227              | -              | -              | 227              |
| Equity securities - quoted            |              | <u>1</u>         | <u>-</u>       | <u>-</u>       | <u>1</u>         |
|                                       |              | <u>2,147</u>     | <u>2,469</u>   | <u>-</u>       | <u>4,616</u>     |
| Financial assets at FVOCI:            | 10.2         |                  |                |                |                  |
| Government debt securities            |              | 71,798           | -              | -              | 71,798           |
| Corporate debt securities             |              | 42,297           | -              | -              | 42,297           |
| Equity securities - quoted            |              | 1,306            | 282            | -              | 1,588            |
| Equity securities - not quoted        |              | <u>-</u>         | <u>-</u>       | <u>282</u>     | <u>282</u>       |
|                                       |              | <u>115,401</u>   | <u>282</u>     | <u>282</u>     | <u>115,965</u>   |
|                                       |              | <u>P 117,548</u> | <u>P 2,751</u> | <u>P 282</u>   | <u>P 120,581</u> |
| Liabilities –                         |              |                  |                |                |                  |
| Derivatives with negative fair values | 21           | <u>P 91</u>      | <u>P 2,371</u> | <u>P -</u>     | <u>P 2,462</u>   |
| <b><u>December 31, 2020</u></b>       |              |                  |                |                |                  |
| Resources:                            |              |                  |                |                |                  |
| Financial assets at FVTPL:            | 10.1         |                  |                |                |                  |
| Government debt securities            |              | P 2,793          | P -            | P -            | P 2,793          |
| Derivative financial assets           |              | -                | 1,769          | -              | 1,769            |
| Corporate debt securities             |              | 299              | -              | -              | 299              |
| Equity securities - quoted            |              | <u>1</u>         | <u>-</u>       | <u>-</u>       | <u>1</u>         |
|                                       |              | <u>3,093</u>     | <u>1,769</u>   | <u>-</u>       | <u>4,862</u>     |
| Financial assets at FVOCI:            | 10.2         |                  |                |                |                  |
| Government debt securities            |              | 80,464           | -              | -              | 80,464           |
| Corporate debt securities             |              | 41,384           | -              | -              | 41,384           |
| Equity securities - quoted            |              | 4,626            | 229            | -              | 4,855            |
| Equity securities - not quoted        |              | <u>-</u>         | <u>-</u>       | <u>219</u>     | <u>219</u>       |
|                                       |              | <u>126,474</u>   | <u>229</u>     | <u>219</u>     | <u>126,922</u>   |
|                                       |              | <u>P 129,567</u> | <u>P 1,998</u> | <u>P 219</u>   | <u>P 131,784</u> |
| Liabilities –                         |              |                  |                |                |                  |
| Derivatives with negative fair values | 21           | <u>P 82</u>      | <u>P 1,919</u> | <u>P -</u>     | <u>P 2,001</u>   |

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

Discussed below and in the succeeding page is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

- (i) Quoted equity securities classified as financial assets at FVTPL or financial assets at FVOCI have fair values that were determined based on their closing prices on the PSE. These instruments are included in Level 1.

Financial assets at FVTPL included in Level 2 pertain to investments in Unit Investment Trust Funds (UITFs). The fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

Golf club shares classified as financial assets at FVOCI are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

- (ii) Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies. For unquoted preferred shares, the fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values. Further, unlisted common share which are classified as financial assets at FVOCI securities, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. These instruments are included in Level 3.

(b) Debt securities

The fair value of the debt securities of BDO Unibank Group and the Parent Bank, which are categorized within Level 1 and Level 2, is discussed below.

- (i) Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.
- (ii) For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

(c) Derivatives

The fair values of Republic of the Philippines (ROP) warrants which are categorized within Level 1, is determined to be the current mid-price based on the last trading transaction as defined by third-party market makers. The fair value of other derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(c)].

**7.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed**

The table below and in the succeeding pages summarizes the fair value hierarchy of BDO Unibank Group and Parent Bank's financial assets and financial liabilities, which are measured at amortized cost in the statements of financial position but for which fair value is disclosed.

**BDO Unibank Group**

|   | <u>Level 1</u>          | <u>Level 2</u>          | <u>Level 3</u>            | <u>Total</u>              |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| <b><u>December 31, 2021</u></b>         |                         |                         |                           |                           |
| Resources:                              |                         |                         |                           |                           |
| Cash and other cash items               | P 69,105                | P -                     | P -                       | P 69,105                  |
| Due from BSP                            | 304,907                 | -                       | -                         | 304,907                   |
| Due from other banks                    | 70,092                  | -                       | -                         | 70,092                    |
| Investment securities at amortized cost | 399,761                 | -                       | -                         | 399,761                   |
| Loans and other receivables             | 271                     | -                       | 2,459,943                 | 2,460,214                 |
| Other resources                         | <u>6,180</u>            | <u>-</u>                | <u>1,280</u>              | <u>7,460</u>              |
|   | <b><u>P 850,316</u></b> | <b><u>P -</u></b>       | <b><u>P 2,461,223</u></b> | <b><u>P 3,311,539</u></b> |
| Liabilities:                            |                         |                         |                           |                           |
| Deposit liabilities                     | P -                     | P -                     | P 2,861,596               | P 2,861,596               |
| Bills payable                           | -                       | 152,235                 | 54,753                    | 206,988                   |
| Insurance contract liabilities          | -                       | -                       | 65,328                    | 65,328                    |
| Other liabilities                       | <u>-</u>                | <u>-</u>                | <u>91,875</u>             | <u>91,875</u>             |
|   | <b><u>P -</u></b>       | <b><u>P 152,235</u></b> | <b><u>P 3,073,552</u></b> | <b><u>P 3,225,787</u></b> |
| <b><u>December 31, 2020</u></b>         |                         |                         |                           |                           |
| Resources:                              |                         |                         |                           |                           |
| Cash and other cash items               | P 74,851                | P -                     | P -                       | P 74,851                  |
| Due from BSP                            | 308,627                 | -                       | -                         | 308,627                   |
| Due from other banks                    | 65,289                  | -                       | -                         | 65,289                    |
| Investment securities at amortized cost | 300,168                 | -                       | -                         | 300,168                   |
| Loans and other receivable              | 239                     | -                       | 2,306,354                 | 2,306,593                 |
| Other resources                         | <u>8,795</u>            | <u>-</u>                | <u>467</u>                | <u>9,262</u>              |
|   | <b><u>P 757,969</u></b> | <b><u>P -</u></b>       | <b><u>P 2,306,821</u></b> | <b><u>P 3,064,790</u></b> |
| Liabilities:                            |                         |                         |                           |                           |
| Deposit liabilities                     | P -                     | P -                     | P 2,653,290               | P 2,653,290               |
| Bills payable                           | -                       | 164,748                 | 48,633                    | 213,381                   |
| Insurance contract liabilities          | -                       | -                       | 58,410                    | 58,410                    |
| Other liabilities                       | <u>-</u>                | <u>-</u>                | <u>89,611</u>             | <u>89,611</u>             |
|   | <b><u>P -</u></b>       | <b><u>P 164,748</u></b> | <b><u>P 2,849,944</u></b> | <b><u>P 3,014,692</u></b> |

**Parent Bank**

|   | <u>Level 1</u>          | <u>Level 2</u>          | <u>Level 3</u>            | <u>Total</u>              |
|---|-------------------------|-------------------------|---------------------------|---------------------------|
| <b><u>December 31, 2021</u></b>         |                         |                         |                           |                           |
| Resources:                              |                         |                         |                           |                           |
| Cash and other cash items               | P 66,440                | P -                     | P -                       | P 66,440                  |
| Due from BSP                            | 302,661                 | -                       | -                         | 302,661                   |
| Due from other banks                    | 64,349                  | -                       | -                         | 64,349                    |
| Investment securities at amortized cost | 379,266                 | -                       | -                         | 379,266                   |
| Loans and other receivables             | -                       | -                       | 2,412,229                 | 2,412,229                 |
| Other resources                         | <u>5,784</u>            | <u>-</u>                | <u>968</u>                | <u>6,752</u>              |
|   | <b><u>P 818,500</u></b> | <b><u>P -</u></b>       | <b><u>P 2,413,197</u></b> | <b><u>P 3,231,697</u></b> |
| Liabilities:                            |                         |                         |                           |                           |
| Deposit liabilities                     | P -                     | P -                     | P 2,787,683               | P 2,787,683               |
| Bills payable                           | -                       | 152,235                 | 46,521                    | 198,756                   |
| Other liabilities                       | <u>-</u>                | <u>-</u>                | <u>82,917</u>             | <u>82,917</u>             |
|   | <b><u>P -</u></b>       | <b><u>P 152,235</u></b> | <b><u>P 2,917,121</u></b> | <b><u>P 3,069,356</u></b> |
| <b><u>December 31, 2020</u></b>         |                         |                         |                           |                           |
| Resources:                              |                         |                         |                           |                           |
| Cash and other cash items               | P 72,301                | P -                     | P -                       | P 72,301                  |
| Due from BSP                            | 305,069                 | -                       | -                         | 305,069                   |
| Due from other banks                    | 63,281                  | -                       | -                         | 63,281                    |
| Investment securities at amortized cost | 283,067                 | -                       | -                         | 283,067                   |
| Loans and other receivables             | -                       | -                       | 2,266,579                 | 2,266,579                 |
| Other resources                         | <u>8,756</u>            | <u>-</u>                | <u>78</u>                 | <u>8,834</u>              |
|   | <b><u>P 732,474</u></b> | <b><u>P -</u></b>       | <b><u>P 2,266,657</u></b> | <b><u>P 2,999,131</u></b> |
| Liabilities:                            |                         |                         |                           |                           |
| Deposit liabilities                     | P -                     | P -                     | P 2,587,223               | P 2,587,223               |
| Bills payable                           | -                       | 164,748                 | 43,536                    | 208,284                   |
| Other liabilities                       | <u>-</u>                | <u>-</u>                | <u>81,914</u>             | <u>81,914</u>             |
|   | <b><u>P -</u></b>       | <b><u>P 164,748</u></b> | <b><u>P 2,712,673</u></b> | <b><u>P 2,877,421</u></b> |

For financial assets and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial assets and financial liabilities presented in the statements of financial position at their amortized cost.

(a) *Cash and Other Cash Items*

Cash consists primarily of funds in the form of Philippine currency notes and coins in the BDO Unibank Group and the Parent Bank's vault and those in the possession of tellers, including automated teller machines (see Note 8).

Other cash items includes cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the BDO Unibank Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by BDO Unibank Group to the BSP for clearing and reserve requirements. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost is determined by direct reference to published price quoted in an active market for traded debt securities.

(d) *Loans and Other Receivables*

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

(e) *Deposits and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of Bills Payable under Level 2 is computed based on the average of ask and bid prices as appearing on Bloomberg. For Bills Payable categorized within Level 3, the BDO Unibank Group and the Parent Bank classify financial instruments that have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

(f) *Other Resources and Liabilities*

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.



### 7.5 Fair Value Measurement for Non-financial Assets

Details of BDO Unibank Group and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2021 and 2020 are shown below.

#### BDO Unibank Group

|                                  | <u>Level 1</u>    | <u>Level 2</u>    | <u>Level 3</u>         | <u>Total</u>           |
|----------------------------------|-------------------|-------------------|------------------------|------------------------|
| <b><u>December 31, 2021</u></b>  |                   |                   |                        |                        |
| Investment properties            |                   |                   |                        |                        |
| Land                             | P -               | P -               | P 27,349               | P 27,349               |
| Building and improvements        | -                 | -                 | 12,786                 | 12,786                 |
| Non-current assets held for sale | <u>-</u>          | <u>-</u>          | <u>1,825</u>           | <u>1,825</u>           |
|                                  | <u><b>P -</b></u> | <u><b>P -</b></u> | <u><b>P 41,960</b></u> | <u><b>P 41,960</b></u> |
| <b><u>December 31, 2020</u></b>  |                   |                   |                        |                        |
| Investment properties            |                   |                   |                        |                        |
| Land                             | P -               | P -               | P 20,482               | P 20,482               |
| Building and improvements        | -                 | -                 | 12,674                 | 12,674                 |
| Non-current assets held for sale | <u>-</u>          | <u>-</u>          | <u>1,039</u>           | <u>1,039</u>           |
|                                  | <u><b>P -</b></u> | <u><b>P -</b></u> | <u><b>P 34,195</b></u> | <u><b>P 34,195</b></u> |

#### Parent Bank

|                                  | <u>Level 1</u>    | <u>Level 2</u>    | <u>Level 3</u>         | <u>Total</u>           |
|----------------------------------|-------------------|-------------------|------------------------|------------------------|
| <b><u>December 31, 2021</u></b>  |                   |                   |                        |                        |
| Investment properties            |                   |                   |                        |                        |
| Land                             | P -               | P -               | P 20,819               | P 20,819               |
| Building and improvements        | -                 | -                 | 11,917                 | 11,917                 |
| Non-current assets held for sale | <u>-</u>          | <u>-</u>          | <u>1,824</u>           | <u>1,824</u>           |
|                                  | <u><b>P -</b></u> | <u><b>P -</b></u> | <u><b>P 34,560</b></u> | <u><b>P 34,560</b></u> |
| <b><u>December 31, 2020</u></b>  |                   |                   |                        |                        |
| Investment properties            |                   |                   |                        |                        |
| Land                             | P -               | P -               | P 18,802               | P 18,802               |
| Building and improvements        | -                 | -                 | 12,145                 | 12,145                 |
| Non-current assets held for sale | <u>-</u>          | <u>-</u>          | <u>1,039</u>           | <u>1,039</u>           |
|                                  | <u><b>P -</b></u> | <u><b>P -</b></u> | <u><b>P 31,986</b></u> | <u><b>P 31,986</b></u> |

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2021 and 2020 (see Note 14) was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the BDO Unibank Group and the Parent Bank with respect to determination of the inputs such as size, age and condition of the land and buildings and the comparable prices in the corresponding property location.

In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the BDO Unibank Group and the Parent Bank indicated above is their current use. The fair value discussed above as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of investment properties and non-current assets held for sale.

The fair value of these investment properties and assets held for sale was determined based on the following approaches:

(a) *Fair Value Measurement for Land*

The Level 3 fair value of land was derived using the observable recent prices of the reference properties, which were adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) *Fair Value Measurement for Buildings and Improvements*

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

There has been no change to the valuation techniques used by the BDO Unibank Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

(c) *Fair Value Measurement for Assets Held for Sale*

The fair value of assets held for sale is determined based on the recent experience in the valuation of similar properties. The fair value, determined under Level 3 measurement, was derived using the market data approach that reflects that recent transaction prices for similar properties, adjusted for differences in property age and condition.

There has been no change to the valuation techniques used by BDO Unibank Group during the year for its non-financial assets. Further, there were no transfers into or out of Level 3 fair value hierarchy in 2021 and 2020.

**7.6 Offsetting Financial Assets and Financial Liabilities**

The following financial assets of the BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2021 and 2020 are subject to offsetting, enforceable master netting arrangements and similar agreements.

**BDO Unibank Group**

|                                   | <u>Financial<br/>Assets</u> | <u>Financial<br/>Liabilities<br/>Available<br/>for Set-off</u> | <u>Collateral<br/>Received</u> | <u>Net Amount</u>     |
|-----------------------------------|-----------------------------|--|--------------------------------|-----------------------|
| <b><u>December 31, 2021</u></b>   |                             |  |                                |                       |
| <b>Financial assets at FVTPL:</b> |                             |  |                                |                       |
| Currency swaps                    | P 617                       | P 572  | P -                            | P 45                  |
| Interest rate swaps               | 64                          | 59   | -                              | 5                     |
| <b>Loans and receivables –</b>    |                             |  |                                |                       |
| Receivables from customers        | <u>29,497</u>               | <u>-</u>   | <u>26,216</u>                  | <u>3,281</u>          |
|                                   | <b><u>P 30,178</u></b>      | <b><u>P 631</u></b>  | <b><u>P 26,216</u></b>         | <b><u>P 3,331</u></b> |
| <b><u>December 31, 2020</u></b>   |                             |  |                                |                       |
| <b>Financial assets at FVTPL:</b> |                             |  |                                |                       |
| Currency swaps                    | P 396                       | P 371  | P -                            | P 25                  |
| Interest rate swaps               | 116                         | 102  | -                              | 14                    |
| <b>Loans and receivables –</b>    |                             |  |                                |                       |
| Receivables from customers        | <u>43,976</u>               | <u>-</u>   | <u>40,904</u>                  | <u>3,072</u>          |
|                                   | <b><u>P 44,488</u></b>      | <b><u>P 473</u></b>  | <b><u>P 40,904</u></b>         | <b><u>P 3,111</u></b> |

**Parent Bank**

**December 31, 2021**

|                                   |                        |                    |                        |                   |
|-----------------------------------|------------------------|--------------------|------------------------|-------------------|
| <b>Financial assets at FVTPL:</b> |                        |                    |                        |                   |
| Currency swaps                    | P 5                    | P 5                | P -                    | P -               |
| Interest rate swaps               | 54                     | 53                 | -                      | 1                 |
| <b>Loans and receivables –</b>    |                        |                    |                        |                   |
| Receivables from customers        | <u>26,045</u>          | <u>-</u>           | <u>26,045</u>          | <u>-</u>          |
|                                   | <b><u>P 26,104</u></b> | <b><u>P 58</u></b> | <b><u>P 26,045</u></b> | <b><u>P 1</u></b> |

Parent Bank

|                            | <u>Financial<br/>Assets</u> | <u>Financial<br/>Liabilities<br/>Available<br/>for Set-off</u> | <u>Collateral<br/>Received</u> | <u>Net Amount</u> |
|----------------------------|-----------------------------|--|--------------------------------|-------------------|
| <u>December 31, 2020</u>   |                             |  |                                |                   |
| Financial assets at FVTPL: |                             |  |                                |                   |
| Currency swaps             | P 1                         | P 1  | P -                            | P -               |
| Interest rate swaps        | 104                         | 95   | -                              | 9                 |
| Loans and receivables –    |                             |  |                                |                   |
| Receivables from customers | <u>40,744</u>               | <u>-</u>   | <u>40,744</u>                  | <u>-</u>          |
|                            | <u>P 40,849</u>             | <u>P 96</u>  | <u>P 40,744</u>                | <u>P 9</u>        |

The currency forwards and interest rate swaps relate to accrued interest receivable and accrued interest payable subject to enforceable master netting arrangements but were not set-off and presented at gross in the statements of financial position.

The following financial liabilities with net amounts presented in the statements of financial position of the BDO Unibank Group and the Parent Bank are subject to offsetting, enforceable master netting arrangements and similar agreements.

**BDO Unibank Group**

|   | <u>Financial<br/>Liabilities</u> | <u>Financial<br/>Assets<br/>Available<br/>for Set-off</u> | <u>Collateral<br/>Given</u> | <u>Net Amount</u> |
|---|----------------------------------|---|-----------------------------|-------------------|
| <u>December 31, 2021</u>                  |                                  |   |                             |                   |
| Deposit liabilities                       | P 32,393                         | P 26,216  | P -                         | P 6,177           |
| Bills payable                             | 1,088                            | -   | 1,088                       | -                 |
| Derivatives with negative<br>fair values: |                                  |   |                             |                   |
| Currency swaps                            | 629                              | 572   | -                           | 57                |
| Interest rate swaps                       | <u>72</u>                        | <u>59</u>   | <u>-</u>                    | <u>13</u>         |
|   | <u>P 34,182</u>                  | <u>P 26,847</u>   | <u>P 1,088</u>              | <u>P 6,247</u>    |
| <u>December 31, 2020</u>                  |                                  |   |                             |                   |
| Deposit liabilities                       | P 85,836                         | P 40,904  | P -                         | P 44,932          |
| Derivatives with negative<br>fair values: |                                  |   |                             |                   |
| Currency swaps                            | 648                              | 371   | -                           | 277               |
| Interest rate swaps                       | <u>102</u>                       | <u>102</u>  | <u>-</u>                    | <u>-</u>          |
|   | <u>P 88,257</u>                  | <u>P 43,482</u>   | <u>P -</u>                  | <u>P 44,775</u>   |

**Parent Bank**

|   | <u>Financial<br/>Liabilities</u> | <u>Financial<br/>Assets<br/>Available<br/>for Set-off</u> | <u>Collateral<br/>Given</u> | <u>Net Amount</u>      |
|---|----------------------------------|---|-----------------------------|------------------------|
| <b><u>December 31, 2021</u></b>           |                                  |   |                             |                        |
| Deposit liabilities                       | P 32,222                         | P 26,045  | P -                         | P 6,177                |
| Derivatives with negative<br>fair values: |                                  |   |                             |                        |
| Currency swaps                            | 62                               | 5   | -                           | 57                     |
| Interest rate swaps                       | <u>66</u>                        | <u>53</u>   | <u>-</u>                    | <u>13</u>              |
|   | <b><u>P 32,350</u></b>           | <b><u>P 26,103</u></b>                                    | <b><u>P -</u></b>           | <b><u>P 6,247</u></b>  |
| <b><u>December 31, 2020</u></b>           |                                  |   |                             |                        |
| Deposit liabilities                       | P 85,676                         | P 40,744  | P -                         | P 44,932               |
| Derivatives with negative<br>fair values: |                                  |   |                             |                        |
| Currency swaps                            | 278                              | 1   | -                           | 277                    |
| Interest rate swaps                       | <u>95</u>                        | <u>95</u>   | <u>-</u>                    | <u>-</u>               |
|   | <b><u>P 86,049</u></b>           | <b><u>P 40,840</u></b>                                    | <b><u>P -</u></b>           | <b><u>P 45,209</u></b> |

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the BDO Unibank Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

**8. CASH AND BALANCES WITH THE BSP**

These accounts are composed of the following:

|                                  | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|----------------------------------|--------------------------|------------------|-------------------------|------------------|
|                                  | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Cash and other cash items        | <b><u>P 69,105</u></b>   | <u>P 74,851</u>  | <b><u>P 66,440</u></b>  | <u>P 72,301</u>  |
| Due from BSP:                    |                          |                  |                         |                  |
| Mandatory reserves               | <b>271,953</b>           | 254,527          | <b>269,707</b>          | 252,440          |
| Other than mandatory<br>reserves | <u>32,953</u>            | <u>54,109</u>    | <u>32,953</u>           | <u>52,639</u>    |
|                                  | <b><u>304,906</u></b>    | <u>308,636</u>   | <b><u>302,660</u></b>   | <u>305,079</u>   |
|                                  | <b><u>P 374,011</u></b>  | <u>P 383,487</u> | <b><u>P 369,100</u></b> | <u>P 377,380</u> |

Mandatory reserves represent the balance of the deposit accounts maintained with the BSP to meet reserve requirements and to serve as clearing accounts for interbank claims (see Note 17).

The Parent Bank opened a Special Savings Account (SSA) with the BSP to comply with InstaPay facility requirement.

As of December 31, 2021 and 2020, the balance of this account amounted to P770 and P461 and is presented as part of Due from BSP.

Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate as follows:

| <u>2021</u>          | <u>2020</u>   | <u>2019</u>   |
|----------------------|---------------|---------------|
| <b>1.50% – 1.96%</b> | 1.50% – 4.13% | 0.00% – 4.75% |

The total interest income earned amounted to P1,487, P1,892 and P422 in 2021, 2020 and 2019, respectively, in BDO Unibank Group's statements of income, and P1,483, P1,886 and P417 in 2021, 2020 and 2019, respectively, in the Parent Bank's statements of income (see Note 23).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

## 9. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

|               | <u>BDO Unibank Group</u> |                        | <u>Parent Bank</u>     |                        |
|---------------|--------------------------|------------------------|------------------------|------------------------|
|               | <u>2021</u>              | <u>2020</u>            | <u>2021</u>            | <u>2020</u>            |
| Foreign banks | <b>P 66,185</b>          | P 64,156               | <b>P 63,193</b>        | P 62,615               |
| Local banks   | <u>3,907</u>             | <u>1,133</u>           | <u>1,156</u>           | <u>666</u>             |
|               | <b><u>P 70,092</u></b>   | <b><u>P 65,289</u></b> | <b><u>P 64,349</u></b> | <b><u>P 63,281</u></b> |

The breakdown of this account as to currency follows:

|                          | <u>BDO Unibank Group</u> |                        | <u>Parent Bank</u>     |                        |
|--------------------------|--------------------------|------------------------|------------------------|------------------------|
|                          | <u>2021</u>              | <u>2020</u>            | <u>2021</u>            | <u>2020</u>            |
| U.S. dollars             | <b>P 57,669</b>          | P 56,867               | <b>P 54,480</b>        | P 55,707               |
| Other foreign currencies | <b>10,732</b>            | 8,010                  | <b>9,708</b>           | 7,308                  |
| Philippine pesos         | <u>1,691</u>             | <u>412</u>             | <u>161</u>             | <u>266</u>             |
|                          | <b><u>P 70,092</u></b>   | <b><u>P 65,289</u></b> | <b><u>P 64,349</u></b> | <b><u>P 63,281</u></b> |

Annual interest rates on these deposits range from:

|                   | <u>2021</u>          | <u>2020</u>   | <u>2019</u>   |
|-------------------|----------------------|---------------|---------------|
| BDO Unibank Group | <b>0.00% – 1.50%</b> | 0.00% – 3.38% | 0.00% – 5.75% |
| Parent Bank       | <b>0.00% – 1.00%</b> | 0.00% – 1.00% | 0.00% – 2.00% |

There are deposits such as current accounts, which do not earn interest. The total interest income earned amounted to P67, P266 and P959 in 2021, 2020, and 2019, respectively, in the BDO Unibank Group's statements of income, and P50, P234 and P817, in 2021, 2020, and 2019, respectively, in the Parent Bank's statements of income (see Note 23). Due from other banks are included in cash and cash equivalents for statements of cash flows purposes.

## 10. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

|   | <u>Note</u> | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|---|-------------|--------------------------|------------------|-------------------------|------------------|
|   |             | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Financial assets<br>at FVTPL                        | 10.1        | <b>P 47,934</b>          | P 37,110         | <b>P 4,616</b>          | P 4,862          |
| Financial assets<br>at FVOCI                        | 10.2        | <b>170,793</b>           | 184,881          | <b>115,965</b>          | 126,922          |
| Investment securities<br>at amortized<br>cost - net | 10.3        | <u><b>397,534</b></u>    | <u>286,819</u>   | <u><b>377,382</b></u>   | <u>267,672</u>   |
|   |             | <u><b>P 616,261</b></u>  | <u>P 508,810</u> | <u><b>P 497,963</b></u> | <u>P 399,456</u> |

### 10.1 Financial Assets at FVTPL

This account is composed of the following:

|                             | <u>BDO Unibank Group</u> |                 | <u>Parent Bank</u>    |                |
|-----------------------------|--------------------------|-----------------|-----------------------|----------------|
|                             | <u>2021</u>              | <u>2020</u>     | <u>2021</u>           | <u>2020</u>    |
| Derivative financial assets | <b>P 6,232</b>           | P 4,468         | <b>P 2,469</b>        | P 1,769        |
| Government debt securities  | <b>5,427</b>             | 5,401           | <b>1,919</b>          | 2,793          |
| Corporate debt securities   | <u><b>4,679</b></u>      | <u>3,779</u>    | <u><b>227</b></u>     | <u>299</u>     |
|                             | <b>16,338</b>            | 13,648          | <b>4,615</b>          | 4,861          |
| Equity securities - quoted  | <u><b>31,596</b></u>     | <u>23,462</u>   | <u><b>1</b></u>       | <u>1</u>       |
|                             | <u><b>P 47,934</b></u>   | <u>P 37,110</u> | <u><b>P 4,616</b></u> | <u>P 4,862</u> |

All financial assets at FVTPL are held for trading. The following table shows net income (loss) contributed by financial assets at FVTPL to the BDO Unibank Group and the Parent Bank.

|                              | Notes | <b>BDO Unibank Group</b> |         |         |
|------------------------------|-------|--------------------------|---------|---------|
|                              |       | <b>2021</b>              | 2020    | 2019    |
| Interest income              | 23    | <b>P 92</b>              | P 122   | P 197   |
| Trading gain (loss) - net    | 25    | <b>( 214)</b>            | 1,261   | 1,606   |
| Dividend income              | 25    | <b>118</b>               | 71      | 72      |
| Foreign exchange gain (loss) | 25    | <b>71</b>                | ( 214)  | ( 449)  |
| Total other income (loss)    |       | <b>( 25)</b>             | 1,118   | 1,229   |
| Total other expenses         |       | <b>1</b>                 | 2       | 7       |
| Net income                   |       | <b>P 66</b>              | P 1,238 | P 1,419 |

|                           | Notes | <b>Parent Bank</b> |         |       |
|---------------------------|-------|--------------------|---------|-------|
|                           |       | <b>2021</b>        | 2020    | 2019  |
| Interest income           | 23    | <b>P 59</b>        | P 84    | P 87  |
| Trading gain (loss) - net | 25    | <b>( 648)</b>      | 1,422   | 267   |
| Net income (loss)         |       | <b>(P 589)</b>     | P 1,506 | P 354 |

Effective interest rates of debt securities at FVTPL of both the BDO Unibank Group and the Parent Bank range from:

|                            | <b>2021</b>           | 2020           | 2019           |
|----------------------------|-----------------------|----------------|----------------|
| Government debt securities | <b>0.88% – 10.63%</b> | 0.63% – 10.63% | 0.88% – 12.13% |
| Corporate debt securities  | <b>0.09% – 8.51%</b>  | 0.09% – 8.51%  | 0.09% – 8.51%  |

Foreign currency-denominated securities amounted to P6,622 and P5,701 as of December 31, 2021 and 2020, respectively, in the BDO Unibank Group's statements of financial position, and P2,759 and P3,037 as of December 31, 2021 and 2020, respectively, in the Parent Bank's statements of financial position.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Foreign currency and interest rate forwards/futures represent commitments to purchase or sell or contractual obligations to receive or pay a new amount based on changes in currency rates or interest rates on a future date at a specified price. Foreign currency and interest rate swaps are commitments to exchange one set of cash flows for another. Income derived from these derivative instruments are part of trading gains/(losses) (see Note 25).



The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and financial liabilities are shown below [see Notes 21 and 27(d)(i)(4)].

|                                   | 2021             |                |                | 2020             |                |                |
|-----------------------------------|------------------|----------------|----------------|------------------|----------------|----------------|
|                                   | Notional Amount  | Fair Values    |                | Notional Amount  | Fair Values    |                |
|                                   |                  | Assets         | Liabilities    |                  | Assets         | Liabilities    |
| <b>BDO Unibank Group</b>          |                  |                |                |                  |                |                |
| Currency forwards/futures         | P 313,246        | P 2,091        | P 2,118        | P 277,684        | P 1,377        | P 1,517        |
| Gross currency swaps              | 54,243           | 4,041          | 3,440          | 44,738           | 2,882          | 2,395          |
| Interest rate swaps               | 13,986           | 99             | 93             | 15,912           | 209            | 135            |
| Interest rate future sold trading | 1,661            | 1              | -              | 240              | -              | 1              |
| ROP warrants                      | 8,475            | -              | 91             | 8,475            | -              | 81             |
|                                   | <b>P 391,611</b> | <b>P 6,232</b> | <b>P 5,742</b> | <b>P 347,049</b> | <b>P 4,468</b> | <b>P 4,129</b> |
| <b>Parent Bank</b>                |                  |                |                |                  |                |                |
| Currency forwards/futures         | P 309,373        | P 2,086        | P 2,045        | P 272,794        | P 1,216        | P 1,437        |
| Gross currency swaps              | 8,792            | 329            | 259            | 8,663            | 449            | 388            |
| Interest rate swaps               | 8,986            | 54             | 66             | 8,508            | 104            | 95             |
| ROP warrants                      | 8,475            | -              | 92             | 8,475            | -              | 81             |
|                                   | <b>P 335,626</b> | <b>P 2,469</b> | <b>P 2,462</b> | <b>P 298,440</b> | <b>P 1,769</b> | <b>P 2,001</b> |

Certain financial assets at FVTPL of the BDO Unibank Group and the Parent Bank amounting to P681 and P59, respectively, in 2021 and P513 and P105, respectively, in 2020, are subject to offsetting against the related derivatives with negative fair values of the BDO Unibank Group and the Parent Bank amounting to P702 and P129, respectively, in 2021 and P750 and P373, respectively, in 2020. This indicates an enforceable master netting arrangements and similar agreements with an intention to settle on a net basis (see Note 7.6).

## 10.2 Financial Assets at FVOCI

The details of the carrying amounts of these financial assets are as follows:

|                            | BDO Unibank Group |                  | Parent Bank      |                  |
|----------------------------|-------------------|------------------|------------------|------------------|
|                            | 2021              | 2020             | 2021             | 2020             |
| Government debt securities | P 110,182         | P 117,663        | P 71,798         | P 80,464         |
| Corporate debt securities  | 55,279            | 56,896           | 42,297           | 41,384           |
| Equity securities:         |                   |                  |                  |                  |
| Quoted                     | 5,010             | 10,063           | 1,588            | 4,855            |
| Not quoted                 | 322               | 259              | 282              | 219              |
|                            | <b>P 170,793</b>  | <b>P 184,881</b> | <b>P 115,965</b> | <b>P 126,922</b> |

As to currency, this account is composed of the following:

|                    | BDO Unibank Group |                  | Parent Bank      |                  |
|--------------------|-------------------|------------------|------------------|------------------|
|                    | 2021              | 2020             | 2021             | 2020             |
| Foreign currencies | P 86,804          | P 88,748         | P 74,197         | P 71,907         |
| Philippine peso    | 83,989            | 96,133           | 41,768           | 55,015           |
|                    | <b>P 170,793</b>  | <b>P 184,881</b> | <b>P 115,965</b> | <b>P 126,922</b> |

The maturity profile of this account is presented below.

|                   | <b>BDO Unibank Group</b> |                  | <b>Parent Bank</b>      |                  |
|-------------------|--------------------------|------------------|-------------------------|------------------|
|                   | <b>2021</b>              | <b>2020</b>      | <b>2021</b>             | <b>2020</b>      |
| Within one year   | <b>P 17,781</b>          | P 61,715         | <b>P 13,743</b>         | P 48,069         |
| One to five years | <b>64,349</b>            | 69,895           | <b>46,361</b>           | 49,716           |
| Beyond five years | <b>88,663</b>            | 53,271           | <b>55,861</b>           | 29,137           |
|                   | <b><u>P 170,793</u></b>  | <u>P 184,881</u> | <b><u>P 115,965</u></b> | <u>P 126,922</u> |

Effective interest rates of financial assets at FVOCI range from:

|                            | <b>2021</b>           | <b>2020</b>    | <b>2019</b>    |
|----------------------------|-----------------------|----------------|----------------|
| <b>BDO Unibank Group</b>   |                       |                |                |
| Government debt securities | <b>1.65% – 12.13%</b> | 0.00% – 12.13% | 1.75% – 12.13% |
| Corporate debt securities  | <b>2.13% – 8.25%</b>  | 2.13% – 8.50%  | 2.38% – 9.00%  |
| <b>Parent Bank</b>         |                       |                |                |
| Government debt securities | <b>1.65% – 10.63%</b> | 2.63% – 10.63% | 2.63% – 10.63% |
| Corporate debt securities  | <b>2.13% – 7.38%</b>  | 2.13% – 8.50%  | 2.38% – 9.00%  |

The fair values of government debt, quoted equity and corporate debt securities have been determined directly by reference to published prices generated in an active market except for unquoted equity securities (see Note 7.3).

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

|  | <b>BDO Unibank Group</b> |                  | <b>Parent Bank</b>      |                  |
|--|--------------------------|------------------|-------------------------|------------------|
|  | <b>2021</b>              | <b>2020</b>      | <b>2021</b>             | <b>2020</b>      |
| Balance at beginning of year                   | <b>P 184,881</b>         | P 145,239        | <b>P 126,922</b>        | P 93,800         |
| Additions                                      | <b>476,166</b>           | 197,175          | <b>446,867</b>          | 162,827          |
| Disposals                                      | <b>( 489,677)</b>        | ( 158,897)       | <b>( 459,326)</b>       | ( 129,554)       |
| Unrealized fair value gains (losses)           | <b>( 5,230)</b>          | 4,647            | <b>( 2,524)</b>         | 3,250            |
| Foreign currency revaluation                   | <b>4,945</b>             | ( 4,349)         | <b>4,210</b>            | ( 3,402)         |
| Realized of fair value gains (losses) on FVOCI | <b>( 309)</b>            | 1,062            | <b>( 201)</b>           | 1                |
| Reclassification                               | <b>28</b>                | -                | <b>28</b>               | -                |
| Deferred tax liability                         | <b>( 11)</b>             | 4                | <b>( 11)</b>            | -                |
| Balance at end of year                         | <b><u>P 170,793</u></b>  | <u>P 184,881</u> | <b><u>P 115,965</u></b> | <u>P 126,922</u> |

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under equity is shown below.

|   | <u>BDO Unibank Group</u> |                       | <u>Parent Bank</u>    |                       |
|---|--------------------------|-----------------------|-----------------------|-----------------------|
|   | <u>2021</u>              | <u>2020</u>           | <u>2021</u>           | <u>2020</u>           |
| Balance at beginning of year  | <b>P 4,008</b>           | (P 1,741)             | <b>P 2,459</b>        | (P 828)               |
| Changes on unrealized fair value gains (losses) during the year:              |                          |                       |                       |                       |
| Fair value gains (losses) during the year                                     | ( 5,230)                 | 4,647                 | ( 2,524)              | 3,250                 |
| Expected credit losses on FVOCI securities                                    | ( 88)                    | 37                    | ( 71)                 | 36                    |
| Deferred tax liability  | ( 11)                    | 3                     | ( 11)                 | -                     |
|   | <u>( 1,321)</u>          | <u>2,946</u>          | <u>( 147)</u>         | <u>2,458</u>          |
| Realized fair value (gains) loss on securities disposed during the year - net | ( 309)                   | 1,062                 | ( 201)                | 1                     |
| Balance at end of year  | <b><u>(P 1,630)</u></b>  | <b><u>P 4,008</u></b> | <b><u>(P 348)</u></b> | <b><u>P 2,459</u></b> |

The Parent Bank disposed FVOCI securities under equity amounting to P3,222 and P323 in 2021 and 2020, respectively, while the BDO Unibank Group disposed a total of FVOCI equity securities amounting to P5,454 and P3,877 in 2021 and 2020, respectively.

Unrealized fair value gains and losses recognized in the NUGL account is not reclassified to profit or loss but is reclassified directly to Surplus Free account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

Impairment losses (recovery) recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to (P88) and (P71), respectively, in 2021, P37 and P36, respectively, in 2020 and P13 and P5, respectively, in 2019. Total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P50 and P37, respectively, as of December 31, 2021, and P137 and P108, respectively, as of December 31, 2020 (see Note 4.3.5).

### 10.3 Investment Securities at Amortized Cost

This account consists of:

|                            | Note | <u>BDO Unibank Group</u> |                         | <u>Parent Bank</u>      |                         |
|----------------------------|------|--------------------------|-------------------------|-------------------------|-------------------------|
|                            |      | <u>2021</u>              | <u>2020</u>             | <u>2021</u>             | <u>2020</u>             |
| Government debt securities |      | <b>P 334,935</b>         | P 228,134               | <b>P 320,925</b>        | P 214,471               |
| Corporate debt securities: |      |                          |                         |                         |                         |
| Quoted                     |      | <b>59,255</b>            | 55,982                  | <b>56,523</b>           | 53,430                  |
| Not quoted                 |      | <b>4,815</b>             | 4,293                   | <b>1,389</b>            | 1,342                   |
|                            |      | <b><u>399,005</u></b>    | <u>288,409</u>          | <b><u>378,837</u></b>   | <u>269,243</u>          |
| Allowance for impairment   | 16   | ( <b><u>1,471</u></b> )  | ( <u>1,590</u> )        | ( <b><u>1,455</u></b> ) | ( <u>1,571</u> )        |
|                            |      | <b><u>P 397,534</u></b>  | <b><u>P 286,819</u></b> | <b><u>P 377,382</u></b> | <b><u>P 267,672</u></b> |

As to currency, this account is composed of the following:

|                    | <b>BDO Unibank Group</b> |                  | <b>Parent Bank</b>      |                  |
|--------------------|--------------------------|------------------|-------------------------|------------------|
|                    | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Foreign currencies | <b>P 164,529</b>         | P 153,492        | <b>P 159,235</b>        | P 146,757        |
| Philippine peso    | <u><b>233,005</b></u>    | <u>133,327</u>   | <u><b>218,147</b></u>   | <u>120,915</u>   |
|                    | <b><u>P 397,534</u></b>  | <u>P 286,819</u> | <b><u>P 377,382</u></b> | <u>P 267,672</u> |

The maturity profile of this account is presented below.

|                    | <b>BDO Unibank Group</b> |                  | <b>Parent Bank</b>      |                  |
|--------------------|--------------------------|------------------|-------------------------|------------------|
|                    | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Less than one year | <b>P 29,285</b>          | P 40,119         | <b>P 27,101</b>         | P 34,075         |
| One to five years  | <b>166,980</b>           | 170,135          | <b>155,595</b>          | 162,185          |
| Beyond five years  | <u><b>201,269</b></u>    | <u>76,565</u>    | <u><b>194,686</b></u>   | <u>71,412</u>    |
|                    | <b><u>P 397,534</u></b>  | <u>P 286,819</u> | <b><u>P 377,382</u></b> | <u>P 267,672</u> |

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

|                              | <b>BDO Unibank Group</b> |                  | <b>Parent Bank</b>      |                  |
|------------------------------|--------------------------|------------------|-------------------------|------------------|
|                              | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Balance at beginning of year | <b>P 286,819</b>         | P 263,585        | <b>P 267,672</b>        | P 247,308        |
| Additions                    | <b>169,502</b>           | 116,777          | <b>161,191</b>          | 111,208          |
| Maturities and disposals     | ( <b>68,042</b> )        | ( 85,870 )       | ( <b>60,412</b> )       | ( 83,501 )       |
| Foreign currency gains - net | <b>9,063</b>             | ( 7,568 )        | <b>8,741</b>            | ( 7,247 )        |
| Impairment loss              | <u><b>192</b></u>        | <u>( 105 )</u>   | <u><b>190</b></u>       | <u>( 96 )</u>    |
| Balance at end of year       | <b><u>P 397,534</u></b>  | <u>P 286,819</u> | <b><u>P 377,382</u></b> | <u>P 267,672</u> |

Effective interest rates of investment securities at amortized cost for both BDO Unibank Group and Parent Bank range from:

|                            | <u>2021</u>           | <u>2020</u>    | <u>2019</u>    |
|----------------------------|-----------------------|----------------|----------------|
| <b>BDO Unibank Group</b>   |                       |                |                |
| Government debt securities | <b>0.18% – 18.25%</b> | 0.00% – 18.25% | 0.18% – 18.25% |
| Corporate debt securities  | <b>2.13% – 8.41%</b>  | 0.00% – 9.50%  | 2.38% – 9.50%  |
| <b>Parent Bank</b>         |                       |                |                |
| Government debt securities | <b>0.18% – 18.25%</b> | 0.18% – 18.25% | 0.18% – 18.25% |
| Corporate debt securities  | <b>2.13% – 7.88%</b>  | 0.00% – 9.50%  | 2.38% – 9.50%  |

The BDO Unibank Group and the Parent Bank disposed of certain debt securities from its amortized cost portfolio amounting to P1,565 and P285, respectively, resulting in a trading net gain amounting to P78 and P30 in 2021, while in 2020, P29,637 was disposed resulting in a net trading gain amounting to P3,546, for both the BDO Unibank Group and the Parent Bank. The disposal in 2021 was initiated because of the deteriorating credit profile of the securities sold, while in 2020, the disposal was made to strengthen the liquidity and capital position of the BDO Unibank Group and the Parent Bank as a buffer against the economic downturn caused by the COVID-19 pandemic. Management had assessed that such disposals of the investment securities are consistent with the BDO Unibank Group's and the Parent Bank's investment at amortized cost business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the BDO Unibank Group's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the Investments Committee in compliance with the documentation requirements of the BSP.

As mentioned in Note 28, certain government debt securities are deposited with the BSP.

## 11. LOANS AND OTHER RECEIVABLES

This account consists of the following:

|   | Notes | BDO Unibank Group  |                    | Parent Bank        |                    |
|---|-------|--------------------|--------------------|--------------------|--------------------|
|   |       | 2021               | 2020               | 2021               | 2020               |
| Receivables from customers:                                       |       |                    |                    |                    |                    |
| Loans and discounts   | 27    | P 2,205,151        | P 2,099,887        | P 2,156,282        | P 2,060,614        |
| Credit card receivables   |       | 106,789            | 94,356             | 106,789            | 94,356             |
| Customers' liabilities under letters of credit and trust receipts |       | 80,217             | 58,784             | 80,217             | 58,784             |
| Bills purchased   |       | 8,360              | 10,864             | 8,358              | 10,863             |
|   |       | <u>2,400,517</u>   | <u>2,263,891</u>   | <u>2,351,646</u>   | <u>2,224,617</u>   |
| Unearned interests or discounts                                   |       | ( 324)             | ( 189)             | ( 95)              | ( 122)             |
| Allowance for impairment  | 16    | ( 65,259)          | ( 56,420)          | ( 63,274)          | ( 53,989)          |
|   |       | <u>( 65,583)</u>   | <u>( 56,609)</u>   | <u>( 63,369)</u>   | <u>( 54,111)</u>   |
|   |       | <u>2,334,934</u>   | <u>2,207,282</u>   | <u>2,288,277</u>   | <u>2,170,506</u>   |
| Other receivables:  |       |                    |                    |                    |                    |
| Interbank loans receivables                                       |       | 90,721             | 66,657             | 90,721             | 66,657             |
| Reverse repurchase agreements                                     |       | 17,095             | 16,729             | 15,800             | 14,135             |
| Accounts receivable   | 27    | 8,315              | 11,527             | 6,277              | 9,696              |
| Sales contract receivables  |       | 1,283              | 1,016              | 1,226              | 977                |
| Others  |       | 1,039              | 1,201              | -                  | -                  |
|   |       | <u>118,453</u>     | <u>97,130</u>      | <u>114,024</u>     | <u>91,465</u>      |
| Allowance for impairment  | 16    | ( 2,484)           | ( 2,431)           | ( 2,318)           | ( 2,285)           |
|   |       | <u>115,969</u>     | <u>94,699</u>      | <u>111,706</u>     | <u>89,180</u>      |
|   |       | <u>P 2,450,903</u> | <u>P 2,301,981</u> | <u>P 2,399,983</u> | <u>P 2,259,686</u> |

The maturity profile of receivable from customers (net of unearned interest or discounts) based on the remaining term is presented below.

|                    | BDO Unibank Group  |                    | Parent Bank        |                    |
|--------------------|--------------------|--------------------|--------------------|--------------------|
|                    | 2021               | 2020               | 2021               | 2020               |
| Less than one year | P 715,409          | P 715,170          | P 708,816          | P 706,757          |
| One to five years  | 830,392            | 752,265            | 795,591            | 727,527            |
| Beyond five years  | <u>854,392</u>     | <u>796,267</u>     | <u>847,144</u>     | <u>790,211</u>     |
|                    | <u>P 2,400,193</u> | <u>P 2,263,702</u> | <u>P 2,351,551</u> | <u>P 2,224,495</u> |

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

|                         | <u>BDO Unibank Group</u>  |                    | <u>Parent Bank</u>        |                    |
|-------------------------|---------------------------|--------------------|---------------------------|--------------------|
|                         | <u>2021</u>               | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Variable interest rates | <b>P 1,885,493</b>        | P 1,813,886        | <b>P 1,873,116</b>        | P 1,804,381        |
| Fixed interest rates    | <b>514,700</b>            | 449,816            | <b>478,435</b>            | 420,114            |
|                         | <b><u>P 2,400,193</u></b> | <u>P 2,263,702</u> | <b><u>P 2,351,551</u></b> | <u>P 2,224,495</u> |

Annual interest rates ranges from:

|                     | <u>2021</u>           | <u>2020</u>    | <u>2019</u>    |
|---------------------|-----------------------|----------------|----------------|
| Loans and discounts | <b>0.00% – 60.96%</b> | 0.00% – 43.68% | 0.00% – 49.17% |
| Other receivables   | <b>0.03% – 19.00%</b> | 0.04% – 19.00% | 0.01% – 19.00% |

The total interest income earned amounted to:

|                     | <u>Note</u> | <u>BDO Unibank Group</u> |                  |                  |
|---------------------|-------------|--------------------------|------------------|------------------|
|                     |             | <u>2021</u>              | <u>2020</u>      | <u>2019</u>      |
| Loans and discounts |             | <b>P 123,545</b>         | P 137,590        | P 140,044        |
| Other receivables   |             | <b>1,003</b>             | 1,146            | 2,864            |
|                     | 23          | <b><u>P 124,548</u></b>  | <u>P 138,736</u> | <u>P 142,908</u> |
|                     | <u>Note</u> | <u>Parent Bank</u>       |                  |                  |
|                     |             | <u>2021</u>              | <u>2020</u>      | <u>2019</u>      |
| Loans and discounts |             | <b>P 118,667</b>         | P 133,261        | P 135,691        |
| Other receivables   |             | <b>899</b>               | 1,068            | 2,830            |
|                     | 23          | <b><u>P 119,566</u></b>  | <u>P 134,329</u> | <u>P 138,521</u> |

Interest income recognized on impaired loans and receivables amounted to P6,046, P4,557 and P804 in 2021, 2020 and 2019, respectively, for the BDO Unibank Group, and P6,025, P4,353 and P788 in 2021, 2020 and 2019, respectively, for the Parent Bank.

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P29,497 and P26,045, respectively, in 2021 and P43,976 and P40,744, respectively, in 2020, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P26,216 and P26,045, respectively, in 2021, and P40,904 and P40,744, respectively, for 2020, indicating a legally enforceable right to offset the recognized amounts with an intention to settle on a net basis (see Note 7.6).

Impairment losses recognized for loans and receivables for BDO Unibank Group and the Parent Bank amounted to P17,222 and P17,006, respectively, in 2021, P29,519 and P28,905, respectively, in 2020, and P5,986 and P5,725, respectively, in 2019 (see Note 16).

## 12. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of premises, furniture, fixtures and equipment at the beginning and end of 2021 and 2020 are shown below and in the succeeding page.

### BDO Unibank Group

|   | <u>Land</u>    | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> | <u>Buildings</u> | <u>Leasehold<br/>Rights and<br/>Improvement</u> | <u>Construction<br/>in<br/>Progress</u> | <u>Right-of-<br/>Use<br/>Assets</u> | <u>Total</u>    |
|---|----------------|--|------------------|---|---|-------------------------------------|-----------------|
| December 31, 2021                         |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 8,409        | P 27,867   | P 24,044         | P 8,373   | P 1,316                                 | P 16,704                            | P 86,713        |
| Accumulated depreciation and amortization | -              | ( 18,527)  | ( 9,384)         | ( 6,902)  | -                                       | ( 6,446)                            | ( 41,259)       |
| Allowance for Impairment (see Note 16)    | ( 343)         | -  | ( 304)           | -   | -                                       | -                                   | ( 647)          |
| Net Carrying Amount                       | <u>P 8,066</u> | <u>P 9,340</u>                                   | <u>P 14,356</u>  | <u>P 1,471</u>                                  | <u>P 1,316</u>                          | <u>P 10,258</u>                     | <u>P 44,807</u> |
| December 31, 2020                         |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 8,405        | P 27,194   | P 22,792         | P 7,823   | P 977                                   | P 14,420                            | P 81,611        |
| Accumulated depreciation and amortization | -              | ( 17,532)  | ( 8,343)         | ( 6,299)  | -                                       | ( 4,460)                            | ( 36,634)       |
| Allowance for Impairment (see Note 16)    | ( 271)         | -  | ( 376)           | -   | -                                       | -                                   | ( 647)          |
| Net Carrying Amount                       | <u>P 8,134</u> | <u>P 9,662</u>                                   | <u>P 14,073</u>  | <u>P 1,524</u>                                  | <u>P 977</u>                            | <u>P 9,960</u>                      | <u>P 44,330</u> |
| January 1, 2020                           |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 8,190        | P 26,789   | P 22,697         | P 7,623   | P 1,137                                 | P 12,913                            | P 79,349        |
| Accumulated depreciation and amortization | -              | ( 16,392)  | ( 7,748)         | ( 5,580)  | -                                       | ( 2,433)                            | ( 32,153)       |
| Allowance for Impairment (see Note 16)    | ( 269)         | -  | ( 376)           | -   | -                                       | -                                   | ( 645)          |
| Net Carrying Amount                       | <u>P 7,921</u> | <u>P 10,397</u>                                  | <u>P 14,573</u>  | <u>P 2,043</u>                                  | <u>P 1,137</u>                          | <u>P 10,480</u>                     | <u>P 46,551</u> |

### Parent Bank

|   | <u>Land</u>    | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> | <u>Buildings</u> | <u>Leasehold<br/>Rights and<br/>Improvement</u> | <u>Construction<br/>in<br/>Progress</u> | <u>Right-of-<br/>Use<br/>Assets</u> | <u>Total</u>    |
|---|----------------|--|------------------|---|---|-------------------------------------|-----------------|
| December 31, 2021                         |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 7,669        | P 23,434   | P 22,734         | P 7,497   | P 1,314                                 | P 16,252                            | P 78,900        |
| Accumulated depreciation and amortization | -              | ( 15,468)  | ( 8,781)         | ( 6,273)  | -                                       | ( 6,296)                            | ( 36,818)       |
| Allowance for Impairment (see Note 16)    | ( 197)         | -  | ( 299)           | -   | -                                       | -                                   | ( 496)          |
| Net Carrying Amount                       | <u>P 7,472</u> | <u>P 7,966</u>                                   | <u>P 13,654</u>  | <u>P 1,224</u>                                  | <u>P 1,314</u>                          | <u>P 9,956</u>                      | <u>P 41,586</u> |
| December 31, 2020                         |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 7,665        | P 22,151   | P 21,517         | P 7,060   | P 970                                   | P 14,142                            | P 73,505        |
| Accumulated depreciation and amortization | -              | ( 14,303)  | ( 7,807)         | ( 5,740)  | -                                       | ( 4,327)                            | ( 32,177)       |
| Allowance for Impairment (see Note 16)    | ( 125)         | -  | ( 371)           | -   | -                                       | -                                   | ( 496)          |
| Net Carrying Amount                       | <u>P 7,540</u> | <u>P 7,848</u>                                   | <u>P 13,339</u>  | <u>P 1,320</u>                                  | <u>P 970</u>                            | <u>P 9,815</u>                      | <u>P 40,832</u> |
| January 1, 2020                           |                |  |                  |   |   |                                     |                 |
| Cost                                      | P 7,450        | P 21,083   | P 21,450         | P 6,926   | P 1,137                                 | P 12,781                            | P 70,827        |
| Accumulated depreciation and amortization | -              | ( 13,047)  | ( 7,285)         | ( 5,118)  | -                                       | ( 2,387)                            | ( 27,837)       |
| Allowance for Impairment (see Note 16)    | ( 125)         | -  | ( 371)           | -   | -                                       | -                                   | ( 496)          |
| Net Carrying Amount                       | <u>P 7,325</u> | <u>P 8,036</u>                                   | <u>P 13,794</u>  | <u>P 1,808</u>                                  | <u>P 1,137</u>                          | <u>P 10,394</u>                     | <u>P 42,494</u> |

A reconciliation of the carrying amounts at the beginning and end of 2021 and 2020 of premises, furniture, fixtures and equipment is shown below and in the succeeding page.

**BDO Unibank Group**

|  | <u>Land</u>           | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> | <u>Buildings</u>       | <u>Leasehold<br/>Rights and<br/>Improvement</u> | <u>Construction<br/>in<br/>Progress</u> | <u>Right-of-<br/>Use<br/>Assets</u> | <u>Total</u>           |
|--|-----------------------|--|------------------------|---|---|-------------------------------------|------------------------|
| Balance at January 1, 2021,<br>net of accumulated<br>depreciation,<br>amortization and<br>impairment | P 8,134               | P 9,662  | P 14,073               | P 1,524   | P 977                                   | P 9,960                             | P 44,330               |
| Additions  | 21                    | 2,084  | 664                    | 568   | 516                                     | 3,216                               | 7,069                  |
| Disposals  | ( - )                 | ( 101 )  | ( 47 )                 | ( 13 )  | -                                       | -                                   | ( 161 )                |
| Reclassifications  | ( 72 )                | 218  | 721                    | 73  | ( 172 )                                 | -                                   | 768                    |
| Adjustments  | -                     | -  | -                      | ( 1 )   | -                                       | ( 406 )                             | ( 407 )                |
| Reversal   | ( 17 )                | -  | -                      | ( 2 )   | ( 5 )                                   | -                                   | ( 24 )                 |
| Foreign exchange revaluation   | -                     | 1  | 5                      | 1   | -                                       | 4                                   | 11                     |
| Depreciation and<br>amortization charges<br>for the year   | -                     | ( 2,524 )  | ( 1,060 )              | ( 679 )   | -                                       | ( 2,516 )                           | ( 6,779 )              |
| Balance at December 31,<br>2021, net of accumulated<br>depreciation, amortization<br>and impairment  | <b><u>P 8,066</u></b> | <b><u>P 9,340</u></b>                            | <b><u>P 14,356</u></b> | <b><u>P 1,471</u></b>                           | <b><u>P 1,316</u></b>                   | <b><u>P 10,258</u></b>              | <b><u>P 44,807</u></b> |
| Balance at January 1, 2020,<br>net of accumulated<br>depreciation,<br>amortization and<br>impairment | P 7,921               | P 10,397   | P 14,573               | P 2,043   | P 1,137                                 | P 10,480                            | P 46,551               |
| Additions  | 17                    | 1,825  | 291                    | 241   | 715                                     | 1,775                               | 4,864                  |
| Disposals  | ( 2 )                 | ( 117 )  | ( 6 )                  | ( 7 )   | -                                       | -                                   | ( 132 )                |
| Reclassifications  | 198                   | 195  | 946                    | 33  | ( 875 )                                 | -                                   | 497                    |
| Adjustments  | -                     | 7  | ( 4 )                  | ( 2 )   | -                                       | -                                   | 1                      |
| Reversal   | -                     | ( 2 )  | -                      | -   | -                                       | -                                   | ( 2 )                  |
| Depreciation and<br>amortization charges<br>for the year   | -                     | ( 2,643 )  | ( 1,727 )              | ( 784 )   | -                                       | ( 2,295 )                           | ( 7,449 )              |
| Balance at December 31,<br>2020, net of accumulated<br>depreciation, amortization<br>and impairment  | <b><u>P 8,134</u></b> | <b><u>P 9,662</u></b>                            | <b><u>P 14,073</u></b> | <b><u>P 1,524</u></b>                           | <b><u>P 977</u></b>                     | <b><u>P 9,960</u></b>               | <b><u>P 44,330</u></b> |

**Parent Bank**

|  | <u>Land</u>           | <u>Furniture,<br/>Fixtures and<br/>Equipment</u> | <u>Buildings</u>       | <u>Leasehold<br/>Rights and<br/>Improvement</u> | <u>Construction<br/>in<br/>Progress</u> | <u>Right-of-<br/>Use<br/>Assets</u> | <u>Total</u>           |
|--|-----------------------|--|------------------------|---|---|-------------------------------------|------------------------|
| Balance at January 1, 2021,<br>net of accumulated<br>depreciation,<br>amortization and<br>impairment | P 7,540               | P 7,848  | P 13,339               | P 1,320   | P 970                                   | P 9,815                             | P 40,832               |
| Additions  | 21                    | 1,722  | 630                    | 425   | 516                                     | 2,951                               | 6,265                  |
| Disposals  | ( - )                 | ( 7 )  | ( 46 )                 | ( 13 )  | -                                       | -                                   | ( 66 )                 |
| Reclassifications  | ( 72 )                | 218  | 717                    | 72  | ( 167 )                                 | -                                   | 768                    |
| Adjustment   | -                     | -  | -                      | -   | -                                       | ( 407 )                             | ( 407 )                |
| Reversal   | ( 17 )                | -  | -                      | -   | ( 5 )                                   | -                                   | ( 22 )                 |
| Foreign exchange revaluation   | -                     | -  | -                      | 1   | -                                       | 5                                   | 6                      |
| Depreciation and<br>amortization charges<br>for the year   | -                     | ( 1,815 )  | ( 986 )                | ( 581 )   | -                                       | ( 2,408 )                           | ( 5,790 )              |
| Balance at December 31,<br>2021, net of accumulated<br>depreciation, amortization<br>and impairment  | <b><u>P 7,472</u></b> | <b><u>P 7,966</u></b>                            | <b><u>P 13,654</u></b> | <b><u>P 1,224</u></b>                           | <b><u>P 1,314</u></b>                   | <b><u>P 9,956</u></b>               | <b><u>P 41,586</u></b> |
| Balance at January 1, 2020,<br>net of accumulated<br>depreciation,<br>amortization and<br>impairment | P 7,325               | P 8,036  | P 13,794               | P 1,808   | P 1,137                                 | P 10,394                            | P 42,494               |
| Additions  | 17                    | 1,414  | 259                    | 171   | 709                                     | 1,628                               | 4,198                  |
| Disposals  | -                     | ( 7 )  | ( 7 )                  | ( 7 )   | -                                       | -                                   | ( 21 )                 |
| Reclassifications  | 198                   | 195  | 946                    | 33  | ( 876 )                                 | -                                   | 496                    |
| Adjustment   | -                     | -  | -                      | ( 1 )   | -                                       | -                                   | ( 1 )                  |
| Depreciation and<br>amortization charges<br>for the year   | -                     | ( 1,790 )  | ( 1,653 )              | ( 684 )   | -                                       | ( 2,207 )                           | ( 6,334 )              |
| Balance at December 31,<br>2020, net of accumulated<br>depreciation, amortization<br>and impairment  | <b><u>P 7,540</u></b> | <b><u>P 7,848</u></b>                            | <b><u>P 13,339</u></b> | <b><u>P 1,320</u></b>                           | <b><u>P 970</u></b>                     | <b><u>P 9,815</u></b>               | <b><u>P 40,832</u></b> |

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50.00% of a bank's unimpaired capital. As of December 31, 2021 and 2020, the BDO Unibank Group and the Parent Bank have complied with this requirement.



Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2021 and 2020 are still being used in operations with acquisition costs amounting to P8,298 and P7,983, respectively, in the BDO Unibank Group's financial statements and P7,532 and P7,305, respectively, in the Parent Bank's financial statements.

### 13. LEASES

The BDO Unibank Group and the Parent Bank have leases for certain land and building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a Right-of-use asset under Premises, Furniture, Fixtures and Equipment (see Note 12) and a Lease liability under Other Liabilities (see Note 21) on the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the BDO Unibank Group and the Parent Bank to sublet the asset to another party, the right-of-use asset can only be used by the BDO Unibank Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The BDO Unibank Group and the Parent Bank are prohibited from selling or pledging the underlying leased assets as security. For leases over land and office spaces, the BDO Unibank Group and the Parent Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the BDO Unibank Group and the Parent Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The tables below describe the nature of BDO Unibank Group and the Parent Bank's leasing activities by type of right-of-use asset recognized as part of Premises, Furniture, Fixtures and Equipment in the statements of financial position as of December 31, 2021 and 2020.

|                                 | Number of Right-of-use<br>Asset Leased |       | Range of<br>Remaining Term |                   | Average Remaining<br>Lease Term |          |
|---------------------------------|--|-------|----------------------------|-------------------|---------------------------------|----------|
|                                 | 2021                                   | 2020  | 2021                       | 2020              | 2021                            | 2020     |
| <b><u>BDO Unibank Group</u></b> |  |       |                            |                   |                                 |          |
| Land                            | 58                                     | 51    | 4 mos. – 28 yrs.           | 3 mos. – 26 yrs.  | 12 yrs.                         | 12 yrs.  |
| Building                        | 1,568                                  | 1,478 | 1 mo. – 16 yrs.            | 1 mo. – 28 yrs.   | 2.2 yrs.                        | 3.1 yrs. |
| <b><u>Parent Bank</u></b>       |  |       |                            |                   |                                 |          |
| Land                            | 58                                     | 51    | 4 mos. – 28 yrs.           | 3 mos. – 26 yrs.  | 12 yrs.                         | 12 yrs.  |
| Building                        | 1,281                                  | 1,263 | 1 mo. – 16 yrs.            | 1 mo. – 27.5 yrs. | 4 yrs.                          | 4.2 yrs. |

### 13.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as at December 31, 2021 and 2020 and the movements during the period are shown below (see Note 12).

#### BDO Unibank Group

|                                     | <u>Land</u>         |     | <u>Buildings</u>      |        | <u>Total</u>           |
|-------------------------------------|---------------------|-----|-----------------------|--------|------------------------|
| Balance at January 1, 2021          | P 416               |     | P 9,544               |        | P 9,960                |
| Additions                           | 44                  |     | 3,172                 |        | 3,216                  |
| Reclassification                    | 38                  | (   | 38)                   |        | -                      |
| Adjustment                          | (                   | 6)  | (                     | 400)   | (                      |
| Foreign exchange revaluation        | -                   |     | 4                     |        | 4                      |
| Depreciation and amortization       | (                   | 58) | (                     | 2,458) | (                      |
| <b>Balance at December 31, 2021</b> | <b><u>P 434</u></b> |     | <b><u>P 9,824</u></b> |        | <b><u>P 10,258</u></b> |
| Balance at January 1, 2020          | P 449               |     | P 10,031              |        | P 10,480               |
| Additions                           | 14                  |     | 1,761                 |        | 1,775                  |
| Depreciation and amortization       | (                   | 47) | (                     | 2,248) | (                      |
| Balance at December 31, 2020        | <u>P 416</u>        |     | <u>P 9,544</u>        |        | <u>P 9,960</u>         |

#### Parent Bank

|                                     | <u>Land</u>         |     | <u>Buildings</u>      |        | <u>Total</u>          |
|-------------------------------------|---------------------|-----|-----------------------|--------|-----------------------|
| Balance at January 1, 2021          | P 444               |     | P 9,371               |        | P 9,815               |
| Additions                           | 44                  |     | 2,907                 |        | 2,951                 |
| Reclassification                    | 38                  | (   | 38)                   |        | -                     |
| Adjustment                          | (                   | 7)  | (                     | 400)   | (                     |
| Foreign exchange revaluation        | -                   |     | 5                     |        | 5                     |
| Depreciation and amortization       | (                   | 60) | (                     | 2,348) | (                     |
| <b>Balance at December 31, 2021</b> | <b><u>P 459</u></b> |     | <b><u>P 9,497</u></b> |        | <b><u>P 9,956</u></b> |
| Balance at January 1, 2020          | P 478               |     | P 9,916               |        | P 10,394              |
| Additions                           | 14                  |     | 1,614                 |        | 1,628                 |
| Depreciation and amortization       | (                   | 48) | (                     | 2,152) | (                     |
| Balance at December 31, 2020        | <u>P 444</u>        |     | <u>P 9,371</u>        |        | <u>P 9,815</u>        |

### 13.2 Lease Liabilities

Lease liabilities amounting to P12,087 and P11,701 as at December 31, 2021 and December 31, 2020, respectively, for the BDO Unibank Group and P11,800 and P11,551, as at December 31, 2021 and December 31, 2020, respectively, for the Parent Bank are presented in the statements of financial position as part of Other Liabilities (see Note 21).

The use of extension and termination options gives the BDO Unibank Group and the Parent Bank added flexibility in the event that it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the BDO Unibank Group and the Parent Bank's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost. As at December 31, 2021, the terms of the lease contracts of the BDO Unibank Group and the Parent Bank are renewable upon mutual agreement of the parties.

As of December 31, 2021, the BDO Unibank Group and the Parent Bank had not committed to any lease which had not yet commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analysis of lease liabilities at December 31, 2021 and 2020 for the BDO Unibank Group and the Parent Bank are as follows :

**December 31, 2021**

**BDO Unibank Group**

|                   | <u>Within<br/>1 Year</u> | <u>1 to 2<br/>Years</u> | <u>2 to 3<br/>Years</u> | <u>3 to 4<br/>Years</u> | <u>4 to 5<br/>Years</u> | <u>5 to 10<br/>Years</u> | <u>10 or More<br/>Years</u> | <u>Total</u>           |
|-------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------|------------------------|
| Lease payments    | P 3,495                  | P 2,826                 | P 2,306                 | P 1,803                 | P 1,370                 | P 2,256                  | P 517                       | P 14,573               |
| Finance charges   | ( 675)                   | ( 517)                  | ( 391)                  | ( 275)                  | ( 184)                  | ( 317)                   | ( 127)                      | ( 2,486)               |
| Net present value | <b><u>P 2,820</u></b>    | <b><u>P 2,309</u></b>   | <b><u>P 1,915</u></b>   | <b><u>P 1,528</u></b>   | <b><u>P 1,186</u></b>   | <b><u>P 1,939</u></b>    | <b><u>P 390</u></b>         | <b><u>P 12,087</u></b> |

**Parent Bank**

|                   | <u>Within<br/>1 Year</u> | <u>1 to 2<br/>Years</u> | <u>2 to 3<br/>Years</u> | <u>3 to 4<br/>Years</u> | <u>4 to 5<br/>Years</u> | <u>5 to 10<br/>Years</u> | <u>10 or More<br/>Years</u> | <u>Total</u>           |
|-------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------|------------------------|
| Lease payments    | P 3,386                  | P 2,727                 | P 2,227                 | P 1,779                 | P 1,355                 | P 2,263                  | P 561                       | P 14,298               |
| Finance charges   | ( 667)                   | ( 513)                  | ( 385)                  | ( 276)                  | ( 186)                  | ( 327)                   | ( 144)                      | ( 2,498)               |
| Net present value | <b><u>P 2,719</u></b>    | <b><u>P 2,214</u></b>   | <b><u>P 1,842</u></b>   | <b><u>P 1,503</u></b>   | <b><u>P 1,169</u></b>   | <b><u>P 1,936</u></b>    | <b><u>P 417</u></b>         | <b><u>P 11,800</u></b> |

**December 31, 2020**

**BDO Unibank Group**

|                   | <u>Within<br/>1 Year</u> | <u>1 to 2<br/>Years</u> | <u>2 to 3<br/>Years</u> | <u>3 to 4<br/>Years</u> | <u>4 to 5<br/>Years</u> | <u>5 to 10<br/>Years</u> | <u>10 or More<br/>Years</u> | <u>Total</u>           |
|-------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------|------------------------|
| Lease payments    | P 3,181                  | P 2,696                 | P 2,186                 | P 1,652                 | P 1,231                 | P 2,739                  | P 557                       | P 14,242               |
| Finance charges   | ( 647)                   | ( 502)                  | ( 378)                  | ( 281)                  | ( 207)                  | ( 368)                   | ( 158)                      | ( 2,541)               |
| Net present value | <b><u>P 2,534</u></b>    | <b><u>P 2,194</u></b>   | <b><u>P 1,808</u></b>   | <b><u>P 1,371</u></b>   | <b><u>P 1,024</u></b>   | <b><u>P 2,371</u></b>    | <b><u>P 399</u></b>         | <b><u>P 11,701</u></b> |

**Parent Bank**

|                   | <u>Within<br/>1 Year</u> | <u>1 to 2<br/>Years</u> | <u>2 to 3<br/>Years</u> | <u>3 to 4<br/>Years</u> | <u>4 to 5<br/>Years</u> | <u>5 to 10<br/>Years</u> | <u>10 or More<br/>Years</u> | <u>Total</u>           |
|-------------------|--------------------------|-------------------------|-------------------------|-------------------------|-------------------------|--------------------------|-----------------------------|------------------------|
| Lease payments    | P 3,101                  | P 2,648                 | P 2,143                 | P 1,639                 | P 1,236                 | P 2,754                  | P 606                       | P 14,127               |
| Finance charges   | ( 644)                   | ( 502)                  | ( 379)                  | ( 284)                  | ( 210)                  | ( 379)                   | ( 178)                      | ( 2,576)               |
| Net present value | <b><u>P 2,457</u></b>    | <b><u>P 2,146</u></b>   | <b><u>P 1,764</u></b>   | <b><u>P 1,355</u></b>   | <b><u>P 1,026</u></b>   | <b><u>P 2,375</u></b>    | <b><u>P 428</u></b>         | <b><u>P 11,551</u></b> |

The BDO Unibank Group and the Parent Bank sublease its leased properties. The total income earned from the subleasing activities amounted to nil in 2021, 2020 and 2019 for the BDO Unibank Group and P2, P2 and P1 in 2021, 2020 and 2019, respectively, for the Parent Bank.

The total cash outflow in respect to leases amounted to P3,238, P2,940 and P3,122 in 2021, 2020 and 2019, respectively, for the BDO Unibank Group and P3,100, P2,828 and P3,076 in 2021, 2020 and 2019, respectively, for the Parent Bank. Interest expense in relation to lease liabilities amounted to P817, P690 and P827 in 2021, 2020 and 2019, respectively, for the BDO Unibank Group and P807, P675 and P822 in 2021, 2020 and 2019, respectively, for the Parent Bank which are, presented as part of Interest expense on lease liabilities under Interest Expense account in the statements of income (see Notes 21 and 24).

### ***13.3 Lease Payments Not Recognized as Liabilities***

The BDO Unibank Group and the Parent Bank have elected not to recognize a lease liability for short-term leases or for leases of low value assets. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities. Payments made under such leases are expensed as incurred.

The expenses relating to short-term leases and low-value assets amounted to P8 and P336 in 2021, P4 and P269 in 2020 and P1 and P404 in 2019 for the BDO Unibank Group, respectively, and nil and P328 in 2021, nil and P262 in 2020 and nil and P399 in 2019 for the Parent Bank, respectively. Moreover, expenses relating to variable lease payments amounted to P114, P171 and P267 for the BDO Unibank Group and P114, P171 and P260 for the Parent Bank in 2021, 2020 and 2019, respectively. These are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25). As of December 31, 2021, 2020 and 2019, the Parent Bank do not have lease commitments in relation to short term leases.

## **14. INVESTMENT PROPERTIES**

Investment properties include land and buildings held for capital appreciation and for rental. Income earned from investment properties under rental arrangements amounted to P431 and P86 in 2021, P366 and P83 in 2020, and P435 and P88 in 2019 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Rental under Other Operating Income account (see Note 25). Direct expenses incurred from these properties such as taxes and licenses amounted to P34 and P3 in 2021, P23 and P2 in 2020, and P32 and P3 in 2019 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Taxes and licenses under Other Operating Expenses account in the BDO Unibank Group and Parent Bank's financial statements, respectively (see Note 25).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2021 and 2020 are shown below and in the succeeding page.

|   | <u>Land</u>    | <u>Buildings</u> | <u>Total</u>    |
|---|----------------|------------------|-----------------|
| <b><u>BDO Unibank Group</u></b>           |                |                  |                 |
| <b>December 31, 2021</b>                  |                |                  |                 |
| Cost                                      | P 9,288        | P 16,648         | P 25,936        |
| Accumulated depreciation                  | -              | ( 5,412)         | ( 5,412)        |
| Allowance for impairment<br>(see Note 16) | ( 1,658)       | ( 71)            | ( 1,729)        |
| Net carrying amount                       | <u>P 7,630</u> | <u>P 11,165</u>  | <u>P 18,795</u> |

BDO Unibank Group

|   | <u>Land</u>           | <u>Buildings</u>      | <u>Total</u>           |
|---|-----------------------|-----------------------|------------------------|
| December 31, 2020                         |                       |                       |                        |
| Cost                                      | P 9,176               | P 13,310              | P 22,486               |
| Accumulated depreciation                  | -                     | ( 4,773)              | ( 4,773)               |
| Allowance for impairment<br>(see Note 16) | ( 1,773)              | ( 89)                 | ( 1,862)               |
| Net carrying amount                       | <u>P 7,403</u>        | <u>P 8,448</u>        | <u>P 15,851</u>        |
| January 1, 2020                           |                       |                       |                        |
| Cost                                      |                       |                       |                        |
| Accumulated depreciation                  | P 9,616               | P 13,359              | P 22,975               |
| Allowance for impairment<br>(see Note 16) | -                     | ( 4,189)              | ( 4,189)               |
|   | ( 1,776)              | ( 99)                 | ( 1,875)               |
| Net carrying amount                       | <u>P 7,840</u>        | <u>P 9,071</u>        | <u>P 16,911</u>        |
| <b><u>Parent Bank</u></b>                 |                       |                       |                        |
| <b>December 31, 2021</b>                  |                       |                       |                        |
| Cost                                      | <b>P 7,029</b>        | <b>P 10,473</b>       | <b>P 17,502</b>        |
| Accumulated depreciation                  | -                     | ( 4,829)              | ( 4,829)               |
| Allowance for impairment<br>(see Note 16) | ( 1,378)              | ( 32)                 | ( 1,410)               |
| Net carrying amount                       | <u><b>P 5,651</b></u> | <u><b>P 5,612</b></u> | <u><b>P 11,263</b></u> |
| December 31, 2020                         |                       |                       |                        |
| Cost                                      | P 6,916               | P 10,775              | P 17,691               |
| Accumulated depreciation                  | -                     | ( 4,320)              | ( 4,320)               |
| Allowance for impairment<br>(see Note 16) | ( 1,493)              | ( 43)                 | ( 1,536)               |
| Net carrying amount                       | <u>P 5,423</u>        | <u>P 6,412</u>        | <u>P 11,835</u>        |
| January 1, 2020                           |                       |                       |                        |
| Cost                                      | P 7,218               | P 10,712              | P 17,930               |
| Accumulated depreciation                  | -                     | ( 3,810)              | ( 3,810)               |
| Allowance for impairment<br>(see Note 16) | ( 1,474)              | ( 51)                 | ( 1,525)               |
| Net carrying amount                       | <u>P 5,744</u>        | <u>P 6,851</u>        | <u>P 12,595</u>        |

A reconciliation of the carrying amounts, at the beginning and end of 2021 and 2020, of investment properties is shown below and in the succeeding page.

|  | <u>Land</u>    | <u>Buildings</u> | <u>Total</u>    |
|--|----------------|------------------|-----------------|
| <b><u>BDO Unibank Group</u></b>  |                |                  |                 |
| Balance at January 1, 2021,<br>net of accumulated<br>depreciation and impairment   | P 7,403        | P 8,448          | P 15,851        |
| Additions  | 606            | 4,415            | 5,021           |
| Reclassifications  | 126            | ( 466)           | ( 340)          |
| Disposals  | ( 511)         | ( 309)           | ( 820)          |
| Foreign exchange revaluation   | 6              | 84               | 90              |
| Depreciation for the year  | <u>-</u>       | <u>( 1,007)</u>  | <u>( 1,007)</u> |
| Balance at December 31, 2021,<br>net of accumulated<br>depreciation and impairment | <u>P 7,630</u> | <u>P 11,165</u>  | <u>P 18,795</u> |
| Balance at January 1, 2020,<br>net of accumulated<br>depreciation and impairment   | P 7,840        | P 9,071          | P 16,911        |
| Additions  | 467            | 827              | 1,294           |
| Reclassifications  | ( 239)         | ( 62)            | ( 301)          |
| Disposals  | ( 658)         | ( 395)           | ( 1,053)        |
| Foreign exchange revaluation   | ( 7)           | ( 40)            | ( 47)           |
| Depreciation for the year  | <u>-</u>       | <u>( 953)</u>    | <u>( 953)</u>   |
| Balance at December 31, 2020,<br>net of accumulated<br>depreciation and impairment | <u>P 7,403</u> | <u>P 8,448</u>   | <u>P 15,851</u> |

|  | <u>Land</u>    | <u>Buildings</u> | <u>Total</u>    |
|--|----------------|------------------|-----------------|
| <b>Parent Bank</b>   |                |                  |                 |
| Balance at January 1, 2021,<br>net of accumulated<br>depreciation and impairment   | P 5,423        | P 6,412          | P 11,835        |
| Additions  | 606            | 865              | 1,471           |
| Disposals  | ( 510)         | ( 309)           | ( 819)          |
| Reclassifications  | 126            | ( 472)           | ( 346)          |
| Foreign exchange revaluation   | 6              | -                | 6               |
| Depreciation for the year  | <u>-</u>       | <u>( 884)</u>    | <u>( 884)</u>   |
| Balance at December 31, 2021,<br>net of accumulated<br>depreciation and impairment | <u>P 5,651</u> | <u>P 5,612</u>   | <u>P 11,263</u> |
| Balance at January 1, 2020,<br>net of accumulated<br>depreciation and impairment   | P 5,744        | P 6,851          | P 12,595        |
| Additions  | 460            | 784              | 1,244           |
| Disposals  | ( 535)         | ( 310)           | ( 845)          |
| Reclassifications  | ( 239)         | ( 62)            | ( 301)          |
| Foreign exchange revaluation   | ( 7)           | -                | ( 7)            |
| Depreciation for the year  | <u>-</u>       | <u>( 851)</u>    | <u>( 851)</u>   |
| Balance at December 31, 2020,<br>net of accumulated<br>depreciation and impairment | <u>P 5,423</u> | <u>P 6,412</u>   | <u>P 11,835</u> |

The fair value of investment properties as of December 31, 2021 and 2020, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P40,135 and P33,156, respectively, for the BDO Unibank Group's financial statements and P32,736 and P30,947, respectively, for the Parent Bank's financial statements. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 7.5.

The recoverable amount of impaired investment properties as of December 31, 2021 and 2020 was based on value in use computed through discounted cash flows method at an effective rate of 0.69% and 0.83% in 2021 and 2020, respectively.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, neither maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, financial assets at FVOCI, other resources or non-current assets held for sale.

As of December 31, 2021 and 2020, ROPA, gross of allowance, comprise of the following:

|                                  | <b>BDO Unibank Group</b> |                 | <b>Parent Bank</b>     |                 |
|----------------------------------|--------------------------|-----------------|------------------------|-----------------|
|                                  | <b>2021</b>              | 2020            | <b>2021</b>            | 2020            |
| Investment properties            | <b>P 11,070</b>          | P 11,223        | <b>P 11,028</b>        | P 11,210        |
| Financial assets at FVOCI        | <b>499</b>               | 1,468           | <b>499</b>             | 1,467           |
| Non-current assets held for sale | <b>1,954</b>             | 1,066           | <b>1,952</b>           | 1,066           |
|                                  | <b><u>P 13,523</u></b>   | <u>P 13,757</u> | <b><u>P 13,479</u></b> | <u>P 13,743</u> |

## 15. OTHER RESOURCES

The components of this account are shown below.

|   | Notes    | <b>BDO Unibank Group</b> |                 | <b>Parent Bank</b>     |                 |
|---|----------|--------------------------|-----------------|------------------------|-----------------|
|   |          | <b>2021</b>              | 2020            | <b>2021</b>            | 2020            |
| Deferred charges                            | 15.1     | <b>P 7,852</b>           | P 9,316         | <b>P 7,852</b>         | P 9,316         |
| Deferred tax assets - net                   | 31.1     | <b>6,768</b>             | 7,911           | <b>6,262</b>           | 7,383           |
| Foreign currency notes<br>and coins on hand |          | <b>5,597</b>             | 8,578           | <b>5,597</b>           | 8,577           |
| Equity investments                          | 15.2     | <b>5,347</b>             | 5,015           | <b>43,839</b>          | 37,720          |
| Goodwill                                    | 15.3     | <b>4,535</b>             | 4,535           | <b>1,391</b>           | 1,391           |
| Computer software - net                     |          | <b>3,696</b>             | 2,121           | <b>3,535</b>           | 1,966           |
| Branch licenses                             | 15.4     | <b>3,020</b>             | 3,020           | <b>3,020</b>           | 3,020           |
| Non-current assets<br>held for sale         | 15.5     | <b>1,954</b>             | 1,066           | <b>1,952</b>           | 1,066           |
| Credit card acquiring                       |          | <b>1,226</b>             | 3,888           | <b>1,226</b>           | 3,888           |
| Margin deposits                             |          | <b>581</b>               | 214             | <b>187</b>             | 178             |
| Customer lists - net                        | 15.7     | <b>487</b>               | 487             | <b>487</b>             | 487             |
| Prepaid documentary<br>stamps               |          | <b>454</b>               | 475             | <b>414</b>             | 444             |
| Real properties for<br>development and sale |          | <b>260</b>               | 350             | -                      | -               |
| Returned checks and<br>other cash items     |          | <b>58</b>                | 211             | <b>24</b>              | 208             |
| Dividend receivable                         |          | -                        | 111             | -                      | 78              |
| Trademark - net                             | 15.6     | -                        | 25              | -                      | 25              |
| Retirement assets                           | 26.2     | -                        | 1,300           | -                      | 1,217           |
| Others                                      | 15.7, 20 | <b>9,966</b>             | 9,355           | <b>8,578</b>           | 8,471           |
|   |          | <b>51,801</b>            | 57,978          | <b>84,364</b>          | 85,435          |
| Allowance for impairment                    | 16       | <b>( 2,921)</b>          | ( 2,826)        | <b>( 2,602)</b>        | ( 2,522)        |
|   |          | <b><u>P 48,880</u></b>   | <u>P 55,152</u> | <b><u>P 81,762</u></b> | <u>P 82,913</u> |



### 15.1 Deferred Charges

Deferred charges represent the unamortized portion of loan origination fees, which consist of commission and other fees related to auto loans, presented as part of Receivables from customers - Loans and discounts account under Loans and Other Receivables in the statements of financial position (see Note 11). This amount is initially deducted from the loan proceeds issued to the borrowers and then subsequently amortized over the term of the loan. In addition, this account also includes origination costs related to Long-term Negotiable Certificate of Deposits (LTNCD) presented as part of Time deposit liabilities under Deposit Liabilities account in the statements of financial position (see Note 17). This also includes originating costs related to Fixed Rate Bonds, Bills Payable and Senior Notes (see Note 18).

### 15.2 Equity Investments

Equity investments consist of the following:

|  | Held   | BDO Unibank Group |                | Parent Bank     |                 |
|--|--------|-------------------|----------------|-----------------|-----------------|
|  |        | 2021              | 2020           | 2021            | 2020            |
| <b>Philippine subsidiaries</b>                           |        |                   |                |                 |                 |
| BDO Network  | 84.87% | P -               | P -            | P 8,166         | P 8,166         |
| BDOSHI   | 100%   | -                 | -              | 5,684           | 5,684           |
| BDO Life   | 97%    | -                 | -              | 3,403           | 3,403           |
| BDO Private  | 100%   | -                 | -              | 2,579           | 2,579           |
| BDO Leasing  | 87.43% | -                 | -              | 1,878           | 1,878           |
| BDO Capital  | 99.88% | -                 | -              | 1,878           | 1,878           |
| BDOI   | 100%   | -                 | -              | 11              | 11              |
| Equimark   | 60%    | -                 | -              | 4               | 4               |
|  |        | -                 | -              | <b>23,603</b>   | <b>23,603</b>   |
| <b>Foreign subsidiaries</b>                              |        |                   |                |                 |                 |
| BDORO  | 100%   | -                 | -              | 169             | 169             |
| BDO Remit (Japan) Ltd.                                   | 100%   | -                 | -              | 92              | 92              |
| BDO Remit (Canada) Ltd.                                  | 100%   | -                 | -              | 50              | 50              |
| BDO Remit (USA), Inc.                                    | 100%   | -                 | -              | 26              | 26              |
|  |        | -                 | -              | <b>337</b>      | <b>337</b>      |
| <b>Associates</b>  |        |                   |                |                 |                 |
| SM Keppel Land, Inc. (SM Keppel)                         | 50%    | 1,658             | 1,658          | 1,658           | 1,658           |
| NLEX Corporation   | 11.70% | 1,405             | 1,405          | 1,405           | 1,405           |
| NorthPine Land, Inc.                                     | 20%    | 232               | 232            | 232             | 232             |
| Taal Land, Inc.  | 33.33% | 170               | 170            | 170             | 170             |
| BDO Securities   | 2.65%  | -                 | -              | 35              | 35              |
|  |        | <b>3,465</b>      | <b>3,465</b>   | <b>3,500</b>    | <b>3,500</b>    |
| <b>Accumulated equity in total comprehensive income:</b> |        |                   |                |                 |                 |
| Balance at beginning of year                             |        | 1,550             | 1,578          | 10,280          | 12,711          |
| Equity in net profit                                     |        | 814               | 470            | 6,350           | 3,839           |
| Equity in other comprehensive income (loss)              |        | ( 6)              | ( 10)          | 2,587           | ( 4,610)        |
| Dividends  |        | ( 476)            | ( 488)         | ( 2,818)        | ( 1,913)        |
| Disposal   |        | -                 | -              | -               | 208             |
| Change in percentage ownership in subsidiaries           |        | -                 | -              | -               | 11              |
| Liquidation  |        | -                 | -              | -               | 34              |
| Balance at end of year                                   |        | <b>1,882</b>      | <b>1,550</b>   | <b>16,399</b>   | <b>10,280</b>   |
| Net investments in associates/subsidiaries               |        | <b>5,347</b>      | <b>5,015</b>   | <b>43,839</b>   | <b>37,720</b>   |
| Allowance for impairment                                 |        | ( 153)            | ( 153)         | ( 153)          | ( 153)          |
|  |        | <b>P 5,194</b>    | <b>P 4,862</b> | <b>P 43,686</b> | <b>P 37,567</b> |

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2021 and 2020, except for BDO Life, BDO Leasing and BDO Securities which is at 100%, 88.54% and 99.88% for BDO Unibank Group, respectively (see Note 2.3) and 97.00%, 87.43% and 2.65% in the Parent Bank, respectively, as shown in the previous page, in both years.

In 2020, the trading of the shares of BDO Leasing were suspended indefinitely. Using the last traded price on January 24, 2020, the fair value amounts to P6,050. For the remaining equity investments, the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique using the net present value of future cash flows.

BDO Unibank Group's subsidiaries as of December 31, 2021 are all incorporated in the Philippines, except for the following:

| <u>Foreign Subsidiaries</u>            | <u>Country of Incorporation</u> |
|--|---------------------------------|
| BDO Remit (USA), Inc.                  | United States of America        |
| BDORO                                  | United Kingdom                  |
| BDO Remit International Holdings B.V** | Netherlands                     |
| BDO Remit UK, Ltd. **                  | United Kingdom                  |
| BDO Remit (Spain), S.A**               | Spain                           |
| CBN Greece S.A. **                     | Greece                          |
| BDO Remit (Japan) Ltd.                 | Japan                           |
| BDO Remit (Canada) Ltd.                | Canada                          |
| BDO Remit Limited*                     | Hongkong                        |
| BDO Remit (Macau) Ltd.*                | Macau                           |

\*Wholly-owned subsidiaries of BDOSHI

\*\*Subsidiaries of BDO Capital

On May 30, 2012, BDORO was registered with the Registrar of Companies for England and Wales (UK) as a private limited company with registered office at the 8<sup>th</sup> floor, 20 Farringdon Street, London. As of December 31, 2021 and 2020, the Parent Bank's outstanding investment in BDORO amounted to P169.

BDO Remit (Canada) Ltd., a wholly-owned remittance subsidiary in Vancouver, Canada operates as a remittance business and function as a marketing office of the Parent Bank. As of December 31, 2021 and 2020, the Parent Bank's outstanding investment in BDO Remit (Canada) Ltd. amounted to P50.

In May 2013, BDO Capital obtained control over BDO Remit International Holdings, B.V. (formerly CBN Grupo International Holdings B.V.) through its 60% ownership. Goodwill amounted to P91 and non-controlling share in equity totaled P39 at the date the BDO Unibank Group's control was established. In October 2016, BDO Capital acquired additional shares which increased its ownership interest to 96.32%. Additional goodwill acquired amounted to P32 (see Note 30.1).

On December 5, 2020, the BOD of the Parent Bank approved the write-off of the investment in PCI Realty Corporation.

On June 30, 2021, the BOD of BDONB approved the conversion of the bank from a rural bank to a savings bank. This was ratified by the BDONB shareholders on August 13, 2021 and approved by the BSP on January 20, 2022.

BDO Unibank Group includes two subsidiaries, BDO Leasing and BDO Network, with significant NCI:

| <u>Name</u> | <u>Proportion of Ownership Interest and Voting Rights Held by NCI</u> |             | <u>Profit Allocated to NCI</u> |             | <u>Accumulated NCI</u> |             |
|-------------|---|-------------|--------------------------------|-------------|------------------------|-------------|
|             | <u>2021</u>   | <u>2020</u> | <u>2021</u>                    | <u>2020</u> | <u>2021</u>            | <u>2020</u> |
| BDO Leasing | 11.46%  | 11.46%      | P 5                            | P 29        | P 689                  | P 684       |
| BDO Network | 15.13%  | 15.13%      | 58                             | 18          | 941                    | 930         |

The registered office and principal place of business of BDO Leasing is located at 39<sup>th</sup> Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The registered office and principal place of business of BDO Network is located at BDONB Center, Km. 9, Sasa, Davao City.

No dividends were paid to NCI in 2021 and 2020, respectively (see Note 22.3).

The summarized consolidated financial information of BDO Leasing and BDO Network, before intragroup eliminations, follows:

|   | <b>BDO Leasing</b> |               |
|---|--------------------|---------------|
|   | <u>2021</u>        | <u>2020</u>   |
| <i>Statements of financial position:</i>                        |                    |               |
| Total current resources   | P 6,020            | P 5,996       |
| Total current liabilities                                       | 8                  | 28            |
| Equity attributable to owners of the parent                     | 5,323              | 5,284         |
| Non-controlling interest  | 689                | 684           |
| <i>Statements of comprehensive income:</i>                      |                    |               |
| Total interest income   | -                  | 1,116         |
| Total other operating income                                    | 57                 | 1,250         |
| Profit attributable to owners of the parent                     | 39                 | 223           |
| Profit attributable to NCI                                      | 5                  | 29            |
| Profit  | 44                 | 252           |
| Total comprehensive income attributable to owners of the parent | 39                 | 187           |
| Total comprehensive income attributable to NCI                  | 5                  | 24            |
| <b>Total comprehensive income</b>                               | <b>P 44</b>        | <b>P 211</b>  |
| <i>Statements of cash flows:</i>                                |                    |               |
| Net cash from (used in) operating activities                    | (P 31)             | P 20,735      |
| Net cash used in investing activities                           | ( 70)              | ( 636)        |
| Net cash used in financing activities                           | -                  | ( 20,113)     |
| <b>Net cash outflow</b>   | <b>(P 101)</b>     | <b>(P 14)</b> |

|   | <b>BDO Network</b> |             |
|---|--------------------|-------------|
|   | <u>2021</u>        | <u>2020</u> |
| <i>Statements of financial position:</i>    |                    |             |
| Total current resources                     | P 10,091           | P 7,136     |
| Total non-current resources                 | 44,648             | 33,623      |
| Total current liabilities                   | 47,743             | 10,384      |
| Total non-current liabilities               | 776                | 24,226      |
| Equity attributable to owners of the parent | 5,278              | 5,219       |
| Non-controlling interest                    | 941                | 930         |

|   | <b>BDO Network</b>    |                       |
|---|-----------------------|-----------------------|
|   | <u>2021</u>           | <u>2020</u>           |
| <i>Statements of comprehensive income:</i>                      |                       |                       |
| Total interest income   | 4,343                 | 3,234                 |
| Total other operating income                                    | 2,090                 | 1,428                 |
| Profit attributable to owners of the parent                     | 325                   | 103                   |
| Profit attributable to NCI                                      | 58                    | 18                    |
| Profit  | 383                   | 121                   |
| Total comprehensive income attributable to owners of the parent | 59                    | 92                    |
| Total comprehensive income attributable to NCI                  | <u>11</u>             | <u>16</u>             |
| <b>Total comprehensive income</b>                               | <b><u>P 70</u></b>    | <b><u>P 108</u></b>   |
| <i>Statements of cash flows:</i>                                |                       |                       |
| Net cash from (used in) operating activities                    | P 7,924               | P 1,151               |
| Net cash used in investing activities                           | ( 5,685)              | ( 1,498)              |
| Net cash used in financing activities                           | ( <u>125</u> )        | ( <u>81</u> )         |
| <b>Net cash inflow (outflow)</b>                                | <b><u>P 2,114</u></b> | <b><u>(P 428)</u></b> |

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2021, 2020 and 2019:

|                                 | <u>NLEX Corporation</u> | <u>SM Keppel</u> | <u>Others</u>  | <u>Total</u>    |
|---------------------------------|-------------------------|------------------|----------------|-----------------|
| <b><u>December 31, 2021</u></b> |                         |                  |                |                 |
| <b><u>(Unaudited)</u></b>       |                         |                  |                |                 |
| <b>Assets</b>                   | <b>P 69,743</b>         | <b>P 15,796</b>  | <b>P 3,922</b> | <b>P 89,461</b> |
| Current                         | 7,383                   | 2,232            | 2,986          | 12,601          |
| Non-current                     | 62,360                  | 13,564           | 936            | 76,860          |
| <b>Liabilities</b>              | <b>46,724</b>           | <b>11,231</b>    | <b>1,233</b>   | <b>59,188</b>   |
| Current                         | 5,897                   | 1,335            | 1,214          | 8,446           |
| Non-current                     | 40,827                  | 9,896            | 19             | 50,742          |
| <b>Equity</b>                   | <b>23,019</b>           | <b>4,565</b>     | <b>2,689</b>   | <b>30,273</b>   |
| <b>Revenues</b>                 | <b>12,851</b>           | <b>570</b>       | <b>1,328</b>   | <b>14,749</b>   |
| <b>Net profit</b>               | <b>5,108</b>            | <b>105</b>       | <b>259</b>     | <b>5,472</b>    |
| <b><u>December 31, 2020</u></b> |                         |                  |                |                 |
| <b><u>(Audited)</u></b>         |                         |                  |                |                 |
| Assets                          | P 62,786                | P 15,447         | P 3,149        | P 81,382        |
| Current                         | 4,020                   | 1,862            | 2,944          | 8,826           |
| Non-current                     | 58,766                  | 13,585           | 205            | 72,556          |
| Liabilities                     | 42,672                  | 10,987           | 718            | 54,377          |
| Current                         | 13,016                  | 2,138            | 699            | 15,853          |
| Non-current                     | 29,656                  | 8,849            | 19             | 38,524          |
| Equity                          | 20,114                  | 4,460            | 2,431          | 27,005          |
| Revenues                        | 18,107                  | 674              | 843            | 19,624          |
| Net profit (loss)               | 3,604 (                 | 84)              | 118            | 3,638           |

|                          |   | <u>NLEX</u><br><u>Corporation</u> |   | <u>SM</u><br><u>Keppel</u> |   | <u>Others</u> |   | <u>Total</u> |
|--------------------------|---|-----------------------------------|---|----------------------------|---|---------------|---|--------------|
| <u>December 31, 2019</u> |   |                                   |   |                            |   |               |   |              |
| <u>(Audited)</u>         |   |                                   |   |                            |   |               |   |              |
| Assets                   | P | 57,903                            | P | 15,433                     | P | 3,178         | P | 76,514       |
| Current                  |   | 5,586                             |   | 1,768                      |   | 2,567         |   | 9,921        |
| Non-current              |   | 52,317                            |   | 13,665                     |   | 611           |   | 66,593       |
| Liabilities              |   | 38,375                            |   | 10,889                     |   | 855           |   | 50,119       |
| Current                  |   | 8,026                             |   | 2,274                      |   | 630           |   | 10,930       |
| Non-current              |   | 30,349                            |   | 8,615                      |   | 225           |   | 39,189       |
| Equity                   |   | 19,528                            |   | 4,544                      |   | 2,323         |   | 26,395       |
| Revenues                 |   | 23,016                            |   | 654                        |   | 1,229         |   | 24,899       |
| Net profit               |   | 6,634                             |   | 47                         |   | 217           |   | 6,898        |

### 15.3 Goodwill

Goodwill represents the excess of the cost of acquisition of the Parent Bank over the fair value of the net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope. This is from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank, Rural Bank of San Juan, Inc., Rural Bank of San Enrique, Inc., BDO RIH, BDO Savings, Inc. (BDO Savings), BDO Network and Rural Bank of Pandi, Inc. (RBPI), which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2014, 2015, 2016 and 2019, respectively (see Note 30).

The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of BDO Unibank Group is as follows:

|                              | <u>2021</u> |              | <u>2020</u> |              |
|------------------------------|-------------|--------------|-------------|--------------|
| Balance at beginning of year | <b>P</b>    | <b>3,057</b> | P           | 3,075        |
| Impairment                   | (           | <b>36)</b>   | (           | 18)          |
| Balance at end of year       | <b>P</b>    | <b>3,021</b> | P           | <b>3,057</b> |

In 2021 and 2020 there was no movement for the goodwill account of the Parent Bank, which was already provided with full allowance.

Significant portion of goodwill of the BDO Unibank pertains to the goodwill from acquisition of BDO Network amounting to P2,907.

On August 22, 2019, the Monetary Board of the BSP approved the asset sale and purchase agreement between BDO Network and RBPI. The transaction was completed on October 31, 2019. The total goodwill recognized, representing cash premium, amounted to P100.

The BDO Unibank Group recognized impairment loss on goodwill of P36, P18 and P69 in 2021, 2020 and 2019, respectively. The Parent Bank did not recognize any impairment loss in 2021, 2020 and 2019, to write-down the value of the goodwill to their recoverable amount.

The BDO Unibank Group and the Parent Bank provided impairment losses on some of its goodwill as it does not expect any economic benefit on this asset in the succeeding periods since the branch business grew as a result of the efforts and brand of the Parent Bank and is not a result of the customers of the previous banks acquired. The recoverable amount to determine any impairment on the goodwill was determined using discounted cash flow method approach based on five-year cash flow projection to be realized by the acquired entity and the estimated terminal value. The growth rate used to extrapolate the ten-year cash flow projection ranges from 6% to 19% at a discount rate of 3%. The BDO Unibank Group also considered key assumptions in determining the cash flow projections which includes volume and growth target projection on salary loans and micro, small and medium enterprises (MSME) loans offered by BDO Network.

#### ***15.4 Branch Licenses***

Branch licenses represent the rights granted by the BSP to the Parent Bank to establish certain number of branches as an incentive in acquiring The Real Bank (A Thrift Bank), Inc. and BDO Savings in addition to the current branches of the acquired banks. The Parent Bank performs annual impairment testing of branch licenses.

In 2021 and 2020, there were no allowance on impairment loss on branch license recognized in the BDO Unibank Group and Parent Bank's financial statements, since all branch licenses were already utilized as of December 31, 2021 and 2020. The recoverable amount to determine any impairment on the branch licenses was determined using discounted cash flow method approach based on cash flow projection to be realized by the branch and the estimated terminal value. The growth rate used to extrapolate the cash flow projection ranges from 6% to 19% at a discount rate of 3%.

#### ***15.5 Non-current Assets Held for Sale***

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that BDO Unibank Group and the Parent Bank intend to sell within one year from the date of classification as held for sale. No impairment loss was recognized in 2019 to 2021 in both the BDO Unibank Group and Parent Bank's financial statements.

#### ***15.6 Trademark***

Amortization expense on trademark arising from acquisition of Diners Club International credit card portfolio amounted to P25, P33 and P33 in 2021, 2020 and 2019, respectively. This is recorded under Miscellaneous under Other Operating Expenses account in the statements of income (see Note 25).

#### ***15.7 Others***

Amortization expense on computer software licenses amounted to P1,342, P734 and P546 in 2021, 2020 and 2019, respectively, in the BDO Unibank Group's financial statements and P1,291, P696 and P502 in 2021, 2020 and 2019, respectively, in the Parent Bank's financial statements. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 25).

Depreciation and amortization expense on certain assets amounting to P45, P21 and P21 in 2021, 2020 and 2019, respectively, in both BDO Unibank Group and Parent Bank's financial statements are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

No impairment loss was recognized by the Parent Bank from 2019 to 2021 on the value of customer lists. The customer list was recognized as a result of the Parent Bank's acquisition of a trust business in 2014.

In 2020, the BDO Unibank Group and the Parent Bank set-aside an additional ESOP fund for the purchase of secondary shares amounting to P4,814.

## 16. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

|   | Notes | BDO Unibank Group |                 | Parent Bank     |                 |
|---|-------|-------------------|-----------------|-----------------|-----------------|
|   |       | 2021              | 2020            | 2021            | 2020            |
| Balance at beginning of year:           |       |                   |                 |                 |                 |
| Investment securities at amortized cost | 10.3  | P 1,590           | P 1,553         | P 1,571         | P 1,543         |
| Loans and other receivables             | 11    | 58,851            | 32,666          | 56,274          | 29,833          |
| Bank premises                           | 12    | 647               | 645             | 496             | 496             |
| Investment properties                   | 14    | 1,862             | 1,875           | 1,536           | 1,525           |
| Other resources                         | 15    | <u>2,826</u>      | <u>2,373</u>    | <u>2,522</u>    | <u>2,081</u>    |
|   |       | <b>65,776</b>     | <b>39,112</b>   | <b>62,399</b>   | <b>35,478</b>   |
| Impairment losses (recoveries)          |       |                   |                 |                 |                 |
| Investment securities at amortized cost | 10.3  | ( 192)            | P 105           | ( 190)          | 96              |
| Loans and other receivables             | 11    | 17,222            | 29,519          | 17,006          | 28,905          |
| Other resources                         |       | <u>93</u>         | <u>511</u>      | <u>56</u>       | <u>491</u>      |
|   |       | <b>17,123</b>     | <b>30,135</b>   | <b>16,872</b>   | <b>29,492</b>   |
| Write-offs and other adjustments        |       |                   |                 |                 |                 |
| Write-offs                              |       | ( 8,970)          | ( 2,971)        | ( 8,353)        | ( 2,831)        |
| Foreign currency revaluation            |       | 549               | ( 332)          | 551             | ( 332)          |
| Reclassification                        |       | 86                | ( 164)          | 86              | ( 164)          |
| Adjustments                             |       | ( 52)             | 615             | -               | 756             |
| Reversals                               |       | ( 1)              | ( 619)          | -               | -               |
|   |       | <b>( 8,388)</b>   | <b>( 3,471)</b> | <b>( 7,716)</b> | <b>( 2,571)</b> |
| Balance at end of year:                 |       |                   |                 |                 |                 |
| Investment securities at amortized cost | 10.3  | P 1,471           | P 1,590         | P 1,455         | P 1,571         |
| Loans and other receivables             | 11    | 67,743            | 58,851          | 65,592          | 56,274          |
| Bank premises                           | 12    | 647               | 647             | 496             | 496             |
| Investment properties                   | 14    | 1,729             | 1,862           | 1,410           | 1,536           |
| Other resources                         | 15    | <u>2,921</u>      | <u>2,826</u>    | <u>2,602</u>    | <u>2,522</u>    |
|   |       | <b>P 74,511</b>   | <b>P 65,776</b> | <b>P 71,555</b> | <b>P 62,399</b> |

The BDO Unibank Group and the Parent Bank provided impairment loss (reversal) on debt securities measured as FVOCI amounting to (P88) and (P71), respectively, in 2021, P37 and P36, respectively, in 2020 and P13 and P5, respectively, in 2019. The impairment losses on debt securities classified as FVOCI are recognized as part of items that are or will be reclassified subsequently to profit or loss in the statements of comprehensive income (see Note 10.2).

The BDO Unibank Group and the Parent Bank also provided impairment loss (recovery) on loan commitments and other contingent accounts amounting to P28, P68 and (P67) in 2021, 2020 and 2019, respectively, which is recognized as Provision – Others under Other Liabilities in the statements of financial position (see Note 21). In addition, the BDO Unibank Group and the Parent Bank also provided impairment loss related to provision for damage suits amounting to P12 in 2019 (nil in 2021 and 2020), which were recognized as part of Others under Other Liabilities in the statements of financial position (see Note 21).

Total impairment losses on certain financial assets amounted to P17,030, P29,624 and P6,008 in 2021, 2020 and 2019, respectively, in the BDO Unibank Group's statements of income and P16,816, P29,001 and P5,749 in 2021, 2020 and 2019, respectively, in the Parent Bank's statements of income.

Total impairment losses on non-financial assets amounted to P93, P511 and P200 in 2021, 2020 and 2019, respectively, in the BDO Unibank Group's statements of income and P56, P491, and nil in 2021, 2020 and 2019, respectively, in the Parent Bank's statements of income.

## 17. DEPOSIT LIABILITIES

The breakdown of this account follows:

|         | <u>BDO Unibank Group</u> |                    | <u>Parent Bank</u>        |                    |
|---------|--------------------------|--------------------|---------------------------|--------------------|
|         | <u>2021</u>              | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Demand  | <b>P 404,568</b>         | P 314,256          | <b>P 381,824</b>          | P 292,040          |
| Savings | <b>2,000,245</b>         | 1,810,164          | <b>1,972,851</b>          | 1,786,996          |
| Time    | <b>416,083</b>           | 485,731            | <b>397,040</b>            | 469,255            |
|         | <b><u>P2,820,896</u></b> | <u>P 2,610,151</u> | <b><u>P 2,751,715</u></b> | <u>P 2,548,291</u> |

This account is composed of the following (by counterparties):

|                     | <u>BDO Unibank Group</u> |                    | <u>Parent Bank</u>        |                    |
|---------------------|--------------------------|--------------------|---------------------------|--------------------|
|                     | <u>2021</u>              | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Due to other banks: |                          |                    |                           |                    |
| Demand              | <b>P 2,639</b>           | P 2,672            | <b>P 2,630</b>            | P 2,661            |
| Savings             | <b>4,672</b>             | 4,680              | <b>4,672</b>              | 4,680              |
| Time                | <b>5,710</b>             | 9,703              | <b>5,530</b>              | 9,557              |
|                     | <b><u>13,021</u></b>     | <u>17,055</u>      | <b><u>12,832</u></b>      | <u>16,898</u>      |
| Due to customers:   |                          |                    |                           |                    |
| Demand              | <b>401,929</b>           | 311,584            | <b>379,194</b>            | 289,379            |
| Savings             | <b>1,995,573</b>         | 1,805,484          | <b>1,968,179</b>          | 1,782,316          |
| Time                | <b>410,373</b>           | 476,028            | <b>391,510</b>            | 459,698            |
|                     | <b><u>2,807,875</u></b>  | <u>2,593,096</u>   | <b><u>2,738,883</u></b>   | <u>2,531,393</u>   |
|                     | <b><u>P2,820,896</u></b> | <u>P 2,610,151</u> | <b><u>P 2,751,715</u></b> | <u>P 2,548,291</u> |

The breakdown of deposit liabilities as to currency is as follows:

|                    | <u>BDO Unibank Group</u> |                    | <u>Parent Bank</u>        |                    |
|--------------------|--------------------------|--------------------|---------------------------|--------------------|
|                    | <u>2021</u>              | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Philippine pesos   | <b>P2,357,528</b>        | P 2,191,889        | <b>P 2,301,231</b>        | P 2,147,261        |
| Foreign currencies | <b>463,368</b>           | 418,262            | <b>450,484</b>            | 401,030            |
|                    | <b><u>P2,820,896</u></b> | <u>P 2,610,151</u> | <b><u>P 2,751,715</u></b> | <u>P 2,548,291</u> |



The maturity profile of this account is presented below.

|                    | <u>BDO Unibank Group</u> |                    | <u>Parent Bank</u>        |                    |
|--------------------|--------------------------|--------------------|---------------------------|--------------------|
|                    | <u>2021</u>              | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Less than one year | <b>P2,732,734</b>        | P 2,514,315        | <b>P2,664,655</b>         | P 2,453,190        |
| One to five years  | <b>25,667</b>            | 33,163             | <b>25,374</b>             | 32,428             |
| Beyond five years  | <b>62,495</b>            | 62,673             | <b>61,686</b>             | 62,673             |
|                    | <b><u>P2,820,896</u></b> | <u>P 2,610,151</u> | <b><u>P 2,751,715</u></b> | <u>P 2,548,291</u> |

The BDO Unibank Group and the Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates ranging from 0.00% to 5.38% in 2021, 2020 and 2019. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 24).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's LTNCD as of December 31, 2021 and 2020 as follows:

| <u>BSP Approval</u> | <u>Effective Rate</u> | <u>Outstanding Balance</u> |                 | <u>Issue Date</u>  | <u>Maturity Date</u> |
|---------------------|-----------------------|----------------------------|-----------------|--------------------|----------------------|
|                     |                       | <u>2021</u>                | <u>2020</u>     |                    |                      |
| August 15, 2019     | 4.000%                | <b>P 6,500</b>             | P 6,500         | September 27, 2019 | March 27, 2025       |
| May 11, 2018        | 5.375%                | <b>7,320</b>               | 7,320           | April 12, 2019     | October 12, 2024     |
| June 23, 2017       | 4.375%                | <b>8,200</b>               | 8,200           | May 7, 2018        | November 7, 2023     |
| June 23, 2017       | 3.625%                | <b>11,800</b>              | 11,800          | August 18, 2017    | February 18, 2023    |
|                     |                       | <b><u>P 33,820</u></b>     | <u>P 33,820</u> |                    |                      |

The net proceeds from the issuance of LTNCD are intended to diversify the Parent Bank's maturity profile of funding source and to support its business expansion plans.

In compliance with the BSP Circular No. 1082 issued on March 31, 2020, the Philippine Peso deposit liabilities of the BDO Unibank Group, under the said circular, are subject to reserve requirement of 12% effective April 3, 2020. Moreover, the Philippine LTNCD under BSP Circular No. 824 and LTNCD under BSP Circular No. 304 of the BDO Unibank Group are likewise subject to a reserve requirement of 4% and 3%, respectively, effective May 31, 2019.

## 18. **BILLS PAYABLE**

This account is composed of the following borrowings from:

|                     | <u>Note</u> | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|---------------------|-------------|--------------------------|------------------|-------------------------|------------------|
|                     |             | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Fixed rate bonds    | 18.2        | <b>P 76,436</b>          | P 76,156         | <b>P 76,436</b>         | P 76,156         |
| Senior notes        | 18.1        | <b>73,053</b>            | 83,138           | <b>73,053</b>           | 83,138           |
| Foreign banks       |             | <b>46,881</b>            | 43,652           | <b>45,792</b>           | 43,573           |
| Local banks         |             | <b>2,640</b>             | 6,798            | -                       | -                |
| Deposit substitutes |             | <b>893</b>               | -                | <b>893</b>              | -                |
| Others              |             | <b>4,528</b>             | -                | -                       | -                |
|                     |             | <b><u>P 204,431</u></b>  | <u>P 209,744</u> | <b><u>P 196,174</u></b> | <u>P 202,867</u> |

The breakdown of this account as to currency follows:

|                    | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|--------------------|--------------------------|------------------|-------------------------|------------------|
|                    | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| Foreign currencies | <b>P 120,920</b>         | P 126,894        | <b>P 119,738</b>        | P 126,711        |
| Philippine pesos   | <u>83,511</u>            | <u>82,850</u>    | <u>76,436</u>           | <u>76,156</u>    |
|                    | <b><u>P 204,431</u></b>  | <u>P 209,744</u> | <b><u>P 196,174</u></b> | <u>P 202,867</u> |

The maturity profile of this account is presented below.

|                                       | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>      |                  |
|---------------------------------------|--------------------------|------------------|-------------------------|------------------|
|                                       | <u>2021</u>              | <u>2020</u>      | <u>2021</u>             | <u>2020</u>      |
| One to three months                   | <b>P 24,640</b>          | P 47,961         | <b>P 18,906</b>         | P 41,098         |
| More than three months to<br>one year | <b>88,333</b>            | 15,701           | <b>87,110</b>           | 15,701           |
| More than one to three years          | <b>53,551</b>            | 110,469          | <b>52,251</b>           | 110,456          |
| More than three years                 | <u>37,907</u>            | <u>35,613</u>    | <u>37,907</u>           | <u>35,612</u>    |
|                                       | <b><u>P 204,431</u></b>  | <u>P 209,744</u> | <b><u>P 196,174</u></b> | <u>P 202,867</u> |

Bills payable bear annual interest rates of 0.30% to 4.50% in 2021, 0.52% to 6.25% in 2020 and 0.33% to 6.42% in 2019 (see Note 24).

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 24):

|                                 | <u>2021</u>           | <u>2020</u>    | <u>2019</u>    |
|---------------------------------|-----------------------|----------------|----------------|
| <b><u>BDO Unibank Group</u></b> |                       |                |                |
| Fixed rate peso bonds           | <b>P 2,893</b>        | P 3,540        | P 1,997        |
| Foreign banks                   | <b>356</b>            | 791            | 1,873          |
| Senior notes                    | <b>2,257</b>          | 2,012          | 1,772          |
| Local banks                     | <b>189</b>            | 470            | 901            |
| Deposit substitutes             | <b>1</b>              | -              | -              |
| Others                          | <u>43</u>             | <u>34</u>      | <u>472</u>     |
|                                 | <b><u>P 5,739</u></b> | <u>P 6,847</u> | <u>P 7,015</u> |
| <b><u>Parent Bank</u></b>       |                       |                |                |
| Fixed rate peso bonds           | <b>P 2,893</b>        | P 3,540        | P 1,997        |
| Foreign banks                   | <b>349</b>            | 790            | 1,859          |
| Senior notes                    | <b>2,257</b>          | 2,012          | 1,772          |
| Others                          | <u>1</u>              | <u>-</u>       | <u>42</u>      |
|                                 | <b><u>P 5,500</u></b> | <u>P 6,342</u> | <u>P 5,670</u> |

### 18.1 Senior Notes

The Parent Bank issued senior notes as follows:

| Issue Date        | Maturity Date     | Coupon Interest | Principal Amount | Outstanding Balance |                 |
|-------------------|-------------------|-----------------|------------------|---------------------|-----------------|
|                   |                   |                 |                  | 2021                | 2020            |
| July 13, 2020     | January 13, 2026  | 2.13%           | 600              | P 30,591            | P 28,733        |
| February 20, 2018 | February 20, 2025 | 4.16%           | 150              | 7,741               | 7,280           |
| September 6, 2017 | March 6, 2023     | 2.95%           | 676              | 34,721              | 32,649          |
| October 24, 2016  | October 24, 2021  | 2.63%           | 300              | -                   | 14,476          |
|                   |                   |                 |                  | <b>P 73,053</b>     | <b>P 83,138</b> |

The issuance of senior notes 2020 (nil in 2021) is part of the Parent Bank's liability management initiatives to tap longer-term funding sources to support its dollar-denominated projects and effectively refinance outstanding bonds.

### 18.2 Issuance of Fixed Rate Peso Bonds

On August 31, 2018, the BOD approved the establishment of a P100 billion Peso Bond Program. On February 1, 2020, the BOD approved an increase of P300 billion to the Parent Bank's Peso Bond Program.

The Parent Bank issued fixed rate peso bonds as follows:

| Issue Date       | Maturity Date  | Coupon Interest | Principal Amount | Outstanding Balance |                 |
|------------------|----------------|-----------------|------------------|---------------------|-----------------|
|                  |                |                 |                  | 2021                | 2020            |
| February 3, 2020 | August 3, 2022 | 4.41%           | 40,100           | P 40,256            | P 40,132        |
| July 3, 2020     | April 3, 2022  | 3.13%           | 36,000           | 36,180              | 36,024          |
|                  |                |                 |                  | <b>P 76,436</b>     | <b>P 76,156</b> |

### 18.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities both in 2021 and 2020, which includes both cash and non-cash changes.

#### BDO Unibank Group

|  | Foreign Banks   | Senior Notes    | Fixed Rate Peso Bonds | Local Banks     | Deposit Substitute | BSP        | Others         | Total            |
|--|-----------------|-----------------|-----------------------|-----------------|--------------------|------------|----------------|------------------|
| Balance as of January 1, 2021          | P 43,652        | P 85,138        | P 76,156              | P 6,798         | P -                | P -        | P -            | P 209,744        |
| Cash flows from financing activities   |                 |                 |                       |                 |                    |            |                |                  |
| Additional borrowings                  | 63,472          | -               | -                     | 51,916          | 941                | 910        | 10,620         | 127,859          |
| Repayment of borrowings                | (61,475)        | (15,300)        | -                     | (56,063)        | (48)               | (910)      | (6,109)        | (139,905)        |
| Non-cash financing activities          |                 |                 |                       |                 |                    |            |                |                  |
| Interest amortization                  | (3)             | 61              | 280                   | (17)            | -                  | -          | 17             | 338              |
| Revaluation                            | 1,235           | 5,154           | -                     | 6               | -                  | -          | -              | 6,395            |
| <b>Balance as of December 31, 2021</b> | <b>P 46,881</b> | <b>P 73,053</b> | <b>P 76,436</b>       | <b>P 2,640</b>  | <b>P 893</b>       | <b>P -</b> | <b>P 4,528</b> | <b>P 204,431</b> |
| Balance as of January 1, 2020          | P 54,916        | P 57,298        | P 35,141              | P 13,427        | P -                | P -        | P 6,742        | P 167,524        |
| Cash flows from financing activities   |                 |                 |                       |                 |                    |            |                |                  |
| Additional borrowings                  | 78,583          | 29,898          | 75,516                | 188,431         | -                  | 210        | 2,569          | 375,207          |
| Repayment of borrowings                | (87,643)        | -               | (35,141)              | (194,994)       | -                  | (210)      | (9,311)        | (327,299)        |
| Non-cash financing activities          |                 |                 |                       |                 |                    |            |                |                  |
| Interest amortization                  | (55)            | (27)            | 640                   | (32)            | -                  | -          | -              | 526              |
| Revaluation                            | (2,149)         | (4,031)         | -                     | (34)            | -                  | -          | -              | (6,214)          |
| <b>Balance as of December 31, 2020</b> | <b>P 43,652</b> | <b>P 85,138</b> | <b>P 76,156</b>       | <b>P 6,798</b>  | <b>P -</b>         | <b>P -</b> | <b>P -</b>     | <b>P 209,744</b> |
| Balance as of January 1, 2019          | P 55,406        | P 59,437        | P -                   | P 22,443        | P -                | P -        | P 6,337        | P 143,623        |
| Cash flows from financing activities   |                 |                 |                       |                 |                    |            |                |                  |
| Additional borrowings                  | 100,891         | -               | 34,734                | 301,463         | -                  | 2,000      | 71,063         | 510,151          |
| Repayment of borrowings                | (99,269)        | -               | -                     | (310,332)       | -                  | (2,000)    | (70,650)       | (482,251)        |
| Non-cash financing activities          |                 |                 |                       |                 |                    |            |                |                  |
| Interest amortization                  | 91              | 55              | 407                   | (87)            | -                  | -          | (8)            | 458              |
| Revaluation                            | (2,203)         | (2,194)         | -                     | (60)            | -                  | -          | -              | (4,457)          |
| <b>Balance as of December 31, 2019</b> | <b>P 54,916</b> | <b>P 57,298</b> | <b>P 35,141</b>       | <b>P 13,427</b> | <b>P -</b>         | <b>P -</b> | <b>P 6,742</b> | <b>P 167,524</b> |

**Parent Bank**

|  | Foreign<br>Banks | Senior<br>Notes | Fixed Rate<br>Peso Bonds | Local<br>Banks | Deposit<br>Substitute | BSP        | Others     | Total            |
|--|------------------|-----------------|--------------------------|----------------|-----------------------|------------|------------|------------------|
| Balance as of January 1, 2021          | P 43,573         | P 83,138        | P 76,156                 | P -            | P -                   | P -        | P -        | P 202,867        |
| Cash flows from financing activities   |                  |                 |                          |                |                       |            |            |                  |
| Additional borrowings                  | 59,811           | -               | -                        | -              | 941                   | 10         | -          | 60,762           |
| Repayment of borrowings                | ( 58,664 )       | ( 15,300 )      | -                        | -              | ( 48 )                | ( 10 )     | -          | ( 74,022 )       |
| Non-cash financing activities          |                  |                 |                          |                |                       |            |            |                  |
| Interest amortization                  | ( 11 )           | 61              | 280                      | -              | -                     | -          | -          | 330              |
| Revaluation                            | 1,083            | 5,154           | -                        | -              | -                     | -          | -          | 6,237            |
| <b>Balance as of December 31, 2021</b> | <b>P 45,792</b>  | <b>P 73,053</b> | <b>P 76,436</b>          | <b>P -</b>     | <b>P 893</b>          | <b>P -</b> | <b>P -</b> | <b>P 196,174</b> |
| Balance as of January 1, 2020          | P 54,882         | P 57,298        | P 35,141                 | P -            | P -                   | P -        | P -        | P 147,321        |
| Cash flows from financing activities   |                  |                 |                          |                |                       |            |            |                  |
| Additional borrowings                  | 76,114           | 29,898          | 75,516                   | 136            | -                     | 10         | -          | 181,674          |
| Repayment of borrowings                | ( 85,267 )       | -               | ( 35,141 )               | ( 109 )        | -                     | ( 10 )     | -          | ( 120,527 )      |
| Non-cash financing activities          |                  |                 |                          |                |                       |            |            |                  |
| Interest amortization                  | ( 57 )           | ( 27 )          | 640                      | -              | -                     | -          | -          | 556              |
| Revaluation                            | ( 2,099 )        | ( 4,031 )       | -                        | ( 27 )         | -                     | -          | -          | ( 6,157 )        |
| <b>Balance as of December 31, 2020</b> | <b>P 43,573</b>  | <b>P 83,138</b> | <b>P 76,156</b>          | <b>P -</b>     | <b>P -</b>            | <b>P -</b> | <b>P -</b> | <b>P 202,867</b> |
| Balance as of January 1, 2019          | P 55,312         | P 59,437        | P -                      | P -            | P -                   | P -        | P 2,944    | P 117,693        |
| Cash flows from financing activities   |                  |                 |                          |                |                       |            |            |                  |
| Additional borrowings                  | 97,733           | -               | 34,734                   | -              | -                     | -          | -          | 132,467          |
| Repayment of borrowings                | ( 96,108 )       | -               | -                        | -              | -                     | -          | ( 2,936 )  | ( 99,044 )       |
| Non-cash financing activities          |                  |                 |                          |                |                       |            |            |                  |
| Interest amortization                  | 90               | 55              | 407                      | -              | -                     | -          | ( 8 )      | 544              |
| Revaluation                            | ( 2,145 )        | ( 2,194 )       | -                        | -              | -                     | -          | -          | ( 4,339 )        |
| <b>Balance as of December 31, 2019</b> | <b>P 54,882</b>  | <b>P 57,298</b> | <b>P 35,141</b>          | <b>P -</b>     | <b>P -</b>            | <b>P -</b> | <b>P -</b> | <b>P 147,321</b> |

## 19. SUBORDINATED NOTES PAYABLE

The Subordinated Notes (the Notes) represent direct, unconditional unsecured and subordinated peso-denominated obligations of the Parent Bank, issued in accordance with the Terms and Conditions under the Master Note. The Notes, like other subordinated indebtedness of the Parent Bank, are subordinated to the claims of depositors and ordinary creditors, are not a deposit, and are not guaranteed nor insured by the Parent Bank or any party related to the Parent Bank, such as its subsidiaries and affiliates, or the Philippine Deposit Insurance Corporation (PDIC), or any other person. The Notes carry interest rates based on prevailing market rates, with a step-up provision if not called on the fifth year from issue date. The Parent Bank has the option to call the Notes on the fifth year, subject to prior notice to Noteholders.

The issuance of Series 2014-1 Notes was approved by the BOD on March 29, 2014 and was issued on December 10, 2014. The Notes had a principal amount of P10,000 and a maturity date of March 10, 2025. In its letter dated December 2, 2019, the BSP approved the Parent Bank's request to exercise its right of early redemption of the Notes on March 10, 2020. On said date, noteholders were paid the redemption price equal to the par value of the Notes plus all accrued and unpaid interest up to but excluding March 10, 2020 after which the Notes were considered redeemed and cancelled.

## 20. INSURANCE CONTRACT LIABILITIES

This account consists of:

|                                    | 2021     |                        | 2020 |                 |
|------------------------------------|----------|------------------------|------|-----------------|
| Legal policy reserves              | <b>P</b> | <b>60,438</b>          | P    | 55,439          |
| Policy and contract claims payable |          | <b>3,716</b>           |      | 2,121           |
| Policyholders' dividends           |          | <b>1,174</b>           |      | 850             |
|                                    |          | <u><b>P 65,328</b></u> |      | <u>P 58,410</u> |

The aging profile of this account is presented below.

|                    | 2021     |                        | 2020 |                 |
|--------------------|----------|------------------------|------|-----------------|
| Within one year    | <b>P</b> | <b>3,375</b>           | P    | 852             |
| More than one year |          | <b>61,953</b>          |      | 57,558          |
|                    |          | <u><b>P 65,328</b></u> |      | <u>P 58,410</u> |

Insurance contract liabilities may be analyzed as follows:

|   | Insurance<br>Contract Liabilities |                 | Reinsurer's<br>Share of Liabilities |             | Net                    |                 |
|---|-----------------------------------|-----------------|-------------------------------------|-------------|------------------------|-----------------|
|   | 2021                              | 2020            | 2021                                | 2020        | 2021                   | 2020            |
| Aggregate reserves for:                 |                                   |                 |                                     |             |                        |                 |
| Ordinary life policies                  | <b>P 35,217</b>                   | P 36,987        | <b>P -</b>                          | P -         | <b>P 35,217</b>        | P 36,987        |
| Variable unit-linked<br>(VUL) contracts | <b>24,627</b>                     | 17,884          | -                                   | -           | <b>24,627</b>          | 17,884          |
| Group life insurance policies           | <b>578</b>                        | 557             | <b>31</b>                           | 60          | <b>547</b>             | 497             |
| Accident and health policies            | <b>15</b>                         | 11              | -                                   | -           | <b>15</b>              | 11              |
| Policy and contract claims              | <b>3,716</b>                      | 2,121           | <b>59</b>                           | 32          | <b>3,657</b>           | 2,089           |
| Policyholders' dividends                | <b>1,175</b>                      | 850             | -                                   | -           | <b>1,175</b>           | 850             |
|   | <u><b>P 65,328</b></u>            | <u>P 58,410</u> | <u><b>P 90</b></u>                  | <u>P 92</u> | <u><b>P 65,238</b></u> | <u>P 58,318</u> |

The movements in legal policy reserves are as follows:

|   | Legal<br>Policy Reserves |                 | Reinsurer's<br>Share of Liabilities |             | Net                    |                 |
|---|--------------------------|-----------------|-------------------------------------|-------------|------------------------|-----------------|
|   | 2021                     | 2020            | 2021                                | 2020        | 2021                   | 2020            |
| Balance at the beginning<br>of the year   | <b>P 55,439</b>          | P 40,232        | <b>P 60</b>                         | P 54        | <b>P 55,379</b>        | P 40,178        |
| Premiums received   | <b>18,384</b>            | 15,255          | <b>92</b>                           | 118         | <b>18,292</b>          | 15,137          |
| Liability released for payments<br>of death, maturity and<br>surrender benefits<br>and claims | <b>( 10,725)</b>         | ( 6,698)        | <b>( 121)</b>                       | ( 112)      | <b>( 10,604)</b>       | ( 6,586)        |
| Accretion of investment<br>income or change in unit<br>prices                                 | <b>2,584</b>             | 979             | -                                   | -           | <b>2,584</b>           | 979             |
| Changes in valuation of interest<br>rate  | <b>( 5,686)</b>          | 6,070           | -                                   | -           | <b>( 5,686)</b>        | 6,070           |
| Foreign exchange adjustments  | <b>442</b>               | ( 399)          | -                                   | -           | <b>442</b>             | ( 399)          |
| Balance at end of year  | <u><b>P 60,438</b></u>   | <u>P 55,439</u> | <u><b>P 31</b></u>                  | <u>P 60</u> | <u><b>P 60,407</b></u> | <u>P 55,379</u> |

The movement in Legal policy reserves for the years ended December 31, 2021 and 2020 is recognized as part of Policy reserves, insurance benefits and claims under Other Operating Expenses in the BDO Unibank Group's statements of income (see Note 25).

Reinsurers' share of liabilities is recorded as part of Others under Other Resources in the BDO Unibank Group's statements of financial position (see Note 15).

## 21. OTHER LIABILITIES

Other liabilities consist of the following:

|   | Notes             | BDO Unibank Group |                  | Parent Bank     |                 |
|---|-------------------|-------------------|------------------|-----------------|-----------------|
|   |                   | 2021              | 2020             | 2021            | 2020            |
| Accrued expenses                            |                   | P 17,089          | P 18,214         | P 16,124        | P 17,347        |
| Outstanding acceptances payable             |                   | 16,972            | 5,600            | 16,972          | 5,600           |
| Manager's checks                            |                   | 13,788            | 17,343           | 13,682          | 17,180          |
| Accounts payable                            |                   | 13,572            | 20,293           | 10,144          | 17,563          |
| Lease liabilities                           | 13.2              | 12,087            | 11,701           | 11,800          | 11,551          |
| Bills purchased – contra                    |                   | 6,039             | 7,402            | 6,039           | 7,402           |
| Derivatives with negative fair values       | 10.1, 27(d)(i)(4) | 5,742             | 4,129            | 2,462           | 2,001           |
| Retirement benefit obligation               | 26.2              | 3,800             | -                | 3,650           | -               |
| Premium on deposit fund                     |                   | 3,641             | 3,332            | -               | -               |
| Withholding taxes payable                   |                   | 2,093             | 1,963            | 1,922           | 1,812           |
| Lease deposits                              |                   | 745               | 384              | 124             | 127             |
| Due to BSP and Treasurer of the Philippines |                   | 727               | 526              | 723             | 522             |
| Capitalized interest and other charges      |                   | 193               | 464              | 151             | 417             |
| Due to principal                            |                   | 97                | 363              | -               | -               |
| Others                                      | 16, 34.1.2        | 11,961            | 11,860           | 10,863          | 10,649          |
|   |                   | <b>P 108,546</b>  | <b>P 103,574</b> | <b>P 94,656</b> | <b>P 92,171</b> |

The maturity profile of this account is presented below.

|                    | BDO Unibank Group |                  | Parent Bank     |                 |
|--------------------|-------------------|------------------|-----------------|-----------------|
|                    | 2021              | 2020             | 2021            | 2020            |
| Within one year    | P 88,339          | P 84,345         | P 80,340        | P 77,156        |
| More than one year | 20,207            | 19,229           | 14,316          | 15,015          |
|                    | <b>P 108,546</b>  | <b>P 103,574</b> | <b>P 94,656</b> | <b>P 92,171</b> |

The liability for unredeemed reward points amounting to P3,677 and P4,152 as of December 31, 2021 and 2020, respectively, presented as part of Accrued expenses above, represents the fair value of points earned which are redeemable significantly for goods or services provided by third parties identified by the Parent Bank as partners in the rewards program (see Note 2.18).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense in relation to lease liabilities amounted to P817, P690 and P827 for the BDO Unibank Group and P807, P675 and P822 for the Parent Bank in 2021, 2020 and 2019, respectively, which are presented as part of Interest expense on finance lease liabilities under Interest expense account in the statements of income (see Note 24).

Interest expense on certain liabilities amounting to P78, P106 and P117 in 2021, 2020 and 2019, respectively, for the BDO Unibank Group and P10, P18 and P28 in 2021, 2020 and 2019, respectively, for the Parent Bank which are presented as part of Interest expense on bills payable and other borrowings under Interest Expense account in the statements of income (see Note 24).

Impairment losses (recoveries) recognized for off-books account amounted to P28, P68 and (P67) for both the BDO Unibank Group and the Parent Bank in 2021, 2020 and 2019, respectively. The accumulated impairment losses as of December 31, 2021, 2020 and 2019 amounting to P289, P317 and P114, respectively, for both the BDO Unibank Group and the Parent Bank are recorded as part of Others under Other Liabilities account in the statements of financial position (see Note 16).

## 22. EQUITY

### 22.1 Capital Stock

Capital stock consists of the following:

|   | <u>Number of Shares</u> |                      | <u>Amount</u>   |                 |
|---|-------------------------|----------------------|-----------------|-----------------|
|   | <u>2021</u>             | <u>2020</u>          | <u>2021</u>     | <u>2020</u>     |
| <u>Preferred shares – P10 par value</u> |                         |                      |                 |                 |
| Authorized                              |                         |                      |                 |                 |
| Balance at end of year                  | <u>1,000,000,000</u>    | <u>1,000,000,000</u> | <u>P 10,000</u> | <u>P 10,000</u> |
| Issued, fully paid and outstanding      | <u>515,000,000</u>      | <u>515,000,000</u>   | <u>P 5,150</u>  | <u>P 5,150</u>  |
| <u>Common shares – P10 par value</u>    |                         |                      |                 |                 |
| Authorized                              |                         |                      |                 |                 |
| Balance at end of year                  | <u>5,500,000,000</u>    | <u>5,500,000,000</u> | <u>P 55,000</u> | <u>P 55,000</u> |
| Issued, fully paid and outstanding      |                         |                      |                 |                 |
| Balance at beginning of year            | <u>4,384,227,915</u>    | <u>4,381,370,334</u> | <u>P 43,842</u> | <u>P 43,814</u> |
| Issued during the year                  | <u>1,291,100</u>        | <u>2,857,581</u>     | <u>13</u>       | <u>28</u>       |
| Balance at end of year                  | <u>4,385,519,015</u>    | <u>4,384,227,915</u> | <u>P 43,855</u> | <u>P 43,842</u> |

#### 22.1.1 Preferred Shares

The following are the features of the BDO Unibank Group and the Parent Bank's preferred shares:

- (a) Perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A shares;
- (b) Convertible to common shares at the option of the holder after five years from the issue date or at the option of BDO Unibank Group at any time after issue date; and,
- (c) Dividend rate is 6.50% per annum of the par value.

#### 22.1.2 Common Shares

The Parent Bank's application for listing of its common shares was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

On September 24, 2016, the Parent Bank's BOD authorized the Parent Bank to raise P60,000 in additional core capital through a stock rights offer. The BSP and the PSE approved the transaction on November 23, 2016 and December 14, 2016, respectively.

On January 3, 2017, the Parent Bank fixed the final terms for the stock rights offer which entitled eligible shareholders to subscribe to one common share for every 5.095 common shares held as of January 5, 2017 record date at an offer price of P83.75 per rights share. The offer period ran from January 16, 2017 to January 24, 2017.

Following the close of the offer period, the Parent Bank successfully completed its stock rights offer and 716,402,886 common shares were issued and subsequently listed on the PSE on January 31, 2017. The issuance resulted in recognition of Additional Paid-in Capital amounting to P52,662, net of related transaction costs totaling to P172. The fresh capital will support the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

| <u>Transaction</u> | <u>Subscriber</u>                             | <u>Issue Date</u>                     | <u>Number of Shares Issued</u> |
|--------------------|---|---------------------------------------|--------------------------------|
| IPO                | Various                                       | May 21, 2002                          | 908,189,550                    |
| Private placement  | International Finance Corporation (IFC)       | June 21, 2005                         | 31,403,592                     |
| Private placement  | UOBP  | February 8, 2006                      | 22,429,906                     |
| BDO-EPCIB Merger   | BDO-EPCIB Merger                              | May 31, 2007                          | 1,308,606,021                  |
| Private placement  | IFC   | August 23, 2007                       | 31,403,592                     |
| Private placement  | GE Capital International Holdings Corporation | August 20, 2009                       | 37,735,849                     |
| Private placement  | Multi Realty Development Corporation          | April 23, 2010                        | 107,320,482                    |
| Private placement  | IFC   | April 26, 2010                        | 24,033,253                     |
| Private placement  | IFC Capitalization (Equity) Fund, L.P.        | April 26, 2010                        | 136,315,662                    |
| Stock dividends    | Various                                       | June 8, 2012                          | 78,218,589                     |
| Stock rights       | Various                                       | July 4, 2012                          | 895,218,832                    |
| Private placement  | Sybase Equity Investments Corp.               | July 20, 2015                         | 64,499,890                     |
| Stock options      | Various employees                             | June 6, 2016 to December 31, 2016     | 4,592,430                      |
| Stock options      | Various employees                             | January 3, 2017 to December 27, 2017  | 2,604,020                      |
| Stock rights       | Various employees                             | January 31, 2017                      | 716,402,886                    |
| Stock rights       | Various employees                             | January 31, 2018                      | 5,073,510                      |
| Stock options      | Various employees                             | January 7, 2019 to December 26, 2019  | 7,322,270                      |
| Stock options      | Various employees                             | January 6, 2020 to December 28, 2020  | 2,857,581                      |
| Stock options      | Various employees                             | January 15, 2021 to December 15, 2021 | 1,291,100                      |
|                    |   |                                       | 4,385,519,015                  |

As of December 31, 2021 and 2020, there are 12,390 and 12,442 holders, respectively, of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P120.70 and P106.80 per share as of December 31, 2021 and December 29, 2020, respectively, (the last trading day in 2021 and 2020).



## 22.2 BDO American Depositary Receipt Program

On April 18, 2013, the Parent Bank launched its Sponsored Level 1 American Depositary Receipt (ADR) Program by which negotiable securities representing underlying BDO common shares can be traded in the U.S. over-the-counter (OTC) market. This provides flexibility for U.S. investors to trade BDO common shares in their time zone and settle their transactions locally. It is meant to tap the pool of U.S. ADR investors, enhance visibility and global presence and diversify and broaden the Parent Bank's shareholder base. ADRs are quoted and traded in U.S. dollars, and cash dividends received on the underlying shares are paid to investors also in U.S. dollars. The ADR ratio for BDO's sponsored Level 1 ADR Program is 1:10, with each ADR representing ten underlying BDO common shares.

The sponsored Level 1 ADR Program does not necessitate the issuance of new shares as ADRs are traded on the U.S. OTC/secondary market using existing shares, in contrast to the sponsored Level II ADR or sponsored Level III ADR where shares are fully listed on a recognized U.S. exchange (e.g., NYSE, NASDAQ). As such, a Level 1 ADR is not a capital raising transaction, to differentiate it from Level III ADR, which allows the issuer to raise capital through a public offering of ADRs in the U.S.

The sponsored Level 1 ADR is exempt, under U.S. SEC Rule 12g3-2(b), from SEC registration, disclosure requirements and reporting obligations, including Sarbanes-Oxley and U.S. generally accepted accounting principles.

The Parent Bank appointed Deutsche Bank (DB) as the exclusive depository of ADRs for a period of five years. As depository bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker. In October 2018, the Parent Bank renewed the appointment of DB as the exclusive depository of ADRs for another five years.

As of December 31, 2021 and 2020, 442,787 and 595,467 ADRs valued at US\$11,046,429 and US\$13,243,186 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$24.95/share and US\$22.24/share, respectively).

## 22.3 Surplus Free

The details of the Parent Bank's cash dividend distributions are as follows:

| <u>Date Declared<br/>and Approved</u> | <u>Common shares dividend</u> |                     | <u>Record Date</u> | <u>Date<br/>Paid/Payable</u> |                    |
|---------------------------------------|-------------------------------|---------------------|--------------------|------------------------------|--------------------|
|                                       | <u>Per Share</u>              | <u>Total Amount</u> |                    |                              |                    |
| February 23, 2019                     | P                             | 0.30 P              | 1,313              | March 12, 2019               | March 25, 2019     |
| May 25, 2019                          |                               | 0.30                | 1,313              | June 11, 2019                | June 24, 2019      |
| August 31, 2019                       |                               | 0.30                | 1,314              | September 17, 2019           | September 30, 2019 |
| December 7, 2019                      |                               | 0.30                | 1,314              | December 23, 2019            | December 27, 2019  |
| February 27, 2020                     |                               | 0.30                | 1,315              | March 13, 2020               | March 27, 2020     |
| May 30, 2020                          |                               | 0.30                | 1,315              | June 17, 2020                | June 29, 2020      |
| August 29, 2020                       |                               | 0.30                | 1,315              | September 15, 2020           | September 28, 2020 |
| December 5, 2020                      |                               | 0.30                | 1,316              | December 22, 2020            | December 29, 2020  |
| February 24, 2021                     |                               | 0.30                | 1,315              | March 15, 2021               | March 25, 2021     |
| May 29, 2021                          |                               | 0.30                | 1,315              | June 16, 2021                | June 25, 2021      |
| August 27, 2021                       |                               | 0.30                | 1,316              | September 15, 2021           | September 24, 2021 |
| December 4, 2021                      |                               | 0.30                | 1,316              | December 22, 2021            | December 29, 2021  |

| <u>Date Declared<br/>and Approved</u> | <u>Preferred shares dividend</u> |                     | <u>Date<br/>Paid/ Payable</u> |
|---------------------------------------|----------------------------------|---------------------|-------------------------------|
|                                       | <u>Per Annum</u>                 | <u>Total Amount</u> |                               |
| January 26, 2019                      | 6.50%                            | P 339               | March 8, 2019                 |
| February 1, 2020                      | 6.50%                            | 339                 | February 21, 2020             |
| January 30, 2021                      | 6.50%                            | 340                 | February 22, 2021             |

On July 31, 2019, the Parent Bank entered into a deed of sale of certain parcel of land to a third party for a total consideration of P119. The related revaluation increment on land arose from previous business combination amounting to P76 was subsequently transferred to Surplus Free account in the 2019 statement of changes in equity.

#### **22.4 Surplus Reserves**

The Parent Bank appropriated its Surplus Free amounting to P44 in 2021, P40 for 2020 and nil in 2019 representing insurance fund on losses due to fire, robbery, and other cash losses. This was approved by the Parent Bank's President. BDO Network appropriated its Surplus Free amounting to P3, P2 and P5 in 2021, 2020 and 2019, respectively, representing insurance fund on losses due to fire, robbery and other cash losses, which was approved by its Chairman.

The BDO Unibank Group and the Parent Bank appropriated its Surplus Free for impairment of general loan loss portfolio amounting to P1,337 and P1,250 in 2021, (P830) and (P827) in 2020 and P1,543 and P1,563 in 2019, respectively. The accumulated amount of appropriation to surplus reserves for general loan loss portfolio as of December 31, 2021, 2020 and 2019 amounted to P13,430, P12,093 and P12,923, respectively, for BDO Unibank Group and P13,166, P11,916 and P12,743, respectively, for the Parent Bank. This appropriation was prescribed by BSP and was recognized as part of Surplus Reserves account.

In compliance with BSP regulations, 10% of BDO Unibank Group and the Parent Bank's profit from trust business amounting to P263, P272 and P272 in 2021, 2020 and 2019, respectively, and P263, P223 and P189 in 2021, 2020 and 2019, respectively, is appropriated to surplus reserves (see Note 28).

On June 10, 2020 and July 2, 2020, the BOD of BDO Securities approved the appropriation of P60 as additional capital requirements and the reversal of the previously approved appropriation for cash dividends amounting to P200, respectively.

Also, included in the 2021, 2020 and 2019 surplus reserves are the appropriations made by BDO Securities and Armstrong Securities, Inc. totaling P2, P5 and P4 respectively, as part of the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*. On May 26, 2020, the BOD of BDO Nomura approved the reversal of the Surplus Reserves amounting to P9 back to Surplus Free.

### 22.4.1 ESOP

For options that were exercised in 2021 and 2020, BDO Unibank Group issued new common shares of 1,291,100 and 2,857,581, respectively, from its authorized capital stock (see Note 22).

Set out below are summaries of number of options vested under the plan:

|                              | <u>BDO Unibank Group</u> |                  | <u>Parent Bank</u>       |                  |
|------------------------------|--------------------------|------------------|--------------------------|------------------|
|                              | <u>2021</u>              | <u>2020</u>      | <u>2021</u>              | <u>2020</u>      |
| Balance at beginning of year | <b>6,498,024</b>         | 12,539,677       | <b>4,530,459</b>         | 10,405,980       |
| Vested during the year       | <b>14,118,934</b>        | 3,331,902        | <b>13,552,572</b>        | 2,921,302        |
| Forfeited during the year    | ( <b>46,800</b> )        | ( 260,558 )      | ( <b>29,250</b> )        | ( 260,558 )      |
| Expired during the year      | ( <b>373,000</b> )       | ( 249,700 )      | ( <b>337,500</b> )       | ( 227,700 )      |
| Exercised during the year    | ( <b>5,246,795</b> )     | ( 8,863,297 )    | ( <b>4,730,983</b> )     | ( 8,308,565 )    |
| Balance at end of year       | <u><b>14,950,363</b></u> | <u>6,498,024</u> | <u><b>12,985,298</b></u> | <u>4,530,459</u> |

The weighted average exercise price was P109.97 and P104.08 for the years ended December 31, 2021 and 2020, respectively.

In 2019, the Parent Bank has changed its strategy in settling the stock options exercised through issuance of primary shares. Consequently, the previously recognized liability, which amounted to P860, was accordingly transferred to Surplus Reserve. Share options expensed amounted to P252, P316 and P890 in 2021, 2020 and 2019, respectively.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

|   |          |
|---|----------|
| Average option life                               | 5 years  |
| Average share price at grant date                 | P 101.80 |
| Average exercise price at grant date              | P 93.25  |
| Average fair value of options at grant date       | P 34.77  |
| Average standard deviation of share price returns | 34.94%   |
| Average dividend yield                            | 1.20%    |
| Average risk-free investment rate                 | 2.75%    |

The underlying expected volatility was determined by reference to historical prices of the Parent Bank's shares over a period of one year.

## 23. INTEREST INCOME

Interest income consists of the following:

|                                       | Notes  | <b>BDO Unibank Group</b> |                  |                  |
|---------------------------------------|--------|--------------------------|------------------|------------------|
|                                       |        | <b>2021</b>              | 2020             | 2019             |
| Loans and other receivables           | 11, 27 | <b>P 124,548</b>         | P 138,736        | P 142,908        |
| Trading and investment securities:    |        |                          |                  |                  |
| At amortized cost                     | 10.3   | <b>12,410</b>            | 10,424           | 10,415           |
| At FVOCI                              | 10.2   | <b>6,215</b>             | 5,546            | 5,607            |
| At FVTPL                              | 10.1   | <b>92</b>                | 122              | 197              |
| Due from BSP and other banks          | 8, 9   | <b>1,554</b>             | 2,158            | 1,381            |
| Others                                |        | <b>60</b>                | 45               | 64               |
|                                       |        | <b><u>P 144,879</u></b>  | <u>P 157,031</u> | <u>P 160,572</u> |
|                                       |        |                          |                  |                  |
|                                       | Notes  | <b>Parent Bank</b>       |                  |                  |
|                                       |        | <b>2021</b>              | 2020             | 2019             |
| Loans and other receivables           | 11, 27 | <b>P 119,566</b>         | P 134,329        | P 138,521        |
| Trading and investment securities at: |        |                          |                  |                  |
| At amortized cost                     | 10.3   | <b>11,633</b>            | 9,689            | 9,642            |
| At FVOCI                              | 10.2   | <b>3,939</b>             | 3,440            | 3,550            |
| At FVTPL                              | 10.1   | <b>59</b>                | 84               | 87               |
| Due from BSP and other banks          | 8, 9   | <b>1,533</b>             | 2,120            | 1,234            |
| Others                                |        | <b>42</b>                | 35               | 47               |
|                                       |        | <b><u>P 136,772</u></b>  | <u>P 149,697</u> | <u>P 153,081</u> |

## 24. INTEREST EXPENSE

Interest expense is composed of the following:

|                                    | Notes            | <b>BDO Unibank Group</b> |                 |                 |
|------------------------------------|------------------|--------------------------|-----------------|-----------------|
|                                    |                  | <b>2021</b>              | 2020            | 2019            |
| Deposit liabilities                | 17, 27           | <b>P 6,952</b>           | P 15,521        | P 32,047        |
| Bills payable and other borrowings | 18, 19, 21, 26.2 | <b>5,764</b>             | 7,120           | 7,807           |
| Finance lease liabilities          | 13.2, 21         | <b>817</b>               | 690             | 827             |
|                                    |                  | <b><u>P 13,533</u></b>   | <u>P 23,331</u> | <u>P 40,681</u> |

|                                    | Notes            | Parent Bank            |                 |                 |
|------------------------------------|------------------|------------------------|-----------------|-----------------|
|                                    |                  | 2021                   | 2020            | 2019            |
| Deposit liabilities                | 17, 27           | <b>P 6,644</b>         | P 15,196        | P 31,384        |
| Bills payable and other borrowings | 18, 19, 21, 26.2 | <b>5,455</b>           | 6,529           | 6,375           |
| Finance lease liabilities          | 13.2, 21         | <b>807</b>             | 675             | 822             |
|                                    |                  | <b><u>P 12,906</u></b> | <u>P 22,400</u> | <u>P 38,581</u> |

## 25. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

|                                       | Notes | BDO Unibank Group      |                 |                 |
|---------------------------------------|-------|------------------------|-----------------|-----------------|
|                                       |       | 2021                   | 2020            | 2019            |
| Service charges, fees and commissions | 27    | <b>P 30,485</b>        | P 24,822        | P 31,722        |
| Insurance premiums                    |       | <b>18,136</b>          | 15,009          | 14,764          |
| Trust fees                            | 28    | <b>4,364</b>           | 3,811           | 3,532           |
| Foreign exchange gains                | 10.1  | <b>3,621</b>           | 1,748           | 3,821           |
| Income from assets sold or exchanged  | 14    | <b>1,275</b>           | 1,169           | 1,131           |
| Rental                                | 14    | <b>1,269</b>           | 1,430           | 1,526           |
| Trading gains - net                   | 10.1  | <b>220</b>             | 5,563           | 1,357           |
| Dividends                             | 10.1  | <b>207</b>             | 551             | 560             |
| Miscellaneous - net                   |       | <b>1,777</b>           | 1,107           | 1,698           |
|                                       |       | <b><u>P 61,354</u></b> | <u>P 55,210</u> | <u>P 60,111</u> |

|  | Notes | Parent Bank            |                 |                 |
|--|-------|------------------------|-----------------|-----------------|
|  |       | 2021                   | 2020            | 2019            |
| Service charges, fees and commissions              | 27    | <b>P 25,293</b>        | P 21,152        | P 27,707        |
| Share in net income of subsidiaries and associates | 15.2  | <b>6,350</b>           | 3,839           | 6,046           |
| Trust fees   | 28    | <b>3,477</b>           | 3,035           | 2,727           |
| Foreign exchange gains                             |       | <b>3,273</b>           | 1,591           | 3,715           |
| Income from assets sold or exchanged               | 14    | <b>1,174</b>           | 1,097           | 1,047           |
| Rental   | 14    | <b>482</b>             | 514             | 523             |
| Trading gains (losses) - net                       | 10.1  | <b>( 349)</b>          | 5,230           | 290             |
| Dividends  |       | <b>19</b>              | 258             | 180             |
| Miscellaneous - net                                |       | <b>916</b>             | 538             | 910             |
|  |       | <b><u>P 40,635</u></b> | <u>P 37,254</u> | <u>P 43,145</u> |

Other operating expenses consist of the following:

|  |          | <b>BDO Unibank Group</b> |           |           |
|--|----------|--------------------------|-----------|-----------|
| Notes  | 2021     | 2020                     | 2019      |           |
| Compensation and benefits                          | 26.1     | <b>P 41,744</b>          | P 37,392  | P 35,385  |
| Fees and commissions                               |          | <b>17,140</b>            | 14,994    | 18,826    |
| Policy reserves, insurance benefits<br>and claims  | 20       | <b>15,633</b>            | 13,136    | 10,775    |
| Taxes and licenses                                 | 14       | <b>11,180</b>            | 12,703    | 14,106    |
| Occupancy  | 13, 15.7 |                          |           |           |
|  | 27       | <b>9,222</b>             | 9,572     | 9,680     |
| Insurance  |          | <b>5,828</b>             | 5,551     | 5,255     |
| Security, clerical, messengerial<br>and janitorial |          | <b>3,851</b>             | 3,674     | 3,993     |
| Advertising  |          | <b>2,586</b>             | 2,621     | 4,260     |
| Repairs and maintenance                            |          | <b>1,982</b>             | 1,600     | 1,437     |
| Representation and entertainment                   |          | <b>1,806</b>             | 1,877     | 2,163     |
| Amortization of computer<br>software               | 15.7     | <b>1,342</b>             | 734       | 546       |
| Information technology                             |          | <b>1,136</b>             | 919       | 869       |
| Power, light and water                             |          | <b>1,130</b>             | 1,011     | 1,206     |
| Travelling   |          | <b>883</b>               | 1,034     | 1,344     |
| Litigation on assets acquired                      |          | <b>773</b>               | 601       | 548       |
| Supplies   |          | <b>731</b>               | 767       | 1,001     |
| Telecommunication                                  |          | <b>560</b>               | 616       | 661       |
| Freight  |          | <b>378</b>               | 257       | 402       |
| Miscellaneous                                      | 15.6     | <b>1,970</b>             | 3,581     | 2,192     |
|  |          | <b>P 119,875</b>         | P 112,640 | P 114,649 |
|  |          | <b>Parent Bank</b>       |           |           |
| Notes  | 2021     | 2020                     | 2019      |           |
| Compensation and benefits                          | 26.1     | <b>P 35,786</b>          | P 32,525  | P 30,777  |
| Fees and commissions                               |          | <b>16,600</b>            | 14,575    | 18,305    |
| Taxes and licenses                                 | 14       | <b>10,009</b>            | 11,631    | 12,904    |
| Occupancy  | 13, 15.7 |                          |           |           |
|  | 27       | <b>7,963</b>             | 8,199     | 8,278     |
| Insurance  |          | <b>5,715</b>             | 5,457     | 5,158     |
| Security, clerical, messengerial<br>and janitorial |          | <b>3,522</b>             | 3,382     | 3,723     |
| Advertising  |          | <b>2,509</b>             | 2,495     | 4,199     |
| Repairs and maintenance                            |          | <b>1,855</b>             | 1,487     | 1,296     |
| Representation and entertainment                   |          | <b>1,573</b>             | 1,637     | 1,913     |
| Amortization of computer<br>software               | 15.7     | <b>1,291</b>             | 696       | 502       |
| Information technology                             |          | <b>1,113</b>             | 885       | 836       |
| Power, light and water                             |          | <b>1,047</b>             | 912       | 1,108     |
| Litigation on assets acquired                      |          | <b>766</b>               | 592       | 535       |
| Travelling   |          | <b>619</b>               | 778       | 1,060     |
| Supplies   |          | <b>606</b>               | 676       | 883       |
| Telecommunication                                  |          | <b>456</b>               | 523       | 552       |
| Freight  |          | <b>339</b>               | 241       | 375       |
| Miscellaneous                                      | 15.6     | <b>1,844</b>             | 3,376     | 1,933     |
|  |          | <b>P 93,613</b>          | P 90,067  | P 94,337  |

## 26. COMPENSATION AND BENEFITS

### 26.1 Compensation and Benefits

Expenses recognized for compensation and benefits (see Note 25) are presented below.

|                                   |               | <b>BDO Unibank Group</b> |      |        |
|-----------------------------------|---------------|--------------------------|------|--------|
| Notes                             | 2021          | 2020                     | 2019 |        |
|                                   | <b>P</b>      |                          |      |        |
| Salaries and wages                | <b>23,914</b> | 22,206                   | P    | 21,065 |
| Bonuses                           | <b>7,876</b>  | 7,269                    |      | 6,712  |
| Retirement - defined benefit plan | <b>2,421</b>  | 2,097                    |      | 1,819  |
| Social security costs             | <b>1,254</b>  | 1,013                    |      | 884    |
| Employee stock option plan        | <b>273</b>    | 354                      |      | 994    |
| Other benefits                    | <b>6,006</b>  | 4,453                    |      | 3,911  |
|                                   |               | <b>41,744</b>            | P    | 35,385 |
| 25                                | <b>P</b>      | <b>41,744</b>            | P    | 37,392 |
|                                   |               |                          |      | 35,385 |
|                                   |               | <b>Parent Bank</b>       |      |        |
| Notes                             | 2021          | 2020                     | 2019 |        |
|                                   | <b>P</b>      |                          |      |        |
| Salaries and wages                | <b>20,409</b> | 19,147                   | P    | 18,097 |
| Bonuses                           | <b>6,942</b>  | 6,424                    |      | 5,988  |
| Retirement - defined benefit plan | <b>1,825</b>  | 1,850                    |      | 1,585  |
| Social security costs             | <b>1,062</b>  | 863                      |      | 752    |
| Employee stock option plan        | <b>252</b>    | 316                      |      | 890    |
| Other benefits                    | <b>5,296</b>  | 3,925                    |      | 3,465  |
|                                   |               | <b>35,786</b>            | P    | 30,777 |
| 25                                | <b>P</b>      | <b>35,786</b>            | P    | 32,525 |
|                                   |               |                          |      | 30,777 |

### 26.2 Post-employment Benefits

#### (a) Characteristics of the Defined Benefit Plan

The BDO Unibank Group and the Parent Bank maintain a fully funded, multi-employer and tax-qualified noncontributory retirement plan that is being administered by the Parent Bank's trust and investment group as trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of ten years of credited service and late retirement up to age 65. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service.

#### (b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2021 and 2020.

The amounts of Retirement assets and benefit obligation recognized under Other Assets accounts (see Note 15) and Other Liabilities accounts (see Note 21), respectively, in the statements of financial position are determined as follows:

|  | <u>BDO Unibank Group</u> |                         | <u>Parent Bank</u>    |                         |
|--|--------------------------|-------------------------|-----------------------|-------------------------|
|  | <u>2021</u>              | <u>2020</u>             | <u>2021</u>           | <u>2020</u>             |
| Present value of the DBO                   | <b>P 42,440</b>          | P 34,288                | <b>P 38,325</b>       | P 31,318                |
| Fair value of plan assets                  | ( <b>38,647</b> )        | ( 35,650 )              | ( <b>34,675</b> )     | ( 32,582 )              |
| Deficiency of plan assets                  | <b>3,793</b>             | ( 1,362 )               | <b>3,650</b>          | ( 1,264 )               |
| Effect of asset ceiling                    | <u>7</u>                 | <u>62</u>               | <u>-</u>              | <u>47</u>               |
| Retirement (assets)/<br>benefit obligation | <b><u>P 3,800</u></b>    | <b><u>(P 1,300)</u></b> | <b><u>P 3,650</u></b> | <b><u>(P 1,217)</u></b> |

The movements in the present value of the DBO are as follows:

|  | <u>BDO Unibank Group</u> |                        | <u>Parent Bank</u>     |                        |
|--|--------------------------|------------------------|------------------------|------------------------|
|  | <u>2021</u>              | <u>2020</u>            | <u>2021</u>            | <u>2020</u>            |
| Balance at beginning of year                         | <b>P 34,288</b>          | P 33,937               | <b>P 31,318</b>        | P 31,189               |
| Benefits paid by the plan                            | ( <b>3,232</b> )         | ( 1,547 )              | ( <b>3,036</b> )       | ( 1,482 )              |
| Current service cost                                 | <b>2,040</b>             | 2,097                  | <b>1,825</b>           | 1,850                  |
| Interest expense                                     | <b>1,323</b>             | 1,777                  | <b>1,215</b>           | 1,631                  |
| Past service cost                                    | <b>381</b>               | -                      | <b>-</b>               | -                      |
| Transfer from the plan                               | -                        | ( 9 )                  | ( <b>49</b> )          | ( 95 )                 |
| Remeasurements:                                      |                          |                        |                        |                        |
| Actuarial losses (gains)<br>arising from changes in: |                          |                        |                        |                        |
| - experience adjustments                             | <b>4,136</b>             | 1,041                  | <b>3,534</b>           | 990                    |
| - financial assumption                               | <b>3,173</b>             | ( 3,008 )              | <b>3,464</b>           | ( 2,765 )              |
| - demographic assumptions                            | <b>331</b>               | -                      | <b>54</b>              | -                      |
| Balance at end of year                               | <b><u>P 42,440</u></b>   | <b><u>P 34,288</u></b> | <b><u>P 38,325</u></b> | <b><u>P 31,318</u></b> |

The movements in the fair value of plan assets are presented below.

|  | <u>BDO Unibank Group</u> |                        | <u>Parent Bank</u>     |                        |
|--|--------------------------|------------------------|------------------------|------------------------|
|  | <u>2021</u>              | <u>2020</u>            | <u>2021</u>            | <u>2020</u>            |
| Balance at beginning of year   | <b>P 35,650</b>          | P 30,633               | <b>P 32,582</b>        | P 27,986               |
| Contributions paid into the plan   | <b>4,286</b>             | 5,682                  | <b>3,500</b>           | 5,294                  |
| Interest income  | <b>1,378</b>             | 1,709                  | <b>1,272</b>           | 1,561                  |
| Benefits paid by the plan  | ( <b>3,231</b> )         | ( 1,547 )              | ( <b>3,037</b> )       | ( 1,482 )              |
| Transfer to/(from) the plan  | -                        | 2                      | ( <b>49</b> )          | ( 95 )                 |
| Remeasurement loss - return<br>on plan assets (excluding<br>amounts included in net<br>interest) | <b>564</b>               | ( 829 )                | <b>407</b>             | ( 682 )                |
| Balance at end of year   | <b><u>P 38,647</u></b>   | <b><u>P 35,650</u></b> | <b><u>P 34,675</u></b> | <b><u>P 32,582</u></b> |



The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics is shown below.

|                             | <u>BDO Unibank Group</u> |                 | <u>Parent Bank</u> |                 |
|-----------------------------|--------------------------|-----------------|--------------------|-----------------|
|                             | <u>2021</u>              | <u>2020</u>     | <u>2021</u>        | <u>2020</u>     |
| Debt securities:            |                          |                 |                    |                 |
| Government bonds            | P 19,400                 | P 18,092        | P 17,407           | P 16,656        |
| Corporate bonds             | 7,726                    | 10,032          | 6,932              | 9,240           |
| UITFs                       | 8,919                    | 6,562           | 8,003              | 6,187           |
| Equity securities           | 881                      | 814             | 790                | 355             |
| Loans and other receivables | 499                      | 7               | 447                | 7               |
| Cash and cash equivalents   | 74                       | 9               | 66                 | 7               |
| Other properties            | <u>1,148</u>             | <u>134</u>      | <u>1,030</u>       | <u>130</u>      |
|                             | <u>P 38,647</u>          | <u>P 35,650</u> | <u>P 34,675</u>    | <u>P 32,582</u> |

Actual returns on plan assets were P1,943 and P1,679 in 2021 and P880 and P879 in 2020 in the BDO Unibank Group and the Parent Bank's financial statements, respectively.

Certain plan assets include BDO Unibank Group's own financial instruments [see Note 27(c)].

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITFs which are at Level 2, loans and other receivables and other properties, which are at Level 3.

The components of amounts recognized in profit or loss and in other comprehensive income of the BDO Unibank Group and the Parent Bank in respect to the defined benefit plan is as follows:

|  | <u>BDO Unibank Group</u> |                  |                |
|--|--------------------------|------------------|----------------|
|  | <u>2021</u>              | <u>2020</u>      | <u>2019</u>    |
| <i>Recognized in profit or loss:</i>   |                          |                  |                |
| Current service costs  | P 2,040                  | P 2,097          | P 1,819        |
| Past service costs   | 381                      | -                | -              |
| Interest expense (income)  | ( <u>53</u> )            | <u>68</u>        | <u>156</u>     |
|  | <u>P 2,368</u>           | <u>P 2,165</u>   | <u>P 1,975</u> |
| <i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i> |                          |                  |                |
| Actuarial losses (gains) arising from change in:                             |                          |                  |                |
| - experience adjustments   | P 3,102                  | P 729            | P 780          |
| - demographic assumptions  | 248                      | -                | ( 388)         |
| - financial assumptions  | 2,379                    | ( 2,106)         | 1,706          |
| Remeasurement losses (gains) arising from:                                   |                          |                  |                |
| - return on plan assets (excluding amounts included in net interest expense) | ( 423)                   | 580              | 262            |
| - changes in the effect of the asset ceiling                                 | ( <u>43</u> )            | <u>33</u>        | ( <u>5</u> )   |
|  | <u>5,263</u>             | ( <u>764</u> )   | <u>2,355</u>   |
| Effect of change in income tax rate  | <u>750</u>               | -                | -              |
|  | <u>P 6,013</u>           | ( <u>P 764</u> ) | <u>P 2,355</u> |

|  | <b>Parent Bank</b>    |                |                |
|--|-----------------------|----------------|----------------|
|  | <u>2021</u>           | <u>2020</u>    | <u>2019</u>    |
| <i>Recognized in profit or loss:</i>   |                       |                |                |
| Current service costs  | <b>P 1,825</b>        | P 1,850        | P 1,585        |
| Interest expense (income)  | <b>( 55)</b>          | 70             | 158            |
|  | <b><u>P 1,770</u></b> | <u>P 1,920</u> | <u>P 1,743</u> |
| <i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i> |                       |                |                |
| Actuarial losses (gains) arising from change in:                             |                       |                |                |
| – experience adjustments   | <b>P 2,651</b>        | P 693          | P 578          |
| – demographic assumptions  | <b>40</b>             | -              | -              |
| – financial assumptions  | <b>2,599</b>          | ( 1,935)       | 1,403          |
| Remeasurement losses (gains) arising from:                                   |                       |                |                |
| – return on plan assets (excluding amounts included in net interest expense) | <b>( 305)</b>         | 477            | 259            |
| – changes in the effect of the asset ceiling                                 | <b>( 37)</b>          | 33             | -              |
|  | <b>4,948</b>          | ( 732)         | 2,240          |
| Effect of change in income tax rate  | <b>715</b>            | -              | -              |
|  | <b>5,663</b>          | ( 732)         | 2,240          |
| Share in actuarial losses (gains) of subsidiaries and associates             | <b>341</b>            | ( 19)          | 88             |
|  | <b><u>P 6,004</u></b> | <u>(P 751)</u> | <u>P 2,328</u> |

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses account (see Note 25) while interest expense or income are presented or netted against Interest Expense account (see Note 24) in the statements of income of the BDO Unibank Group and the Parent Bank.

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

|                                   | <b>BDO Unibank Group</b> |                | <b>Parent Bank</b>  |                |
|-----------------------------------|--------------------------|----------------|---------------------|----------------|
|                                   | <u>2021</u>              | <u>2020</u>    | <u>2021</u>         | <u>2020</u>    |
| Discount rates                    | <b>5.03% - 5.04%</b>     | 3.87% - 3.89%  | <b>5.03%</b>        | 3.88%          |
| Expected rate of salary increases | <b>2.0% - 11.7%</b>      | 1.25% - 11.00% | <b>4.0% - 11.7%</b> | 2.52% - 11.00% |

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 23.5 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the BDO Unibank Group and the Parent Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is composed of investment in UITF, debt and equity instruments, cash and cash equivalents, and loans and receivables. Due to the long-term nature of plan obligation, a level of continuing debt securities is an appropriate element of the BDO Unibank Group's long-term strategy to manage the plans effectively.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) *Sensitivity Analysis*

The following table below and in the succeeding page summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit asset as of December 31, 2021 and 2020.

|                                 | <u>Impact on Retirement Benefit Obligation</u> |                               |                               |
|---------------------------------|--|-------------------------------|-------------------------------|
|                                 | <u>Change in Assumption</u>                    | <u>Increase in Assumption</u> | <u>Decrease in Assumption</u> |
| <b><u>BDO Unibank Group</u></b> |  |                               |                               |
| <b><u>December 31, 2021</u></b> |  |                               |                               |
| Discount rate                   | +/-1%  | (P 1,850)                     | P 2,051                       |
| Salary increase rate            | +/-1%  | 1,990                         | ( 1,835)                      |
| <b><u>December 31, 2020</u></b> |  |                               |                               |
| Discount rate                   | +/-1%  | (P 1,056)                     | P 1,156                       |
| Salary increase rate            | +/-1%  | 1,134                         | ( 1,059)                      |

| <u>Impact on Retirement Benefit Obligation</u> |                             |  |                               |                               |
|--|-----------------------------|--|-------------------------------|-------------------------------|
|  | <u>Change in Assumption</u> |  | <u>Increase in Assumption</u> | <u>Decrease in Assumption</u> |

**Parent Bank**

**December 31, 2021**

|                      |       |    |        |   |        |
|----------------------|-------|----|--------|---|--------|
| Discount rate        | +/-1% | (P | 1,474) | P | 1,601  |
| Salary increase rate | +/-1% |    | 1,556  | ( | 1,463) |

**December 31, 2020**

|                      |       |    |      |   |      |
|----------------------|-------|----|------|---|------|
| Discount rate        | +/-1% | (P | 802) | P | 849  |
| Salary increase rate | +/-1% |    | 841  | ( | 810) |

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, BDO Unibank Group through its Compensation Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds or UITFs) with maturities that match the benefit payments as they fall due and in the appropriate currency. BDO Unibank Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2021 and 2020 consists of debt instruments and UITFs, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents, equity instruments and properties. The debt instruments include government bonds and corporate bonds.

There has been no change in the BDO Unibank Group and the Parent Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2021, the plan of the BDO Unibank Group and the Parent Bank is underfunded by P3,800 and P3,650, respectively based on the latest actuarial valuation report. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk when a significant number of employees is expected to retire.

The BDO Unibank Group and the Parent Bank expect to pay P7,535 and P6,544, respectively, as contributions to retirement benefit plans in 2022.

The expected maturity of undiscounted expected benefits payments of BDO Unibank Group and the Parent Bank from the plan for the next ten years is presented as follows:

|                           | <b><u>BDO Unibank<br/>Group</u></b> | <b><u>Parent Bank</u></b> |
|---------------------------|-------------------------------------|---------------------------|
| Between one to five years | P 40,642                            | P 38,177                  |
| Between six to ten years  | <u>23,249</u>                       | <u>20,721</u>             |
|                           | <b><u>P 63,891</u></b>              | <b><u>P 58,898</u></b>    |

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.0 to 14.5 years for the BDO Unibank Group and 4.9 years for the Parent Bank.

**26.3 ESOP**

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2021 and 2020, vested shares totaled 14,118,934 shares and 3,331,902 shares, respectively, for BDO Unibank Group, and 13,552,572 shares 2,921,302 shares, respectively, for Parent Bank.

The ESOP expense, included as part of Compensation and benefits under Other Operating Expenses in the BDO Unibank Group's statements of income, amounted to P273, P354 and P994 in 2021, 2020 and 2019, respectively, and in the Parent Bank's statements of income, amounted to P252, P316 and P890, respectively (see Note 26.1).

## 27. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transactions Committee composed of an independent director and a non-executive director, as of December 31, 2021. The said committee exercises oversight role to ensure bank compliance with BSP regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2021 and 2020 and for each of the three years ended are as follows:

| Related Party Category                        | Note  | Amounts of Transaction |         |          | Outstanding Balance |          |
|---|-------|------------------------|---------|----------|---------------------|----------|
|   |       | 2021                   | 2020    | 2019     | 2021                | 2020     |
| <b>DOSRI Loans</b>                            | 27(a) |                        |         |          |                     |          |
| Stockholders                                  |       | P 24,854               | P 3,636 | P 23,713 | P 34,266            | P 22,892 |
| Related Parties under                         |       |                        |         |          |                     |          |
| Common Ownership                              |       | 12                     | 24      | 75       | -                   | 419      |
| Directors                                     |       | 3                      | 3       | -        | -                   | 91       |
| Officers and Employees                        |       | 1,807                  | 1,418   | 1,802    | 2,068               | 1,969    |
| <b>Deposit Liabilities</b>                    | 27(b) |                        |         |          |                     |          |
| Stockholders                                  |       | 468,175                | 390,344 | 576,553  | 19,852              | 20,288   |
| Related Parties under                         |       |                        |         |          |                     |          |
| Common Ownership                              |       | 2,670                  | 5,099   | 6,568    | 227                 | 338      |
| Directors                                     |       | 443                    | 451     | -        | 54                  | 52       |
| Officers and Employees                        |       | 222                    | 82      | 433      | 1                   | 1        |
| <b>Other Transactions with Associates</b>     | 27(d) |                        |         |          |                     |          |
| Loans and Advances                            |       | 480                    | 500     | 2,820    | 8,261               | 8,225    |
| Interest Income                               |       | 251                    | 359     | 509      | 58                  | 57       |
| <b>Related Parties Under Common Ownership</b> | 27(d) |                        |         |          |                     |          |
| Right-of-use Asset                            |       | 1,677                  | 378     | 833      | 3,904               | 2,417    |
| Lease Liabilities                             |       | 1,474                  | 285     | 200      | 2,816               | 1,710    |
| Depreciation Expense                          |       | 184                    | 39      | 655      | 524                 | 330      |
| Interest Expense                              |       | 77                     | 3       | 142      | 178                 | 68       |
| <b>Key Management Personnel Compensation</b>  | 27(d) | 1,543                  | 1,589   | 1,653    | -                   | -        |
| <b>Retirement Plan</b>                        | 27(c) | 160                    | 238     | 74       | 8,351               | 6,605    |

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2021 and 2020 and for each of the three years ended are as follows:

| Related Party Category     | Note  | Amounts of Transaction |         |          | Outstanding Balance |          |
|----------------------------|-------|------------------------|---------|----------|---------------------|----------|
|                            |       | 2021                   | 2020    | 2019     | 2021                | 2020     |
| <b>DOSRI Loans</b>         | 27(a) |                        |         |          |                     |          |
| Stockholders               |       | P 24,854               | P 3,636 | P 23,713 | P 34,266            | P 22,892 |
| Related Parties under      |       |                        |         |          |                     |          |
| Common Ownership           |       | 12                     | 24      | 75       | -                   | 419      |
| Directors                  |       | 3                      | 3       | -        | -                   | 91       |
| Officers and Employees     |       | 1,805                  | 1,411   | 1,798    | 2,065               | 1,964    |
| <b>Deposit Liabilities</b> | 27(b) |                        |         |          |                     |          |
| Stockholders               |       | 468,175                | 390,344 | 576,553  | 19,852              | 20,288   |
| Related Parties under      |       |                        |         |          |                     |          |
| Common Ownership           |       | 2,324                  | 4,152   | 6,039    | 111                 | 168      |
| Directors                  |       | 443                    | 451     | -        | 54                  | 52       |
| Officers and Employees     |       | 222                    | 82      | 433      | 1                   | 1        |

| Related Party Category                        | Note  | Amounts of Transaction |           |          | Outstanding Balance |         |
|---|-------|------------------------|-----------|----------|---------------------|---------|
|   |       | 2021                   | 2020      | 2019     | 2021                | 2020    |
| <b>Other Transactions with Subsidiaries</b>   |       |                        |           |          |                     |         |
|   | 27(d) |                        |           |          |                     |         |
| Loans and Advances                            |       | P 25,011               | P 37,123  | P 48,034 | P 2,912             | P 5,144 |
| Derivative Assets                             |       | 992                    | -         | -        | 31                  | -       |
| Derivative Liabilities                        |       | 612                    | 1,471     | 1,033    | -                   | 27      |
| Deposit Liabilities                           |       | ( 572 )                | ( 1,881 ) | 1,257    | 4,769               | 4,197   |
| Accounts Payable                              |       | -                      | ( 2 )     | ( 7 )    | 1                   | 1       |
| Miscellaneous Assets                          |       | 117                    | 259       | ( 3 )    | 142                 | 259     |
| Miscellaneous Liabilities                     |       | ( 28 )                 | -         | ( 2 )    | -                   | 2       |
| Interest Income                               |       | 119                    | 238       | 231      | 3                   | 11      |
| Rent Income                                   |       | 136                    | 132       | 124      | -                   | -       |
| Service Fees                                  |       | 874                    | 796       | 792      | -                   | -       |
| Interest Expense                              |       | 5                      | 25        | 83       | -                   | -       |
| Right-of-use Asset                            |       | -                      | -         | -        | 97                  | 104     |
| Lease Liabilities                             |       | ( 12 )                 | ( 11 )    | ( 10 )   | 113                 | 118     |
| Depreciation/Amortization                     |       | 14                     | 13        | 13       | -                   | -       |
| Interest Expense – Finance                    |       |                        |           |          |                     |         |
| Lease Payment Payable                         |       | 7                      | 7         | 8        | -                   | -       |
| Trust Fees                                    |       | 120                    | 107       | 95       | -                   | -       |
| Miscellaneous Expense                         |       | 117                    | 123       | -        | -                   | -       |
| Insurance Expense                             |       | 42                     | 40        | 39       | -                   | -       |
| Trading Gain/Loss                             |       | ( 20 )                 | ( 90 )    | ( 83 )   | -                   | -       |
| Miscellaneous Income                          |       | 49                     | 3         | -        | -                   | -       |
| Repairs and Maintenance                       |       | 1                      | 1         | 1        | -                   | -       |
| Fees and Commission                           |       | 140                    | 149       | 109      | -                   | -       |
| <b>Other Transactions with Associates</b>     |       |                        |           |          |                     |         |
|   | 27(d) |                        |           |          |                     |         |
| Loans and Advances                            |       | 480                    | 500       | 2,820    | 8,261               | 8,043   |
| Interest Income                               |       | 251                    | 344       | 494      | 58                  | 57      |
| <b>Related Parties under Common Ownership</b> |       |                        |           |          |                     |         |
|   | 27(d) |                        |           |          |                     |         |
| Right-of-use Asset                            |       | 1,684                  | 378       | 833      | 3,911               | 2,417   |
| Lease Liabilities                             |       | 1,480                  | 285       | 200      | 2,822               | 1,710   |
| Depreciation Expense                          |       | 185                    | 39        | 655      | 525                 | 330     |
| Interest Expense                              |       | 78                     | 3         | 142      | 179                 | 68      |
| <b>Key Management Personnel</b>               |       |                        |           |          |                     |         |
|   | 27(d) |                        |           |          |                     |         |
| Compensation                                  |       | 905                    | 1,006     | 1,107    | -                   | -       |
| <b>Retirement Plan</b>                        |       |                        |           |          |                     |         |
|   | 27(c) |                        |           |          |                     |         |
|   |       | 160                    | 238       | 74       | 8,349               | 6,603   |

In the ordinary course of business, the BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain DOSRI as described below and in the succeeding pages.

*(a) Loans to Related Parties*

Under existing policies of the BDO Unibank Group and the Parent Bank, these loans bear interest rates ranging from 0.00% to 9.00% per annum in 2021, 2020 and 2019, which are substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the unencumbered deposit and book value of the investment in the BDO Unibank Group and the Parent Bank.

The total DOSRI loans of the BDO Unibank Group and the Parent Bank include loans to officers under the BDO Unibank Group and Parent Bank's fringe benefit program. Secured DOSRI loans are collateralized by publicly-listed shares, hold-out on deposits, chattels and real estate mortgages and are payable within seven days to 20 years.

The total loan releases and collections in 2021 amounted to P26,676 and P15,713 for the BDO Unibank Group and P26,674 and P15,709 for the Parent Bank, respectively. The total loan releases and collections in 2020 amounted to P5,081 and P10,265 for the BDO Unibank Group and P5,074 and P10,257 for the Parent Bank, respectively. The total loans collections and releases in 2019 amounted to P25,590 and P49,217 for the BDO Unibank Group and P25,586 and P49,214 for the Parent Bank, respectively.

(b) *Deposits from Related Parties*

The total deposits made by the related parties amounted to P471,510, P395,976 and P583,554 in 2021, 2020 and 2019 for the BDO Unibank Group, and P471,164, P395,029 and P583,025 in 2021, 2020 and 2019 for the Parent Bank, respectively, and bearing interest rates range of 0.00% to 4.53% in 2021, 2020 and 2019. The related interest expense from deposits amounted to P795, P860 and P1,611 in 2021, 2020 and 2019, respectively (see Note 24).

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group as of December 31, 2021 and 2020 and for each of the three years ended are as follows:

| <u>Related Party Category</u>             | <u>Amounts of Transaction</u> |             |             | <u>Outstanding Balance</u> |             |
|---|-------------------------------|-------------|-------------|----------------------------|-------------|
|   | <u>2021</u>                   | <u>2020</u> | <u>2019</u> | <u>2021</u>                | <u>2020</u> |
| Loans to employees                        |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | P -                           | P -         | P -         | P 7                        | P 10        |
| Investment in shares of                   |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | -           | -           | 48                         | 16          |
| BDO Leasing                               | -                             | -           | -           | 2                          | 2           |
| Deposit liabilities<br>(including LTNCDs) |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | -           | -           | 8,294                      | 6,577       |
| Trading gain                              |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | 158                           | 235         | 65          | -                          | -           |
| Interest expense                          |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | 1           | 7           | -                          | -           |
| Rental income                             |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | 2                             | 2           | 2           | -                          | -           |



The BDO Unibank Group's retirement fund has transactions directly and indirectly with the Parent Bank as of December 31, 2021 and 2020 and for each of the three years ended are as follows:

| <u>Related Party Category</u>             | <u>Amounts of Transaction</u> |             |             | <u>Outstanding Balance</u> |             |
|---|-------------------------------|-------------|-------------|----------------------------|-------------|
|   | <u>2021</u>                   | <u>2020</u> | <u>2019</u> | <u>2021</u>                | <u>2020</u> |
| Loans to employees                        |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | <b>P</b> -                    | P -         | P -         | <b>P</b> 7                 | P 10        |
| Investment in shares of –                 |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | -           | -           | <b>48</b>                  | 16          |
| Deposit liabilities<br>(including LTNCDs) |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | -           | -           | <b>8,294</b>               | 6,577       |
| Trading gain                              |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | <b>158</b>                    | 235         | 65          | -                          | -           |
| Interest expense                          |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | -                             | 1           | 7           | -                          | -           |
| Rental income                             |                               |             |             |                            |             |
| BDO Unibank, Inc.                         | <b>2</b>                      | 2           | 2           | -                          | -           |

Details of the contributions of the BDO Unibank Group and the Parent Bank, and benefits paid out by the plan to the employees are presented in Note 26.

*(d) Other Transactions with Related Parties*

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties are shown in the section that follows. These transactions are generally unsecured and payable in cash, unless otherwise stated.

*(i)* Transactions with and between subsidiaries have been eliminated in the BDO Unibank Group's financial statements. Significant transactions with subsidiaries are as follows:

*(1) Loans and Advances to Subsidiaries*

The Parent Bank grants noninterest-bearing advances to subsidiaries for working capital requirements, which are unsecured, payable in cash and without fixed repayment terms. The total advances granted and collected amounted to P111 and P28, P46 and P44, and P25 and P79, in 2021, 2020 and 2019, respectively. Outstanding advances to subsidiaries recognized as part of Accounts receivable under Loans and Other Receivables in the Parent Bank's statements of financial position amounted to P111 and P27 as of December 31, 2021 and 2020, respectively (see Note 11).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P2,801 and P5,117 as of December 31, 2021 and 2020, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position (see Note 11). The total loans granted amounted to P24,900, P37,076 and P48,009 while total loans collected amounted to P27,215, P35,593 and P50,183 for 2021, 2020 and 2019, respectively. These loans are payable in cash with a term between seven days to five years. Interest income recognized on these is presented as part of Interest Income in the Parent Bank's statements of income (see Note 23). Interest rate on these loans ranges from 2.50% to 3.50%, 2.27% to 5.75% and 2.50% to 6.00% per annum in 2021, 2020 and 2019, respectively.

*(2) Income to the Parent Bank*

BDO subsidiaries engaged the Parent Bank, under service agreements to provide various support such as maintenance, administration of properties/assets management, supplies procurement, facilities management, accounting functions, loan documentation, safekeeping/custodianship of securities and collateral documents, credit card services, human resources management, information technology needs, internal audit, corporate secretarial services, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. The service agreement shall continue to be in force unless terminated by either party through a written notice, at least 30 calendar days prior to the date intended for termination. The services fees are payable in cash at the beginning of each month and shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by the subsidiaries to the Parent Bank. The total service fees are presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 25). There are no outstanding balance arising from these transactions as of December 31, 2021 and 2020. Total service fees amounted to P874, P796 and P792 in 2021, 2020 and 2019, respectively.

BDO Life has an existing Investment Management Agreement with the Parent Bank. For services rendered, BDO Life pays the Parent Bank management fees in cash equivalent to certain percentage based on the average daily balance of the fund and are deducted quarterly from the fund. The total trust fees is presented as part of Trust fees under Other Operating Income account in the Parent Bank's statements of income (see Note 25). Outstanding balances arising from this as of December 31, 2021 and 2020 is included as part of Accounts receivable under Loans and Other Receivables (see Note 11). The total trust fees amounted to P120, P107 and P95 in 2021, 2020 and 2019, respectively.

Certain subsidiaries lease office space and equipment from the Parent Bank. The total rent collected from the subsidiaries is included as part of Miscellaneous under Other Operating Income in the Parent Bank's statements of income (see Note 25). The term of the lease office space is five years and is payable in cash. There are no outstanding receivable from subsidiaries as of December 31, 2021 and 2020. The total rent income amounted to P136, P132 and P124 in 2021, 2020 and 2019, respectively.

*(3) Expenses of the Parent Bank*

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space from BDO Network, BDOSHI and Averon for its branch operations, amounting to P97 and P104, as of December 31, 2021 and 2020, respectively, which are presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Depreciation expense and amortization of the right-of-use assets arising from these transactions amounted to P14, P13 and P13 in 2021, 2020 and 2019, respectively, and presented as part of Occupancy under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total interest expense on lease liability is included as part of Interest expense on finance lease liabilities under the Interest Expense account in the Parent Bank's 2021, 2020 and 2019 statement of income which amounted to P7, P7 and P8, respectively (see Note 24). Outstanding balance arising from these transactions amounted to P113, P118 and P129 as of December 31, 2021, 2020 and 2019, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The total amount paid for repairs and maintenance of leased properties is included as part of Repairs and Maintenance account under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total repairs and maintenance expense amounted to P1 in 2021, 2020 and 2019.

The Parent Bank pays for the group life insurance of its employees and life and accident insurance of enrolled qualified remitters of Kabayan accounts to BDO Life. The total amount paid is included as part of Insurance Expense account under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). Total insurance expense amounted to P42, P40 and P39 in 2021, 2020 and 2019, respectively.

In 2020, the Parent Bank purchased receivables from BDO Leasing (see Note 30.3). This resulted to a loss amounting to P290 which was initially booked under Miscellaneous Asset and will be amortized over the term of the loan. The amortized loss incurred was recognized as part of Miscellaneous Expense account under Other Operating Expenses in the Parent Bank's statements of income amounting to P117 and P123 in 2021 and 2020, respectively (see Note 25). The related service fee incurred from the purchase of receivables in 2019 amounted to P13 and was recognized as part of Fees and Commission account under Other Operating Expenses in the Parent Bank's statements of income. No similar transaction occurred in 2021 and 2020.

The Parent Bank pays commission to BDO Network and BDO Private related to the referred trust services to the Parent Bank. Also, the Parent Bank pays for various services rendered by foreign subsidiaries. The amount paid for both commission and services are included as part of Fees and Commission account under Other Operating Expense in the Parent Bank's statements of income. The total payments amounted to P140, P149 and P96 in 2021, 2020 and 2019, respectively.

#### *(4) Derivatives*

In 2021 and 2020, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards and cross currency swaps. As of December 31, 2021 and 2020, the outstanding balance of derivatives assets and liabilities are presented as part of Financial assets at FVTPL under Trading and Investment Securities account (see Note 10.1) and Derivatives with negative fair values under Other Liabilities account in the statements of financial position (see Note 21).

#### *(5) Deposit Liabilities*

The total deposits made by the subsidiaries to the Parent Bank during 2021, 2020 and 2019 amounted to P669,405, P559,611 and P706,563, respectively. These are with yearly corresponding withdrawals amounting to P668,833 for 2021, P561,492 for 2020 and P705,306 for 2019. These deposits bear interest rates of 0.00% to 0.50% in 2021, 0.00% to 3.25% in 2020 and 0.00% to 6.65% in 2019. The related interest expense from these deposits are included as part of Interest Expense account on deposit liabilities in the statements of income (see Note 24).

(ii) Other transactions with associates are shown below.

*Loans and Advances to Associates*

As of December 31, 2021 and 2020, the outstanding secured and unsecured interest-bearing loans and advances to associates amounting to P8,261 and P8,225 for the BDO Unibank Group and P8,261 and P8,043 for the Parent Bank, respectively, and are presented as part of Loans and discounts and Accounts receivable under Loans and Other Receivables account in the statements of financial position (see Note 11).

These loans are payable in cash between seven and a half years to twelve years. The total collections on loans and advances amounted to P444, P75 and P1,987 for BDO Unibank Group and P262, P57 and P1,970 for the Parent Bank in 2021, 2020 and 2019, respectively.

Annual interest rate on these loans ranges from 2.94% to 2.94%, 2.95% to 7.70% and 5.00% to 7.70% for 2021, 2020 and 2019, respectively. The related interest income is presented as part of Interest Income on loans and other receivables in the BDO Unibank Group's statements of income (see Note 23). As of December 31, 2021, 2020 and 2019, there were no impairment losses recognized on these loans and advances.

(iii) Transaction of the Parent Bank with related parties under common ownership is shown below.

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space from related parties for its branch operations, amounting to P3,911 and P2,417 as of December 31, 2021 and 2020, respectively, which is presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Amortization expense on right-of-use assets arising from this transaction, amounting to P185, P39, and P655 in 2021, 2020 and 2019, respectively, and is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's statement of income (see Note 25).

The total interest expense on lease liabilities from related parties, included as part of Interest expense on finance lease liabilities under the Interest Expense account amounted to P78, P3, and P142 in 2021, 2020 and 2019, respectively, in the Parent Bank's statements of income (see Note 24). Outstanding balances arising from this transaction amounted to P2,822 and P1,710 as of December 31, 2021 and 2020, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The terms of the lease are from one to 28 years and is payable in cash.

(iv) Key Management Personnel Compensation

The compensation and benefits given to BDO Unibank Group and the Parent Bank's key management are as follows (see Note 26.1):

|                             | <b>BDO Unibank Group</b> |                |                |
|-----------------------------|--------------------------|----------------|----------------|
|                             | <u>2021</u>              | <u>2020</u>    | <u>2019</u>    |
| Salaries and other benefits | <b>P 1,381</b>           | P 1,368        | P 1,445        |
| Retirement expense          | <u>162</u>               | <u>221</u>     | <u>208</u>     |
|                             | <b><u>P 1,543</u></b>    | <u>P 1,589</u> | <u>P 1,653</u> |
|                             | <b>Parent Bank</b>       |                |                |
|                             | <u>2021</u>              | <u>2020</u>    | <u>2019</u>    |
| Salaries and other benefits | <b>P 819</b>             | P 849          | P 957          |
| Retirement expense          | <u>86</u>                | <u>157</u>     | <u>150</u>     |
|                             | <b><u>P 905</u></b>      | <u>P 1,006</u> | <u>P 1,107</u> |

## 28. TRUST OPERATIONS

The following securities and other properties held by BDO Unibank Group in fiduciary or agency capacity (for a fee) for its customers are not included in BDO Unibank Group and the Parent Bank's statements of financial position since these are not resources of the BDO Unibank Group [see Note 36(h)].

|             | <b>BDO Unibank Group</b>  |                    | <b>Parent Bank</b>        |                    |
|-------------|---------------------------|--------------------|---------------------------|--------------------|
|             | <u>2021</u>               | <u>2020</u>        | <u>2021</u>               | <u>2020</u>        |
| Investments | <b>P 1,769,064</b>        | P 1,618,325        | <b>P 1,223,191</b>        | P 1,116,591        |
| Others      | <u>9,654</u>              | <u>10,804</u>      | <u>7,679</u>              | <u>7,831</u>       |
|             | <b><u>P 1,778,718</u></b> | <u>P 1,629,129</u> | <b><u>P 1,230,870</u></b> | <u>P 1,124,422</u> |

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

- (a) Investment in government securities which are shown as part of Investment securities at amortized cost with a total face value of P18,435 and P15,735 as of December 31, 2021 and 2020 (see Note 10.3), respectively, in BDO Unibank Group and, P12,178 and P10,778 as of December 31, 2021 and 2020, respectively, in the Parent Bank are deposited with the BSP as security for BDO Unibank Group's faithful compliance with its fiduciary obligations; and,
- (b) A certain percentage of the trust income is transferred to surplus reserves. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of BDO Unibank Group's authorized capital stock. As of December 31, 2021 and 2020, the additional reserve for trust functions amounted to P263 and P272 for BDO Unibank Group and P263 and 223, respectively, for the Parent Bank, and is included as part of Surplus Reserves account in statements of changes in equity (see Note 22.4).

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P4,364, P3,811 and P3,532 for the years ended December 31, 2021, 2020 and 2019, respectively, in BDO Unibank Group's statements of income and P3,477, P3,035 and P2,727 for the years ended December 31, 2021, 2020 and 2019, respectively, in the Parent Bank's statements of income (see Note 25).

## 29. UNIT-LINKED FUNDS

VUL insurance contracts of BDO Life are life insurance policies wherein a portion of the premiums received are invested in VUL funds, which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value per unit, which changes daily depending on the fund's performance.

In 2013, BDO Life obtained the approval from IC to issue VUL products, where payments to policyholders are linked to internal investment funds set up by BDO Life. The VUL funds are managed by the Trust and Investment Group of the Parent Bank.

As of December 31, 2021 and 2020, BDO Life has 12 VUL funds. The details of the investment funds, which comprise the assets backing the unit-linked liabilities, are presented in the table below. The assets and liabilities of these investment funds have been consolidated to the appropriate accounts in the BDO Unibank Group's financial statements.

|  | <u>2021</u>     | <u>2020</u>     |
|--|-----------------|-----------------|
| Assets:                                |                 |                 |
| Cash and cash equivalents              | P 153           | P 24            |
| Financial assets at FVTPL              | 24,592          | 17,969          |
| Other receivables                      | <u>36</u>       | <u>35</u>       |
|  | <u>P 24,781</u> | <u>P 18,028</u> |
| Liabilities and Equity:                |                 |                 |
| Other liabilities                      | P 191           | P 216           |
| Net assets attributable to unitholders | <u>24,590</u>   | <u>17,812</u>   |
|  | <u>P 24,781</u> | <u>P 18,028</u> |

## 30. MERGERS AND ACQUISITIONS

### *30.1 Subscription of Additional Shares in BDO Remit International Holdings, B.V. (formerly CBN Grupo)*

On October 21, 2016, BDO Capital subscribed to an additional 3,273,000 shares in BDO Remit International Holdings, B.V. (BDO RIH) for P170, making BDO Capital the owner of approximately 96% of the outstanding capital stock of BDO RIH (see Note 15.2). The total goodwill recognized amounted to P123 and is presented as part of Goodwill under Other Resources on BDO Unibank Group's statements of financial position (see Notes 15.2 and 15.3).

On December 9, 2020, BDO Capital approved the corporate dissolution and liquidation of BDO RIH and to acquire its assets and assume its liabilities. Since the liabilities to be assumed by BDO Capital is higher than the assets it will absorb, BDO Capital also approved the additional investment in BDO RIH amounting to P276. This was approved by the BSP on November 9, 2021 and by the BDO RIH shareholders on February 2, 2022 (see Note 33.2).

### ***30.2 Merger of BDO Nomura and BDO Securities***

On June 23, 2020, the Parent Bank and Nomura Asia came to an agreement and signed a term sheet on the proposed buy-out of Nomura Asia's 49% equity stake in BDO Nomura. The BOD of the Parent Bank authorized BDO Capital to acquire the shares of Nomura Asia and the transaction was completed on November 25, 2020 with settlement amount of P42.

On July 2, 2020, the BOD of BDO Nomura and BDO Securities, at their respective meetings, approved the merger of the two companies, with BDO Securities as the surviving entity, and the Plan of Merger. The same were likewise approved by the respective stockholders of the two entities on July 7, 2020. The merger was approved by the SEC on November 25, 2020 and was implemented on December 1, 2020.

### ***30.3 Sale of Assets of BDO Leasing***

On May 25, 2019, the BOD of BDO Unibank approved the restructuring of the leasing business of the BDO Unibank Group. Under the restructuring, a new, privately-held company BDO Finance was incorporated on December 9, 2019 to carry on the leasing business of the BDO Unibank Group. BDO Leasing, on the other hand, has sold substantially all of its assets to BDO Unibank, BDO Finance and other subsidiaries.

On October 9, 2020, the BOD of BDO Finance approved the purchase of the BDO Rental shares owned by BDO Leasing. The sale was consummated through a Deed of Absolute Sale of Shares with BDO Rental becoming a wholly-owned subsidiary of BDO Finance. BDO Finance started its commercial operations on October 19, 2020. BDO Leasing remains a listed entity and will be re-purposed into a holding company, upon approval by the regulators.

### ***30.4 Dissolution of BDO Remit Italia***

On June 13, 2020, BDO Remit Italia has completed its liquidation and made partial repatriation of funds to BDO Strategic Holdings, Inc. amounting to P7. Final capital return was made on July 1, 2021 amounting to P51.

## 31. TAXES

### 31.1 Current and Deferred Taxes

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

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

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the BDO Unibank Group and the Parent Bank, was lower by P1,378 and P1,300, respectively, than the amount presented in the 2020 financial statements, and such amount was charged to 2021 profit or loss.

In 2021, the recognized net deferred tax assets as of December 31, 2020 was remeasured at 25% income tax rate. This resulted in a decline in the recognized deferred tax asset in 2020 for BDO Unibank Group and the Parent Bank by P684 and P650, respectively. Such adjustment was charged to 2021 profit or loss of BDO Unibank Group and Parent Bank by P1 and P3 and in other comprehensive income by P683 and P647, respectively.

The components of tax expense for the years ended December 31 follow:

|   | <u>BDO Unibank Group</u> |                        |                        |
|---|--------------------------|------------------------|------------------------|
|   | <u>2021</u>              | <u>2020</u>            | <u>2019</u>            |
| <i>Reported in profit or loss:</i>  |                          |                        |                        |
| Current tax expense:  |                          |                        |                        |
| Regular corporate income tax (RCIT)<br>at 25% and 30%   | P 9,422                  | P 14,762               | P 12,310               |
| Minimum corporate income tax (MCIT)<br>at 1% and 2%   | ( 5)                     | 33                     | 7                      |
| Adjustment in 2020 income taxes due to<br>change in income tax rate                               | ( 1,378)                 | -                      | -                      |
| Adjustment to current income tax from<br>prior year   | ( 13)                    | -                      | -                      |
| Final taxes at 20%, 15%, 10% and 7.5%   | <u>2,689</u>             | <u>2,286</u>           | <u>2,248</u>           |
|   | <b>10,715</b>            | 17,081                 | 14,565                 |
| Deferred tax expense (income) relating to<br>origination and reversal<br>of temporary differences |                          |                        |                        |
|   | 2,213                    | 695                    | 454                    |
| Effect of the change in income tax rate   | 1                        | -                      | -                      |
| Application of previously unrecognized MCIT   | <u>( 22)</u>             | <u>-</u>               | <u>-</u>               |
|   | <b><u>P 12,907</u></b>   | <b><u>P 17,776</u></b> | <b><u>P 15,019</u></b> |



|  | <b>BDO Unibank Group</b> |              |                  |
|--|--------------------------|--------------|------------------|
|  | <b>2021</b>              | <b>2020</b>  | <b>2019</b>      |
| <i>Reported in other comprehensive income:</i> |                          |              |                  |
| Actuarial losses                               | <b>(P 1,754)</b>         | P 321        | (P 1,016)        |
| Effect of the change in income tax rate        | <b>683</b>               | -            | -                |
| Fair value of financial assets at FVOCI        | <b>4</b>                 | -            | ( 30)            |
| Revaluation increment                          | <b>( 4)</b>              | -            | ( 23)            |
|  | <b>(P 1,071)</b>         | <b>P 321</b> | <b>(P 1,069)</b> |

|  | <b>Parent Bank</b> |                 |                 |
|--|--------------------|-----------------|-----------------|
|  | <b>2021</b>        | <b>2020</b>     | <b>2019</b>     |
| <i>Reported in profit or loss:</i>   |                    |                 |                 |
| Current tax expense:   |                    |                 |                 |
| RCIT at 25% and 30%  | <b>P 8,411</b>     | P 13,998        | P 11,219        |
| Final taxes at 20%, 15%, 10% and 7.5%  | <b>2,165</b>       | 1,801           | 1,745           |
| Adjustment in 2020 income taxes due to change in income tax rate                   | <b>( 1,300)</b>    | -               | -               |
| Adjustment to current income tax from prior year                                   | <b>( 13)</b>       | -               | -               |
|  | <b>9,263</b>       | 15,799          | 12,964          |
| Deferred tax expense relating to origination and reversal of temporary differences | <b>2,112</b>       | 483             | 412             |
| Effect of the change in income tax rate  | <b>3</b>           | -               | -               |
|  | <b>P 11,378</b>    | <b>P 16,282</b> | <b>P 13,376</b> |

|  |                  |              |                |
|--|------------------|--------------|----------------|
| <i>Reported in other comprehensive income:</i> |                  |              |                |
| Actuarial losses                               | <b>(P 1,649)</b> | P 314        | (P 960)        |
| Effect of the change in income tax rate        | <b>647</b>       | -            | -              |
| Fair value of financial assets at FVOCI        | <b>12</b>        | -            | -              |
| Revaluation increment                          | <b>( 4)</b>      | -            | ( 23)          |
|  | <b>(P 994)</b>   | <b>P 314</b> | <b>(P 983)</b> |

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below and in the succeeding page.

|  | <b>BDO Unibank Group</b> |                 |                 |
|--|--------------------------|-----------------|-----------------|
|  | <b>2021</b>              | <b>2020</b>     | <b>2019</b>     |
| Tax on pretax profit at 25% and 30%                              | <b>P 13,940</b>          | P 13,809        | P 17,756        |
| Adjustment for income subjected to lower income tax rates        | <b>( 561)</b>            | ( 879)          | ( 1,072)        |
| Adjustment in 2020 income taxes due to change in income tax rate | <b>( 1,377)</b>          | -               | -               |
| Tax effects of:  |                          |                 |                 |
| Income exempt from tax   | <b>( 2,884)</b>          | ( 4,062)        | ( 4,325)        |
| Non-deductible expenses  | <b>4,245</b>             | 9,736           | 3,557           |
| Deductible temporary differences not recognized                  | <b>( 312)</b>            | ( 903)          | ( 551)          |
| Application of previously unrecognized MCIT                      | <b>( 29)</b>             | -               | ( 15)           |
| Adjustment to current income tax from prior year                 | <b>( 13)</b>             | -               | -               |
| Net operating loss carryover (NOLCO) not recognized              | <b>4</b>                 | 91              | ( 89)           |
| Utilization of previously unrecognized NOLCO                     | <b>-</b>                 | ( 1)            | ( 25)           |
| Others   | <b>( 106)</b>            | ( 15)           | ( 217)          |
| Tax expense reported in profit or loss                           | <b>P 12,907</b>          | <b>P 17,776</b> | <b>P 15,019</b> |

|  | <b>Parent Bank</b> |               |             |        |             |        |
|--|--------------------|---------------|-------------|--------|-------------|--------|
|  | <b>2021</b>        |               | <b>2020</b> |        | <b>2019</b> |        |
| Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019     | <b>P</b>           | <b>13,515</b> | P           | 13,467 | P           | 17,283 |
| Adjustment for income subjected to lower income tax rates        | (                  | 436)          | (           | 865)   | (           | 872)   |
| Adjustment in 2020 income taxes due to change in income tax rate | (                  | 1,297)        | -           | -      | -           | -      |
| Tax effects of:  |                    |               |             |        |             |        |
| Income exempt from tax   | (                  | 4,120)        | (           | 4,969) | (           | 5,729) |
| Non-deductible expenses  |                    | 4,103         |             | 9,519  |             | 3,305  |
| Deductible temporary differences not recognized                  | (                  | 374)          | (           | 870)   | (           | 611)   |
| Adjustment to current income tax from prior year                 | (                  | 13)           | -           | -      | -           | -      |
| Tax expense reported in profit or loss                           | <b>P</b>           | <b>11,378</b> | P           | 16,282 | P           | 13,376 |

Components of the net deferred tax assets (see Note 15) as of December 31 follow:

|  | <b>Statements of Financial Position</b> |              |                    |              |          |              |   |              |
|--|---|--------------|--------------------|--------------|----------|--------------|---|--------------|
|  | <b>BDO Unibank Group</b>                |              | <b>Parent Bank</b> |              |          |              |   |              |
|  | <b>2021</b>                             | <b>2020</b>  | <b>2021</b>        | <b>2020</b>  |          |              |   |              |
| Deferred tax assets:                                     |   |              |                    |              |          |              |   |              |
| Allowance for impairment                                 | <b>P</b>                                | 4,088        | P                  | 6,376        | <b>P</b> | 3,747        | P | 5,858        |
| Unamortized past service costs                           |   | 2,577        |                    | 2,894        |          | 2,280        |   | 2,732        |
| Retirement obligation (net of OCI)                       |   | 606          | (                  | 803)         |          | 568          | ( | 778)         |
| Recognition of right-of-use assets and lease liabilities |   | 67           |                    | 23           |          | 47           |   | 21           |
| Others   |   | 66           |                    | 80           |          | -            |   | -            |
|  |   | <b>7,404</b> |                    | <b>8,570</b> |          | <b>6,642</b> |   | <b>7,833</b> |
| Deferred tax liabilities:                                |   |              |                    |              |          |              |   |              |
| Revaluation increment                                    |   | 337          |                    | 409          |          | 335          |   | 408          |
| Capitalized interest                                     |   | 33           |                    | 42           |          | 33           |   | 42           |
| Retirement asset (net of OCI)                            |   | -            |                    | -            |          | -            |   | -            |
| Changes in fair values of financial assets at FVOCI      |   | 11           |                    | 6            |          | 12           |   | -            |
| Lease income differential                                |   | 2            |                    | 2            |          | -            |   | -            |
| Others   |   | 253          |                    | 200          |          | -            |   | -            |
|  |   | <b>636</b>   |                    | <b>659</b>   |          | <b>380</b>   |   | <b>450</b>   |
| Net deferred tax assets                                  | <b>P</b>                                | <b>6,768</b> | P                  | 7,911        | <b>P</b> | <b>6,262</b> | P | 7,383        |

Movements in net deferred tax assets for the years ended December 31 follow:

**BDO Unibank Group**

|  | <b>Statements of Income</b> |              |             |       |             |       |
|--|-----------------------------|--------------|-------------|-------|-------------|-------|
|  | <b>2021</b>                 |              | <b>2020</b> |       | <b>2019</b> |       |
| Allowance for impairment                                 | <b>P</b>                    | <b>2,289</b> | P           | 160   | P           | 24    |
| Unamortized past service costs                           |                             | 317          | (           | 591)  | (           | 966)  |
| Retirement obligation                                    | (                           | 405)         |             | 1,059 |             | 1,292 |
| Recognition of right-of-use assets and lease liabilities | (                           | 45)          |             | 47    | (           | 70)   |
| Lease income differential                                |                             | -            |             | -     |             | 146   |
| Capitalized interest                                     | (                           | 9)           | (           | 3)    | (           | 3)    |
| Others   |                             | 67           |             | 23    |             | 31    |
| Deferred tax expense (income)                            | <b>P</b>                    | <b>2,214</b> | P           | 695   | P           | 454   |

**Parent Bank**

|  | <b>Statements of Income</b> |              |             |            |             |            |
|--|-----------------------------|--------------|-------------|------------|-------------|------------|
|  | <b>2021</b>                 |              | <b>2020</b> |            | <b>2019</b> |            |
| Retirement obligation                                    | (P                          | 412)         | P           | 1,012      | P           | 1,313      |
| Unamortized past service costs                           |                             | 451          | (           | 576)       | (           | 974)       |
| Lease income differential                                |                             | -            |             | -          |             | 146        |
| Allowance for impairment                                 |                             | 2,111        |             | -          |             | -          |
| Recognition of right-of-use assets and lease liabilities | (                           | 26)          |             | 49         | (           | 70)        |
| Capitalized interest                                     | (                           | 9)           | (           | 2)         | (           | 3)         |
| Deferred tax expense                                     | <b>P</b>                    | <b>2,115</b> | <b>P</b>    | <b>483</b> | <b>P</b>    | <b>412</b> |

|  | <b>Statements of Comprehensive Income</b> |               |             |                    |             |               |           |             |          |            |           |             |
|--|---|---------------|-------------|--------------------|-------------|---------------|-----------|-------------|----------|------------|-----------|-------------|
|  | <b>BDO Unibank Group</b>                  |               |             | <b>Parent Bank</b> |             |               |           |             |          |            |           |             |
|  | <b>2021</b>                               | <b>2020</b>   | <b>2019</b> | <b>2021</b>        | <b>2020</b> | <b>2019</b>   |           |             |          |            |           |             |
| Movements in actuarial losses                        | (P  | 1,004)        | P           | 321                | (P          | 1,016)        | (P        | 934)        | P        | 314        | (P        | 960)        |
| Movements in fair value of financial assets at FVOCI |   | 5             |             | -                  | (           | 30)           |           | 12          |          | -          |           | -           |
| Movements in revaluation increment                   | (   | 72)           |             | -                  | (           | 23)           | (         | 72)         |          | -          | (         | 23)         |
| Deferred tax income (income)                         | <b>(P</b>                                 | <b>1,071)</b> | <b>P</b>    | <b>321</b>         | <b>(P</b>   | <b>1,069)</b> | <b>(P</b> | <b>994)</b> | <b>P</b> | <b>314</b> | <b>(P</b> | <b>983)</b> |

The BDO Unibank Group is subject to MCIT, which is computed at 1% of gross income, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO and MCIT with the corresponding validity periods are as follows for the BDO Unibank Group (nil for the Parent Bank):

| <u>Year</u> | <u>NOLCO</u> | <u>MCIT</u> | <u>Valid Until</u> |
|-------------|--------------|-------------|--------------------|
| 2021        | P -          | P 1         | 2024               |
| 2020        | -            | 1           | 2025               |
|             | <u>P -</u>   | <u>P 2</u>  |                    |

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2021 and 2020 are as follows:

|                          | <b>BDO Unibank Group</b> |                   |                 |                   |
|--------------------------|--------------------------|-------------------|-----------------|-------------------|
|                          | <b>2021</b>              |                   | <b>2020</b>     |                   |
|                          | <b>Tax Base</b>          | <b>Tax Effect</b> | <b>Tax Base</b> | <b>Tax Effect</b> |
| Allowance for impairment | P 57,101                 | P 14,275          | P 43,447        | P 13,034          |
| NOLCO                    | -                        | -                 | 35              | 11                |
| MCIT                     | 2                        | 2                 | 33              | 32                |
| Others                   | <u>1,037</u>             | <u>259</u>        | <u>1,232</u>    | <u>370</u>        |
|                          | <b>P 58,140</b>          | <b>P 14,536</b>   | <b>P 44,747</b> | <b>P 13,447</b>   |

|                          | <b>Parent Bank</b>     |                        |                        |                        |
|--------------------------|------------------------|------------------------|------------------------|------------------------|
|                          | <u>2021</u>            |                        | <u>2020</u>            |                        |
|                          | <u>Tax Base</u>        | <u>Tax Effect</u>      | <u>Tax Base</u>        | <u>Tax Effect</u>      |
| Allowance for impairment | <b>P 56,568</b>        | <b>P 14,142</b>        | P 42,875               | P 12,862               |
| Others                   | <u>1,021</u>           | <u>255</u>             | <u>1,021</u>           | <u>306</u>             |
|                          | <b><u>P 57,589</u></b> | <b><u>P 14,397</u></b> | <b><u>P 43,896</u></b> | <b><u>P 13,168</u></b> |

The BDO Unibank Group and the Parent Bank continue claiming itemized deduction for income tax purposes.

### ***31.2 Gross Receipts Tax***

Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, is imposed on banks, non-banks financial intermediaries and finance companies (per RA 9238).

GRT is levied on the BDO Unibank Group's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 7%, 5% or 1% of the related income (per RA 9337).

### ***31.3 Documentary Stamp Tax***

Documentary stamp tax (DST) (at varying rates) is imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other notes payable at sight or on demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.

On December 19, 2017, RA No. 10963 known as Train Law was passed amending the rates of DST, the significant provisions of which are summarized as follows:

- (a) On every issue of debt instruments, there shall be collected a DST of one peso and fifty centavos on each two hundred pesos or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- (b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of one peso and 50 centavos on each two hundred pesos, or fractional part thereof, of the par value of such stock.

- (c) On all bills of exchange or drafts, there shall be collected a DST of 60 centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or draft.
- (d) The following instruments, documents and papers shall be exempt from DST:
- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
  - Loan agreements or promissory notes, the aggregate of which does not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
  - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of RA No. 9243;
  - Fixed income and other securities traded in the secondary market or through an exchange;
  - Derivatives including repurchase agreements and reverse repurchase agreements;
  - Bank deposit accounts without a fixed term or maturity; and,
  - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

#### ***31.4 Supplementary Information Required by the Bureau of Internal Revenue (BIR)***

The BIR issued Revenue Regulations (RR) No. 15-2010 on November 25, 2010, which required certain tax information to be disclosed as part of the notes to the financial statements.

The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Philippine SEC rules and regulations covering form and content of financial statements under the revised Securities Regulation Code Rule 68.

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

## 32. EARNINGS PER SHARE

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

|   | <u>2021</u>          | <u>2020</u>   | <u>2019</u>    |
|---|----------------------|---------------|----------------|
| Net profit attributable to shareholders of the Parent Bank                        | <b>P 42,791</b>      | P 28,246      | P 44,194       |
| Dividends on preferred shares   | <u>(340)</u>         | <u>(339)</u>  | <u>(339)</u>   |
| Net profit available to common shares   | <b>42,451</b>        | 27,907        | 43,855         |
| Divided by the weighted average number of outstanding common shares (in millions) | <u>4,385</u>         | <u>4,383</u>  | <u>4,378</u>   |
| Basic earnings per share  | <b><u>P 9.68</u></b> | <u>P 6.37</u> | <u>P 10.02</u> |

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

|   | <u>2021</u>          | <u>2020</u>   | <u>2019</u>    |
|---|----------------------|---------------|----------------|
| Net profit attributable to shareholders of the Parent Bank  | <b>P 42,791</b>      | P 27,907*     | P 43,855*      |
| Divided by the weighted average number of outstanding common shares (in millions):                      |                      |               |                |
| Outstanding common shares   | 4,385                | 4,383         | 4,378          |
| Potential common shares from assumed conversion of preferred shares                                     | 43                   | *             | *              |
| Potential common shares from stock option plan  | <u>**</u>            | <u>**</u>     | <u>**</u>      |
| Total weighted average number of common shares after assumed conversion of convertible preferred shares | <u>4,428</u>         | <u>4,383</u>  | <u>4,378</u>   |
| Diluted earnings per share  | <b><u>P 9.66</u></b> | <u>P 6.37</u> | <u>P 10.02</u> |

\* Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred share as these were not assumed to be converted.

\*\* Potential common shares from assumed conversion of stock option plan made through primary issuance do not significantly affect the computation of diluted earnings per share.

### 33. EVENTS AFTER THE REPORTING PERIOD

#### *33.1 Dividend*

On January 29, 2022, the Parent Bank's BOD approved the declaration of annual cash dividends on preferred shares "Series A" at the rate of 6.50% per annum of the par value for a total dividend of P339. The dividends will be paid within 60 days from dividend declaration date.

#### *33.2 Dissolution of BDO RIH*

On February 2, 2022, the shareholders of BDO RIH approved the dissolution of the company, additional capital infusion of the shareholders, completion of all acts to implement the dissolution, appointment of liquidator and custodian and the stepping down of the Board of Directors (see Note 30.1).

#### *33.3 Issuance of Fixed Rate Peso Bonds*

On January 28, 2022, the Parent Bank issued P52,700 million Peso-denominated fixed rate Association of Southeast Asian Nations (ASEAN) Sustainability Bonds under its P365 billion bond program. The bonds have a tenor of two years and a fixed rate of 2.90% per annum.

### 34. COMMITMENTS AND CONTINGENCIES

#### *34.1 Litigations*

BDO Unibank Group has pending claims and/or is a defendant in various legal actions arising from the ordinary course of business operations. As of December 31, 2021, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

##### *34.1.1 Applicability of RR 4-2011*

On March 15, 2011, the BIR issued Revenue Regulations No. 4-2011 (RR 4-2011) regarding the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes. RR 4-2011 prescribed a special method of allocation of cost and expenses for banks such that when computing the amount allowable as deduction from regular banking unit operations, all costs and expenses should first be allocated between the regular banking unit and Foreign Currency Deposit Unit (FCDU)/expanded FCDU or offshore banking unit.

On April 6, 2015, Consortium of Banks (Petitioners) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction, docketed as Civil Case No. 15-287 with the Regional Trial Court (RTC) of Makati. BDO Unibank Inc., and BDO Private Bank, Inc. are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR 4-2011.

In the Petition, the Petitioners sought to annul RR No. 4-2011 as there is no provision in the National Internal Revenue Code which authorized the issuance of RR 4-2011 that a bank's cost and expenses be allocated to its different income streams.

The Petitioners also claimed that RR 4-2011 deprived them of their legal right under the Tax Code to claim ordinary and necessary expenses as tax deductions.

On April 8, 2015, the RTC of Makati issued a temporary restraining order, enjoining the BIR from enforcing RR 4-2011. Subsequently, the RTC of Makati issued a Writ of Preliminary Injunction also enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Petitioners, including the issuance of preliminary assessment notice or final assessment notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

On May 25, 2018, the RTC declared RR 4-2011 as null and void. The writs of preliminary injunction issued by the RTC on April 25, 2015 and February 28, 2018 were also made permanent, thereby enjoining Department of Finance (DOF) and BIR from implementing RR 4-2011 and prohibiting them from issuing a preliminary assessment notice or final assessment notice, or deciding any administrative matter pending before it, according to or in relation to said regulation.

On July 10, 2018, the DOF and BIR filed a Motion for Extension of Time to File a Petition for Review on Certiorari (“Motion for Extension”) before the Supreme Court. The Supreme Court granted the Motion for Extension.

On August 9, 2018, DOF and BIR filed a Petition for Review on Certiorari dated August 1, 2018 (“Petition”) assailing the RTC decision based on the following grounds: (i) the RTC has no jurisdiction over petitions assailing the constitutionality and validity of tax laws, rules and regulation, and other administrative issuance of the BIR; (ii) the Court of Tax Appeals has the exclusive jurisdiction to determine the constitutionality or validity of Tax Laws, Rules and Regulations issued by the Commissioner of Internal Revenue; and, (iii) RR 4-2011 is a valid regulation issued pursuant to the rule-making power of the DOF and the BIR.

In a Resolution dated March 27, 2019, the Supreme Court ordered Respondents to file their Comment on the Petition. On August 5, 2019, the Consortium of Banks filed their Comment on/Opposition to the Petition for Review on Certiorari.

All other Respondents have filed their respective Comments and/or Oppositions to the Petition.

The case remains pending as of December 31, 2021.

#### ***34.1.2 First e-Bank***

In 2002, First e-Bank (“FeB”) experienced liquidity problems prompting PDIC to invite several banks to propose a solution for FeB’s bailout. PDIC entered into contract with BDO Unibank where in consideration of the assumption by BDO Unibank of FeB’s liabilities in the maximum amount of P10,000, PDIC will provide BDO Unibank P10,000 of Financial Assistance and PDIC will receive FeB’s assets to recover said financial assistance.

About P5,000 of the financial assistance was released to BDO Unibank and the remaining P5,000 was deposited in escrow with BDO - TIG in accordance with the escrow agreement dated October 23, 2002 entered into by BDO Unibank, PDIC, and BDO - TIG.



In August 2016, PDIC authorized the release of a total amount of P4,650 from escrow inclusive of proportional interest. However, as of August 26, 2016, the amount of P1,224 remains in escrow, which includes: (i) P602, which covers assets BDO Unibank still considers capable of delivery worth P214 and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on September 20, 2016, the PDIC filed a Complaint for Specific Performance and Damages against BDO Unibank, which case was raffled to RTC Makati City Branch 60.

On October 14, 2016, BDO Unibank filed its Answer to the Complaint affirming that it has assumed P10,000 in liabilities of FeB and is thus entitled to release of the remaining escrow of P1,224.

In a judgement dated May 31, 2018, RTC Makati dismissed the complaint, granted BDO Unibank's counterclaim and ordered BDO - TIG to immediately release the remaining escrow amount, plus interests, to BDO Unibank. PDIC filed Motion for Reconsideration but the same was denied by RTC Makati. PDIC filed Notice of Appeal. In the Decision dated June 15, 2020, the Court of Appeals (CA) dismissed PDIC's appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated January 25, 2021. PDIC filed Petition for Review with the Supreme Court.

On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. As of December 30, 2021, the difference between the amount received and the balance of the amount in escrow amounts to P572. This is presented as part of Others under Other Liabilities account and is not yet recognized as income due to the pending resolution of the Petition for Review filed by PDIC (see Note 21).

The case is still pending before the Supreme Court as of December 31, 2021.

### ***34.1.3 Others***

BDO Unibank Group is also a defendant in various cases pending in courts for alleged claims against BDO Unibank Group, the outcomes of which are not fully determinable at present. As of December 31, 2021, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of BDO Unibank Group and will be recognized if and when a final resolution by the courts is made on each claim.

## 34.2 Lease Commitments – as Lessor

### 34.2.1 Finance Leases

BDO Unibank Group, as a lessor, enters into a finance leases covering various equipment and vehicles with lease term ranging from one to more than five years. To manage its risks over these finance leases, the BDO Unibank Group retains its legal title over the underlying assets, and are used as securities over the finance lease receivables. Future minimum lease payments receivable (MLPR) under this finance lease together with the present value of net minimum lease payments receivable (NMLPR) follow:

|  | 2021               |                    | 2020               |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | <u>Future MLPR</u> | <u>PV of NMLPR</u> | <u>Future MLPR</u> | <u>PV of NMLPR</u> |
| Within one year                                | P 770              | P 767              | P 239              | P 238              |
| After one year but not more than two years     | 725                | 705                | 189                | 183                |
| After two years but not more than three years  | 616                | 506                | 138                | 123                |
| After three years but not more than five years | 224                | 129                | 106                | 66                 |
| More than five years                           | <u>3</u>           | <u>2</u>           | <u>10</u>          | <u>6</u>           |
| Total MLPR                                     | 2,338              | 2,109              | 682                | 616                |
| Unearned lease income                          | ( <u>229</u> )     | -                  | ( <u>66</u> )      | -                  |
| Present value of MLPR                          | <u>P 2,109</u>     | <u>P 2,109</u>     | <u>P 616</u>       | <u>P 616</u>       |

### 34.2.2 Operating Leases

The BDO Unibank Group and the Parent Bank entered into various operating leases covering land, offices and equipment with lease terms ranging from less than 1 year to 5.5 years. Operating lease income, presented under Rental account as part of Other Operating Income and Expenses in the BDO Unibank Group's statements of income for the years ended December 31, 2021, 2020 and 2019, amounted to P1,269, P1,430 and P1,526, respectively, for the BDO Unibank Group and P482, P514 and P523, respectively, for the Parent Bank (see Note 25).

Future minimum rental receivables as of December 31, 2021 under operating leases follow:

|                                     | BDO                  |                    |
|-------------------------------------|----------------------|--------------------|
|                                     | <u>Unibank Group</u> | <u>Parent Bank</u> |
| Within one year                     | P 1,124              | P 471              |
| More than one year to two years     | 678                  | 315                |
| More than two years to three years  | 470                  | 233                |
| More than three years to four years | 206                  | 165                |
| More than four years to five years  | 133                  | 70                 |
| More than five years                | <u>89</u>            | <u>7</u>           |
|                                     | <u>P 2,700</u>       | <u>P 1,261</u>     |

### 35. CONTINUING IMPACT OF COVID-19

The year 2021 was marked by sustained efforts to mitigate the impact of the pandemic and learning to operate with the reality of COVID-19. Following were the measures undertaken by the BDO Unibank Group during the year:

- Since October 2020, branches continued to operate until 4pm, close to operating at pre-pandemic banking schedules, with certain adjustments made to comply with temporary stricter guidelines imposed by the Inter-Agency Task Force (IATF) and local government units;
- Digital banking channels, including BDO Pay which was introduced in early 2021, continued to be enhanced to provide increased and alternative access for clients;
- To further strengthen cybersecurity, the Parent Bank institutionalized vulnerability management measures by performing regular vulnerability assessments and penetration testing. A Security Operations Center (SOC), supplemented with threat intelligence providers, is in place to continuously monitor and immediately respond to IT security events and incidents;
- Dual site processing capabilities and team redundancies remained in place to ensure business continuity; and,
- Occupational safety and health standards continued to be maintained to provide a safe and sanitized environment for both customer and employees through the strict observance of health and safety protocols. Vaccination efforts and periodic testing for employees continued to be pursued to minimize infection within the workplace.

With these measures in place to adapt to and address pandemic-related issues in 2021, the Parent Bank saw more stable operations and increasingly positive results as the economy continued with its recovery. Overall net impact is an increase in net profit of 52% and 49% for BDO Unibank Group and the Parent Bank, respectively, compared to that of 2020.

36. **SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP**

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks*.

(a) *Selected Financial Performance Indicators*

The following are some indicators of the of BDO Unibank Group and Parent Bank's financial performance.

|                                    | <u>2021</u>  | <u>2020</u> | <u>2019</u> |
|------------------------------------|--------------|-------------|-------------|
| <b><u>BDO Unibank Group</u></b>    |              |             |             |
| Return on common equity*:          |              |             |             |
| <u>Net profit</u>                  | <b>10.5%</b> | 7.6%        | 12.8%       |
| Average common equity              |              |             |             |
| Return on average equity*:         |              |             |             |
| <u>Net profit</u>                  | <b>10.4%</b> | 7.5%        | 12.6%       |
| Average total capital accounts     |              |             |             |
| Return on average resources*:      |              |             |             |
| <u>Net profit</u>                  | <b>1.2%</b>  | 0.9%        | 1.4%        |
| Average total resources            |              |             |             |
| Net interest margin*:              |              |             |             |
| <u>Net interest income</u>         | <b>4.0%</b>  | 4.4%        | 4.1%        |
| Average interest earning resources |              |             |             |
| <b><u>Parent Bank</u></b>          |              |             |             |
| Return on common equity*:          |              |             |             |
| <u>Net profit</u>                  | <b>10.5%</b> | 7.6%        | 12.8%       |
| Average total common equity        |              |             |             |
| Return on average equity*:         |              |             |             |
| <u>Net profit</u>                  | <b>10.4%</b> | 7.6%        | 12.7%       |
| Average total capital accounts     |              |             |             |
| Return on average resources*:      |              |             |             |
| <u>Net profit</u>                  | <b>1.3%</b>  | 0.9%        | 1.5%        |
| Average total resources            |              |             |             |
| Net interest margin*:              |              |             |             |
| <u>Net interest income</u>         | <b>4.0%</b>  | 4.4%        | 4.1%        |
| Average interest earning resources |              |             |             |

\* *Average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at average of December 2020, March 2021, June 2021, September 2021 and December 2021. (5 data points)*

(b) *Capital Instruments Issued*

As of December 31, 2021 and 2020, the BDO Unibank Group has only two classes of capital stock, which are common and preferred shares.

(c) *Significant Credit Exposures for Loans*

The BDO Unibank Group and Parent Bank's concentration of credit as to industry for its receivables from customer's gross of allowance for ECL below (amounts in millions) are disclosed in Note 4.3.3.

| <b>BDO Unibank Group</b>   | 2021             |             | 2020               |             |
|--|------------------|-------------|--------------------|-------------|
|  | Amount           | Percentage  | Amount             | Percentage  |
| Financial and insurance activities   | P 397,823        | 16.6%       | P 335,487          | 14.8%       |
| Activities of private household<br>as employers and undifferentiated<br>goods and services and producing<br>activities of households for own use | 356,129          | 14.8%       | 315,727            | 13.9%       |
| Real estate activities   | 307,048          | 12.8%       | 308,681            | 13.6%       |
| Wholesale and retail trade   | 282,446          | 11.8%       | 271,485            | 12.0%       |
| Electricity, gas, steam and<br>air-conditioning supply   | 282,036          | 11.8%       | 265,210            | 11.7%       |
| Manufacturing  | 206,445          | 8.6%        | 195,586            | 8.6%        |
| Transportation and storage   | 88,043           | 3.7%        | 92,578             | 4.1%        |
| Arts, entertainment and recreation   | 77,010           | 3.2%        | 77,734             | 3.4%        |
| Construction   | 68,951           | 2.9%        | 69,067             | 3.1%        |
| Information and communication  | 42,845           | 1.8%        | 34,477             | 1.5%        |
| Accommodation and food service<br>activities   | 39,937           | 1.7%        | 39,699             | 1.8%        |
| Education  | 37,199           | 1.5%        | 32,296             | 1.4%        |
| Human health and social service activities   | 30,653           | 1.3%        | 29,859             | 1.3%        |
| Water supply, sewerage, waste<br>management and remediation activities   | 26,912           | 1.1%        | 24,017             | 1.1%        |
| Agriculture, forestry and fishing  | 15,266           | 0.6%        | 15,011             | 0.7%        |
| Mining and quarrying   | 10,175           | 0.4%        | 16,172             | 0.7%        |
| Professional, scientific, and technical<br>activities  | 9,642            | 0.4%        | 10,255             | 0.5%        |
| Administrative and support services  | 7,592            | 0.3%        | 8,237              | 0.4%        |
| Public administrative and defense;<br>compulsory social security   | 693              | 0.0%        | 723                | 0.0%        |
| Activities of extraterritorial and<br>organizations and bodies   | -                | 0.0%        | 5                  | 0.0%        |
| Other service activities   | 113,348          | 4.7%        | 121,396            | 5.4%        |
| <b>P</b>   | <b>2,400,193</b> | <b>100%</b> | <b>P 2,263,702</b> | <b>100%</b> |

|  | 2021                      |                    | 2020                      |                    |
|--|---------------------------|--------------------|---------------------------|--------------------|
|  | Amount                    | Percentage         | Amount                    | Percentage         |
| <b><u>Parent Bank</u></b>  |                           |                    |                           |                    |
| Financial and insurance activities   | P 397,733                 | 16.9%              | P 334,720                 | 15.1%              |
| Activities of private household<br>as employers and undifferentiated<br>goods and services and producing<br>activities of households for own use | 347,713                   | 14.8%              | 307,500                   | 13.8%              |
| Real estate activities   | 308,053                   | 13.1%              | 310,133                   | 13.9%              |
| Electricity, gas, steam and<br>air-conditioning supply   | 281,990                   | 12.0%              | 265,067                   | 11.9%              |
| Wholesale and retail trade   | 278,173                   | 11.8%              | 268,590                   | 12.1%              |
| Manufacturing  | 205,679                   | 8.7%               | 195,035                   | 8.8%               |
| Transportation and storage   | 88,607                    | 3.8%               | 93,701                    | 4.2%               |
| Arts, entertainment and recreation   | 76,004                    | 3.3%               | 76,699                    | 3.5%               |
| Construction   | 68,108                    | 2.9%               | 68,752                    | 3.1%               |
| Information and communication  | 42,634                    | 1.8%               | 34,276                    | 1.5%               |
| Accommodation and food service<br>activities   | 39,688                    | 1.7%               | 39,484                    | 1.8%               |
| Human health and social service activities   | 30,392                    | 1.3%               | 29,693                    | 1.3%               |
| Water supply, sewerage, waste<br>management and remediation activities   | 26,870                    | 1.2%               | 24,014                    | 1.1%               |
| Mining and quarrying   | 10,122                    | 0.4%               | 16,150                    | 0.7%               |
| Agriculture, forestry and fishing  | 14,600                    | 0.6%               | 14,368                    | 0.6%               |
| Professional, scientific, and technical<br>activities  | 9,601                     | 0.4%               | 10,241                    | 0.5%               |
| Administrative and support services  | 7,430                     | 0.3%               | 8,182                     | 0.4%               |
| Education  | 4,373                     | 0.2%               | 5,043                     | 0.2%               |
| Public administrative and defense;<br>compulsory social security   | 693                       | 0.0%               | 723                       | 0.0%               |
| Activities of extraterritorial and<br>organizations and bodies   | -                         | 0.0%               | 5                         | 0.0%               |
| Other service activities   | 113,088                   | 4.8%               | 122,118                   | 5.5%               |
|  | <b><u>P 2,351,551</u></b> | <b><u>100%</u></b> | <b><u>P 2,224,494</u></b> | <b><u>100%</u></b> |

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below:

|                                 | 2021                      |                        |                           |
|---------------------------------|---------------------------|------------------------|---------------------------|
|                                 | Performing                | Non-Performing         | Total Loan Portfolio      |
| <b><u>BDO Unibank Group</u></b> |                           |                        |                           |
| Gross carrying amount           |                           |                        |                           |
| Corporate                       | P 1,860,981               | P 21,443               | P 1,882,424               |
| Consumer                        | 468,097                   | 49,672                 | 517,769                   |
| Allowance for ECL               | ( 31,001)                 | ( 34,258)              | ( 65,259)                 |
| Net carrying amount             | <b><u>P 2,298,077</u></b> | <b><u>P 36,857</u></b> | <b><u>P 2,334,934</u></b> |
| <b><u>Parent Bank</u></b>       |                           |                        |                           |
| Gross carrying amount           |                           |                        |                           |
| Corporate                       | P 1,855,300               | P 21,443               | P 1,876,743               |
| Consumer                        | 428,553                   | 46,255                 | 474,808                   |
| Allowance for ECL               | ( 30,535)                 | ( 32,739)              | ( 63,274)                 |
| Net carrying amount             | <b><u>P 2,253,318</u></b> | <b><u>P 34,959</u></b> | <b><u>P 2,288,277</u></b> |

|                                 | 2020               |                            |                                 |
|---------------------------------|--------------------|----------------------------|---------------------------------|
|                                 | <u>Performing</u>  | <u>Non-<br/>Performing</u> | <u>Total Loan<br/>Portfolio</u> |
| <b><u>BDO Unibank Group</u></b> |                    |                            |                                 |
| Gross carrying amount           |                    |                            |                                 |
| Corporate                       | P 1,745,057        | P 19,253                   | P 1,764,310                     |
| Consumer                        | 455,528            | 43,864                     | 499,392                         |
| Allowance for ECL               | ( 27,878)          | ( 28,542)                  | ( 56,420)                       |
| Net carrying amount             | <u>P 2,172,707</u> | <u>P 34,575</u>            | <u>P 2,207,282</u>              |
| <b><u>Parent Bank</u></b>       |                    |                            |                                 |
| Gross carrying amount           |                    |                            |                                 |
| Corporate                       | P 1,741,115        | P 19,253                   | P 1,760,368                     |
| Consumer                        | 423,904            | 40,223                     | 464,127                         |
| Allowance for ECL               | ( 27,143)          | ( 26,846)                  | ( 53,989)                       |
| Net carrying amount             | <u>P 2,137,876</u> | <u>P 32,630</u>            | <u>P 2,170,506</u>              |

Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2021 and 2020 are presented below as net of specific allowance for impairment in compliance with BSP Circular No. 941, *Amendments to Regulations on Past Due and Non-Performing Loans*.

|                          | <u>BDO Unibank Group</u> |                 | <u>Parent Bank</u>     |                 |
|--------------------------|--------------------------|-----------------|------------------------|-----------------|
|                          | <u>2021</u>              | <u>2020</u>     | <u>2021</u>            | <u>2020</u>     |
| NPL                      | <b>P 69,821</b>          | P 61,644        | <b>P 66,601</b>        | P 58,200        |
| Allowance for impairment | <b>( 33,498)</b>         | ( 27,822)       | <b>( 32,149)</b>       | ( 26,293)       |
|                          | <b><u>P 36,323</u></b>   | <u>P 33,822</u> | <b><u>P 34,452</u></b> | <u>P 31,907</u> |

Per MORB, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

As at December 31, 2021 and 2020, the non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

|   | <b>BDO Unibank Group</b> |                 | <b>Parent Bank</b>     |                 |
|---|--------------------------|-----------------|------------------------|-----------------|
|   | <b>2021</b>              | <b>2020</b>     | <b>2021</b>            | <b>2020</b>     |
| Gross NPLs  | <b>P 69,821</b>          | P 61,644        | <b>P 66,601</b>        | P 58,200        |
| NPLs fully covered by allowance<br>for impairment | <b>( 9,689)</b>          | ( 8,162)        | <b>( 9,359)</b>        | ( 7,071)        |
|   | <b><u>P 60,132</u></b>   | <u>P 53,482</u> | <b><u>P 57,242</u></b> | <u>P 51,129</u> |

Restructured loans are generally considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six months; or (b) written off.

Restructured loans amount to P143,337 and P68,643 for BDO Unibank Group and P142,062 and P68,246 for Parent Bank as of December 31, 2021 and 2020, respectively. The related allowance for credit loss of such loans amounted to P21,137 and P7,159 for BDO Unibank Group and P20,578 and P7,025 for Parent Bank as of December 31, 2021 and 2020, respectively.

As of December 31, 2021, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank as reported to BSP were 2.80% and 1.46%, and 2.72% and 1.41%, respectively. As of December 31, 2020, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank were 2.65% and 1.45%, and 2.54% and 1.39%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

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

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

|                      | <b>BDO Unibank Group</b>  |                    | <b>Parent Bank</b>        |                    |
|----------------------|---------------------------|--------------------|---------------------------|--------------------|
|                      | <b>2021</b>               | <b>2020</b>        | <b>2021</b>               | <b>2020</b>        |
| Secured:             |                           |                    |                           |                    |
| Real estate mortgage | <b>P 327,719</b>          | P 327,568          | <b>P 320,993</b>          | P 322,764          |
| Chattel mortgage     | <b>94,875</b>             | 104,264            | <b>92,748</b>             | 103,629            |
| Other securities     | <b>83,797</b>             | 90,842             | <b>81,998</b>             | 89,721             |
|                      | <b>506,391</b>            | 522,674            | <b>495,739</b>            | 516,114            |
| Unsecured            | <b><u>1,893,802</u></b>   | <u>1,741,028</u>   | <b><u>1,855,812</u></b>   | <u>1,708,381</u>   |
|                      | <b><u>P 2,400,193</u></b> | <u>P 2,263,702</u> | <b><u>P 2,351,551</u></b> | <u>P 2,224,495</u> |



(f) *Information on Related Party Loans*

In the ordinary course of business, the Parent Bank has loan transactions with each other, their other affiliates, and with certain DOSRI. Under existing policies of the Parent Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Parent Bank and/or any of its lending and nonbank financial subsidiaries. In aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the BDO Unibank Group and the Parent Bank, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 as reported to the BSP:

|  | <u>BDO Unibank Group</u> |             | <u>Parent Bank</u> |             |
|--|--------------------------|-------------|--------------------|-------------|
|  | <u>2021</u>              | <u>2020</u> | <u>2021</u>        | <u>2020</u> |
| Total DOSRI loans                                    | <b>P 36,334</b>          | P 25,371    | <b>P 36,331</b>    | P 25,366    |
| Unsecured DOSRI loans                                | <b>1,919</b>             | 1,799       | <b>1,919</b>       | 1,799       |
| Past due DOSRI loans                                 | <b>3</b>                 | 3           | <b>3</b>           | 3           |
| Non-performing DOSRI loans                           | <b>12</b>                | 11          | <b>12</b>          | 11          |
| % of DOSRI loans to total loan portfolio             | <b>1.51%</b>             | 1.12%       | <b>1.54%</b>       | 1.14%       |
| % of unsecured DOSRI loans to total DOSRI loans      | <b>5.28%</b>             | 7.09%       | <b>5.28%</b>       | 7.09%       |
| % of past due DOSRI loans to total DOSRI loans       | <b>0.01%</b>             | 0.01%       | <b>0.01%</b>       | 0.01%       |
| % of non-performing DOSRI loans to total DOSRI loans | <b>0.03%</b>             | 0.05%       | <b>0.03%</b>       | 0.05%       |

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 0.00% to 9.00% in 2021, 2020 and 2019 (except for credit card receivables which bear a monthly interest rate of 0.00% to 3.64% in 2021, in 2020 and 2019).

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

|  | <u>BDO Unibank Group</u> |             | <u>Parent Bank</u> |             |
|--|--------------------------|-------------|--------------------|-------------|
|  | <u>2021</u>              | <u>2020</u> | <u>2021</u>        | <u>2020</u> |
| Total Related Party loans  | <b>P 111,024</b>         | P 104,916   | <b>P 110,966</b>   | P 104,372   |
| Unsecured Related Party  | <b>66,036</b>            | 60,568      | <b>66,036</b>      | 60,568      |
| Past due Related Party   | <b>3</b>                 | 54          | <b>3</b>           | 54          |
| Non-performing Related Party   | <b>12</b>                | 62          | <b>12</b>          | 62          |
| % of Related Party loans to total loan portfolio                     | <b>4.63%</b>             | 4.63%       | <b>4.72%</b>       | 4.69%       |
| % of unsecured Related Party loans to total Related Party loans      | <b>59.48%</b>            | 57.73%      | <b>59.51%</b>      | 58.03%      |
| % of past due Related Party loans to total Related Party loans       | <b>0.00%</b>             | 0.05%       | <b>0.00%</b>       | 0.05%       |
| % of non-performing Related Party loans to total Related Party loans | <b>0.01%</b>             | 0.06%       | <b>0.01%</b>       | 0.06%       |

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10.0% of the BDO Unibank Group's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Bank.

As of December 31, 2021 and 2020, the BDO Unibank Group and Parent Bank is in compliance with these regulatory requirements.

*(g) Secured Liabilities and Assets Pledged as Security*

The aggregate amount of resources pledged as security and secured liabilities in 2021 totaled to P1,320 and P1,088 for the BDO Unibank Group and nil for the Parent Bank, respectively. On 2020, the BDO Unibank Group and the Parent Bank did not have any secured liabilities or assets pledged as security.

*(h) Contingencies and Commitments arising from Off-Balance Sheet Items*

In the normal course of BDO Unibank Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in BDO Unibank Group's financial statements. BDO Unibank Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2021 and 2020, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group as a result of the above commitments and contingencies.

The summary of BDO Unibank Group's commitments and contingent accounts is shown below.

|                                     | Notes | <b>BDO Unibank Group</b> |             | <b>Parent Bank</b> |             |
|-------------------------------------|-------|--------------------------|-------------|--------------------|-------------|
|                                     |       | <b>2021</b>              | 2020        | <b>2021</b>        | 2020        |
| Trust department accounts           | 28    | <b>P 1,778,718</b>       | P 1,629,129 | <b>P 1,230,870</b> | P 1,124,422 |
| Committed credit lines              | 4.3.2 | <b>433,247</b>           | 424,703     | <b>433,247</b>     | 424,703     |
| Forward exchange sold               |       | <b>190,055</b>           | 166,992     | <b>164,674</b>     | 147,543     |
| Forward exchange bought             |       | <b>177,434</b>           | 155,430     | <b>153,492</b>     | 133,914     |
| Unused commercial letters of credit | 4.3.2 | <b>75,758</b>            | 52,029      | <b>75,758</b>      | 52,029      |
| Spot exchange sold                  |       | <b>15,646</b>            | 15,368      | <b>15,618</b>      | 15,099      |
| Spot exchange bought                |       | <b>9,233</b>             | 3,973       | <b>9,205</b>       | 3,705       |
| Bills for collection                |       | <b>8,673</b>             | 14,625      | <b>8,673</b>       | 14,625      |
| ROP warrants                        |       | <b>8,475</b>             | 8,475       | <b>8,475</b>       | 8,475       |
| Interest rate swap receivable       |       | <b>6,993</b>             | 7,956       | <b>4,493</b>       | 4,254       |
| Interest rate swap payable          |       | <b>6,993</b>             | 7,956       | <b>4,493</b>       | 4,254       |
| Other contingent accounts           |       | <b>4,710</b>             | 3,278       | <b>3,049</b>       | 3,038       |
| Export letters of credit confirmed  |       | <b>4,644</b>             | 6,293       | <b>4,644</b>       | 6,293       |
| Outstanding guarantees issued       |       | <b>4,202</b>             | 3,469       | <b>4,202</b>       | 3,469       |
| Late deposits/payments received     |       | <b>461</b>               | 1,262       | <b>450</b>         | 1,252       |

**Report of Independent Auditors  
to Accompany Supplementary  
Schedules Required by the  
Securities and Exchange Commission  
Filed Separately from the  
Basic Financial Statements**

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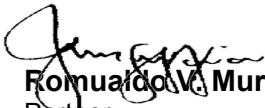
**Punongbayan & Araullo**  
20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors and the Stockholders  
BDO Unibank, Inc.**  
BDO Corporate Center

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and BDO Unibank, Inc. for the year ended December 31, 2021, on which we have rendered our report thereon dated February 24, 2022. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules (see Table of Contents) of the BDO Unibank Group as of December 31, 2021 and for the year then ended, are presented for purposes of additional analysis in compliance with the requirements of the Revised Securities Regulation Code Rule 68, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary schedules are the responsibility of management. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

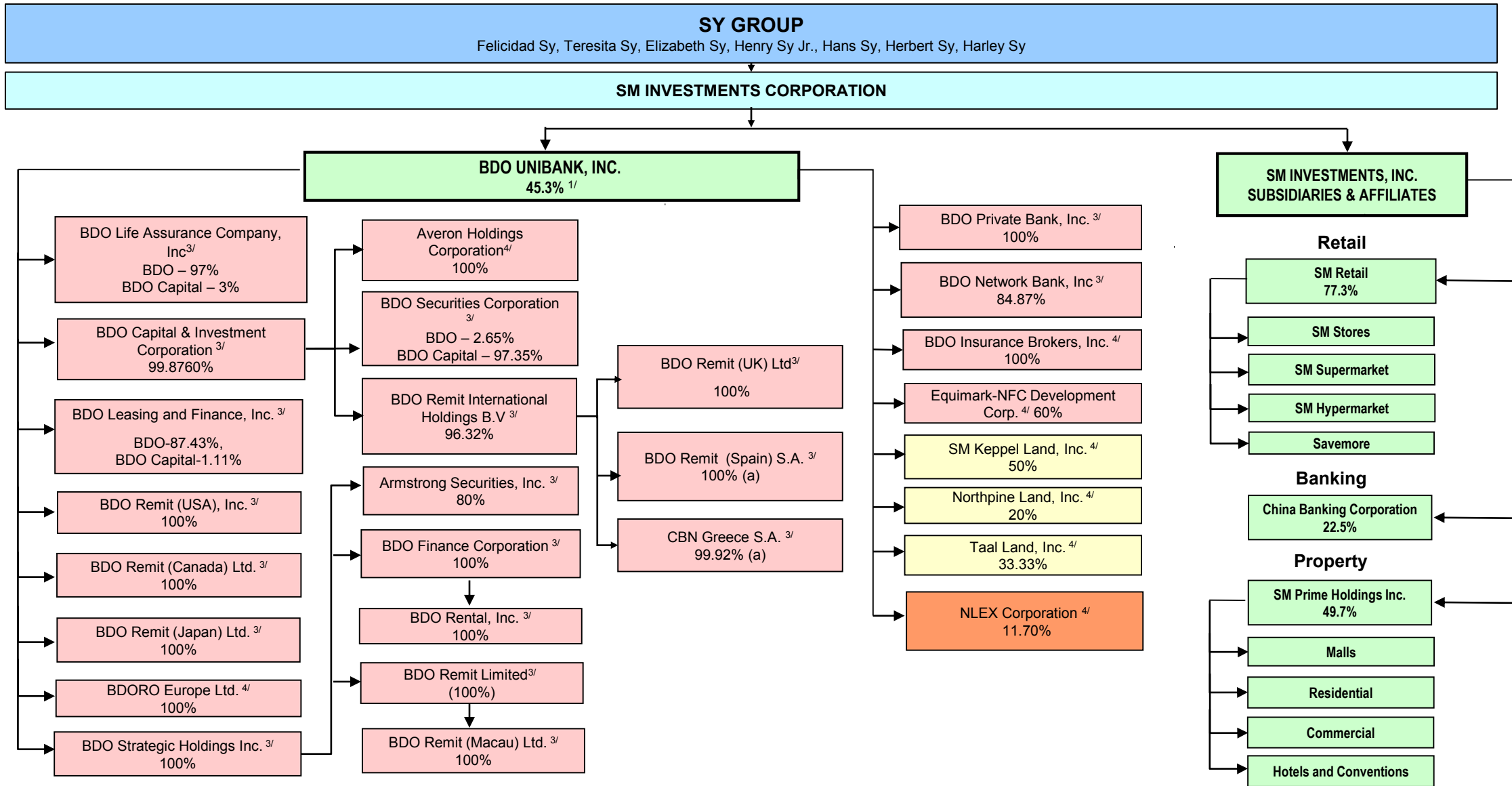
**PUNONGBAYAN & ARAULLO**

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

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 8852339, January 3, 2022, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-4 (until Sept. 4, 2022)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2021

**BDO Unibank, Inc. Group Map**  
As of **December 31, 2021**



<sup>1/</sup> SMIC's effective ownership as of December 31, 2021 (includes direct & indirect ownership)

<sup>2/</sup> Entities related to BDO through common ownership/directorship/officership

<sup>3/</sup> Financial entities

<sup>4/</sup> Non-Financial entities

(a) For dissolution / under liquidation

- SMIC's Subsidiaries/Affiliates
- Stockholder of BDO
- Subsidiary
- Affiliate
- Other Related Party

**BDO Unibank, Inc. and Subsidiaries**  
**SEC Supplementary Schedules**  
**December 31, 2021**

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*Note: \*Not Applicable*

## Supplemental Statement of Independent Auditors

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**Punongbayan & Araullo**

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6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 8988 2288

**The Board of Directors**

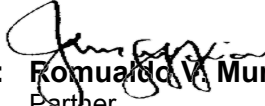
**BDO Unibank, Inc.**

BDO Corporate Center,  
7899 Makati Avenue, Makati City

We have audited the financial statements of BDO Unibank, Inc. (the Bank) for the year ended December 31, 2021, on which we have rendered the attached report dated February 24, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has 10,728 stockholders owning 100 or more shares each of the Bank's capital stock as of December 31, 2021.

### **PUNONGBAYAN & ARAULLO**

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

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 8852339, January 3, 2022, Makati City  
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BIR AN 08-002511-022-2019 (until Sept. 4, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2022

## ANNEX 68-D

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

As of December 31, 2021

*(Amounts in Millions)*

## BDO Unibank, Inc.

BDO Corporate Center, 7899 Makati Avenue, Makati City

|   |   |                |                         |
|---|---|----------------|-------------------------|
| Unappropriated Retained Earnings at Beginning of Year   | P | 214,207        |                         |
| Prior Year's Outstanding Reconciling Items, net of tax  |   |                |                         |
| Accumulated Income from Subsidiaries and Associates (net of dividends received)                             | ( | 16,218)        |                         |
| Deferred tax income   | ( | <u>7,833</u> ) |                         |
| Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year |   |                | <b>P 190,156</b>        |
| <b>Add: Net income actually earned/realized during the period</b>   |   |                |                         |
| Net income during the period closed to Retained Earnings  |   | <u>42,681</u>  |                         |
| Less: Non-actual/unrealized income net of tax:  |   |                |                         |
| Equity in net income of associates/joint venture  |   | 6,350          |                         |
| Unrealized foreign exchange gains - net   |   | 1,928          |                         |
| Deferred tax income   |   | 447            |                         |
| Fair value adjustment (MTM gains)   |   | <u>166</u>     |                         |
| Sub-total   |   | <u>8,891</u>   |                         |
| <b>Net income actually earned during the period</b>   |   |                | <b>33,790</b>           |
| Add (Less):   |   |                |                         |
| Dividend declarations during the period   | ( | 5,602)         |                         |
| Appropriations of Retained Earnings during the period   | ( | <u>1,557</u> ) |                         |
| Sub-total   |   |                | <b>( <u>7,159</u> )</b> |
| <b>TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND</b>                                      |   |                | <b><u>P 216,787</u></b> |



## Annex 68-E

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

## BDO UNIBANK, INC. AND SUBSIDIARIES

As of December 31, 2021

| Ratio                        | Formula  | Current Year | Prior Year |
|------------------------------|--|--------------|------------|
| Current ratio                | $\frac{\text{Current resources}}{\text{Current liabilities}}$  | 45.6%        | 52.4%      |
| Acid test ratio              | $\frac{\text{Cash \& cash equivalents} + \text{Marketable securities} + \text{Current receivables}}{\text{Current liabilities}}$ | 45.6%        | 52.3%      |
| Solvency ratio               | $\frac{\text{Total liabilities}}{\text{Total resources}}$  | 88.3%        | 88.4%      |
| Debt-to-equity ratio         | $\frac{\text{Total liabilities}}{\text{Total equity}}$   | 753.6%       | 758.7%     |
| Asset-to-equity ratio        | $\frac{\text{Total resources}}{\text{Total equity}}$   | 853.6%       | 858.7%     |
| Interest rate coverage ratio | $\frac{\text{Earnings before interest and taxes (EBIT)}}{\text{Interest expense}}$   | 512.0%       | 297.3%     |
| Return on equity             | $\frac{\text{Net profit}}{\text{Average total capital accounts}}$  | 10.4%        | 7.5%       |
| Return on assets             | $\frac{\text{Net profit}}{\text{Average total resources}}$   | 1.2%         | 0.9%       |
| Net profit margin            | $\frac{\text{Net profit}}{\text{Revenues}}$  | 20.8%        | 13.3%      |
| <b>Other ratios:</b>         |  |              |            |
| Net Interest Margin          | $\frac{\text{Net interest income}}{\text{Average interest earning resources}}$   | 4.0%         | 4.4%       |
| Return on Common Equity      | $\frac{\text{Net Profit}}{\text{Average common equity}}$   | 10.5%        | 7.6%       |
| Liquidity ratio              | $\frac{\text{Total liquid resources}}{\text{Total resources}}$   | 32.2%        | 30.8%      |
| Capital to risk Assets ratio | Combined credit, market and operational risk   | 14.7%        | 14.4%      |
| Basel III Leverage ratio     | $\frac{\text{Capital Measure}}{\text{Exposure Measure}}$   | 10.3%        | 10.2%      |
| Liquidity Coverage ratio     | $\frac{\text{Total Stock of High Quality Liquid Assets}}{\text{Total net cash outflows}}$  | 145.4%       | 127.1%     |
| Net Stable Funding ratio     | $\frac{\text{Available Stable Funding}}{\text{Required Stable Funding}}$   | 123.5%       | 122.0%     |

**SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC**

**BDO Unibank, Inc. and Subsidiaries**  
**For the period ended December 31, 2021**  
**(In millions)**

|  | Fixed Rate Peso<br>Bonds |
|--|--------------------------|
| 1. Gross and net proceeds as disclosed in the final prospectus | Nothing to report        |
| 2. Actual gross and net proceeds                               |                          |
| Gross  | -                        |
| Net  | -                        |
| 3. Each expenditure item where the proceeds were used          |                          |
| Reserves   | -                        |
| Loans  | -                        |
| 4. Balance of the proceeds as of the end of reporting period   | -                        |

BDO Unibank, Inc. and Subsidiaries  
Schedule A - Financial Assets  
December 31, 2021  
(In Millions)

| Type of Securities  | Number of Shares or<br>Principal Amount of<br>Bonds and Notes | Amount shown in<br>the Statement of<br>Financial Position | Valued based on<br>Market Quotation at<br>End of Reporting<br>Period | Income<br>Received<br>and Accrued |
|---|---|---|--|-----------------------------------|
| <b><u>Financial assets at fair value through profit or loss</u></b> |   |   |  |                                   |
| Derivatives   | 163,556   | P 6,232   | P 6,232  | P 730                             |
| Government bonds  | 13,597  | 5,427   | 5,427  | 36                                |
| Other debt securities   | 1,298   | 4,679   | 4,679  | 13                                |
| Equity securities   | 6,478   | 31,596  | 31,596   | 8                                 |
|   |   | 47,934  | 47,934   | 787                               |
| <b><u>Fair value through other comprehensive income</u></b>         |   |   |  |                                   |
| Government debt   | 101,485   | 110,182   | 110,182  | 1,221                             |
| Other debt securities   | 52,913  | 55,279  | 55,279   | 590                               |
| Equity securities   | 698   | 5,332   | 5,332  | 1                                 |
|   |   | 170,793   | 170,793  | 1,812                             |
| <b><u>At amortized cost</u></b>                                     |   |   |  |                                   |
| Government debt securities  | 318,054   | 334,901   | 335,444  | 3,353                             |
| Other debt securities   | 61,087  | 62,633  | 60,903   | 628                               |
|   |   | 397,534   | 396,347  | 3,981                             |
|   |   | <b>P 616,261</b>  | <b>P 615,074</b>   | <b>P 6,580</b>                    |

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2021**  
(In Millions)

| Name and Designation of Debtor                                  | Balance at Beginning of Period | Additions              | Deductions             |                     | Ending Balance         |                        | Balance at End of Period |
|---|--------------------------------|------------------------|------------------------|---------------------|------------------------|------------------------|--------------------------|
|   |                                |                        | Amounts Collected      | Amounts Written Off | Current*               | Not Current**          |                          |
| <b>Amounts Due from Related Parties under Common Ownership:</b> |                                |                        |                        |                     |                        |                        |                          |
| Sysmart Corporation   | P 419                          | P 12                   | P 431                  | P -                 | P -                    | P -                    | P -                      |
|   | <u>419</u>                     | <u>12</u>              | <u>431</u>             | <u>-</u>            | <u>-</u>               | <u>-</u>               | <u>-</u>                 |
| <b>Loans to Officers and Employees:</b>                         |                                |                        |                        |                     |                        |                        |                          |
| Salary Loans  | 1,626                          | 1,395                  | 1,261                  | -                   | 188                    | 1,572                  | 1,760                    |
| Credit Card Loans   | 140                            | 371                    | 366                    | -                   | 135                    | 10                     | 145                      |
| Auto Loans  | 99                             | 35                     | 53                     | -                   | 6                      | 75                     | 81                       |
| Home Loans  | 98                             | 5                      | 25                     | -                   | 1                      | 77                     | 78                       |
| Others***   | 6                              | 1                      | 3                      | -                   | 4                      | -                      | 4                        |
|   | <u>1,969</u>                   | <u>1,807</u>           | <u>1,708</u>           | <u>-</u>            | <u>334</u>             | <u>1,734</u>           | <u>2,068</u>             |
| <b>Loans to Directors:</b>                                      |                                |                        |                        |                     |                        |                        |                          |
| Nestor V Tan  | 91                             | 3                      | 94                     | -                   | -                      | -                      | -                        |
|   | <u>91</u>                      | <u>3</u>               | <u>94</u>              | <u>-</u>            | <u>-</u>               | <u>-</u>               | <u>-</u>                 |
| <b>Loans to Stockholders:</b>                                   |                                |                        |                        |                     |                        |                        |                          |
| SM Investments Corporation                                      | 4,517                          | 13,242                 | 723                    | -                   | 9,021                  | 8,015                  | 17,036                   |
| Sybase Equity Investments Corporation                           | 788                            | 8,734                  | 1,792                  | -                   | 3,729                  | 4,001                  | 7,730                    |
| Carmen Copper Corporation                                       | 13,960                         | 1,690                  | 9,139                  | -                   | -                      | 6,511                  | 6,511                    |
| Romer Mercantile Inc  | 2,853                          | 568                    | 497                    | -                   | 92                     | 2,832                  | 2,924                    |
| Intercontinental Devt Corp                                      | 65                             | 2                      | 2                      | -                   | -                      | 65                     | 65                       |
| Costa Del Hamilo Inc.   | 418                            | 422                    | 840                    | -                   | -                      | -                      | -                        |
| Highlands Prime Inc   | 291                            | 196                    | 487                    | -                   | -                      | -                      | -                        |
|   | <u>22,892</u>                  | <u>24,854</u>          | <u>13,480</u>          | <u>-</u>            | <u>12,842</u>          | <u>21,424</u>          | <u>34,266</u>            |
| <b>Total</b>  | <b><u>P 25,371</u></b>         | <b><u>P 26,676</u></b> | <b><u>P 15,713</u></b> | <b><u>P -</u></b>   | <b><u>P 13,176</u></b> | <b><u>P 23,158</u></b> | <b><u>P 36,334</u></b>   |

\*Due within one year

\*\*Due beyond one year

\*\*\*This consists of insignificant DOSRI Loans

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**  
**December 31, 2021**  
**(In Millions)**

| Name and Designation of Debtor       | Balance at Beginning of Period | Additions              | Deductions             |                     | Current*              | Not Current**         | Balance at End of Period |
|--------------------------------------|--------------------------------|------------------------|------------------------|---------------------|-----------------------|-----------------------|--------------------------|
|                                      |                                |                        | Amounts Collected      | Amounts Written Off |                       |                       |                          |
| BDORO Europe, Ltd.                   | P 1,776                        | P 290                  | P 231                  | P -                 | P -                   | P 1,835               | P 1,835                  |
| BDO Capital & Investment Corporation | 1,410                          | 5,527                  | 6,187                  | -                   | 750                   | -                     | 750                      |
| BDO Strategic Holdings, Inc.         | 1,789                          | 8,527                  | 10,207                 | -                   | 109                   | -                     | 109                      |
| BDO Remit ( USA), Inc.               | 122                            | 7,014                  | 7,037                  | -                   | 99                    | -                     | 99                       |
| BDO Life Assurance Holdings Corp.    | 28                             | 81                     | 28                     | -                   | 81                    | -                     | 81                       |
| BDO Insurance Brokers Inc,           | -                              | 28                     | -                      | -                   | 28                    | -                     | 28                       |
| BDO Remit (Japan) Ltd.               | 19                             | 3,160                  | 3,170                  | -                   | 9                     | -                     | 9                        |
| BDO Remit Canada Ltd.                | -                              | 384                    | 383                    | -                   | 1                     | -                     | 1                        |
|                                      | <b><u>P 5,144</u></b>          | <b><u>P 25,011</u></b> | <b><u>P 27,243</u></b> | <b><u>P -</u></b>   | <b><u>P 1,077</u></b> | <b><u>P 1,835</u></b> | <b><u>P 2,912</u></b>    |

*\*Due within one year*

*\*\*Due beyond one year*

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule D - Long-Term Debt**  
**December 31, 2021**  
**(In Millions)**

| Title of Issue and Type of Obligation                    | Amount Authorized by Indenture | Amount shown under Caption "Current portion of Long-Term Debt" in related Statement of Financial Position | Amount shown under Caption "Long-Term Debt" in related Statement of Financial Position | Interest Rate | Maturity Date     |
|--|--------------------------------|---|--|---------------|-------------------|
| <b>Bills Payable</b>                                     |                                |   |  |               |                   |
| Wells Fargo Bank, National Association, Singapore Branch | P 2,555                        | P 2,555   | P -  | 0.99%         | January 28, 2022  |
| Metropolitan Bank & Trust Company                        | 502                            | 2   | 500  | 3.00%         | October 31, 2023  |
| Metropolitan Bank & Trust Company                        | 501                            | 1   | 500  | 3.13%         | November 21, 2023 |
| Metropolitan Bank & Trust Company                        | 301                            | 1   | 300  | 3.13%         | November 22, 2023 |
| Citicorp International Limited                           | 7,653                          | -   | 7,653  | 1.00%         | January 26, 2024  |
| Citicorp International Limited                           | 2,551                          | -   | 2,551  | 1.00%         | January 26, 2024  |
| The Norinchukin Bank                                     | 1,093                          | -   | 1,093  | 1.00%         | January 26, 2024  |
| Wells Fargo Bank, National Association                   | 1,093                          | -   | 1,093  | 1.00%         | January 26, 2024  |
| Mizuho Bank, Ltd.  | 1,093                          | -   | 1,093  | 1.00%         | January 26, 2024  |
| Sumitomo Mitsui Banking Corporation Singapore Branch     | 984                            | -   | 984  | 1.00%         | January 26, 2024  |
| State Bank of India                                      | 765                            | -   | 765  | 1.00%         | January 26, 2024  |
| Citibank N. A.   | 656                            | -   | 656  | 1.00%         | January 26, 2024  |
| CTBC Bank Co., Ltd.                                      | 656                            | -   | 656  | 1.00%         | January 26, 2024  |
| The Hong Kong and Shanghai Banking Corp. Ltd.            | 656                            | -   | 656  | 1.00%         | January 26, 2024  |
| United Overseas Bank Limited                             | 437                            | -   | 437  | 1.00%         | January 26, 2024  |
| Taishin International Bank Co., Ltd.                     | 219                            | -   | 219  | 1.00%         | January 26, 2024  |
|  | <u>21,715</u>                  | <u>2,559</u>  | <u>19,156</u>  |               |                   |
| <b>Senior Notes</b>                                      |                                |   |  |               |                   |
| Senior Notes 1   | 34,721                         | 325   | 34,396   | 2.95%         | March 6, 2023     |
| Senior Notes 2   | 7,741                          | 122   | 7,619  | 4.16%         | February 20, 2025 |
| Senior Notes 3   | 30,591                         | 304   | 30,287   | 2.13%         | January 13, 2026  |
|  | <u>73,053</u>                  | <u>751</u>  | <u>72,302</u>  |               |                   |
| <b>Fixed Rate Peso Bonds</b>                             |                                |   |  |               |                   |
| Senior Notes 1   | 36,180                         | 36,180  | -  | 3.13%         | April 3, 2022     |
| Senior Notes 2   | 40,256                         | 40,256  | -  | 4.41%         | August 3, 2022    |
|  | <u>76,436</u>                  | <u>76,436</u>   | <u>-</u>   |               |                   |
|  | <b>P 171,204</b>               | <b>P 79,746</b>   | <b>P 91,458</b>  |               |                   |

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)**  
**December 31, 2021**

| Name of related party | Balance at Beginning<br>of Period | Balance at End<br>of Period |
|-----------------------|-----------------------------------|-----------------------------|
|-----------------------|-----------------------------------|-----------------------------|

Nothing to report

BDO Unibank, Inc. and Subsidiaries  
Schedule F - Guarantees of Securities of Other Issuers  
December 31, 2021

| Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed | Title of Issue of each Class of Securities Guaranteed | Total Amount Guaranteed and Outstanding | Amount Owned by Person for which Statement is Filed | Nature of Guarantee |
|--|---|---|---|---------------------|
|--|---|---|---|---------------------|

Nothing to report



**BDO Unibank, Inc. and Subsidiaries**  
**Schedule G - Capital Stock**  
**December 31, 2021**

| Title of Issue                   | Number of Shares Authorized | Number of Shares Issued and Outstanding as shown under the Statement of Financial Position caption | Number of shares Reserved for Options, Warrants, Conversion and other Rights | Number of Shares Held by |                                   |               |
|----------------------------------|-----------------------------|--|--|--------------------------|-----------------------------------|---------------|
|                                  |                             |  |  | Related Parties          | Directors, Officers and Employees | Others        |
| Common shares - P10 par value    | 5,500,000,000               | 4,385,519,015  | -  | 2,421,829,413            | 30,869,521                        | 1,932,820,081 |
| Preferred Shares - P10 par value | 1,000,000,000               | 515,000,000  | -  | 515,000,000              | -                                 | -             |

**BDO**

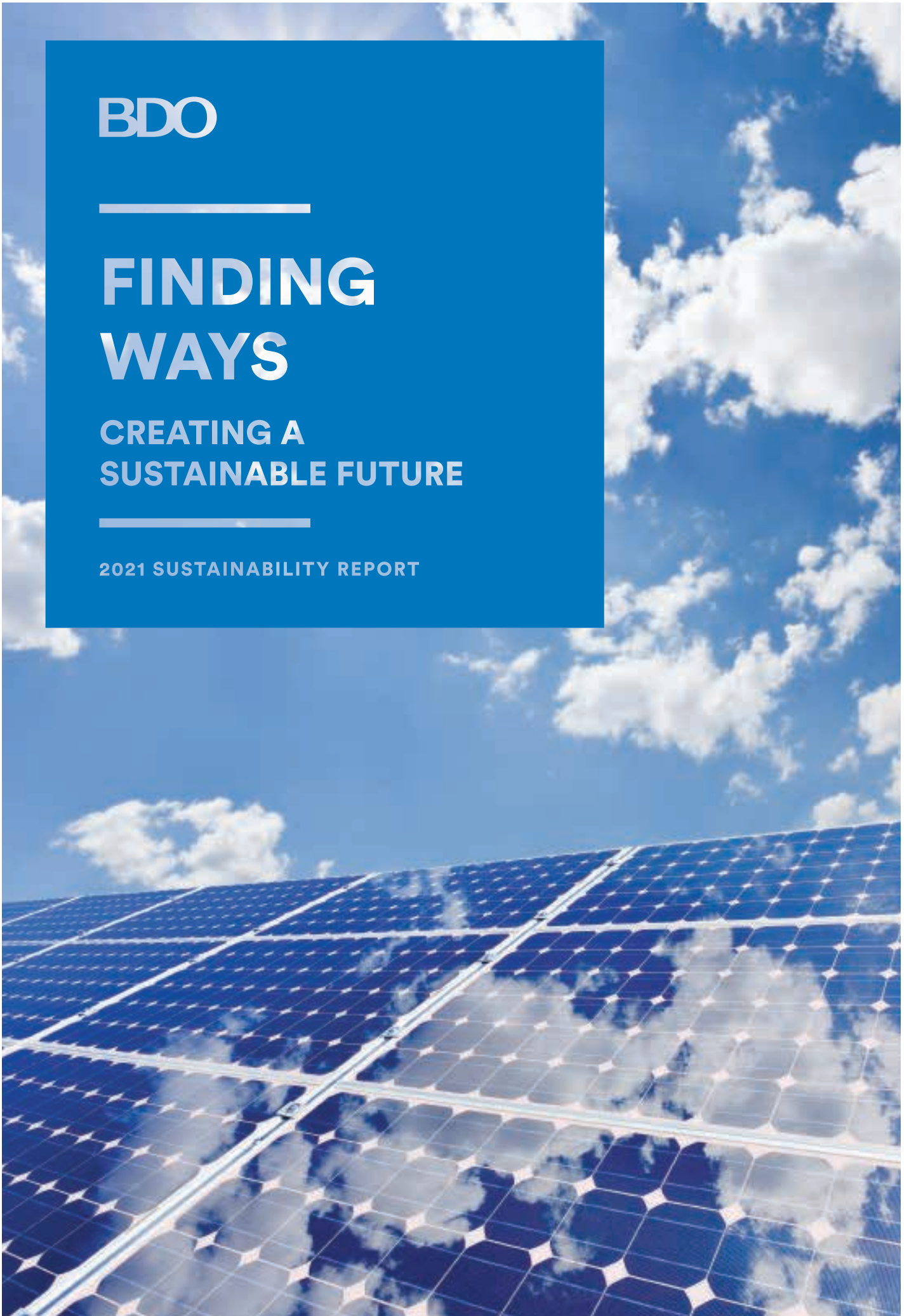
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# **FINDING WAYS**

**CREATING A  
SUSTAINABLE FUTURE**

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**2021 SUSTAINABILITY REPORT**



## About the Report

102-54

This report is BDO Unibank Inc.'s fourth Sustainability Report outlining the Bank's economic, environmental, social, and governance performance from January to December 2021. It is a substantiation of BDO's commitment to the United Nations Sustainable Development Goals (SDGs), the principles of the United Nations Global Compact, and the Greenhouse Gas (GHG) Protocol. This report has been prepared in accordance with the GRI Standards: Core option. It has completed the GRI Materiality Disclosures Service, which confirms that the GRI Content Index (see pages 85 to 88) is clearly presented and references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

This report should be read in tandem with the 2021 BDO Annual Report.

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# BDO's Footprint

BDO is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including Lending (corporate and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Retail Cash Cards, Corporate Cash Management and Remittances in the Philippines. Through its local subsidiaries, the Bank offers Investment Banking, Private Banking, Leasing and Finance, Rural Banking, Life Insurance, Insurance Brokerage and Online and Traditional Stock Brokerage Services.

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. On the front line, its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. The Bank has the largest distribution network with over 1,500 operating branches and more than 4,400 ATMs nationwide. BDO has 16 international offices (including full-service branches in Hong Kong and Singapore) spread across Asia, Europe, North America, and the Middle East.

The Bank also offers digital banking solutions to make banking easier, faster, and more secure for its clients.

Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continuing expansion into new markets. As of December 31, 2021, BDO is the country's largest bank in terms of total resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network nationwide.

BDO is a member of the SM Group, one of the country's largest and most successful conglomerates with businesses spanning retail, mall operations, property development (residential, commercial, hotels and resorts), and financial services. Although part of a conglomerate, BDO's day-to-day operations are handled by a team of professional managers and bank officers. Further, the Bank has one of the industry's strongest Board of Directors, composed of professionals with extensive experience in various fields that include banking and finance, accounting, law, and business.

₱3.6 trillion  
(US\$71.1 billion)  
Total Resources

₱42.8 billion  
(US\$839 million)  
Net Income

1,544  
Total Branches and Banking  
Offices, including foreign branches  
in Hong Kong and Singapore

4,484  
Automated Teller Machines (ATMs)

624  
Cash Deposit Machines

₱529.3 billion  
(US\$10.4 billion)  
Market Capitalization





₱182.2 billion

(US\$3.6 billion)

Direct Economic Value Generated

₱2.4 trillion

(US\$47.1 billion)

Gross Customer Loans

₱2.8 trillion

(US\$55.3 billion)

Deposit Liabilities

₱424.5 billion

(US\$8.3 billion)

Capital Base

₱548 billion

(US\$10.75 billion)

Total Sustainable Finance funded

## Corporate Mission

To be the preferred bank in every market we serve.

## Corporate Vision

To be the leading Philippine bank and financial services company that empowers customers to achieve their goals and aspirations, combining our entrepreneurial spirit, international perspective, and intense customer focus to deliver a personalized banking experience that is easy, straightforward, and convenient, while taking pride in building long-term relationships and finding better ways to deliver offerings of the highest standard.

## Core Values

**Commitment to Customers.** We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer service, while remaining prudent and trustworthy stewards of their wealth.

**Commitment to a Dynamic and Efficient Organization.** We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity; we are committed to the process of continuous improvement in everything we do.

**Commitment to Employees.** We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.

**Commitment to Shareholders.** We are committed to providing our shareholders with superior returns over the long-term.



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# Message from the Chairperson



*“We are excited to lead these efforts at achieving sustainability, and through this report, we invite everyone to go on this journey with us.”*

## **Dear Stakeholders,**

The global impact of the COVID-19 pandemic drove businesses to recalibrate their strategies in order to stay relevant and continue operating in the new normal. In any crisis, innovation always creates opportunities for major change and new paths to go forward.

Throughout 2021, we strived to serve our clients’ needs as we gradually reopened our branches with easing mobility restrictions. We launched new digital products and capabilities to provide our clients improved access and convenience. We made funds available to support businesses, from micro, small, and medium enterprises to large corporates, in their recovery and expansion plans.

Alongside these services, we continued our commitment to help the communities we serve and aid them to build better and be more prepared for any future adversity. With the continuous rehabilitation of rural health centers nationwide, our beneficiary communities have the facilities they need for pandemic response, health and wellness needs, and potential disaster relief. We have also donated both testing kits and vaccines to protect communities and help manage the pandemic.

Now more than ever, our response to the pandemic reflects our commitment to a more sustainable and resilient future. We continue to be a strong advocate of sustainable finance, having supported this for over a decade now. We are one with our stakeholders in driving accountability for our social and environmental impact and taking it into account when we invest in or fund a project.

We remain committed to superior business performance anchored on the principles of integrity, accountability, transparency. We are excited to lead these efforts at achieving sustainability, and through this report, we invite everyone to go on this journey with us.

Yours truly,

A handwritten signature in black ink, appearing to read 'Teresita T. Sy', written over a horizontal line.

**Teresita T. Sy**  
Chairperson

---

# Message from the President and CEO



*“BDO’s commitment to sustainability is reflected in every decision and action we take, from the Board members to the senior executive leaders to every BDO employee, every single day.”*

## **Dear Stakeholders,**

Our growing experience in facing the coronavirus pandemic and various disasters has only strengthened our resolve to fulfill our sustainability objectives.

The year 2021 saw great strides in our effort to translate these objectives — Product Sustainability, Sustainability Contribution, Human Capital Sustainability, Disaster Response Sustainability, and Governance-based Sustainability — into real initiatives that promote responsible environmental and social impact among our stakeholders.

We invested ₱548 billion in sustainable finance for projects on renewable energy, energy efficiency, green buildings, among others. We also invested in social projects that promote employment generation and food security among communities. We almost doubled our ESG-themed Unit Investment Trust Fund, the first in the country, to ₱179 million in 2021 from ₱95.5 million in 2020, promoting growth for local companies with good Environmental, Social, and Governance practices.

At the height of the pandemic and during disaster situations, we found ways to provide aid and crucial financial services to our *kababayans*. BDO’s Cash Agad served as a lifeline for our clients in rural and remote areas, supporting our Cash Agad partners in providing cash even when other essential services were down and inaccessible.

We are humbled to be honored among Asia’s Top Sustainability Advocates at the 2021 Asia Corporate Excellence & Sustainability (ACES) Awards for driving the values of sustainability and incorporating them in everything we do. We are also proud to be recognized in The Asset’s 2021 ESG Corporate Awards as a Platinum Awardee for 12 consecutive years. In addition, BDO was among the Philippines’ Top 20 publicly listed companies with an outstanding corporate governance record based on the ASEAN Corporate Governance Scorecard.

We recognize that sustainability is about the journey as much as it is about the destination. We remain dedicated to doing our part for the welfare of our stakeholders, our nation, and our planet. Indeed, BDO’s commitment to sustainability is reflected in every decision and action we take, from the Board members to the senior executive leaders to every BDO employee, every single day. My deepest gratitude to every member of our organization for giving life to sustainability at BDO.

Sincerely,

**Nestor V. Tan**  
President and CEO



# BDO's Path in Creating Shared Value

## Creates jobs

38,873

Employees

75%

Employees are women

59%

Women in senior management

37

Women in top management  
(Senior Vice President and up)

## Fosters banking habits

352,367

Insurance policy holders

18.8 million

Customers

1,544

Branches and banking offices

1.2 million

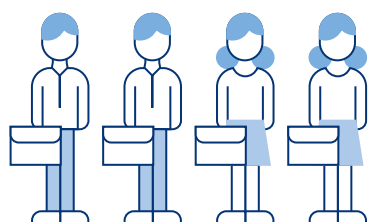
Total new checking and savings accounts in 2021

4,484

Automated Teller Machines (ATMs)

624

Cash Deposit Machines



## Facilitates infrastructure development

₱39.5 billion

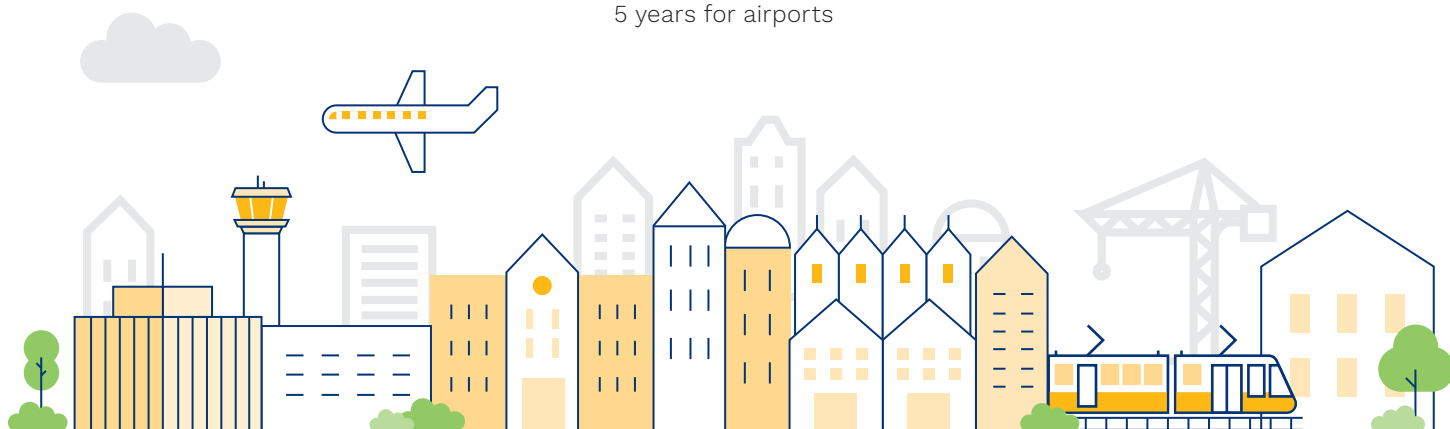
Loans disbursed for national projects

₱18.4 billion

Loans disbursed in the past 5 years for road networks

₱12.4 billion

Loans disbursed in the past 5 years for airports



## Helps businesses grow

₱43.5 billion

Outstanding SME Loans

## Accelerates economic growth

₱21.9 billion

Taxes paid in 2021

## Supports consumer expenditure

5% 5-year CAGR\* in Auto Financing

12% 5-year CAGR\* in Home Financing

7% 5-year CAGR\* in Credit Cards

\*Compound Annual Growth Rates



## Promotes community development

121

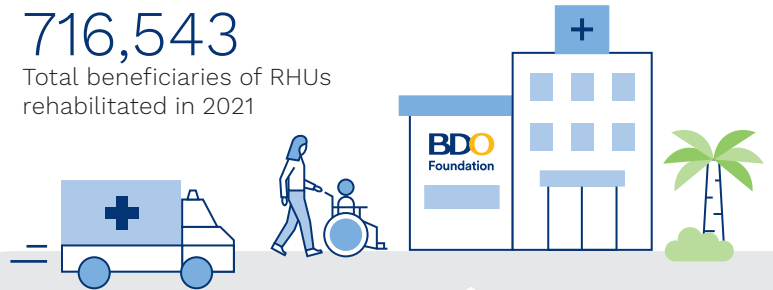
Rural health units (RHUs) rehabilitated to date

21

RHUs rehabilitated in 2021

716,543

Total beneficiaries of RHUs rehabilitated in 2021

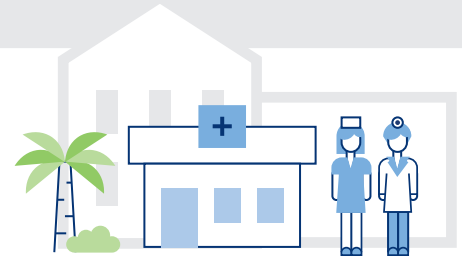


10

RHUs repaired in 2021

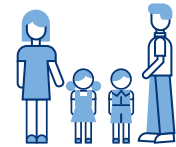
564,097

Total beneficiaries of RHUs repaired in 2021



6.5 million

Total RHU project beneficiaries to date



## Champions financial inclusion

26

Financial education videos developed since 2018

2,676,297

Total beneficiaries reached through financial education programs



## Finances environment-friendly solutions

2,230 MW

Total installed renewable energy capacity in megawatts

4,266,687 tonnes

Carbon dioxide avoided per year

70,550,565

Equivalent tree seedlings grown over 10 years

905,887

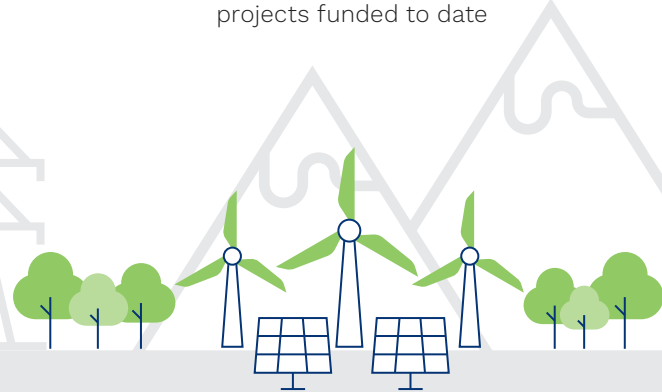
Equivalent passenger vehicles taken off roads yearly

54

Renewable Energy Projects funded to date

₱548 billion

Total Sustainable Finance projects funded to date





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# Sustainability Overview

## BDO Sustainability Philosophy

We seek to achieve strategic resilience by incorporating sustainability in the way we do business. We aim to embed sustainability principles when making decisions, assessing relationships, and creating products.

## Alignment with the United Nations Global Compact Principles

BDO supports the principles of the United Nations Global compact. The Bank upholds:

- Corporate Governance
- Climate-friendly solutions and opportunities for business
- Access to clean, renewable, and reliable energy sources and services
- The adoption of instruments that help quantify, manage, and report the carbon footprint of our businesses
- The responsibility to protect the dignity of every person and uphold human rights
- The recognition of the role of women in achieving economic growth and poverty reduction
- The elimination of all forms of forced, compulsory, and child labor

# BDO Sustainability Framework

The Bank's Sustainability Framework defines the strategies that serve as guideposts in its journey towards sustainability.



## Product Sustainability Strategy

We create products and services which anticipate the evolving needs of our customers and support sustainable development goals.

We develop our capabilities to understand our customers and reach the underserved markets with relevant products and services that meet their unique needs and ways of doing business.



## Sustainability Contribution Strategy

We support the achievement of national economic goals through financial inclusion and impact financing in infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.



## Human Capital Sustainability Strategy

We develop leaders in the sustainability movement. We aim to grow a "can lead" workforce that adopts a sustainability mindset and thrives with innovative thinking and customer-focused attitude.



## Disaster Response Sustainability Strategy

We leverage our resources towards the relief, rehabilitation, and recovery of disaster-stricken communities.



## Governance-Based Sustainability Strategy

We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.



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# Supporting the United Nations Sustainable Development Goals

## Achievements and Targets:

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**₱21.9 billion**  
in government taxes in 2021

**Target 1.a:** Ensure significant mobilization of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries, to implement programmes and policies to end poverty in all its dimensions.



**₱17.2 billion**  
in loans to agribusiness projects

**Target 2.3:** By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment



**121 Rural health units**  
rehabilitated to benefit  
**6.5 million individuals**

**Target 3.8** Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.



**Financial education program for target beneficiaries composed of 29 million learners and 900,000 teachers and non-teaching personnel in 47,000 public schools nationwide**

**Target 4.7:** By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development



**59%**  
female representation in  
senior leadership

**Target 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life.



**58.6 million**  
liters of water recycled by BDO  
Corporate Center Ortigas in 2021

**Target 6.4:** By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of fresh water to address water scarcity and substantially reduce the number of people suffering from water scarcity



**₱85.4 billion**  
in funding for Renewable Energy projects with total installed capacity of 2,230 MW

**Target 7.2:** By 2030, increase substantially the share of renewable energy in the global energy mix.



**38,873**  
employees in the Philippines and abroad

**Target 8.5:** By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value



**₱548 billion**  
in Sustainable Finance projects funded to date

**Target 9.4:** By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.



**25% increase**  
in teacher's salary loan releases in Mindanao for various loan purposes including pursuit of higher education.

**Target 10.2:** By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion, economic, or other status



**₱165 billion**  
in financing for Green Building, Energy Efficiency, Clean Transport, and Pollution Control projects

**Target 11.a:** Support positive economic, social and environmental links between urban, peri-urban and rural areas by strengthening national and regional development planning



**Publication**  
of the 2021 BDO Sustainability Report

**Target 12.6:** Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle



**4,266,687**  
tonnes of carbon dioxide avoided by funded Renewable Energy projects, in support of Republic Act 9513 or the Renewable Energy (RE) Act of 2008

**Target 13.2:** Integrate climate change measures into national policies, strategies and planning



**₱1.1 billion**  
in financing for Aquatic Biodiversity projects

**Target 14.2:** By 2030, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans



**3,052**  
smallholder farmers trained on vegetable farming

**Target 15.3:** By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world



**Platinum Award for the 12th consecutive year from The Asset's 2021 ESG Corporate Awards. BDO is among the companies recognized by The Asset for their achievements in sustainability and commitment to excellent and continuous improvement in ESG.**

**Target 16.6:** Develop effective, accountable, and transparent institutions at all levels.



**New partnerships with the Agricultural Credit Policy Council, Bureau of Fire Protection, Bureau of Fisheries and Aquatic Resources, and Philippine National Police to institutionalize financial education in capacity building initiatives for farmers, firefighters, fisherfolk, and police personnel nationwide**

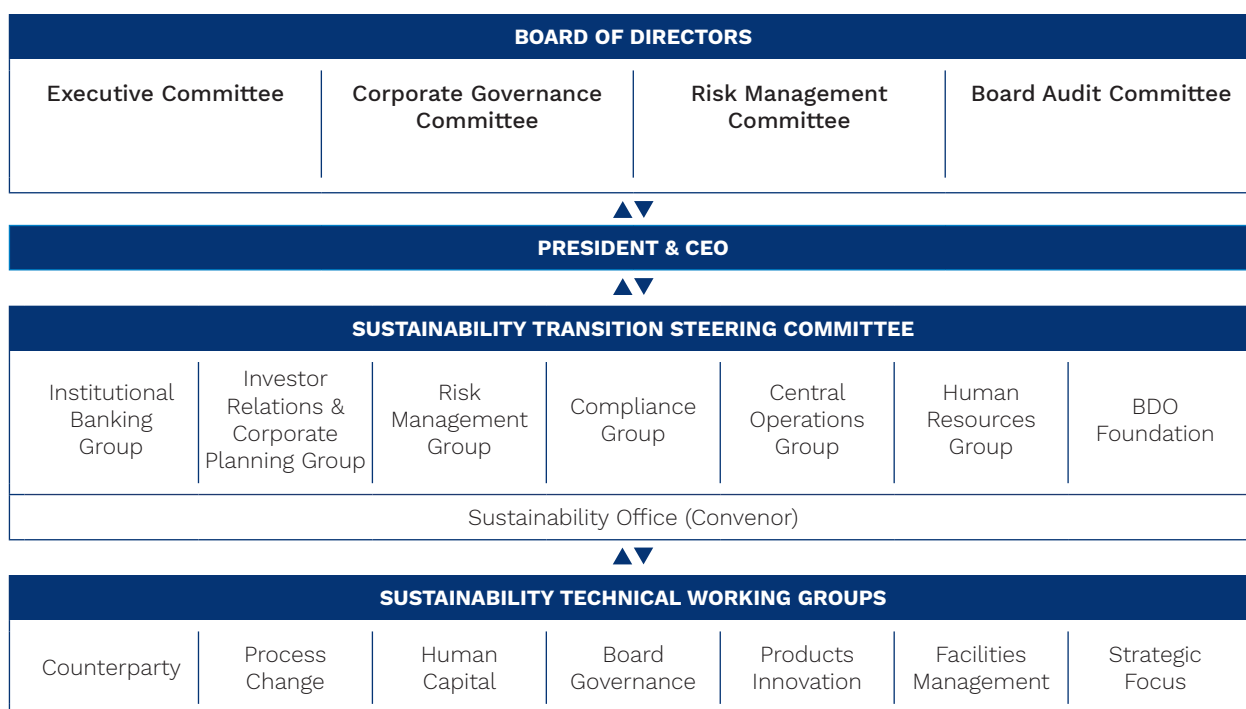
**Target 17.16:** Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries

# Sustainability Governance

*“Since the release of our first Sustainability Report in 2018, we have kept true to the 17 Sustainable Development Goals outlined by the United Nations. We are constantly striving to infuse sustainability, inclusion, and equity into our corporate culture, products, and services.”*

**Nestor V. Tan**  
President and Chief Executive Officer

BDO’s commitment to sustainability is fostered at the Board level, role modeled by senior executive leaders, executed by the business units and subsidiaries, and brought to life by BDO employees. BDO’s sustainable development strategies are anchored on the United Nations Sustainable Development Goals.



## Roles and Responsibilities

Oversight for sustainability initiatives reside in four BDO Board Committees, aligned to their key responsibilities. The **Executive Committee** approves all sustainability programs across the BDO Group and their corresponding budgets for implementation. The **Corporate Governance Committee** oversees sustainability initiatives related to the following: culture change towards a sustainability mindset for the organization; stakeholder communication; progress reporting on programs, metrics, and targets; and sustainability reporting. The **Risk Management Committee** oversees environmental, social, and governance risks in the Bank’s risk management system. The **Board Audit Committee** oversees internal audit reporting on sustainability programs and sustainability reporting, as well as compliance testing against regulatory mandates on sustainability. Across these four Board Committees, all Board Directors are effectively engaged in various capacities and according to their expertise, in driving the Bank’s sustainability framework across corporate governance, risk management, strategy, and operations.

The **President and CEO** provides high level strategic direction on sustainability — from the articulation of the BDO Sustainability Strategies to key focus areas where the Bank has the most ESG impact. The CEO also approves the Bank’s strategic external partnerships and commitments on sustainability on global, regional, and local levels. He is supported by the **Sustainability Transition Steering Committee** which oversees the Bank’s policy formulations, programs review, and recommendations from the **Sustainability Technical Working Groups**, as the Bank transitions into a sustainable finance framework. The Steering Committee is composed of heads of business groups, support groups, and the BDO Foundation, whose work cover corporate governance, risk management, business strategy, operations, and corporate social responsibility. The Steering Committee meets on a quarterly basis, and as needed. Acting as Convenor for the Steering Committee is the **Sustainability Office**, which oversees and implements the Bank’s Sustainable Finance Framework transition plan through the Technical Working Groups. The Sustainability Office also reports to the Corporate Governance Committee, drives the day-to-day implementation of sustainability initiatives, manages ESG due diligence, produces the annual Sustainability Report, and represents BDO in external forums. The Technical Working Groups are assigned a key Focus Area where BDO has the greatest ESG impact and tasked to review and enhance related policies to embed environmental and social impact principles and criteria, articulate practice into policy, and recommend and implement sustainability programs for the Bank. The Technical Working Groups are composed of representatives from business groups, support groups, and subsidiaries who are chosen for their expertise and experience in their respective fields.

## Reporting Process 102-46





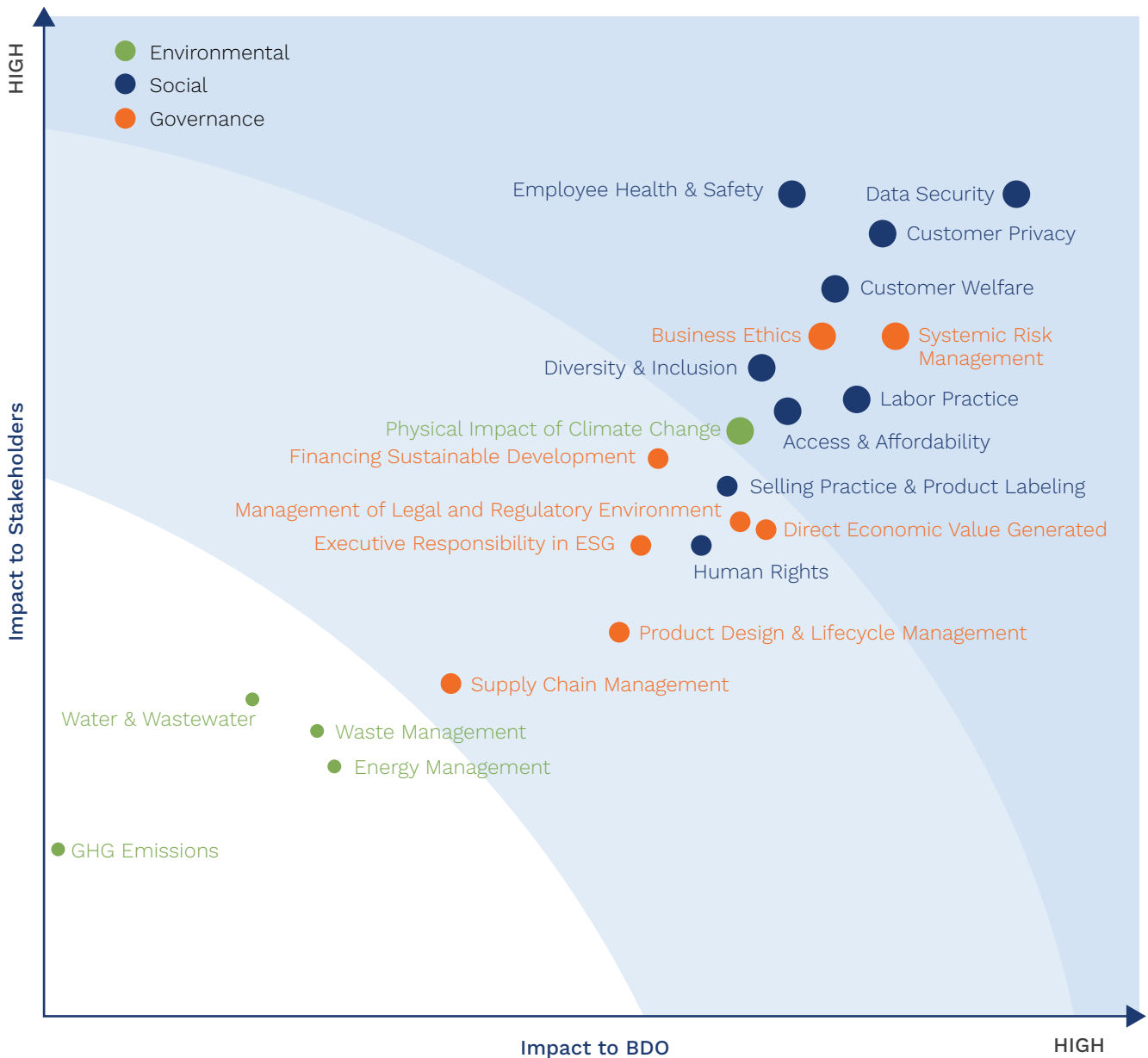
# Materiality Topics 102-44, 102-46, 102-47

|   |   |  |   |
|---|---|--|---|
| <p><b>Data Security</b><br/>How BDO safeguards the privacy and security of financial data against emerging cybersecurity threats and technologies</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators and customers</p>   | <p><b>Employee Health &amp; Safety</b><br/>How BDO creates and maintains a safe and healthy workplace environment free of injuries, fatalities, and illness</p> <p><b>Topic Boundary</b><br/>Within BDO and with employees</p>  | <p><b>Customer Privacy</b><br/>How BDO manages risks related to the use of personally identifiable information and other customer or user data</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators and customers</p>   | <p><b>Customer Welfare</b><br/>How BDO manages customer relations to cover customer satisfaction, customer experience, and welfare protection</p> <p><b>Topic Boundary</b><br/>Within BDO and with customers</p>  |
| <p><b>Systemic Risk Management</b><br/>How well BDO is positioned to absorb shocks arising from financial and economic stress and meet stricter regulatory requirements</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators</p>   | <p><b>Business Ethics</b><br/>How BDO operates on principles of accountability, transparency, integrity, and fairness</p> <p><b>Topic Boundary</b><br/>Within BDO</p>   | <p><b>Labor Practice</b><br/>How BDO upholds commonly accepted labor standards in the workplace, in compliance with labor laws and internationally accepted norms and standards</p> <p><b>Topic Boundary</b><br/>Within BDO and with key government agencies and employees</p>               | <p><b>Diversity &amp; Inclusion</b><br/>How BDO ensures that its culture and hiring and promotion practices build a diverse and inclusive workplace that reflects its talent pool and customer base</p> <p><b>Topic Boundary</b><br/>Within BDO and with employees</p>                          |
| <p><b>Access &amp; Affordability</b><br/>How BDO promotes and practices the financial inclusion of the unbanked, underbanked, or underserved, complemented with financial literacy to ensure that customers make informed financial decisions</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators and customers</p> | <p><b>Physical Impact of Climate Change</b><br/>How BDO incorporates climate change into lending analysis and risk mitigation in its mortgage finance and insurance businesses in order to protect shareholder value</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators</p>                          | <p><b>Financing Sustainable Development</b><br/>How BDO supports sustainable financing, including financing renewable energy and green facilities, and/or sustainable development for positive social impact</p> <p><b>Topic Boundary</b><br/>Within BDO and with partners and customers</p> | <p><b>Selling Practices and Product Labeling</b><br/>How BDO manages its practices in consumer finance selling, mortgage finance lending, and insurance products sales and marketing</p> <p><b>Topic Boundary</b><br/>Within BDO and with customers</p>   |
| <p><b>Management of Legal and Regulatory Environment</b><br/>How BDO engages with regulators and complies with legal requirements</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators</p>   | <p><b>Direct Economic Value Generated</b><br/>How BDO delivers on sustainable returns to its shareholders, and attains consistent market growth, in support of national economic development</p> <p><b>Topic Boundary</b><br/>Within BDO and with key stakeholders</p>  | <p><b>Executive Responsibility in ESG</b><br/>How BDO's sustainability governance structure oversees and manages ESG material topics at the Board and senior executive levels</p> <p><b>Topic Boundary</b><br/>Within BDO and with key stakeholders</p>                                      | <p><b>Human Rights and Community Relations</b><br/>How BDO manages its direct and indirect impact on human rights in its operations, including its socio-economic community impact and engagement</p> <p><b>Topic Boundary</b><br/>Within BDO and with community partners and beneficiaries</p> |
| <p><b>Product Design and Lifecycle Management</b><br/>How BDO incorporates environmental, social, and governance factors into the lending process</p> <p><b>Topic Boundary</b><br/>Within BDO and with regulators and customers</p>   | <p><b>Supply Chain Management</b><br/>How BDO manages environmental, social, and governance risks within its supply chain</p> <p><b>Topic Boundary</b><br/>Within BDO and with suppliers</p>  | <p><b>Waste Management</b><br/>How BDO manages the hazardous and non-hazardous waste generated by its operations</p> <p><b>Topic Boundary</b><br/>Within BDO and with key government agencies</p>  | <p><b>Water and Wastewater</b><br/>How BDO manages the impact of its operations on water resources</p> <p><b>Topic Boundary</b><br/>Within BDO and with key government agencies</p>   |
| <p><b>Energy Management</b><br/>How BDO manages its environmental impact associated with energy consumption</p> <p><b>Topic Boundary</b><br/>Within BDO</p>   | <p><b>GHG Emissions</b><br/>How BDO manages its direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (GHG) generated through its operations, and GHG emissions from lending and financial intermediary activities (Scope 3)</p> <p><b>Topic Boundary</b><br/>Within BDO and with key stakeholders</p> |  |   |

Note: Total of 22 Materiality Topics for BDO

## ESG Materiality Matrix 102-43, 102-44, 102-46

For the 2021 Sustainability Report, BDO engaged the services of S&P Global to conduct an updated review of material Environmental, Social, and Governance (ESG) topics relevant to the Bank, in support of its sustainability-related disclosures. This is the second ESG Materiality Assessment for BDO since the Bank issued its first Sustainability Report in 2018, and it aims to capture current ESG challenges that impact the Bank and its stakeholders. The 2021 ESG Materiality Assessment identified ESG topics using the Global Reporting Initiative (GRI) standards, the Sustainability Accounting Standards Boards (SASB) framework, and the Task Force for Climate-related Financial Disclosures recommendations, as well as topics reported on by BDO’s peers. S&P Global designed a bespoke stakeholder survey for BDO’s internal and external stakeholder groups to rate the importance of identified material topics to the Bank’s ESG impact on stakeholders, and identify ESG factors that affect the Bank. This enhanced stakeholder group engagement for materiality assessment aims to better prepare BDO to anticipate and mitigate emerging risks to the Bank and to its stakeholders. The resulting matrix shows the intersection of ESG topics most important to both, as ranked by stakeholders in the Philippines and overseas. Our performance on these material issues are discussed in this report.



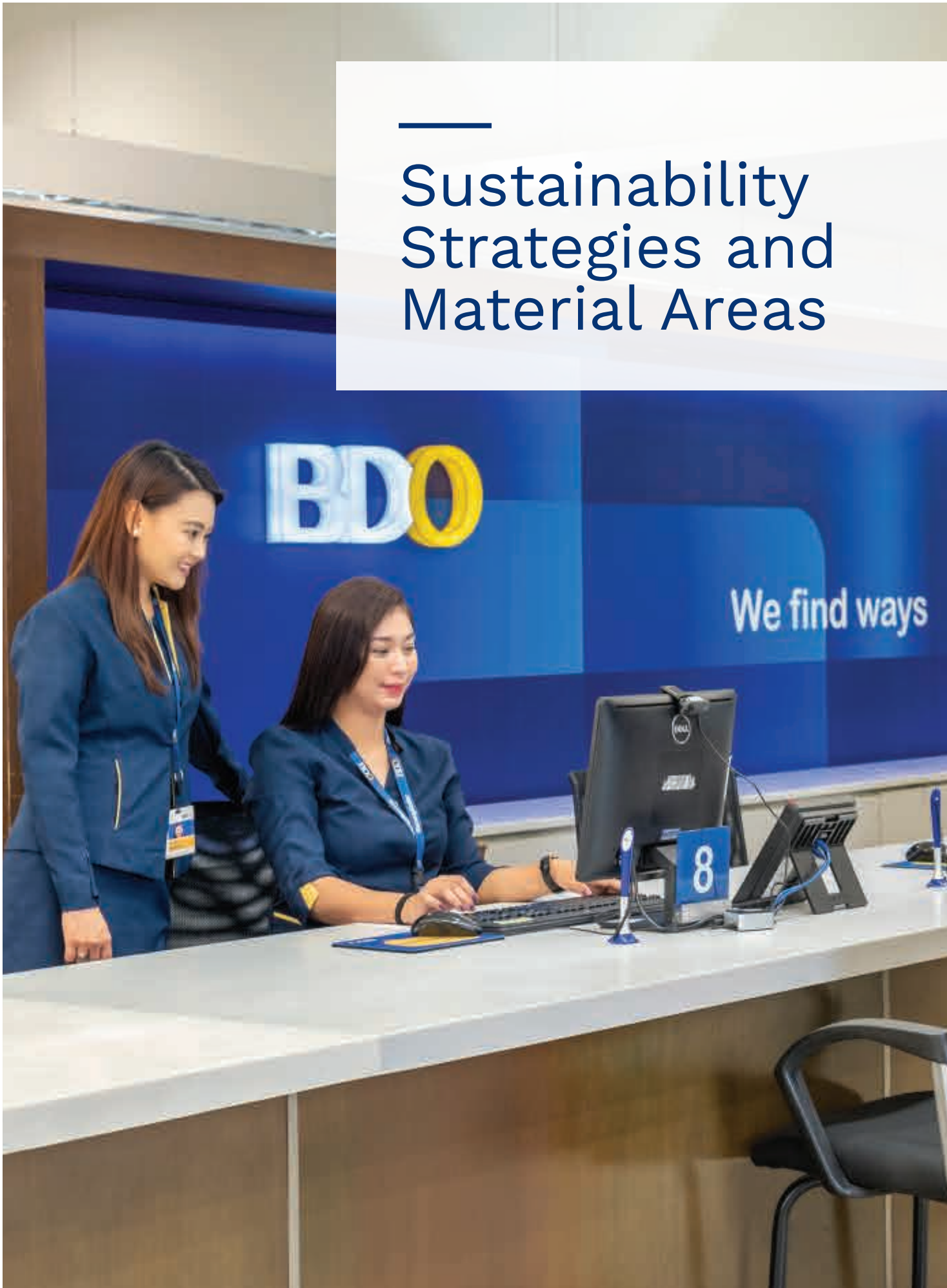
# Stakeholder Engagement

102-40, 102-42, 102-43, 102-44

| Stakeholder Group                                 | Relevance  | Channels of Engagement  | Relevant Topics   | Our Commitment  |
|---|--|---|---|---|
| <b>Shareholder or Investor</b>                    | <ul style="list-style-type: none"> <li>Providers of resources essential to BDO's goal to deliver results, enhanced economic returns, and shared value</li> </ul> | <ul style="list-style-type: none"> <li>Annual Stockholders' Meeting</li> <li>Investor meetings</li> </ul>                     | <ul style="list-style-type: none"> <li>Access and Affordability</li> <li>Systemic Risk Management</li> </ul>                    | <ul style="list-style-type: none"> <li>Continue to promote the financial inclusion and financial literacy of the unbanked, underbanked, or underserved</li> <li>Enhance embedded environmental and social criteria in credit risk and operational risk systems</li> </ul>   |
| <b>Employee</b>                                   | <ul style="list-style-type: none"> <li>Proponent of BDO's vision, mission, and objectives</li> </ul>   | <ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Annual performance appraisals</li> </ul>                | <ul style="list-style-type: none"> <li>Employee Health &amp; Safety</li> <li>Customer Welfare</li> </ul>                        | <ul style="list-style-type: none"> <li>Prioritize occupational health and safety at all times</li> <li>Provide timely feedback to customer concerns</li> </ul>  |
| <b>Customer or Client</b>                         | <ul style="list-style-type: none"> <li>Patrons of BDO's products and services</li> </ul>   | <ul style="list-style-type: none"> <li>Customer touchpoints</li> <li>Regular visits and briefings</li> </ul>                  | <ul style="list-style-type: none"> <li>Customer Privacy</li> <li>Data Security</li> <li>Greenhouse Gas Emissions</li> </ul>     | <ul style="list-style-type: none"> <li>Provide guardrails to manage risks related to customer or user data</li> <li>Safeguard the privacy and security of financial data against emerging cybersecurity threats and technologies</li> <li>Disclose our Scope 1, 2 and 3 emissions</li> </ul>  |
| <b>Creditor</b>                                   | <ul style="list-style-type: none"> <li>Source of assets that support BDO's business</li> </ul>   | <ul style="list-style-type: none"> <li>Regular correspondence and updates</li> </ul>  | <ul style="list-style-type: none"> <li>Business Ethics</li> <li>Financing Sustainable Development</li> </ul>                    | <ul style="list-style-type: none"> <li>Meet our contractual obligations</li> <li>Continue to support sustainable financing and sustainable development</li> </ul>   |
| <b>Service Provider or Supplier</b>               | <ul style="list-style-type: none"> <li>Suppliers and service providers vital to BDO</li> </ul>   | <ul style="list-style-type: none"> <li>Vendor accreditation process</li> <li>Regular correspondence</li> </ul>                | <ul style="list-style-type: none"> <li>Business Ethics</li> <li>Supply Chain Management</li> </ul>                              | <ul style="list-style-type: none"> <li>Continue to operate on principles of accountability, transparency, integrity, and fairness</li> <li>Manage ESG risks within our supply chain, in partnership with suppliers</li> </ul>   |
| <b>Regulator or Policy Maker</b>                  | <ul style="list-style-type: none"> <li>Driver of regulations and policies that aid BDO in achieving its goals</li> </ul>   | <ul style="list-style-type: none"> <li>Formal and informal correspondence</li> <li>Regular audit</li> </ul>                   | <ul style="list-style-type: none"> <li>Data Security</li> <li>Access and Affordability</li> <li>Business Ethics</li> </ul>      | <ul style="list-style-type: none"> <li>Safeguard the privacy and security of financial data against emerging cybersecurity threats and technologies</li> <li>Continue to promote the financial inclusion and financial literacy of the unbanked, underbanked, or underserved</li> <li>Continue to operate on principles of accountability, transparency, integrity, and fairness</li> </ul> |
| <b>Community Beneficiary</b>                      | <ul style="list-style-type: none"> <li>Partners in community development and local economic growth</li> </ul>  | <ul style="list-style-type: none"> <li>Community engagement dialogues</li> <li>Meetings for program implementation</li> </ul> | <ul style="list-style-type: none"> <li>Customer Privacy</li> <li>Human Rights and Community Relations</li> </ul>                | <ul style="list-style-type: none"> <li>Provide guardrails to manage risks related to customer or user data</li> <li>Protect human rights in our operations, including our socio-economic community impact and engagement</li> </ul>   |
| <b>Analyst or Research Organization and Media</b> | <ul style="list-style-type: none"> <li>Partners in accurate reporting, upholding transparency and integrity</li> </ul>   | <ul style="list-style-type: none"> <li>Analysts' briefings</li> <li>Media events</li> </ul>                                   | <ul style="list-style-type: none"> <li>Financing Sustainable Development</li> <li>Physical Impacts of Climate Change</li> </ul> | <ul style="list-style-type: none"> <li>Continue to support sustainable financing and sustainable development</li> <li>Incorporate climate change into lending analysis and risk mitigation in our businesses to protect shareholder value</li> </ul>  |

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# Sustainability Strategies and Material Areas



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# Product Sustainability Strategy



BDO creates products and services that anticipate the ever-changing needs of customers; make financial inclusion possible for the unbanked and underserved; support the growth and expansion of businesses; contribute to the country's long-term economic development; and, ultimately, support the UN Sustainable Development Goals.





# Helping customers achieve their goals through innovation

BDO has a long history of pioneering innovative banking solutions that changed the way Philippine banks serve customers. The Bank introduced extended banking days and hours to meet the needs of business owners and entrepreneurs. It lowered minimum initial deposits to encourage more people to engage in banking transactions. It offered affordable and flexible consumer loan packages to support consumer spending. BDO also leveraged the retail experience and reach of SM companies to establish bank branches in malls for greater customer convenience. It was the first to promote digital and mobile banking to save paper while making bank transactions faster and more convenient. BDO was the first local bank in the country to roll out a debit card with an embedded Europay Mastercard Visa (EMV) chip to protect against electronic banking fraud, as well as first to fully retrofit its Automated Teller Machines (ATM) network to allow EMV chip debit card transactions.

In 2021, BDO continued to introduce new products and enhance its services, to address the evolving needs of customers during the pandemic and to pursue opportunities to be more sustainable in its practice. Financial inclusion initiatives made banking at its easiest, with zero initial deposit and zero minimum maintaining balance. The Bank also intensified efforts to offer financial services with non-financial support through financial education programs across various sectors of society, particularly in supporting women entrepreneurs post-COVID-19. BDO found ways to operate on business-as-usual mode in the most unusual circumstances to bring its products and services to where they were needed most.

## Finding ways to serve through digital banking

With lockdowns in place that restricted movement and industrial activity, the earth's carbon footprint reached record lows. What reached record highs was the volume of online transactions, as people shifted to digital technology for their regular everyday needs. This was particularly true for the finance sector as consumers embraced e-wallets and similar virtual options.

In 2021, this led to a 31% rise in digital banking from the previous year for BDO. The impact was universal, cutting across personal online banking channels as well as new payment solutions for merchants.

BDO's digital platforms allowed customers to continue going about their business and personal financial responsibilities despite the pandemic. They gave a semblance of the old normal, but offered the assurances demanded by the current pandemic situation:

- **Convenience.** Customers can transact 24/7 anytime, anywhere — even in the comfort of their most private spaces.
- **Safety.** Digital platforms eliminate the need to go out and use potentially contaminated machines, reducing the risk of catching the virus.
- **Security.** The new BDO digital channels make use of technology such as biometrics and multi-factor authentication for secure transactions.
- **Reduced carbon footprint** as a result of decreased travel for bank or business transactions.

## BDO Pay and BDO Pay Account

BDO Pay, launched in March 2021, is a payment app that provides BDO depositors a seamless experience for everyday financial transactions. Linked to customers' BDO savings account and credit cards, the app eliminates the additional cash-in step and gives users an easier way to send money to loved ones, pay their utilities and other bills, and pay for purchases at over 12,000 acceptance points nationwide by simply scanning a Quick Response (QR) code.

Despite fierce competition, BDO Pay made big inroads in the digital banking category, leveraging on BDO's large client base and attracting non-BDO depositors as well. The BDO Pay Account was subsequently launched, allowing non-BDO customers to open an account anywhere and anytime through the app. Requiring only one ID and with zero initial deposit and zero minimum maintaining balance requirements, BDO Pay Account is the easiest way to start banking with BDO.

BDO Pay Account is in line with the digital transformation roadmap of the Bangko Sentral ng Pilipinas (BSP) to provide bank accounts to at least 70% of Filipinos by 2023. It was, in fact, developed to primarily serve the unbanked sector, including consumers in rural and remote areas.

By the end of 2021, BDO recorded a 33% growth in transactions through BDO Pay and BDO Website, with a total value of over ₱1.5 trillion. This growth was largely fueled by send money transfers, both to BDO accounts and other banks, as well as bills payment transactions.

## BDO Checkout

BDO's digital innovations extended to its merchants whose needs were addressed by the launch of BDO Checkout, an online payment solution that allows businesses of all sizes to accept credit card, debit card, and mobile wallet payments even without a website or outside of the large e-commerce platforms. This was particularly helpful for individual sellers and other micro, small and medium enterprises that make up 90% of the onboarded merchant partners in 2021. By year-end, total transaction value through BDO Checkout was over ₱100 million.

Through its ongoing digital banking initiatives, BDO finds ways to make the business work for its clients.

## Another BDO First: Biometrics-enabled ATMs

BDO was once again the first bank to fully retrofit its ATMs to enable the processing of unique individual biometrics data, using fingerprint and face recognition technology in authenticating transactions for balance inquiry and cash withdrawals. In addition to biometrics, BDO ATMs also allow customers to provide specific data (account name, account number, mobile phone, number, and/or email address) in each transaction to maintain multi-factor authentication in compliance with the Bangko Sentral ng Pilipinas Circular No. 958, Series of 2017 on Technology Risk Management. The ATMs also allow the use of QR codes to validate transactions.

₱1.5  
trillion  
BDO Pay Transactions  
(33% Growth)

BDO Pay  
Account  
Zero Initial Deposit  
Zero Minimum  
Maintaining Balance

1,205  
Biometrics-enabled  
ATMs Nationwide

The ATM innovation serves to enhance both customer experience and security, as well as reduce plastic waste. Customers no longer need to have or bring plastic ATM cards and memorize their Personal Identification Numbers (PINs). The biometric ATMs also protect customers from unauthorized withdrawals due to card skimming or cloning. Popularizing the use of biometric features in ATMs likewise aims to bring down the amount of plastic generated for ATM card production.

As of end 2021, BDO has deployed a total of 1,205 biometrics-enabled ATMs, with majority of the retrofitted machines located in the National Capital Region and the rest deployed in large provinces nationwide. BDO aims to retrofit an additional 795 ATM for biometrics capabilities in 2022.

Customer response to the biometrics-enabled ATMs has been very positive and in favor of security measures and convenience. The ATMs also reinforced BDO's reputation as the innovative bank that lives up to the "We find ways" philosophy in service of its customers' needs.

## Agency banking with Cash Agad

Cash Agad is a banking solution which allows debit and prepaid cardholders to perform banking transactions through point-of-sale (POS) machines deployed to Cash Agad partner agents, such as *sari-sari* stores, groceries, hardware shops, pawnshops, cooperatives, and other local establishments. Due to the limited mobility brought about by COVID-19 lockdowns during virus surges and the lack of public transportation, Cash Agad agents in the provinces and remote areas became the main option for people to withdraw cash from their bank accounts.

In 2021, Cash Agad continued to grow, with increased transactions at 60.6 million from the previous year's 41.4 million. Total cash withdrawals also went up to ₱262 billion, from 2020's ₱176.5 billion. Cash Agad's agent network in 2021 was at 9,530, compared to 8,872 previously, and covered 88% of the total municipalities in the country, compared to last year's 86%.

Just as the year was coming to a close, a week before Christmas, Super Typhoon Odette (international name: Rai) hit the Visayas and Mindanao regions in Southern Philippines, affecting 1.8 million people and displacing 600,000 from their homes and places of business. BDO's Cash Agad partner agents once again pulled through for their communities. With many bank branches and ATMs damaged by the super typhoon, top partner stores provided critical withdrawal services to cash-strapped families across calamity-stricken regions for food, water, medicine, transportation out of danger zones, and immediate home repairs. Cash Agad allowed families to survive the first week of the devastation, while awaiting relief and recovery assistance, particularly in the rural areas on the outskirts.



Cash Agad promotes sales for partner MSMEs in the community

**60.6**  
million  
Cash Withdrawal  
Transactions

**9,530**  
Partner Agents

**88%**  
Philippine  
Municipalities Covered



## Improving financial wellness through investing

BDO Trust continues to support the bank’s advocacy for financial inclusion and responsible investing through its continuing financial literacy campaign, BDO Easy Investment Plan, PERA, and the BDO ESG Equity Fund.

BDO Trust prides itself in having a dedicated team that provides financial education programs to clients for over a decade before the inception of the Sustainable Development Goals. BDO Trust teaches proper budgeting, wise investing habits, and retirement planning to different audiences: clients, employees, teachers, and blue-collared workers, to name a few. The group’s advocacy for financial wellness led to the development of the BDO Easy Investment Plan (EIP) which allows clients to invest in Unit Investment Trust Funds (UITFs) for minimum investment amounts of ₱1,000 (US\$20) for peso-denominated funds and US\$200 for United States dollar-denominated funds. Through the EIP, clients build up their emergency fund or invest for their financial goals affordably. BDO also became the first institution to offer the Personal Equity and Retirement Account (PERA) to Filipinos to help them augment their retirement pay and plan for a comfortable retirement. By providing financial education and offering BDO EIP and PERA, the Bank makes it possible for Filipinos to have better access to financial products and services. These initiatives help promote social and economic inclusion in the country.

Throughout 2021, BDO Trust conducted several live and recorded webinars teaching both clients and potential clients proper budgeting, wise investing habits, and retirement planning. The use of technology enabled BDO Trust to carry out its training and educational activities despite limited mobility. This also allowed us to reach 1,779 participants across the country. BDO Trust runs different types of seminars to cater to the different investment needs of Filipinos: **Start** (on the basics of investing), **Fit** (on how to create a simple and effective financial plan), **Move** (on understanding how to diversify your investment portfolio), and **Forward** (on how to prepare for your retirement). BDO Trust also offered special webinars on demand for clients interested to invest in PERA or to know more about the benefits and features of BDO Easy Investment Plan.

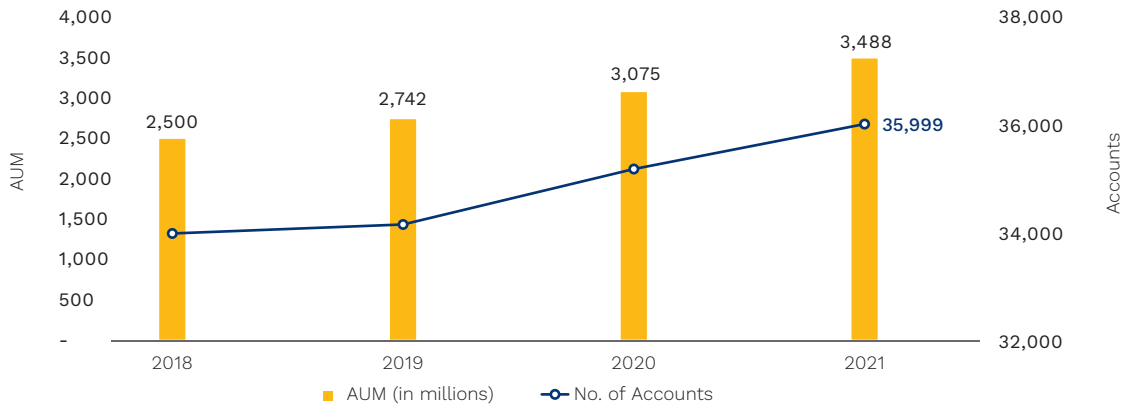
| Webinars Held in 2021                                    | Total Number of Financial Literacy Talks Conducted | Total Number of Participants |
|--|--|------------------------------|
| <b>Start</b> (Basics of investing)                       | 13   | 1,129                        |
| <b>Fit</b> (How to create a financial plan)              | 3  | 165                          |
| <b>Move</b> (How to diversify your investment portfolio) | 2  | 33                           |
| <b>Forward</b> (How to prepare for your retirement)      | 6  | 425                          |
| <b>Special Webinars</b>                                  | 16   | 791                          |
| <b>Total</b>   | 40   | 2,543                        |

### BDO Easy Investment Plan

The BDO Easy Investment Plan (EIP) serves both novice and savvy investors who have increasing interest in the EIP. This is evident through the consistent growth of Assets Under Management (AUM) for the past three years, resulting in AUM almost reaching the ₱3.5 billion mark. Almost 36,000 clients have EIP accounts with BDO Trust.

₱3.5 billion  
EIP Assets Under Management  
36,000  
EIP Clients

## BDO Easy Investment Plan



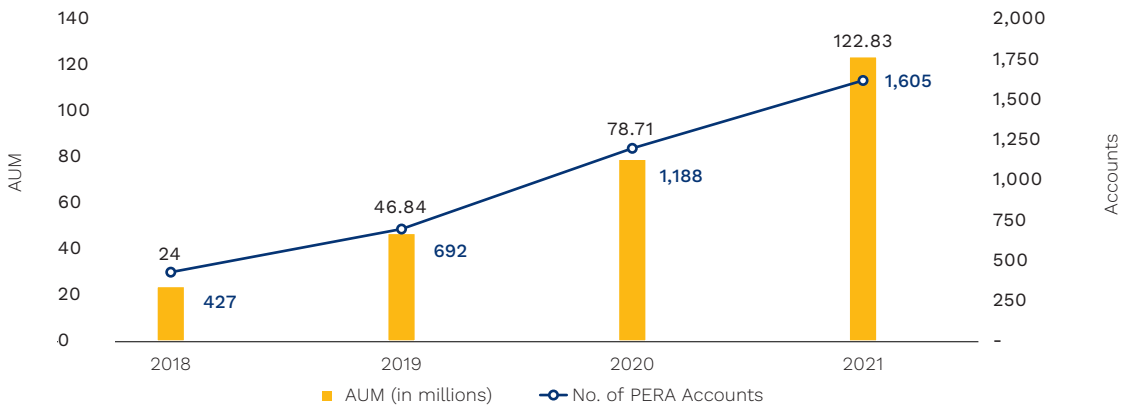
## BDO Personal Equity and Retirement Account (PERA)

BDO Trust was the first trust entity accredited by the Bangko Sentral ng Pilipinas and the Bureau of Internal Revenue to become an administrator for PERA, a voluntary retirement savings account. Since December 2016 when PERA was launched, BDO Trust has continued to push for PERA through free retirement seminars to both clients and the general public. As of December 31, 2021, BDO Trust serviced 1,605 PERA individual contributors with a total investment of ₱122.83 million in BDO PERA UITFs, up from ₱84 million the previous year.

**₱122.83**  
million  
PERA Investments

**1,605**  
PERA Individual  
Contributors

### PERA



## BDO ESG Equity Fund

The BDO ESG Equity Fund was created in 2015, the country’s first ESG-themed UITF to support and promote local companies supportive of societal and sustainability goals, primarily defined through exemplary environmental, social, and good governance attributes — factors that measure the sustainability and ethical impact of an investment.

The BDO ESG Equity Fund subscribes to specific guidelines based on the International Finance Corporation’s (IFC) criteria for ESG investing — an advantage of the Bank’s longtime productive partnership with the IFC. The Fund does not invest in companies with the primary business of selling alcohol or tobacco, or engaging in gaming or mining.

The Fund has the potential to grow exponentially in size and importance as more investors start to see value in socially responsible investing. More clients prefer companies that manage their environmental and social risks and practice good governance which they believe create positive contributions to society. BDO has taken a more active approach in promoting the BDO ESG Equity Fund to both retail and institutional clients.

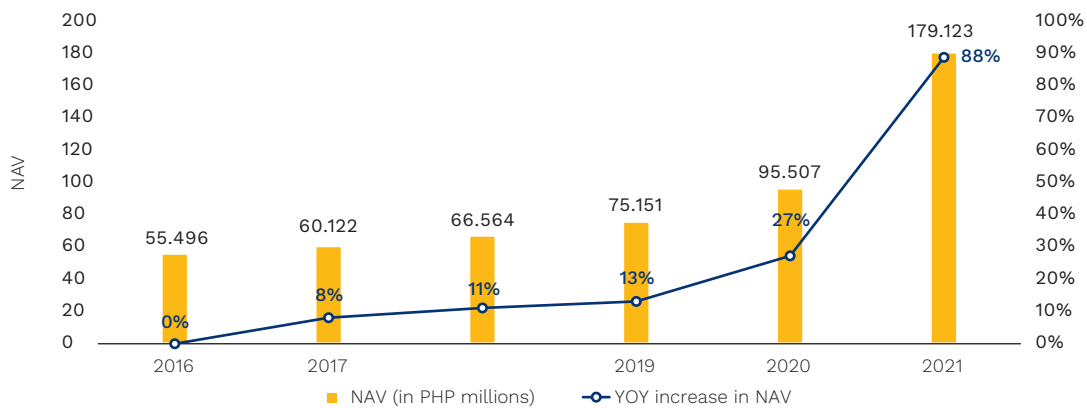
In the past five years since it was first launched, the BDO ESG Equity Fund Net Asset Value (NAV) has grown considerably. As of end December 2021, the Fund's NAV is at ₱179.12 million or approximately US\$3.5 million. That's a 223% increase or an average growth of 29% in NAV per year for the past 6 years. Year-to-date, the Fund has grown by 88% mainly due to clients starting to consider sustainable investing and also due to its outstanding performance. The Fund has returned 5.89% to investors in the past year, outperforming the Philippine Stock Exchange index (PSEi), by more than 5%. The Fund also provided robust long term returns, outperforming the PSEi by more than 3% in a 5-year period and since its inception. The BDO ESG Equity Fund posted 1.44% Compound Annual Growth Rate (CAGR) since its inception compared to the benchmark CAGR of 0.93%.

**223%**  
Net Asset Value Growth  
from 2016-2021

**88%**  
BDO ESG Equity  
Fund Growth

**5.89%**  
Return On Investments  
in 2021

### BDO ESG Equity Fund



## BDO's Cash Management Footprint

As a full-service universal bank with the widest branch network, BDO has become one of the biggest providers of Cash Management Services (CMS) in the country. This remained true all throughout the pandemic as BDO facilitated both non-digital and digital CMS. Clients appreciated how BDO was able to operate even during weekends and, whenever possible, during extended banking hours. Access to cash, especially via payments and collections, became crucial to the survival and recovery of businesses and individual customers during the pandemic crisis.

BDO provides CMS in all major cities including cash pick-up and delivery, checks printing and releasing, and postdated checks warehousing. The Bank's corporate online banking platform, Business Online Banking (BOB), provides banking convenience in a secure way, wherever the customer is located.

In 2021, BDO Cash Management's total client base reached 61,277 corporate names. Of this total, 42% were either newly on-boarded into Cash Management Services (CMS), or expanded their CMS business by signing up for additional CMS products. Total CMS transaction volume in 2021 was a little over 100 million, with value of more than ₱8 trillion in processed transactions for collections and payments combined.

With the continuing impact of the pandemic in 2021, BDO CMS focused on introducing, educating, and migrating customers to its digital products and services. The CMS team continued to leverage on the strength and convenience of BDO channels in providing digital solutions so that customers can continue to bank safely from their homes or offices.

Recognizing that small and medium enterprises (SMEs) were hit hardest by the pandemic, BDO CMS focused its efforts in supporting this market segment. The move resulted in significant percentage gains from both new clients or new availments from current clients by 83% in 2021.

### Product sustainability via partnership

Apart from the CMS team's own efforts to deliver Cash Management, they also forged partnerships in support of the Bank's Product Sustainability Strategy that commits to provide banking access to the underserved. BDO CMS provided access to cash machines in partnership with ATM providers who have the capability to install ATMs at an accelerated pace and use cash recycling, reducing efforts, and optimizing cash servicing. CMS also sponsored the settlement requirements of fintech companies or e-Money providers to further accelerate financial inclusion. The CMS team now consciously seeks out business partners with particular objectives that are in line with the principles of BDO's Sustainability Framework.

₱8  
trillion  
CMS Transactions  
Processed

100  
million  
CMS Transactions  
Volume

42%  
CMS Deals Growth

## CASE STUDY

# Harvesting success for East-West Seed Company

East-West Seed (EWS) is a global seed company that develops, produces, and markets hybrid tropical vegetable seeds to some 20 million smallholder farmers worldwide. Founded in 1982 in Lipa City, Batangas, Dutch seedsman Simon Groot and Filipino seed trader Benito Domingo had a vision to improve the income of smallholder farmers in the tropics through its high-quality seeds. But just like a seed that began seeking fertile ground to thrive in, EWS struggled at first to gain the confidence of the Filipino farmers.

EWS has since grown to become one of the 10 largest vegetable seed companies in the world. Using superior vegetable breeding combined with a carefully cultivated nurtured relationship with local farmers wherever it operates, East-West Seed has grown exponentially over the many years and holds market leader position in not just the Philippines but also Thailand, Indonesia, Myanmar, and Sri Lanka, while also expanding its business activities in India, China, South America, and Africa.

Amid the pandemic, East-West Seed also hit a milestone on the financial side of things: the company recently switched to digital platforms in handling most of their financial transactions and processes. According to Julius Sulit, Country Finance Head for East-West Seed Philippines (EWPH), the pandemic posed constraints on the way the company accessed its funds, collected payments, and issued checks. Before the pandemic, a lot of these processes were done manually by him and his team. But when the pandemic hit, many bank branches were closed; it was no longer possible to physically transact with banks.

The CMS provided by BDO to East-West Seed Philippines included the automated check writing facility that allowed the company to hand over the tasks of check writing to BDO.

Switching to automated check writing also meant that the record-keeping and access to financial information became digital as well. Julius said that this is more convenient since he could now quickly access the information he needs on his laptop with just a few clicks. Once the nominated authorizer of the company approves the transactions, the checks are printed by BDO and then picked up by the payees at a BDO branch, making for a convenient and stress-free customer experience. Even processing of customer payments is made so much easier.

“Overall, BDO cash management helped us become more efficient in terms of time and monetary cost for our financial operations. We save so much time, money, and effort now that many of these financial administrative tasks were integrated into a cash management system,” said Julius.



*East-West won over Filipino farmers with higher returns from hybrid seeds tailored to local farming conditions*

## Finding ways for Filipino workers overseas

Despite the spread of new and more contagious variants of the COVID-19 virus in 2021, BDO Remit successfully expanded its business and greatly increased its transactions volume globally, thanks to its ability to sustain 24/7 operations facilitating remittance transactions from Overseas Filipinos Workers (OFWs) worldwide.

Amid the pandemic, BDO Remit offices remained open, while its marketing representatives in Asia, Middle East, North America, and Europe continued to serve their clients who were in dire need to send money as emergency assistance to their loved ones in the Philippines. The Bank even opened an office in Dubai, one of its largest markets in the Middle East, which served as an OFW hub to assist customers on their accounts and other financial queries.

Sustaining its presence and operations served the Bank well, as it facilitated thousands of overseas accounts in 2021, representing an 84% increase from the previous year. BDO remittance transactions grew by 17%, while its remittance volume also grew by 18% as of December 2021. This is a remarkable accomplishment as the remittance industry volume grew by only 5% as of the same period (per BSP data).

### Sailing through rough times

BDO Remit clients who maintain a Kabayan Savings account benefitted greatly from the Bank's sustained operations as they were able to receive remittances easily. Cash was always available at ATMs that were open 24/7. ATMs were also a safer way to claim money as they were less crowded than other cash pick-up locations. Among the OFWs who very much needed assistance during the pandemic were Filipino seafarers. As they worked through different time zones, they needed financial service providers that can support them at any given time. BDO Remit received recommendations from its manning agency partners for its round-the-clock service dependability that ensured remittances were credited on time, particularly during lockdowns. As manning agencies continued to trust BDO Remit, some of them even required their seafarers to open BDO accounts before boarding.

**17%**  
Growth in  
Total Remittance  
Transactions

**18%**  
Growth in Total  
Remittance Volume



The new BDO office in Dubai

***"We appreciate that BDO was the only bank catering to our needs during the height of the pandemic, especially during the early months of the lockdown."***

**Magsaysay Maritime Corporation**



## Championing the countryside

Most OFW family beneficiaries are based in the provinces, with limited to zero access to banking services. To enable OFW family beneficiaries to easily encash their remittances, BDO Remit campaigned for greater awareness of the Bank's Cash Agad banking solution in areas with high concentration of OFW families. Where bank branches or ATMs are too far and too expensive to travel to, Cash Agad partner agents such as sari-sari stores, pharmacies, groceries, hardware stores, and other establishments in the community can cash out through point-of-sale machines. BDO Remit also collaborated with local government units for the use of basketball courts and waiting sheds for visible marketing space. BDO Remit also conducted a parallel campaign abroad to inform OFWs themselves of the Cash Agad service.

## Together apart

While other banks' remittance services were disrupted due to the pandemic, BDO Remit continued with its Pre-Departure Orientation Seminars (PDOS), in collaboration with the Overseas Workers Welfare Administration (OWWA). As the PDOS shifted from face-to-face to virtual, BDO Remit provided support to OWWA by quickly implementing enhanced internet connections in its classrooms at United Nations Avenue and Padre Faura in Manila as part of efforts to help the government agency achieve continuous deployment of Filipinos overseas. As of December 2021, some 173,737 participants benefitted from 3,762 financial literacy lessons conducted by BDO Remit as part of the PDOS.

BDO Remit hoped to hold its annual *Pamaskong Handog* (Christmas Treat) concert in the traditional face-to-face manner similar to previous years. However, due to the surge in COVID cases in the Philippines, the team instead held a *Salu-salo* (Christmas gathering) in its offices in Hong Kong, Macau, Japan, United Arab Emirates, the United States, Canada, Italy, France, and the United Kingdom.

BDO Remit invited its long-time, valued clients and treated them to a "Filipino Christmas" get-together with lots of food and fun games with their countrymen. The clients were grateful for a very meaningful celebration and expressed their heartfelt appreciation to BDO Remit for making them experience the Filipino Christmas spirit after being on lockdown for several months.



A Cash Agad partner agent in Barangay Apalit, Pampanga, Northern Luzon, 12 kilometers away from the closest city

173,737

OFWs

Financial Literacy  
Lessons Participants

3,762

Financial Literacy  
Lessons Conducted



BDO Remit held get-togethers for clients at its overseas offices



Scan to view Pamaskong Handog videos online

## CASE STUDY

# Achieving golden hopes with financial management

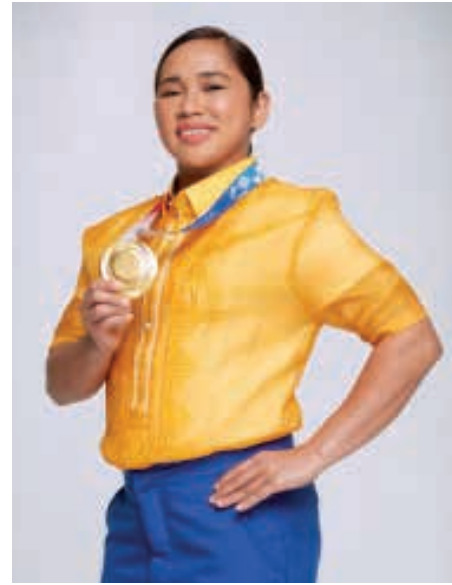
Adding to the OFWs' models of inspiration is Hidilyn Diaz, the Philippines' first-ever Olympic gold medalist, who joined BDO's family of brand ambassadors in October. The Bank tapped Hidilyn as its advocate for financial literacy for the underserved and unbanked markets.

Hidilyn's experience resonates with OFWs, as she trains abroad for various weightlifting competitions to represent the country and receives allowances while she is away from home.

During her introductory press conference, Hidilyn — who once wanted to work as a bank teller — shared the lessons she has learned from handling her finances after receiving financial incentives.

*“Mahalaga ring may relationship at tiwala tayo sa bangko kung saan natin ilalagay ang ating mga pinaghirapan. Tiwala tayo sa kanila kasi expert sila sa pagtulong palaguin ang ating mga finances. Halimbawa, kung gusto kong magtayo ng negosyo pagkaretiro ko, o bigyan ko ng retirement ang aking mga magulang, alam nila kung paano nila ako gagabayan. Importante ring may serbisyo sila kung saan ako makakapagpadala ng pera sa pamilya ko sa Zamboanga habang nagte-training ako sa abroad. Nakita ko lahat ‘yan sa BDO,” she said. (It's also important to have a relationship and trust in the bank where we deposit the fruits of our labor. We should be able to trust them in growing our finances. For instance, if I want to start a business when I retire or provide retirement funds for my parents, the bank should have the expertise to advise and guide me. It's also important that they can provide services wherever I am training abroad so I can send money to my family in Zamboanga. I found all these in BDO.)*

Hidilyn's narrative is a microcosm of the dilemmas facing OFWs and their families when it comes to managing hard-earned money from working overseas. Her testimonial serves as a powerful advocacy for the Bank and the importance of personal financial management among millions of OFWs worldwide.



Heavyweight lifter Hidilyn Diaz, the Philippines' first Olympic gold medalist and BDO brand ambassador



Financial literacy for OFWs is one of Hidilyn's advocacies



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# Sustainability Contribution Strategy



BDO supports the Philippine economic development goals through financial inclusion and impact financing in renewable energy, infrastructure, eco-friendly solutions, green facilities, and disaster resilience initiatives.

BDO contributes to the country's sustained economic growth through delivering various banking products and services that help create a dynamic business environment, promote local and foreign investments, and accelerate economic activities.

BDO Foundation champions financial inclusion as one of its two key advocacies. The Foundation partners with various institutions to bring financial education and scale it to large target sectors, from public school students, teachers and non-teaching personnel to Overseas Filipino Workers to members of the Armed Forces to police personnel nationwide.



# Economic Impact

Over the years, BDO has strengthened its position as the country’s leading full-service bank with capabilities to serve every Filipino’s banking needs. The Bank continues to expand its business franchise through sustained branch expansion focused on provincial areas, supplemented by Automated Teller Machines (ATMs), digital channels and agency banking, as well as increased market coverage to include the unbanked and underserved segments of the population in support of financial inclusion. These initiatives have allowed BDO to generate and distribute economic value, supporting economic activity in the country.

As COVID-19 infection cases fell with rising vaccination coverage, the Bank continued to safeguard the health and well-being of its employees and clients through sustained health and safety protocols, regular testing, and active vaccination campaign; ensure the availability of its products and services through branches and digital channels despite recurring lockdowns; and support communities through quick disaster response and financial inclusion initiatives.

## Economic Value Table Brief

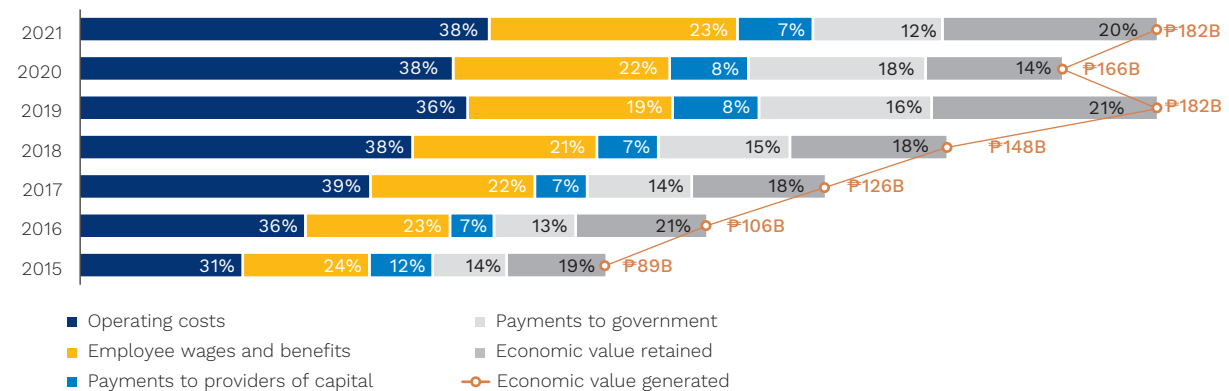
Increased economic activities following the easing in mobility restrictions and gradual economic re-opening allowed the Bank to post a 9% increase in its direct economic value generated to ₱182 billion in 2021, almost back to pre-pandemic 2019 levels after the 9% decline in 2020. Over the last five (5) years, the Bank’s direct economic value generated went up by 11% on a CAGR basis, notwithstanding the negative impact of the pandemic on Bank operations in 2020.

Of the total direct economic value generated, about 80% or ₱145 billion went to direct economic value distributed, marking a slight increase over 2019-2020 levels. Wages and benefits increased by 12% to ₱42 billion, representing nearly 29% of total economic value distributed, and effectively benefitting more than 38,000 BDO employees, helping create multiplier impact on domestic demand/consumption. Meanwhile, other operating costs rose by 9% to ₱69 billion, including expenses incurred to keep both BDO clients and employees safe through various measures, including regular antigen testing of employees.

The Bank’s total tax payments amounted to almost ₱22 billion, representing its contribution in government’s efforts to revive economic activity following the country’s deepest contraction in 2020. In addition, the Bank’s community investments amounted to ₱86 million as BDO actively carried out its corporate social responsibility through BDO Foundation, by providing relief, funding rehabilitation, and helping advance the recovery of disaster-stricken communities in the country, as well as supporting the government’s vaccination drive through the donation of vaccines to identified sectors.

### Economic Value Table

Figures in %



# Managing Climate Change Risks and Opportunities

BDO recognizes that climate change brought about by accelerated economic growth and globalization is a planetary issue that requires an urgent global, coordinated response. To this end, BDO supports the landmark 2015 Paris Agreement between the world's governments that commits to the common goal of limiting global temperature increase to well below 2 degrees Celsius, while pursuing efforts to limit the increase to 1.5 degrees. BDO also supports the Philippines' nationally determined contribution to the Paris Accord to reduce its greenhouse gas (GHG) emissions within the coming years leading up to 2030.

BDO recognizes that increased carbon emissions result in heightened environmental and social risks — in particular, transition risks and physical risks that can directly impact the Bank's financial value chain. The Bank recognizes that it plays a critical role in the Philippines towards contributing to a global low carbon economy pathway primarily through utilizing its financial resources, extensive operations and network, and access to millions of Filipinos worldwide.

## Managing our Environmental, Social, and Governance impact

Over the years, the Bank has adhered to sustainable finance practices that long incorporated Environmental, Social, and Governance (ESG) in a way that it conducts business as an organization and as a bank committed to sustainability.

From a risk perspective, the Bank has abided by its Social and Environmental Management System (SEMS) Policy that risk-categorizes all corporate and commercial borrowing accounts according to their social and environmental impact since 2010. The Bank's SEMS was co-developed with the International Finance Corporation (IFC) and based on IFC's ESG standards. SEMS categorizes ESG risks as High, Medium, and Low, based on type (sector/industry), location (proximity to environmentally and socially sensitive areas), sensitivity (potential impact whether irreversible/reversible), and extent of environmental/social issues.

The Bank's SEMS policy prohibits financing of any activity engaged in the following:

- production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international bans,
- production or trade in weapons and munitions, gambling, online gaming and equivalent enterprises,
- any business related to pornography and/or prostitution,
- production or activities involving harmful or exploitative forms of forced labor/harmful child labor,
- commercial logging operations in primary tropical moist forest,
- production or trade in wood or other forestry products other than from sustainably managed forests, among others.

This early integration of ESG risks in the lending practice shows the Bank's adoption of sustainability in its business operations to achieve stability and resilience in the financial value chain. It also antedates any global, regional or local regulations or incentives for sustainable finance from a risk perspective.

## Pioneering Sustainable Finance

Simultaneously, BDO also instituted its Sustainable Energy Finance (SEF) Program in 2010, in partnership with the IFC to leverage on its global experience in green finance particularly in the technical evaluation of renewable energy, energy efficiency and green building projects. In the same year, BDO created the Sustainable Energy Finance Desk, later renamed the Sustainable Finance (SF) Desk, to strengthen its internal capabilities in financing opportunities within the spectrum of sustainable energy projects and provide value-added technical advisory to clients to ensure the projects' viability.

The SF Desk has conducted intensive capacity building among BDO lending, credit, and branch officers to raise awareness on the economic, environmental, and social benefits of financing sustainable energy projects. Apart from renewable energy, the trainings built the knowledge and confidence of branch officers and staff to engage clients in looking into their business operations and finding opportunities to improve energy savings through options such as retrofitting buildings, adapting energy efficient lighting and air-conditioning systems, and developing green buildings.

The SF Desk also authored the BDO Sustainable Finance Framework (SFF) for the use of financial instruments to fund responsible projects that facilitate climate resilience and promote inclusive economic growth. The SFF ensures the strategic resilience of financial products and services in accordance with BDO's five Sustainability Strategies and aligned with UN Sustainable Development Goals (UN SDGs).

The BDO SFF was certified and endorsed by Sustainalytics, a leading and independent ESG research and ratings provider based in New York. In its Second Party Opinion (SPO), Sustainalytics expressed that "BDO's Sustainable Finance Framework is credible and impactful, and aligns with the Sustainability Bond Guidelines of 2018, Green Loan Principles 2020, and the ASEAN Sustainability Bond Standards 2018." Sustainalytics also stated that the SFF's eligible categories will lead to positive environmental or social impacts and advance the UN Sustainable Development Goals, specifically SDGs 2, 6, 7, 8, 11, 12, and 15. The SPO paved the way for BDO to announce its plan to offer its first ASEAN Sustainability Bond in early 2022.

## Regulatory mandate for a Sustainable Finance Framework

On June 26, 2021, the BDO Board of Directors approved the BDO Group's transition plan towards a Sustainable Finance Framework (SFF), in compliance with the Bangko Sentral ng Pilipinas (BSP) Circular 1085 of the same name.

Not to be confused with the BDO SFF for bonds issuance, the BSP-mandated SFF compels all Philippine banks to embed sustainability principles, including those covering environmental and social risk, in the following areas: Corporate Governance Framework; Risk Management Systems; Strategic Objectives; and Bank Operations. The transition is set within a 3-year period, from 2020 to 2023. BSP 1085 also mandates the integration of environmental and social (E&S) risks in the enterprise-wide risk management frameworks of banks into the Environmental & Social Risk Management System (ESRMS). BSP Circular 1128 on the particular guidelines for the ESRMS was released in October 2021.

The Board deliberations and final approval of the transition plan took place in both the May and June 2021 full Board meetings. With key discussions led by the BDO Chairperson and the President & CEO, the Board set out the following directions for the Bank's transition:

- **Sustainability at BDO is a journey that takes into consideration the Philippine context and the complexity and scope of BDO operations.** The Bank will continuously assess and find the optimal mix of trade-offs to strike a balance between national economic development that requires affordable energy and the broader goal of climate sustainability. The Bank also recognizes that the transition will not happen overnight, but BDO is committed to keep moving forward to achieve its sustainability goals and be responsible for its economic, environmental, and social impact to clients, communities, and the country.
- **BDO will take an institutional approach to Sustainability.** The Transition Plan covers the whole BDO Group and prioritizes 7 Key Focus Areas where BDO can make the most significant environmental, social, and governance impact as a conglomerate. These Focus Areas were aligned with the five BDO Sustainability Strategies, the BSP Circular 1085, and the UN Sustainable Development Goals.

## BDO Transition Plan to a Sustainable Finance Framework: Key focus areas

| Objective  | Focus Area                   | ESG Impact  |
|--|------------------------------|---|
| Ensure that the <b>counterparties follow Sustainability principles</b> and apply environmental and social (E&S) criteria in their governance, conduct of business, and operations                    | <b>Counterparties</b>        | BDO: Sustainability Strategies 2, 5<br>BSP: Sustainable Finance Framework feature: E&S principles embedded in bank operations<br>UN: Sustainable Development Goals (SDG) 1, 8, 10, 12         |
| <b>Ensure that we embed E&amp;S criteria</b> in existing and future <b>products and services</b> , and <b>map these</b> against the 5 Sustainability Strategies and 17 Sustainable Development Goals | <b>Products and Services</b> | BDO: Sustainability Strategy 1<br>BSP: Sustainable Finance Framework feature: E&S considered in bank products and services<br>UN: Sustainable Development Goals (SDG) 9, 10                   |
| Ensure that <b>E&amp;S impact is a key consideration</b> in the execution of <b>key operational processes</b>  | <b>Key Processes</b>         | BDO: Sustainability Strategy 2<br>BSP: Sustainable Finance Framework feature: E&S embedded in bank operations<br>UN: Sustainable Development Goals (SDG) 12                                   |
| Enhance alignment of <b>HR Policies</b> with <b>equitable and inclusive workplace practices</b> that promote a <b>sustainable mindset</b> among employees  | <b>HR Policies</b>           | BDO: Sustainability Strategy 3<br>BSP: Sustainable Finance Framework feature: E&S embedded in bank operations and governance<br>UN: Sustainable Development Goals (SDG) 5, 8, 10              |
| Ensure that <b>Facilities Management</b> systems <b>mitigate Environmental Impact</b> and <b>support sustainable practices</b>   | <b>Facilities Management</b> | BDO: Sustainability Strategy 2<br>BSP: Sustainable Finance Framework feature: E&S embedded in operations<br>UN: Sustainable Development Goals (SDG) 6, 12                                     |
| Ensure that <b>Strategic Focus Areas</b> support the <b>Bank's Sustainable Finance Framework</b>   | <b>Strategic Focus</b>       | BDO: Sustainability Strategies 2, 4<br>BSP: Sustainable Finance Framework feature: considered in Strategic Objectives<br>UN: Sustainable Development Goals (SDG) 1, 2, 5, 9, 13, 17           |
| Strengthen <b>Board Governance</b> with E&S <b>risk-based oversight</b> to promote a sustainability culture and mindset  | <b>Board Governance</b>      | BDO: Sustainability Strategy 5<br>BSP: Sustainable Finance Framework feature: E&S as part of risk management discipline and corporate governance<br>UN: Sustainable Development Goal (SDG) 16 |

Earlier in the year, BDO engaged the services of Ernst & Young (EY) Philippines/SGV to assist in crafting the transition plan and ESRMS for the BDO Group. The Focus Areas were identified after EY/SGV's Group-wide gap assessment of BDO's ESG maturity and ESG impact based on BSP 1085 requirements. To implement the plan, BDO established its Sustainability Governance Structure (see pages 14 and 15), which identified Technical Working Groups for each Focus Area, composed of representatives from concerned business groups, support groups, and subsidiaries whose expertise were critical in achieving their focus area objective. Each Working Group was tasked to review and enhance existing policies, craft policies currently not covered by the Bank, identify practices that needed to be articulated as policies, and create programs to bring the policies and practices to life.

Working Group members also engaged in data gathering and research to use as baseline for crafting draft policy, programs, and processes. Data gathering across the Bank's operations and supply chain proved to be a major challenge, given the Bank's scope and complexity. As the Working Groups engage more closely with employees on the ground and support suppliers in their own sustainability journey, data and analytics will be critical in tracking the Bank's progress and identifying metrics and sustainability goals for the short, medium, and long term. In 2022, the Working Groups will continue to focus on achieving these and regularly reporting to the Board Committees on progress.

## Environmental & Social Risk Management System (ESRMS)

BDO will build on its SEMS Policy for its ESRMS, based on the BSP expectations. In consultation with EY/SGV, the Bank has identified opportunities to further embed E&S criteria in credit and operations, along with an ESRMS responsibility matrix and structure.

EY/SGV is currently conducting an E&S risk assessment of the BDO loan portfolio based on the Philippine Standard Industrial Classification (PSIC), the prevailing industry taxonomy in the Philippines.



## BDO Unibank Group Loan Portfolio (Consolidated)

| Industry/Sector   | Percent of Loan Portfolio |
|---|---------------------------|
| Financial and Insurance Activities  | 16.6%                     |
| Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use | 14.8%                     |
| Real estate activities  | 12.8%                     |
| Wholesale and retail trade  | 11.8%                     |
| Electricity, gas, steam, and air conditioning supply  | 11.8%                     |
| Manufacturing   | 8.6%                      |
| Transportation and storage  | 3.7%                      |
| Arts, entertainment and recreation  | 3.2%                      |
| Construction  | 2.9%                      |
| Information and communication   | 1.8%                      |
| Accommodation and food service activities   | 1.7%                      |
| Education   | 1.5%                      |
| Human health and social work activities   | 1.3%                      |
| Water supply; sewerage, waste management and remediation activities   | 1.1%                      |
| Agriculture, forestry and fishing   | 0.6%                      |
| Mining and quarrying  | 0.4%                      |
| Professional, scientific and technical activities   | 0.4%                      |
| Administrative and support service activities   | 0.3%                      |
| Public administrative and defense; compulsory social security   | 0.0%                      |
| Activities of extraterritorial and organizations and bodies   | 0.0%                      |
| Other service activities  | 4.70%                     |
| Total   | 100%                      |

Source: BDO Audited Financial Statements 2021, Notes to Financial Statement 36.c Significant Credit Exposures for Loans

## Sustainable Finance: Catalyst for ESG Transition

For more than a decade, BDO Sustainable Finance has led the Bank's financing of eligible green and social impact projects.

This includes business activities such as renewable energy, energy efficiency, green building, clean transportation, pollution prevention and control, sustainable management of natural resources and land use, eco-efficient technology, sustainable water and waste water management, terrestrial and aquatic biodiversity conservation, climate change adaptation, affordable housing, access to essential services, employment generation and food security.

As a pioneer in Sustainable Finance since 2010, BDO has achieved significant experience and a robust portfolio of eligible projects with quantifiable positive economic, environmental and social impacts. This has become the Bank's baseline in developing the BDO Sustainable Finance Framework (BDO SFF) which serves as its guidepost in issuing Green, Social and Sustainability Bonds and other debt financing instruments that allow the bank to diversify funding sources and broadens investor base to include ESG-focused investors.

Under the BDO SFF, eligible projects are expected to reduce the Philippines' environmental footprint and assist in the energy transition towards a low-carbon economy, as well as drive socio-economic development nationwide.

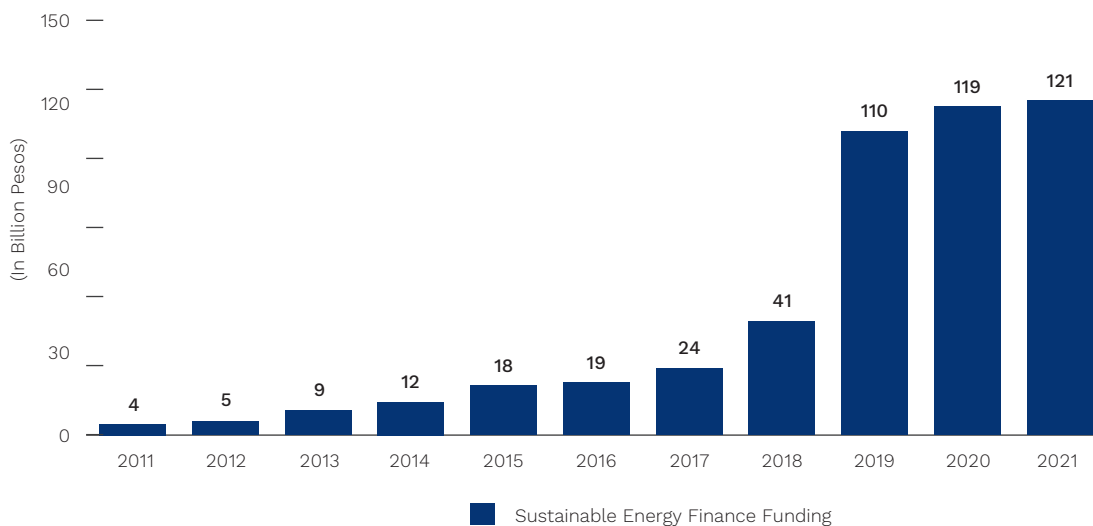
Eligible green projects require environmental benefits such as a reduced carbon footprint and vulnerability of communities to climate change. Eligible social projects require positive social outcome for the impoverished, excluded, marginalized, vulnerable, disabled, undereducated, underserved and unemployed populations.

The BDO SFF identifies the following activities as ineligible for financing:

- Production or trade in weapons and munition
- Online gaming and equivalent enterprises
- Hydroelectric plant with weir height of over 50 meters
- Illegal logging, illegal mining, illegal fishing, forced labor, child labor
- Production of tobacco products and palm oil
- Fossil-fuel power generation or transmission, and activities dedicated to support expansion of fossil fuel-based technologies

BDO Sustainable Finance catalyzes accelerating green recovery by financing resilient and pandemic-ready projects that aim to achieve a sustainable financial value chain. As of December 31, 2021, BDO financed 54 Sustainable Energy projects, with total Sustainable Finance funded to date at ₱548 billion.

### BDO Sustainable Energy Finance





## CASE STUDY

# Harnessing energy from biomass

The United States Energy Information Administration (US-EIA) defines biomass as “renewable organic material that comes from plants and animals.” The EIA states that biomass can be burned directly for heat or converted to renewable liquid and gaseous fuels through various processes. Firewood is one example, while animal or human waste processed chemically or biologically is another.

As a renewable energy source, biomass offers huge clean energy capacity opportunities for the Philippines, where there is an abundant supply of biomass resources. These include agricultural crop residues, forest residues, animal wastes, agroindustrial wastes, municipal solid wastes, and aquatic biomass. Agricultural waste products as biofuels offer an abundant, stable, and environmental alternative for fossil fuels energy sources.

Grass Gold Renewable Energy Corporation (Grass Gold) is among BDO’s clients engaged in renewable energy power generation. Its first power plant project is the construction and operation of a 12MW (gross) Napier grass-fired plant in Llanera, Caridad Sur, Nueva Ecija province which started commercial operations in December 2019.

Grass Gold utilizes napier grass, known locally as “buntot-pusa” for its stalk that closely resembles a cat’s tail. Napier grass is a perennial tropical grass used as feedstock and also found in abundance in the Philippines. Recent studies show that it is also an ideal crop for renewable energy power generation since it produces huge biomass and can be harvested multiple times a year. It has very low water and nutrient requirements and can be grown in marginal or uncultivated land. It also planted on slopes to increase soil fertility and reduce soil erosion. (Source: <https://plantvillage.psu.edu/topics/napier-grass/infos>.)

BDO supports Grass Gold’s biomass power plant project as part of its sustainable finance projects for renewable energy. The Bank is a pioneer in financing biomass power plants, having financed the country’s first Rice Husk-fired Biomass Power Plant in 2013. To date, BDO has financed 164 megawatts (MW) of biomass power plants that have resulted in significant positive environmental and social impacts in the Philippines.

In 2021, biomass power plants funded by BDO generated employment for 170,915 farmers nationwide. The projects also resulted in the avoidance of greenhouse gas emission of 487,250 metric tonnes by converting 1,583,082 tonnes of agricultural waste to feedstock or raw material fuel for biomass power plants.



Photo Credit: Grass Gold Renewable Energy Corp.

## Economic, Environmental, and Social Impact

| Description  | 2020   | 2021   |
|--|--|--|
| <b>Total Sustainable Finance Funded to Date</b>  | <b>₱400.9 billion</b>  | <b>₱548 billion</b>  |
| <b>Total installed Renewable Energy Capacity (SDG 7: Affordable and Clean Energy)</b>        | <b>2,184 MW</b>  | <b>2,230 MW</b>  |
| Renewable energy projects funded to date   | 50   | 54   |
| Carbon dioxide avoided per year by funded renewable energy projects (SDG 13: Climate Action) | 4,170,744 tonnes   | 4,266,687 tonnes   |
| Equivalent passenger vehicles taken off roads yearly   | 885,381  | 905,887  |
| Equivalent tree seedlings grown over 10 years  | 68,953,558   | 70,550,565   |
| Families Served by Renewable Energy Projects   | 1,968,067  | 1,994,189  |
| Loans disbursed in the past 5 years for national projects                                    | ₱32.9 billion  | ₱39.5 billion  |
| Loans disbursed in the past 5 years for airports   | ₱12.4 billion  | ₱12.4 billion  |
| Loans disbursed in the past 5 years for road networks  | ₱18.4 billion  | ₱18.4 billion  |
| SDG 2: Zero Hunger   | 3,052 smallholder farmers, 47 public webinars conducted on vegetable farming   | 3,052 farmers  |
| Road Network Development   | 152.23km   | 167.73km   |
| Financing Facilitated (Roads)  | ₱18.4 billion  | ₱19.3 billion  |
| Vehicles Served  | 136.9 million  | 138.1 million  |
| Carbon emissions annually reduced through efficient roadways                                 | 4,260.09 tonnes  | 4,260.43 tonnes  |
| Biomass Capacity   | 164 MW   | 164 MW   |
| Geothermal Capacity  | 1,189 MW   | 1,189 MW   |
| Mini Hydro Capacity  | 431 MW   | 433 MW   |
| Solar Capacity   | 339 MW   | 369 MW   |
| Wind Capacity  | 62 MW  | 75 MW  |
| Disbursed Loan Amount per RE Technology Type   | Biodiesel: ₱68.5 million<br>Bioethanol: ₱201 million<br>Biomass: ₱16.7 billion<br>Geothermal: ₱4.3 billion<br>Hydro: ₱15.7 billion<br>Solar: ₱12.5 billion<br>Wind: ₱2.9 billion | Biodiesel: ₱137 million<br>Bioethanol: ₱570 million<br>Biomass: ₱22.5 billion<br>Geothermal: ₱17 billion<br>Hydro: ₱28.1 billion<br>Solar: ₱12.6 billion<br>Wind: ₱2.9 billion |
| Bioethanol Production  | 44.12 million liters per year  | 44.12 million liters per year  |
| Biodiesel Production   | 60 million liters per year   | 60 million liters per year   |

## Biodiesel

Installed Capacity  
**60 ML/Y\***

Disbursed Loan Amount  
**₱137 million**

GHG avoidance per year based on Net (in tonnes CO<sub>2</sub>e)  
**12,000**

GHG avoidance per year based on Gross (in tonnes CO<sub>2</sub>e)  
**153,732**

Equivalent passenger vehicle off the road per year  
**32,640**

Equivalent tree seedlings grown for 10 years  
**2,541,996**

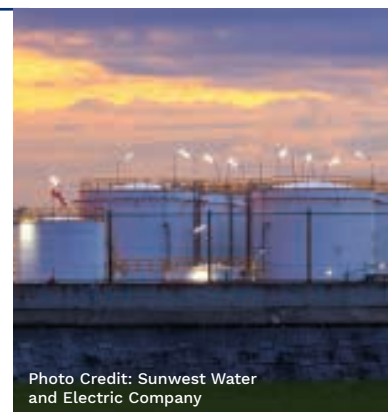


Photo Credit: Sunwest Water and Electric Company

## Bioethanol

Installed Capacity  
**44.12 ML/Y\***

Disbursed Loan Amount  
**₱571 million**

GHG avoidance per year based on Net (in tonnes CO<sub>2</sub>e)  
**35,296**

GHG avoidance per year based on Gross (in tonnes CO<sub>2</sub>e)  
**49,540**

Equivalent passenger vehicle off the road per year  
**10,518**

Equivalent tree seedlings grown for 10 years  
**819,153**

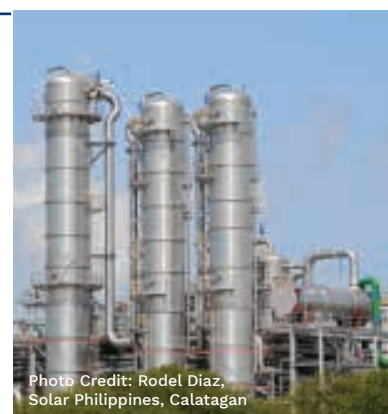


Photo Credit: Rodel Diaz, Solar Philippines, Calatagan

## Biomass

Installed Capacity  
**164 MW**

Disbursed Loan Amount  
**₱22.5 billion**

Net Energy Generation (MWh/year)  
**1,013,497**

Gross Energy Generation (MWh/year)  
**1,202,683**

Value of energy generation per year (Php/year)  
**₱4.9 billion**

GHG avoidance per year based on Net (in tonnes CO<sub>2</sub>e)  
**410,604**

GHG avoidance per year based on Gross (in tonnes CO<sub>2</sub>e)  
**487,250**

Equivalent passenger vehicle off the road per year  
**103,451**

Equivalent tree seedlings grown for 10 years  
**8,056,785**


No. of households/families (average of 6 persons per family) supplied by RE  
**230,131**

Amount of agricultural wastes converted to feedstock/power T/Yr  
**1,583,082**

No. of farmers supported  
**170,915**



## Geothermal

|  |   |   |   |
|--|---|---|---|
| Installed Capacity<br><b>1,189 MW</b>                                  | Disbursed Loan Amount<br><b>₱17.0 billion</b>   | Net Energy Generation (MWh/year)<br><b>5,848,520</b>  | Gross Energy Generation (MWh/year)<br><b>6,498,355</b>                              |
| Value of energy generation per year (Php/year)<br><b>₱28.7 billion</b> | GHG avoidance per year based on Net (in tonnes CO <sub>2</sub> e)<br><b>2,369,446</b> | GHG avoidance per year based on Gross (in tonnes CO <sub>2</sub> e)<br><b>2,632,717</b>         |  |
| Equivalent passenger vehicle off the road per year<br><b>558,969</b>   | Equivalent tree seedlings grown for 10 years<br><b>43,532,535</b>                     | No. of households/families (average of 6 persons per family) supplied by RE<br><b>1,328,002</b> |   |

## Hydro

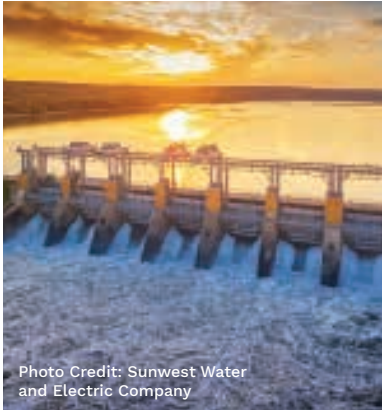
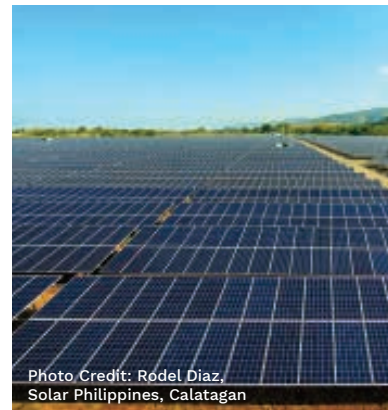
|   |   |   |   |
|---|---|---|---|
| Installed Capacity<br><b>433 MW</b>                                   | Disbursed Loan Amount<br><b>₱28.1 billion</b>                                       | Net Energy Generation (MWh/year)<br><b>1,255,024</b>  | Gross Energy Generation (MWh/year)<br><b>1,387,445</b>                                |
| Value of energy generation per year (Php/year)<br><b>₱6.1 billion</b> | GHG avoidance per year based on Net (in tonnes CO <sub>2</sub> e)<br><b>508,455</b> | GHG avoidance per year based on Gross (in tonnes CO <sub>2</sub> e)<br><b>562,104</b>         |  |
| Equivalent passenger vehicle off the road per year<br><b>119,344</b>  | Equivalent tree seedlings grown for 10 years<br><b>9,294,506</b>                    | No. of households/families (average of 6 persons per family) supplied by RE<br><b>284,974</b> |   |

Photo Credit: Sunwest Water and Electric Company

## Solar

|   |   |   |  |
|---|---|---|--|
| Installed Capacity<br><b>369 MW</b>                                   | Disbursed Loan Amount<br><b>₱12.6 billion</b>                                       | Net Energy Generation (MWh/year)<br><b>458,950</b>  | Gross Energy Generation (MWh/year)<br><b>549,141</b> |
| Value of energy generation per year (Php/year)<br><b>₱2.2 billion</b> | GHG avoidance per year based on Net (in tonnes CO <sub>2</sub> e)<br><b>228,086</b> | GHG avoidance per year based on Gross (in tonnes CO <sub>2</sub> e)<br><b>270,230</b>         |  |
| Equivalent passenger vehicle off the road per year<br><b>57,374</b>   | Equivalent tree seedlings grown for 10 years<br><b>4,468,307</b>                    | No. of households/families (average of 6 persons per family) supplied by RE<br><b>104,212</b> |  |



## Wind

|   |   |  |  |
|---|---|--|--|
| Installed Capacity<br><b>75 MW</b>                                    | Disbursed Loan Amount<br><b>₱2.9 billion</b>  | Net Energy Generation (MWh/year)<br><b>206,419</b>   | Gross Energy Generation (MWh/year)<br><b>218,620</b> |
| Value of energy generation per year (Php/year)<br><b>₱1.0 billion</b> | GHG avoidance per year based on Net (in tonnes CO <sub>2</sub> e)<br><b>104,525</b> | GHG avoidance per year based on Gross (in tonnes CO <sub>2</sub> e)<br><b>111,113</b>        |  |
| Equivalent passenger vehicle off the road per year<br><b>23,591</b>   | Equivalent tree seedlings grown for 10 years<br><b>1,837,284</b>                    | No. of households/families (average of 6 persons per family) supplied by RE<br><b>46,871</b> |  |



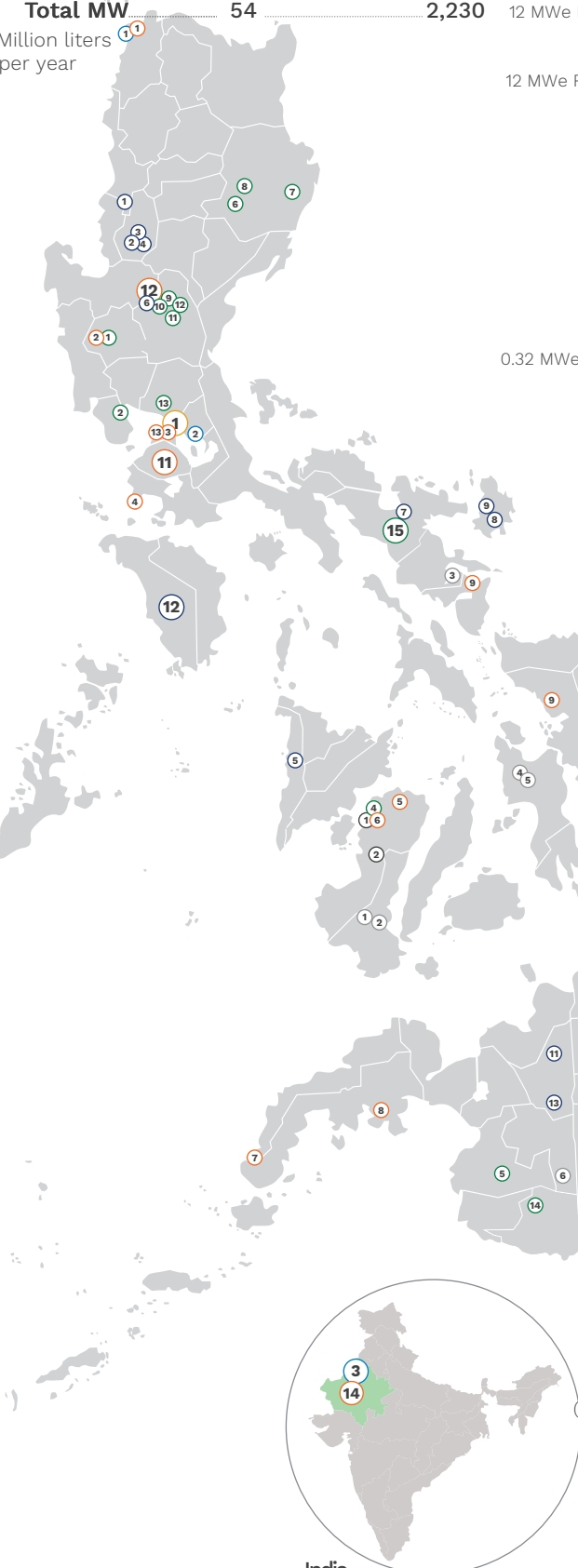


# BDO Sustainable Energy Finance Project Map

- ① 37.5 MW of 150 MW Wind Power Plant (Burgos, Ilocos Norte)
- ① 6.8 MWp Solar PV Power Plant (Burgos, Ilocos Norte)
- ① 70 MW RoR Hydro Electric Plant (Alilem, Ilocos Sur)
- ② 140 MW Hydro Electric Plant (Benguet)
- ③ 31.8 MW Several RoR Hydro Projects (Benguet)
- ④ 19 MW Several RoR Hydro Projects (Benguet)
- ② 100 MWp Solar Farm (Tarlac City, Tarlac)
- ① 2 MWe Biogas-Fed Power Plant (Tarlac City, Tarlac)
- ② 12 MWe Biomass-Fired Power Plant (Orani, Bataan)
- ③ 0.3 MWp Solar Rooftop (Ortigas Center, Pasig City)
- ④ 63.29 MWp Solar PV Farm (Calatagan, Batangas)
- ⑤ 8 MW RoR Hydro Electric Plant (Bugasong, Antique)
- ③ 7 MWe Biomass-Fired Power Plant (Brooke's Point, Palawan)
- ① 192.5 MW Geothermal Power Plant (Valencia, Negros Oriental)
- ② 49 MW Geothermal Plant (Nasulo, Negros Oriental)
- ① 14.12 Million liters per year, as per DOE (Talisay City, Negros Occidental)
- ② 30 Million liters per year, as per DOE (Negros Occidental)
- ④ 20 MW Turbogenerator (Silay City, Negros Occidental)
- ⑤ 133 MWp Solar Facility (Cadiz City, Negros Occidental)
- ⑥ 0.325 MWp Solar Rooftop (Bacolod)
- ⑦ 0.5 Solar PV (Zamboanga City)
- ⑧ 0.32 MWp Solar Rooftop (Zamboanga del Sur)
- ⑤ 15 MWe Biomass-Fired Power Plant (Sultan Kudarat, Maguindanao)
- ① 60 ML/Y Biodiesel Production Plant (Bagong Ilog, Pasig)
- ⑬ 1.17 MWp Solar PV Rooftop (Western Bicutan, Taguig City) **NEW**
- ⑭ 28.76 MWac/ 1,553MWac Solar PV Plant (Jaisalmer district of Rajasthan, India) **NEW**
- ⑯ 2.4 MW Mini-hydro Power Plant (Maramag, Bukidnon) **NEW**
- ③ 14.1 MW of 762.80 MW Wind Power Plant (Jaisalmer district of Rajasthan, India) **NEW**

| RE Project      | No. of Projects | MW Capacity  |
|-----------------|-----------------|--------------|
| Biodiesel       | 1               | 60ML/Y*      |
| Bioethanol      | 2               | 44ML/Y*      |
| Biomass         | 15              | 164          |
| Geothermal      | 6               | 1,189        |
| Hydro           | 13              | 433          |
| Solar           | 14              | 369          |
| Wind            | 3               | 75           |
| <b>Total MW</b> | <b>54</b>       | <b>2,230</b> |

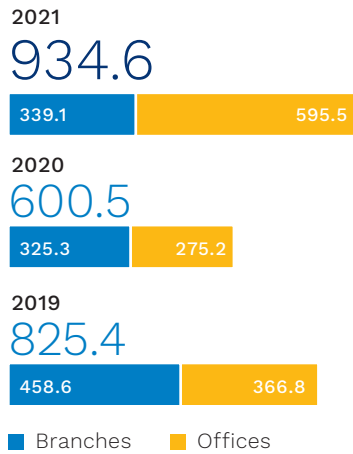
\* Million liters per year



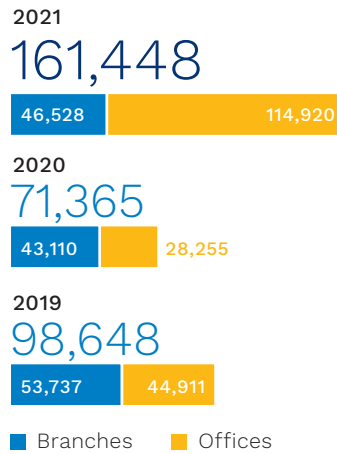
- ⑥ 20 MWe Rice Husk-Fired Power Plant (Alicia, Isabela)
- ⑦ 19 MWe Cogeneration Plant (San Mariano, Isabela)
- ⑥ 15 MWe Biomass-Fired Power Plant (Burgos, Isabela)
- ⑨ 12 MWe Rice Husk-Fired Power Plant Phase 1 (San Jose City, Nueva Ecija)
- ⑩ 12 MWe Rice Husk-Fired Power Plant Phase 2 (San Jose City, Nueva Ecija)
- ⑪ 12 MWe Biomass-Fired Power Plant (Llanera, Nueva Ecija)
- ⑫ 6 MWe Biomass-Fired Power Plant (San Jose City, Nueva Ecija)
- ⑥ 132 MW Hydroelectric Power Plant (Nueva Ecija - Pangasinan)
- ⑬ 0.32 MWe Rice Husk-Fired Cogeneration Plant (Sta. Maria, Bulacan)
- ② 24 MW of 54 MW Wind Power Plant (Pillila, Rizal)
- ⑦ 1.8 MW Mini-Hydro Project (Buhi, Camarines Sur)
- ⑥ 2.1 MW RoR Mini Hydro Plant (San Miguel, Catanduanes)
- ⑨ 1.5 MW RoR Mini Hydro Plant (Obi, Catanduanes)
- ⑨ 5.2 MWp Solar Rooftop (Ormoc and Sorsogon)
- ③ 140 MW Geothermal Power Plant (Manito, Albay)
- ④ 112.5 MW Geothermal Power Plant (Tongonan, Leyte)
- ⑤ 588.4 MW Geothermal Power Plant (Tongonan, Leyte)
- ⑩ 12.9 MW of 25.8 MW RoR Mini Hydro Electric Plant (Jabonga, Agusan del Norte)
- ⑪ 1.6 MW Mini-Hydroelectric Plant (M. Fortich, Bukidnon)
- ⑫ 10 MW Hydroelectric Power Plant (Oriental Mindoro)
- ⑥ 106 MW Mindanao Power Project (Kidapawan, North Cotabato)
- ⑩ 28.59 MWp Solar PV Power Plant (Digos, Davao del Sur)
- ⑭ 6 MWe Biomass-Fired Power Plant (Surallah, South Cotabato)
- ⑮ 10 MW Biomass-Fired Power Plant (New San Roque, Pili, Camarines Sur)
- ⑪ 1.128 MWp Solar Rooftop (Carmona, Cavite)
- ⑫ 0.015 MWp Solar Rooftop (Umingan, Pangasinan)

# BDO Resource Consumption

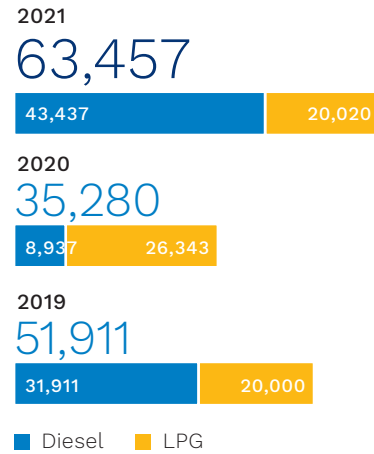
## Water Consumption (in '000 cu.m)



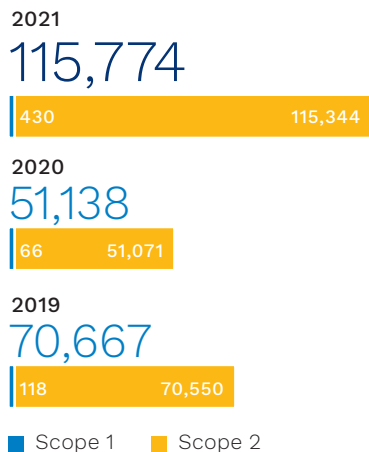
## Electricity Consumption (in '000 kWh)



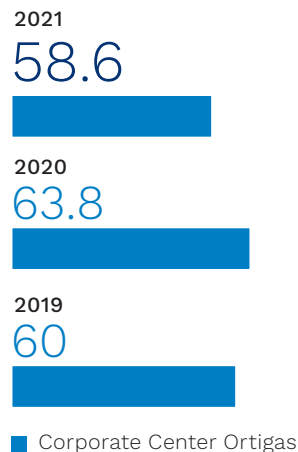
## Fuel Consumption (in liters)



## GHG Emissions <sup>1,2</sup> (in tonnes CO2e)



## Recycled Water (in million liters)



(1) Calculated following the operational control approach of the Greenhouse Gas Protocol. Moreover, Scope 2 emissions were computed using the 2015-2017 National Grid Emission Factors provided by the Department of Energy.

(2) Scope 1 emissions were based on the fuel consumption of the company, while Scope 2 emissions were based on the purchased electricity of the company

BDO's resource consumption in 2021 continued to be directly impacted by government-imposed lockdowns during the pandemic. Three particular factors account for the increased consumption from both pre-pandemic 2019 figures and the 2020 consumption figures: lockdowns, BDO's split operations strategy, and the temporary relocation of BDO offices in Makati City.

Lockdowns and prolonged high alert levels were more frequent in 2021 due to the Delta surge. Offices and branches observed shortened work hours and more groups implemented work-from-home arrangements which meant lower electricity use and water consumption. However, these were also offset by the continuous implementation of the Bank's business continuity strategy for Split Operations, where business groups and support groups maintained physical presence in both corporate hubs at Makati City and Ortigas Center in Mandaluyong City, along with other key sites in Metro Manila. Split operations effectively doubled the office space needs for business and support groups in these locations.

At the same time, BDO implemented temporary office transfers throughout 2021, as it emptied the BDO Corporate Center Makati's (CCM) North and South Towers to clear the way for the planned construction of a new BDO CCM campus in the same location. Business groups and support offices were relocated to several buildings nearby (BDO Towers Valero, BDO Towers Paseo, BDO Salcedo Tower, and The Podium West Tower), while both North and South Towers were still in operation.

BDO also opened 12 additional branches nationwide to better serve clients in areas where financial services were greatly needed.

The Bank remains committed to measuring its resource consumption and managing its carbon footprint as it continues to grow as the country's largest bank with the most number of branches and corporate facilities.

## Resilient Recovery for Economic Frontliners

On the second year of the COVID-19 pandemic, BDO branches — the Bank's frontline unit — showed that continuous operation was not just about survival, but also about the agility to embrace and thrive in the new normal. True to the Bank's Customer-Focused value, branch frontliners took on the critical task of providing uninterrupted access to financial services, in order to address BDO customers' most pressing and evolving financial needs, and to keep the economy going with much needed cash.

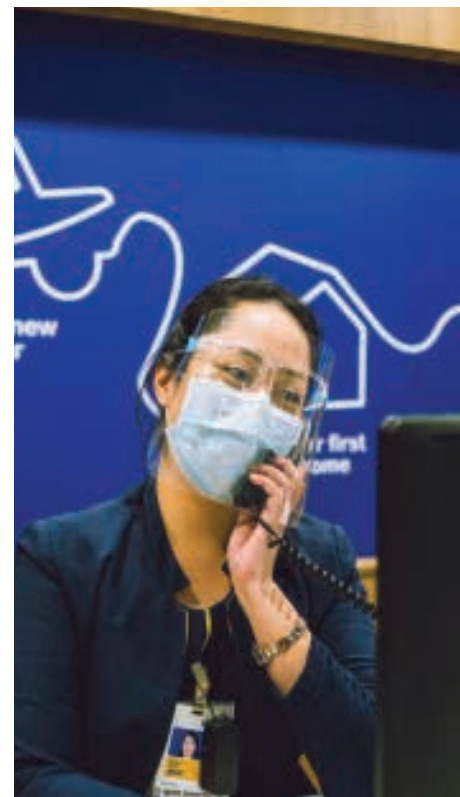
BDO branches continued to operate even during higher alert level periods by strictly observing mandatory health protocols to keep both employees and customers safe. The Bank's manpower resources were adjusted based on the community quarantine classification and COVID-19 status in areas where they operate, and this was communicated widely to customers so they can plan and prepare for their transactions accordingly.

### The value of vaccination

To protect the Bank's frontliners, BDO prioritized weekly COVID-19 testing for branch employees. Once vaccines became available, BDO launched its vaccination program for employees and their families, once again prioritizing branch frontliners. Regular COVID-19 screening tests were held at BDO corporate offices and large office hubs, while vaccines and boosters were administered in coordination with the branches' respective local government units.

As a result, 98.2% of branch personnel were vaccinated in 2021, enabling them to be fully prepared and protected to serve the needs of our customers wherever and whenever face-to-face transactions were possible and necessary.

Other prevention measures observed at BDO branches were the following: 1) a mandatory temperature check for all upon entering bank premises, and a second mandatory check for employees at midday; 2) wearing of face masks and face shields; 3) provision of health kits to employees, specifically alcohol for hygiene and vitamins for personal consumption; 4) provision of alcohol and sanitizers for the use of customers; and 5) imposed physical distancing inside branch premises.



*Throughout the pandemic, 99% of BDO branches remained open and ready to provide banking services, albeit with reduced manpower and shortened bank hours.*



In terms of infection control, COVID Care telemedicine facilities were made available to employees for consultations with doctors and health diagnostic services. COVID-19 tests were done weekly during surge periods, such as during the Delta variant surge from July to October 2021. Otherwise, testing was conducted twice monthly for client-facing employees and once for those working in the backroom. Employees who turned out to be close contacts of a confirmed positive case were automatically scheduled for a Reverse Transcription Polymerase Chain Reaction (RT-PCR) test for COVID-19. Upon testing, the concerned employees were required to go on home quarantine and advised to isolate from other household members, while awaiting test results. Employees who tested positive were given a complete health kit containing a thermometer, a pulse oximeter, medicines for colds and cough, a gargle solution, and vitamins. Contact tracing was conducted through the QSafe app.

Branches with COVID-positive cases were disinfected through daily misting done by accredited service providers that adhere to Occupational Safety and Health Standards on disinfection methods. In addition, workstations and high-touch areas were subject to regular deep cleaning and disinfection.

To supplement the branches' prevention and infection control measures, employees were kept informed on proper safety and hygiene practices via email and on-site posters. The vaccinations, as well as related policies and programs to help prevent the virus from spreading, are aligned with the UN Sustainable Development Goal (SDG) 3 on ensuring Good Health and Well-being.

## Keeping the economy running

Demonstrating its commitment to support the country's economy during the pandemic, the bank kept 99% of its branches open, with some branches able to resume Saturday banking despite reduced manpower. A "buddy branch" system was also implemented to support transactions for clients of closed branches or those with shortened hours. BDO opened 12 new branches in 2021 — proof that presence and access for clients remained a top priority.

While some clients chose to do banking transactions in the comfort of their homes, there were still a substantial number of clients who preferred or needed to transact at branches.

For clients who have shifted towards convenient and safe online banking, BDO promoted the features of its digital channels. Online transactions and services include viewing of account balances and transaction details, sending money and paying bills, and new account opening. As online payment activity soared during the pandemic, BDO branches also took the opportunity to promote BDO Pay. Developed by the Bank's digital banking group, BDO Pay enables customers to make payments using a QR code, request funds, and split bills.

At the branches, a new Customer Relations Management (CRM) system for onboarding new clients was implemented as part of the branch transformation initiatives of the bank. Clients could open a new account in these convenient ways. First, clients submit the new account application form online without visiting the branch. Clients are then

98.2%

BDO Branch  
Personnel Vaccinated

12

New BDO  
Branches Opened

invited to a virtual interview, for the Bank to perform the Know-Your-Customer validation process. Another way to open accounts would be using a dedicated laptop or using the client's own digital device, all inside the branch; hence without need for filling up of paper forms.

Branches also adopted a new queue management system that offered paperless transactions processing where clients can input their transactions in a kiosk in the branch, instead of filling up forms. For a more seamless and safer customer experience, clients have the option to book an appointment online for their branch visits, receive a QR code to be scanned once they reach the branch, and immediately fall in queue. This new customer experience generated positive response in lesser physical interactions, time-saves and an efficient digitized way of banking.

With continuous operations throughout the year, BDO branches showed consistent growth in deposits, with peso savings and current accounts posting 14% growth in 2021. Foreign currency denominated savings accounts growth was at 11% and total funds grew by 8%.

These services not only paved the way for clients to have better financial access when they needed it most, but they also support SDG 17 on Partnerships for the Goals, specifically target 17.8, which aims to “fully operationalize the technology bank and science, technology and innovation capacity-building mechanism for least developed countries by 2017 and enhance the use of enabling technology, in particular information and communications technology.”

## BDO Network Bank

As the Philippines' largest community bank, BDO Network Bank (BDONB) brings modern and relevant banking services to unbanked and underserved communities. Unbanked Filipino adults are at 51.2 million, out of a total 72 million adults, according to the latest financial inclusion survey report of the Bangko Sentral ng Pilipinas (BSP). BDONB aims to fill this gap with a wide range of banking products that include loans, deposits, remittances, bills payment and other banking services through its network of 351 branches and loan offices, and 334 Automated Teller Machines across the Philippine archipelago. In 2021, BDONB marked a 34% increase in its number of branches and loan offices compared to pre-pandemic numbers in 2019, and a 20% increase from the previous year.

## MSME Financing

BDONB focuses on the development of the Micro, Small, and Medium Enterprises (MSME) market segment. In 2021, MSME loan bookings rose 75% from the previous year and MSME loans were made available in 45 new offices. MSME standalone offices increased by 23% compared to 2019 and an increase of 16% in 2021 compared to 2020. BDONB personnel servicing this market segment likewise grew by 13%. MSME teams drive financial education by advising clients on how to improve their businesses, and reinforcing the importance of saving and connecting with the bank to manage their finances. BDONB teams also led various outreach initiatives to communities affected by the pandemic and natural disasters.

14%

CASA Deposit Growth

11%

Foreign Currency  
CASA Deposit Growth



Rose Joy Reyes, BDO Network Bank depositor in Naga. BDONB made it possible for her to continue her business during the pandemic, ensuring ease of transactions from Luzon to Mindanao.

75%

MSME Loan  
Booking Growth

## Client Success Stories

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**Merlinda Coronado**, is a persistent business owner from humble beginnings. She started selling two sacks of sweet potatoes in the wet markets of Nagcarlan, and eventually grew her business up to a point where she now delivers tons of sweet potatoes from Tarlac, Zambales, and Bataan to the provinces of Cavite and Batangas. The loan granted to her by BDONB helped her buy additional sweet potatoes to supply her growing number of clients. Because of the continuous growth of her business, she was also able to buy a truck to help her with her deliveries and employ 15 employees who also have their own families to support.

**Arlene Gener** expressed her gratitude to BDONB for her access to additional inventory after she applied for and received a business loan in 2020. She is a widow, mother of two kids, and a former overseas Filipino worker in Dubai where she served as a family driver for three years. She returned to the country and became an entrepreneur in 2017. Using the money she saved from working abroad, Arlene started her rice retailing business in the Sta. Maria, Bulacan Public Market. Today, she is one of its biggest retailers, selling an average of 500 sacks of rice per week, and providing work for her three employees.



**Dranreb Magpoc** is a former OFW who worked in Riyadh at a banking institution for two years. He left this stable job because he couldn't stand being away from his family, and returned to the Philippines to support his wife who manages their grocery store in Cainta, Rizal. The couple availed of the BDONB business loan that helped their business grow as they were able to open another stall. The additional income produced from their business helped them cover the tuition of their children. He and his family are grateful for their situation given that many lost their jobs during the pandemic.

**Liza Castro** is a single mom to two kids and a Master Teacher at Batad Central School in Iloilo province. A client since 2016, Liza is thankful to BDONB for helping her open various businesses such as online selling of health products and a pisonet business. Pisonet was coined from the words peso (piso) and internet (net), and refers to vending machine-type computer kiosks that allow users to access the internet in small increments of time. The business addresses the needs of gaming enthusiasts, students, or professionals who cannot afford the minimum hourly rates of regular internet cafes or only need to use the internet for a short time. Liza's earnings made it possible for her to renovate her house and buy her own multi-cab, a small light truck for business. With advice from BDONB, she was able to consolidate her debt and manage her proceeds.



**Leofer Alviola**, married with two kids and a local government employee, started a meat dealing business at the Digos Public Market in Davao del Sur. She has been a BDONB client for over 15 years and has availed of loans multiple times. Her first loan was used for additional capital, while succeeding loans were used for business growth. During the height of the pandemic, she was able to expand her own meat corner. The expansion successfully addressed the needs of customers who wanted to avoid going to the more heavily populated public market.

## Salary Loans for Public School Teachers

Of the salary loan releases in 2021, 58% were for teachers in Mindanao where the BDONB's main area of operations is located. In 2021, loan balance grew by 21.5%, the highest Accounts Receivable on record. Loan releases grew substantially by 40% compared to 2019 due to easing of pandemic restrictions. BDONB's customer base grew by almost 25% as it continues to expand in rural areas nationwide. In terms of Salary Loans reach, there was an increase of 26% in 2021 compared to 2019 and an increase of 20% in 2021 as compared to 2020 figures.

BDONB provides other support services for teachers. Bank employees arranged for financial wellness discussions to help teachers manage their finances. During the second year of the pandemic, BDONB continued to support the *Brigada Eskwela* (School Brigade) and *Balik-Eskwela* (Back to School) initiatives of the Department of Education by providing school supplies such as bond paper, pad paper, printers, and ink, and health protection supplies like alcohol and face masks to public schools in remote areas of the country. BDONB also closely worked with BDO Foundation and SM Foundation to donate laptops and computer equipment.

More than the provision of loans as start-up capital to small businesses and salary loans to public school teachers and government employees to fund their needs, BDONB's main campaign is to drive inclusive economic growth across all its market coverage. By teaching clients to borrow with purpose, BDONB forges strong and lasting banking relationships with the unbanked and underserved market so that they also understand the value of saving, investing, and growing their finances for a healthy financial future.

## BDO Foundation: Financial Inclusion through financial education

As the COVID-19 pandemic continued to severely impact the economic well-being of Filipinos in 2021, BDO Foundation's efforts to promote financial inclusion gained greater significance and scale.

Working closely with the Bangko Sentral ng Pilipinas (BSP), BDO Foundation continued to collaborate with the Department of Education (DepEd), Overseas Workers Welfare Administration (OWWA), Civil Service Commission (CSC), and Armed Forces of the Philippines (AFP) for the implementation of financial education programs. Building on the success of these partnerships, the Foundation and the BSP also partnered with the Bureau of Fire Protection (BFP), Philippine National Police (PNP), Bureau of Fisheries and Aquatic Resources (BFAR), and Agricultural Credit Policy Council (ACPC) for the launch of new financial education programs in 2021.

The partnerships benefit public school students, teachers and non-teaching personnel; overseas Filipino workers (OFWs) and their families; civil servants; uniformed and civilian personnel of the armed forces; personnel of the government's fire service agency; the police; fisherfolk; and farmers.

The financial education programs, which support BDO Foundation's financial inclusion advocacy and BSP's National Strategy for Financial

21.5%

Salary Loan  
Balance Growth

40%

Salary Loan  
Releases Growth

25%

BDONB Customer  
Base Growth



BDO Foundation has developed 26 financial education videos, all of which are available for viewing on the BDO Unibank YouTube channel.



Inclusion, help strengthen the capability of government agencies to provide financial literacy training to their beneficiaries. The programs are embedded and mainstreamed in the existing training and development initiatives of the partner agencies. They aim to equip the target audience with the tools, knowledge, and resources to make sound financial decisions through lessons on saving, budgeting and financial planning, debt management, entrepreneurship, investments, insurance, digital literacy, scam prevention, and retirement planning.

In 2021, several projects were completed to support the deployment of the programs nationwide.

- DepEd issued DepEd Order No. 022, Series of 2021, detailing its Financial Education Policy to ensure that financial education will be taught nationwide using the materials developed by BDO Foundation. The policy covers all learners, teachers, and non-teaching personnel from public and private elementary, junior and senior high schools, as well as learning centers for Special Education, Alternative Learning Systems, Indigenous Learning Systems, and the Madrasah Education Program covering Muslim culture, customs, and traditions.
- The Foundation and DepEd partnered with Huawei Philippines as sponsors for a teacher competition called the “Search for the Best Supplemental Learning Materials in the Teaching of Defined Key Concepts in Science and Mathematics.” The nationwide contest was designed to encourage teachers to submit innovative learning modules that integrate financial literacy into the teaching of Science and Math subjects. The partnership with Huawei included the donation of 33 laptops to selected public schools.
- AFP officers conducted a focus group discussion funded by BDO Foundation, to identify the financial literacy lessons that the armed forces will cover in its training courses.
- The Foundation, BFAR, and BSP created the Fish N’ LEarn game, an innovative gamified teaching tool designed to make financial literacy lessons engaging for fishers. Through the training intervention, participants are expected to learn lessons on conserving marine resources, saving for the future, expanding sources of income, proper use of insurance, and debt management. The target audience will be provided with instructional materials, cards, and play money produced by BDO Foundation.
- In partnership with BSP, CSC, AFP, BFP, and BFAR, four learning modules were drafted for civil servants, armed forces personnel, firefighters, and fishers. Three new financial education videos for the armed forces were produced. Five virtual learning sessions were conducted for DepEd, CSC, and BFAR personnel. An online training session was also facilitated for farmers in partnership with East-West Seed.

For the fourth consecutive year, BDO Foundation supported the BSP’s Financial Education Stakeholders Expo, a five-day virtual event that gathered financial education advocates. Together with the BDO Trust and Investments Group, the Foundation featured the Personal Equity and Retirement Account or PERA in its virtual booth. Working with BDO Remit, film actor and BDO brand ambassador Piolo Pascual shared financial literacy lessons and his personal approach to money management in a plenary session on “Preparing the Filipino Youth for a Financially Healthy Future.”



*The financial education program for public schools, BDO Foundation’s partnership project with the DepEd and BSP, aims to institutionalize financial education in the K to 12 curriculum and in the regular training programs for teachers and non-teaching personnel.*

**2,676,297**  
No. of beneficiaries reached to date through financial education programs



*The Fish Right program of the United States Agency for International Development (USAID) supports the financial education program for fisherfolk.*

Guided by the “We find ways” philosophy, BDO Foundation continues to serve communities in need despite the lockdowns and limited mobility during the pandemic, mindful of the Bank’s commitment to sustainable development, social responsiveness, and nation-building.

## Other projects

- Donation of 170 computers and ten scanners to public schools in partnership with BDO Network Bank in support of DepEd’s Basic Education Learning Continuity Plan during the pandemic
- Donation of over 900 books to Caritas Manila and the Manila City Library
- Sponsorship of SEAMEO INNOTECH’s “Digital Well-being of Filipino Learners: A Webinar on Youth Cybersafety and Digital Citizenship,” an online event that featured discussions on how educators can cultivate a secure online environment for learners amid the pandemic

## Sustainability Partnerships

BDO believes in the power of collective action to generate greater understanding and action for sustainability. Bearing in mind the environmental, social, and governance topics important to our stakeholders, the year 2021 saw the Bank engage in key partnerships to advance sustainability initiatives in the region and in the Philippines.

### Regional Collaboration: Asian Transition Finance Study Group

The energy transition from fossil fuel to renewable sources of energy is key to the global response to climate change. For financial institutions, this means divesting from fossil fuel financing and shifting to renewables, while encouraging enabling technology and supporting clients throughout the transition. In Asia, the transition journey takes on a complexity of its own, given, among others, the lack of a common framework to enable financial support for transition to happen in ASEAN countries.

The Asian Transition Finance Study Group was established in September 2021, led by MUFG Bank of Japan, in pursuit of an Asian version of transition finance that is more realistic and achievable for Asian nations. The Study Group aims to supplement existing guidelines on transition finance to help financial institutions implement the guidelines. The Group recognizes that both private and public funds will be critical in achieving the transition, and thus, clear guidelines and approaches to transition finance will be instrumental in supporting the mobilization of private capital.

BDO joined regular meetings throughout 2021 and continuing in 2022, with other key financial institutions from Japan, Indonesia, Malaysia, Thailand, Singapore, and Vietnam, along with the International Finance Corporation, and other US and European financial institutions which invest and lend in Asia. The Study Group’s recommendations and activities will be shared with key Asian economic and climate meetings, including the Asia Green Growth Partnership Ministerial Meeting.

BDO believes that its sustainability journey, along with other Asian financial institutions, will be more gradual in pace compared to counterpart banks in Europe and the United States. But in collaborating with others, BDO welcomes the opportunity to bring everyone towards the same direction and better manage the energy transition for Asian nations.

## Business and Human Rights: Partnership with the Philippine Commission on Human Rights

BDO partnered with the Philippine Commission on Human Rights (CHR) to better understand and uphold the role of business, and in particular the Bank, in respecting and protecting human rights.

The partnership aims to build BDO's capacity to create and implement its own Human Rights policy across its operations; help BDO create its own Human Rights Impact Assessment Tool that can inform BDO's risk assessment for social risks; and overall, manage BDO's human rights impact and responsibility to respect and protect the human rights of its stakeholders.

The CHR has conducted sessions on the UN Guiding Principles on Business and Human Rights with BDO senior officers, and with a core group of key employees who are part of the Bank's technical working groups on ESG focus areas. In 2022, BDO and the CHR will continue to conduct learning sessions for key business units and support units, particularly in relation to human rights in the workplace, in lending, and in the Supply Chain.



## Empowering Women in MSMEs: Financial Education with the International Labour Organization

Early in 2021, BDO participated in the study "Rebuilding Better: Assessment of Women Entrepreneurs' Needs and Available Support Services during COVID-19 in Malaysia, Philippines and Thailand" conducted by the International Labour Organization's (ILO) Rebuilding Better: Fostering Business Resilience Post-COVID-19 Project. Supported by J.P. Morgan, the Project aims to support women entrepreneurs to recover from the COVID-19 pandemic and adopt more sustainable and resilient business models by strengthening their access to training, finance and markets, while incorporating digitalization as a cross-cutting theme.

BDO shared financial inclusion initiatives that target micro, small, and medium enterprises: BDO Network Bank's focus on the unbanked and underserved in communities outside of urban areas, and BDO Foundation's financial education programs across various sectors of society. These sectors cover public school students, teachers, non-teaching personnel, Overseas Filipino Workers, government employees, military personnel, police personnel, firefighters, fisherfolk, and farmers.

The study, which aimed to inform the strategy and workplan of the Rebuilding Better Project, recommended that when it comes to access to finance, the Rebuilding Better Project should include financial and non-financial options for women entrepreneurs who do not want to take on debt, given that many entrepreneurs are hesitant to do so during the COVID-19 crisis, and should also seek opportunities to link financial support with non-financial support, such as through financial literacy training.

In 2022, BDO will collaborate with the ILO in a series of webinars for women entrepreneurs addressing their needs for financial products and services, as well as financial advice on budget management, savings, credit, and investments.



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# Human Capital Sustainability Strategy



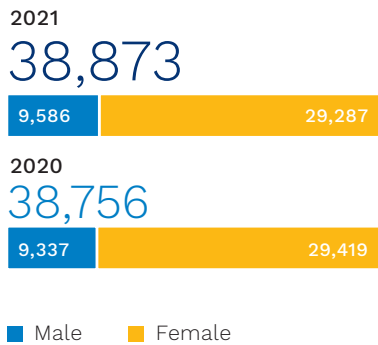
Sustainability is everyone’s responsibility at BDO. The Bank aims to develop a “can lead” workforce with a sustainability mindset that BDO bankers can bring to work, at home, and wherever they find themselves in the world. BDO bankers strive to live the core values of Customer Focus, Out-of-the-Box Thinking, Right Attitude, and Excellent Execution with a sustainability perspective embedded in everything they do.



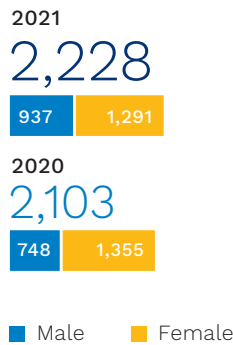


# Employee Profile

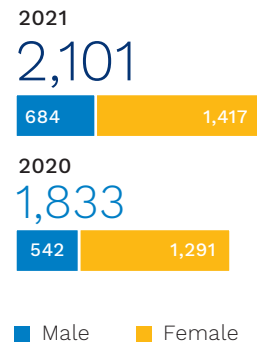
## Employee Count



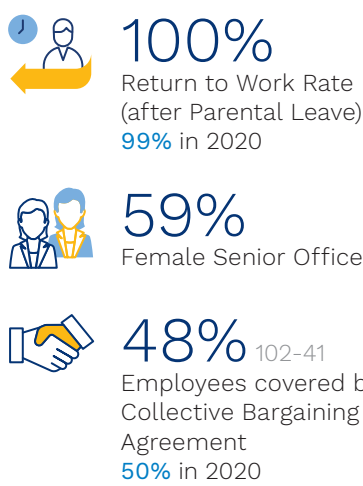
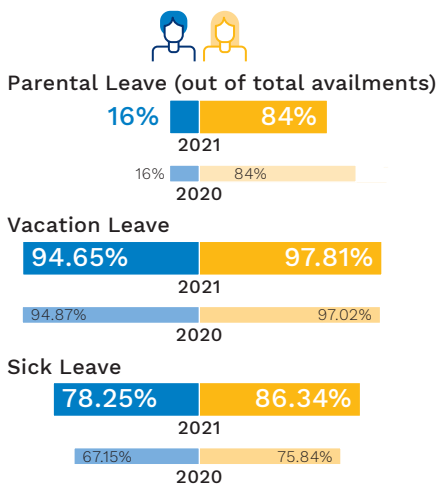
## New Hires



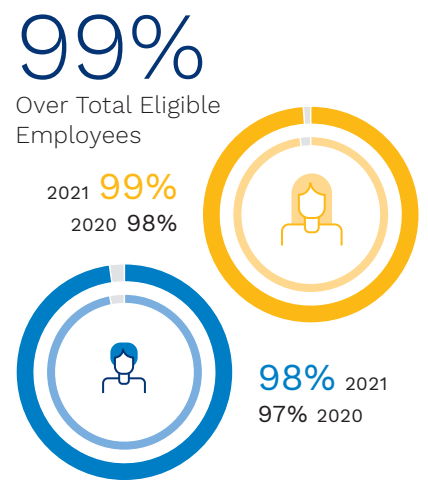
## Employee Separations



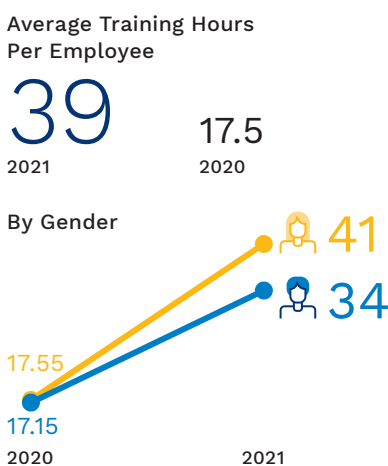
## Leave Availments



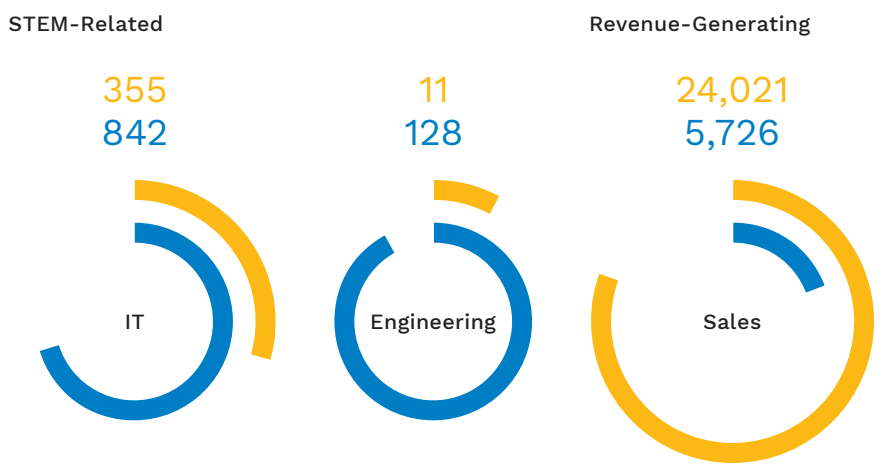
## Employee Appraisal



## Training & Development

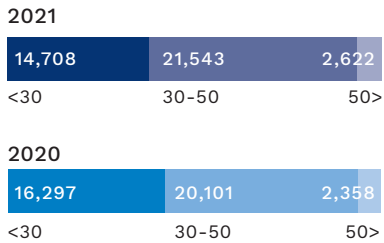


## Employee Functions

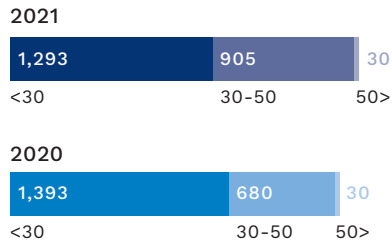


## By Age Group

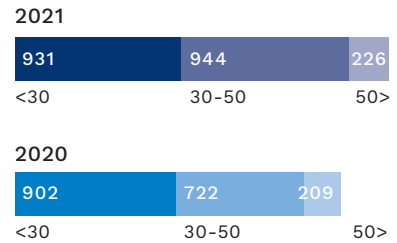
### Employee Count



### New Hires



### Employee Separations



## Employee Count by Location

### Luzon

30,568  
2021

30,540  
2020

### Visayas

3,680  
2021

3,634  
2020

### Mindanao

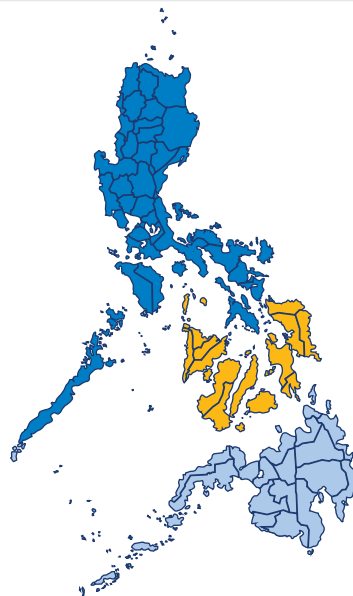
4,526  
2021

4,487  
2020

### Abroad

99  
2021

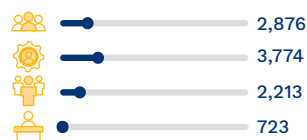
95  
2020



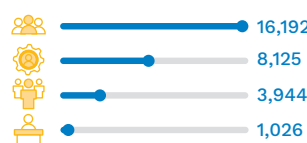
## By Level

### 2021 Gender Diversity

#### Male



#### Female

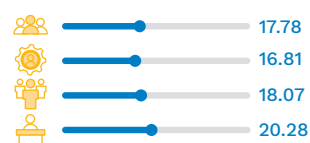


### Average Training Hours

#### 2021



#### 2020



### Employee Appraisal

#### 2021



#### 2020



**Rank and File**  
**Junior Management:** First line managers or supervisors  
**Middle Management:** Managerial roles below senior management  
**Senior Management:** Executives up to two levels from the Chief Executive Officer (e.g. Senior Vice President, First Vice President)

The second year of the pandemic brought new challenges for the BDO organization on top of already existing ones. But this period also presented new opportunities that allowed the Bank to enhance existing workplace policies and procedures in order to better provide for employees' needs, and at the same time promote workplace effectiveness and efficiency.

## Equal Opportunity Employer

BDO is committed to promote a work environment that fosters diversity, equity, and inclusion, where everyone receives fair and equal treatment, equal rights, and opportunities regardless of gender, ethnicity, race, age, religion, sexual orientation, and disability, and are valued for their unique contributions to BDO's success.

The Bank ensures that employment practices and policies are in compliance with labor laws, regulations, and standards in countries where it operates. BDO seeks the best talents who are selected, engaged, compensated, and promoted, as the case may be, based on merit and performance.

## BDO Culture and Values

"We find ways" is at the heart of BDO's culture of service, excellence, and innovation. Our employees share and live up to our common C-O-R-E values as BDO bankers.

**Customer-Focused.** Everything each BDO banker does is in the service of the customer's financial objectives and interests. This redefines the Bank's role beyond simply providing financial services, to a driver of financial inclusion. The Bank reaches out to current clients and the large number of unbanked and underserved Filipinos, and partners with them to fulfill their aspirations toward a more sustainable financial future.

**Out-of-the-Box Thinking.** Every BDO banker is encouraged to challenge conventional banking practices, beliefs, and processes for a better way to achieve client's objectives, without compromising quality, ethics, or good governance. As the country's largest bank, innovation and ideation are born out of the Bank's drive to think differently and from diverse perspectives.

**Right Attitude.** All BDO bankers are encouraged to go the extra mile to meet the client's objectives. This is demonstrated in every BDO banker's commitment to excellent customer service and strong customer relationships. Incorporated in BDO's human resource trainings is the development of values such as integrity, team spirit, hard work, and service. Complementing BDO's commitment to build long term relationships with customers is the bank's efficient business processes and user-friendly digital tools.

**Excellent Execution.** As the largest full-service financial institution in the Philippines, BDO is committed to doing it right, on time, and according to expectations each and every day.



*BDO is an equal opportunity employer and values employees' unique contributions to the Bank's success.*

## Employee Safety and Well-being

BDO is committed to ensuring the physical, social, and mental well-being of its more than 38,000 employees in the Philippines and abroad, and prioritizing occupational health and safety at all times. The Bank abides by the general labor standards and the occupational health and safety standards, in all the countries where it operates.

BDO's Health & Safety Committee is composed of Senior Management Team members from Premises and Facilities Management, Security & Investigation Division, Human Resources, Branch Banking Group, Consumer Banking Group, and the bank employees' labor union. The Health & Safety Committee manages and drives the Health & Safety Program of the Bank. Documents of the Committee activities are submitted on a regular basis to the DOLE, which in turn, audits the Bank with the same regularity.

The COVID-19 pandemic continued to be the greatest challenge to BDO bankers' health and safety, as the pandemic entered its second year in 2021. The Bank's mandate remained clear: mitigate the rising number of COVID-19 infections nationwide as it impacts employees, and within the Bank, achieve herd immunity with at least 70% vaccination among employees.

To address this critical task, the Human Resources (HR) Group provided continuous HR services that made sure employees had access to necessary healthcare, particularly amid the surge of the COVID-19 Delta variant. Employee safety was reinforced and maintained through (1) regular and more frequent antigen testing and PCR-testing; (2) contact tracing of affected employees; (3) quarantine and isolation monitoring; (4) health care assistance; (5) additional leave benefits; and (6) financial assistance. The Bank also distributed COVID-19 health kits among employees, and set-up additional PCR testing sites nearer to branches and offices. These efforts effectively identified emerging cases among employee clusters and helped mitigate spread through immediate quarantine and isolation.

In terms of vaccination, the biggest challenge was to convince employees to get inoculated, given varying levels of anxiety on the safety, effectiveness, and side effects of various vaccines made available in the country. HR collaborated with concerned business groups within BDO and the SM HR Group in the roll-out of an Employee Vaccination Program that would allow employees and bank custodials throughout the country to have access to COVID-19 vaccines. BDO partnered with local government units and with SM Malls that served as vaccination venues, to facilitate employee vaccination for two vaccine doses and a first booster towards the end of the year. The Vaccination Program was also promoted through widespread dissemination of health advisories, active monitoring of unvaccinated employees in different business units, and management encouragement during team meetings. Employees were also allowed to go on leave if their vaccination appointment fell on a workday. By the end of 2021, all these efforts resulted in a 97% vaccination rate for the Bank's total population, exceeding its initial target of 70%.

**97%**  
BDO Employees  
Vaccination Rate



In the 4th quarter of 2021, the Vaccine Program was extended to employee dependents, both adults and minors. Employees were also allowed to donate vaccines to their preferred beneficiaries through BDO Foundation. By December 2021, booster vaccination was implemented for BDO senior employees and those with co-morbidities, following government guidelines on priority groups.

A major component of the Bank's COVID-19 response was also providing the following additional accommodations for employees;

- Additional sick leaves for COVID-19 quarantine / isolation
- Official business leave for vaccination day
- Official business leave for those who had close contact with a positive case, while waiting for test results
- Flexibility to work from home based on the employee's role and business units' function,
- Rotational Team A and Team B reporting on site
- Split of critical teams into dual reporting sites

All these efforts made BDO bankers feel safe and well-protected in the workplace and at home, given the extended vaccine coverage for their family members. Employee attendance improved overall and employees learned to adjust their work load capacity to continue to deliver services, in situations where a skeletal workforce had to be enforced due to quarantine requirements. Employees also showed willingness to go the extra mile in ensuring that critical activities in their respective teams were prioritized.

Having peace of mind helped employees maintain their productivity and effectively allowed continuous delivery of essential services to customers and clients, even with limited manpower capacity and changing pandemic policies mandated by the government.

## Employee Rights 102-41

The pandemic presented a unique set of challenges and opportunities for BDO's Labor Union. In 2021, a new set of officers was elected to represent employee members in the Labor Management Council. Much of the Council's work focused on employee health and safety, as the country entered a different phase of the pandemic marked by the prolonged Delta surge. Communication lines were strengthened and discussions were made more open as Management and the Union worked hand-in-hand to protect employees and maintain industrial peace and harmony at the Bank, while meeting its commitment to the public to deliver essential services.

## Employee Training and Development

Among the changes that became necessary as a result of the pandemic was shifting from face-to-face into virtual training. Despite social distancing restrictions, employees are enabled to pursue continuous learning through online courses and virtual instructor-led classroom trainings. One of the urgent needs was to develop virtual learning courses that supported sales and marketing efforts, through virtual selling and virtual targeted communication to customers.

The Bank also pursued blended learning opportunities where virtual learnings were complemented with manager coaching and hands-on training for new hires. This approach strengthened team relationships and facilitated knowledge transfer more efficiently.

Throughout 2021, the Bank continued to offer online courses related to Regulatory/Mandatory topics, Products and Services, Systems and Processes, Soft Skills, and Development Programs. Mandatory courses include the Code of Business Ethics and Conduct, Anti-Money Laundering Act, Data Privacy Fundamentals, Operational Risk Management, Business Continuity, Anti-Sexual Harassment in the Workplace, Social Media Awareness, and Social Engineering Attack.

HR also continued to drive the Bank's flagship leadership development programs — the Officership Development Program (ODP) and Management Development Program (MDP) — with all classes held virtually. The MDP equips leaders with skills to develop high potential employees to take on managerial roles and enhances the productivity of their teams. The ODP is a full-time training program that aims to equip aspiring junior officers with the technical knowledge, as well as leadership, communication, and customer service skills in performing their new role as Junior Assistant Managers in the Bank. It enables individual contributors to develop the mindset and behaviors of a leader. In 2021, a total of 416 employees participated in the MDP compared to 215 the previous year, while 419 trained for the ODP in 2021, compared to 214 in 2020. Passing these leadership programs is one of several criteria that makes an employee eligible for promotion.

On the other hand, business skills training courses effectively equip employee learners with updates on products, services, systems and processes, while consultative selling workshops enable client-facing learners to offer clients with the appropriate financial solutions they need. Leadership workshops continue to focus on coaching and communication. Overall, these courses enable employees to effectively perform their respective roles in supporting the business and responding to customer's needs in the context of "We Find Ways," particularly during challenging business conditions, such as the ongoing pandemic.

In 2021, HR-Training also created a series of eLearning courses on Sustainability at BDO for employees bank-wide. Sustainability Consciousness 101 was designed for onboarding new employees and officers, Sustainability 102 was for all incumbent employees, while Sustainability 103 was tailor-fit for people managers who are expected to be role models and to promote the sustainability mindset among teams they manage. All courses provide an overview of BDO's sustainability philosophy and framework, current initiatives based on the latest BDO Sustainability Report, and expectations for BDO bankers in collectively driving sustainability in the work they do at the Bank and as individuals at home or anywhere outside the Bank. These courses will be rolled out in 2022.

## Digitization

In line with the digital transformation that was made more urgent by the pandemic, HR fast-tracked the transformation of its processes and systems of core HR functions into one integrated digital system to standardize and improve efficiency. HR migration and implementation of the employee data management system was successfully conducted in July 2021. Other core HR functions on Recruitment and Performance Management are next in line for digitization and targeted for release in the new HR System in 2022.

All these accomplishments and strides in 2021 have made BDO more resilient and responsive to the needs of both its employees and clients. The Bank is now poised to transition to the next normal with a strong foundation to continue finding ways to make life better for all its stakeholders.



## BDO Green Champions at work and at home <sup>102-43</sup>

At BDO, sustainability begins at home, literally and figuratively. While the Bank ensured that sustainability is an integral part of its business, it also made sure that employees, who are BDO's main brand ambassadors, adopted and practiced the same sustainable mindset.

The Bank continuously promoted its initiatives through various internal communication channels, including its employee newsletter, The Wayfinder, and an emailer called eNewsgram. It also enjoined employees to share their own sustainability initiatives so colleagues can draw inspiration from them.

In sharing their own journeys, BDO also encouraged everyone to participate in the SM Green Movement, an environmental project led by BDO's parent company, SM Investments Corporation. The SM Green Movement aims to lessen the SM Group's carbon footprint by promoting a greener lifestyle at home and at work among employees of the Group.

Launched in 2019, the SM Green Movement showcases how each company within the SM Group contributes to sustainability. More importantly, it also serves as a platform for employees to share their own green practices with everyone across SM's ecosystem.

In 2021, BDO bankers got to know more about their own sustainability advocates — the BDO Green Champions. Among them are Sharlene May Cua and Tonette Amistoso of the Institutional Banking Group; June Abigail Josue and Chiqui On of the Consumer Banking Group; Mark Rhyan Montenegro of Comptrollership; and Francis Tumpag and Renan Ferrer of the Branch Banking Group.

It's the little things that matter the most. Through their own small but meaningful actions, the BDO Green Champions are able to contribute to a greener, more sustainable world for future generations. Here, in their own words, are some of their green practices:

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### Sharlene May Cua

#### China Desk, Institutional Banking Group

"Fostering sustainability may be a huge task, but starting it in our own little way makes it a lot easier. Not long ago, the topic of renewable energy and energy efficiency piqued my interest. That's when I started to participate in trainings and capacity-buildings tackling these topics. Listening to experts not only enhanced my knowledge on renewable energy and efficiency, but also allowed me to share my learnings with others.

Since we are also spending more time at home because of the pandemic, I became more conscious about the energy that I consume. I began to explore energy-saving smart appliances and made sure I have efficient cooling and lighting at home. In my own little way, I'm able to lessen our country's carbon footprint."



*BDO bankers are the Bank's brand ambassadors in adopting and practicing a sustainability mindset.*





### **Renan Ferrer**

**BDO Aklan – CityMall Branch, Branch Banking Group**

“In our home, I started a green living project by planting flowering trees and fruit-bearing trees such as Palawan Cherry Blossom, rambutan, santol, jack fruit, and a lot of ornamental plants. My other siblings also embrace the idea by growing organic backyard vegetables such as pechay, siling labuyo, okra, eggplant, patola, squash, calamansi, cucumber, and string beans for our family’s consumption. We also sell our excess harvest in the market. The concept of farm-to-table has been a practice in most neighborhoods in our province. The idea of helping others and being a responsible individual for the benefit of the community and the environment is an efficient way of living sustainably and peacefully.”

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### **June Abigail Josue**

**Service Fulfillment Unit, Consumer Banking Group**

“I have been donating plastic materials to The Plastic Flamingo ([www.theplaf.com](http://www.theplaf.com)), a social enterprise that aims to tackle marine plastic pollution in the country. They transform collected plastics into eco-lumbers: posts and planks. Since I discovered that group, I have been consciously avoiding buying grocery products made of plastic materials.”



### **Chiqui On**

**Collections Assurance, Reporting and Testing,  
Consumer Banking Group**

“I am fostering sustainability by minimizing use of paper and plastic in my daily work and personal activities. I avoid printing reports if these can be submitted digitally. I also bring and use my own tumbler and utensils when buying takeout.”

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### **Mark Rhyan Montenegro**

**Loans Administration, Comptrollership**

“At work, I re-utilize used papers by printing on the clean side. It helps the Bank save on cost. Also, I manually shred used papers/forms to save on electricity cost. At home, we use rain water to clean our toilets and water our plants. This practice has helped us save on water costs. We also use solar equipment to charge multiple devices instead of plugging them into electrical sockets.”







### **Tonette Amistoso**

**Commercial Banks, Institutional Banking Group**

“We all know that climate change, global warming, and resource depletion are real and their impact on human and other living things can be devastating. It’s high time that we grab any opportunity to help reduce our carbon footprint. As a minimalist, I make sure that everything I own and use are put to its maximum purpose. I am more mindful of the products that I buy, making sure that they are, as much as possible, recyclable. I try to repurpose most of the things that I buy so I am able to minimize our household’s waste. I always bring a reusable shopping bag whenever I visit the grocery.”

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### **Francis Tumpag**

**BDO Cebu Mandaue – North Branch, Branch Banking Group**

“My household is practicing the 3 Rs (Reduce, Reuse, Recycle) to foster sustainability and protect the environment. To reduce waste, we buy only what is needed and select items with less packaging. Using eco bags while shopping at SM stores and other supermarkets allows me to use less packaging as well. We also repurpose used glass bottles as containers for staples like vinegar, soy sauce, salt, sugar, and we convert PET bottles into pots for our plants. We are also able to conserve water and other resources by ensuring that we fix leaking water pipes, managing the use of our LPG, and turning off electronic appliances when not in use, among others.”



Some of the BDO Green Champions are also featured in the SM Green Movement website. To view the video interviews with Tonette Amistoso, Sharlene May Cua, Mark Rhyan Montenegro, Francis Tumpag, and other sustainability advocates of the SM Group, visit this link: [www.smgreenmovement.com/our-green-champions/](http://www.smgreenmovement.com/our-green-champions/).

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# Disaster Response Sustainability Strategy



In identifying Disaster Response as one of its key sustainability strategies, BDO takes into consideration the physical risks that come with the geographical location of the Philippines that makes it vulnerable to climate change. Disasters critically impact the safety and well-being of our employees, customers, and communities, and pose disruption and damage to the bank's operations and facilities.

To best mitigate the environmental and social impact of natural and man-made disasters, the Bank chose to focus its resources on the aftermath of such events — to immediately provide relief, fund rehabilitation, and help advance recovery of disaster-stricken communities in the Philippines. This supports the United Nations Sustainable Development Goal 13 on Climate Action — to strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.



# BDO Foundation: Finding ways to serve the Filipino

As the coronavirus lingered and variants threatened the well-being of Filipinos, BDO Foundation, the corporate social responsibility arm of BDO Unibank, continued to find ways to make its disaster response programs more responsive to the needs of underserved sectors of society.

## Pandemic response

In the second year of the pandemic, BDO Foundation continued to help control the spread of the virus, assist frontliners, and provide aid for people vulnerable to the effects of the health crisis. The Foundation helped communities cope with COVID-19 amid the surge in cases by supporting the healthcare programs of partner local government units.

BDO Foundation’s pandemic response included the following:

- Distribution of food assistance in marginalized communities all over the country in partnership with Ako Bakwit, Caritas Philippines, Tanging Yaman Foundation, and social action centers
- Donation of hygiene kits to health workers and patients in Capiz, Iloilo, and Negros Oriental provinces
- Provision of manpower support — nurses and medical technicians — for the vaccine rollout of General Santos City and Iloilo City to mitigate the surge in cases due to the Delta variant of the COVID-19 virus



BDO Foundation has donated vaccines for frontliners in key cities with the highest COVID-19 cases.

### Relief Operations

Served more than  
**49,000**  
calamity-stricken families

### COVID-19 Pandemic Response

Served  
**16,750** families  
**2,055** health workers and patients  
**1,800** vaccinees



- Contribution to the Project Balik Buhay Salary and Bonus Assistance for our Bidas program, which provided financial incentives to nurses stationed in the intensive care units, emergency rooms, and COVID wards of hospitals in Cebu, an initiative supported by the Department of Health and Office of the Presidential Assistant for the Visayas
- Vaccination of beneficiaries nominated by vaccine donors from BDO

BDO Foundation's COVID-19 programs benefited 16,750 families, 2,055 health workers and patients, 1,800 vaccinees in General Santos and Iloilo, nurses in eight hospitals, and 1,066 vaccinees nominated by donors as well as people in 30 parishes and persons deprived of liberty in 48 prisons. The initiatives were backed by BDO Unibank and BDO Network Bank branches, local government units, medical organizations, hospitals, non-governmental organizations, and volunteers who provided logistical assistance on the ground.

## Relief operations

In line with its disaster response advocacy and in the spirit of *bayanihan* or volunteerism, BDO Foundation provided relief aid and mobilized volunteers for provinces placed under a state of calamity due to typhoons, earthquakes, volcanic eruptions, and fires.

The initiative benefited more than 49,000 calamity-stricken families devastated by Typhoons Bising (international name: Surigae), Fabian (Cempaka), Maring (Kompasu), and Odette (Rai), as well as survivors of a fire incident in Occidental Mindoro and the Taal Volcano eruptions.



BDO Foundation provided food assistance to non-governmental organization Ako Bakwit for the benefit of economically disadvantaged and displaced persons affected by the pandemic.

### Handog sa 'Yo ng BDO Foundation Food Assistance

Distributed food packs to  
**20,000**  
underserved families in  
25 provinces



### Rural Health Units (RHUs)

**21**  
Rehabilitated RHUs  
in the provinces

**10**  
Previously rehabilitated RHUs,  
maintained and repaired

Helped improve delivery  
of primary patient care  
to more than

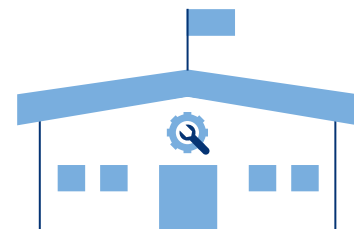
**700,000**  
individuals

**121**  
Renovated RHUs  
to date



### Tech-Voc Training Facility

More than  
**140**  
students stand to  
benefit every year





The relief work was made possible with the support of BDO and BDO Network Bank branches. Volunteers from church groups, the military, local government units, and non-governmental organizations provided logistical support.

## Handog sa 'Yo ng BDO Foundation

BDO Foundation provided food assistance for economically disadvantaged communities all over the country as part of a Christmas gift-giving initiative dubbed Handog sa 'Yo ng BDO Foundation. In partnership with Caritas Philippines, the social arm of the Philippine Catholic Church, the Foundation distributed food packs to 20,000 underserved families in 25 provinces in Luzon, the Visayas, and Mindanao.

Handog sa 'Yo was aimed at giving back to the community during the holiday season and supplementing the food supply of families during hard times. Implementation was made possible with the support of parishes and diocesan social action centers as well as BDO and BDO Network Bank branches.

## Rehabilitation and upkeep of Rural Health Units

BDO Foundation intensified efforts to rehabilitate rural health units (RHUs) in economically disadvantaged and disaster-affected areas all over the Philippines to facilitate access to quality healthcare services during the pandemic. Despite logistical limitations caused by COVID-19, the Foundation renovated 21 RHUs in the provinces of Batangas, Bohol, Catanduanes, Ilocos Sur, Iloilo, Isabela, Masbate, Negros Occidental, Samar, and Surigao del Norte.

BDO Foundation improved the health centers' layout, interiors and exteriors, lobbies and waiting areas, offices, birthing clinics, consultation rooms and treatment rooms, pharmacies, and facilities. The Foundation also installed new furniture and fixtures to accommodate more patients. Construction also included breastfeeding stations for nursing mothers, play areas with books and toys for children, and comfortable waiting lounges for senior citizens. With renovations completed, rural doctors, nurses, and midwives are now better equipped to provide primary patient care to more than 700,000 individuals, many of whom cannot afford to go to hospitals.

In addition to the rehabilitation of RHUs, BDO Foundation also completed the maintenance and repair of 10 previously rehabilitated health centers in Agusan del Sur, Aklan, Biliran, Camarines Sur, Ilocos Sur, North Cotabato, Nueva Ecija, Samar, and Sorsogon provinces for the benefit of more than 560,000 people.

Officers from BDO Unibank and BDO Network Bank branches helped the Foundation identify RHUs that needed assistance.

Through its rehabilitation program, the Foundation contributes to the achievement of Sustainable Development Goal 3 to ensure healthy lives and promote the well-being of all people at all



*Volunteers prepare to distribute food packs to underserved families in Zambales as part of the Handog sa 'Yo ng BDO Foundation Christmas gift-giving program.*



*According to Dr. Rachele Jean Sanchez, municipal health officer of Placer in Surigao del Norte, "On behalf of Placernons, I would like to express our gratitude to BDO Foundation for finding ways for us amid this pandemic."*

ages. As a pandemic response, the initiative is critical as RHUs support efforts to curb the spread of the coronavirus. Health centers provide free antigen testing and implement the vaccination programs of local government units.

## Construction of Tech-Voc Training Facility

BDO Foundation continued to look after the welfare of disaster-affected Filipinos long after the typhoons have gone. Dumangas town in Iloilo province was hard hit by Super Typhoon Yolanda (Haiyan) in 2013. To help rebuild the community, the Foundation constructed a technical-vocational training facility at the Don Bosco Technical and Vocational Education and Training Center – Dumangas, in partnership with the Salesian Society of St. John Bosco.

The two-storey structure serves as a workshop, where senior high school students can learn technical-vocational livelihood skills. The building enables administrators to introduce new courses, accommodate more enrollees, and teach more learners.

It supports Don Bosco’s mission to educate, evangelize, and capacitate Filipino youth. The Center educates economically disadvantaged and out-of-school youth for gainful employment in the Philippines and abroad. More than 140 students stand to benefit every year from the facility the Foundation built.

BDO Foundation’s initiative in Iloilo contributes to the achievement of Sustainable Development Goal 8 to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all.

## Other projects

- Distribution of food assistance to more than 2,200 underserved families in Aklan, Capiz, Cebu, Davao del Sur, Iloilo, Leyte, Metro Manila, Pangasinan, Rizal, and Samar in partnership with BDO Network Bank, Beiersdorf Philippines, Jesuit Communications Foundation, and U.S.-Philippines Society
- Donation of more than 1,400 healthcare products and other items to Ako ang Saklay Foundation for underserved families in Nueva Ecija
- Sponsorship of the sixth general assembly of Zero Extreme Poverty Philippines 2030 themed “Creating a Better Normal Towards Sustainable Communities”, which served as a venue for discussions of efforts to address the effects of the pandemic



*BDO Foundation built a technical-vocational training facility in Dumangas, Iloilo to support Don Bosco’s efforts to educate disadvantaged youth in the Visayas.*

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# Governance-based Sustainability Strategy



We continuously enhance our corporate governance framework to sustain superior business performance anchored on the principles of accountability, transparency, integrity, and fairness, together with our partners.



# Good Governance to Create a Sustainable Future

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

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

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

## Our Board of Directors and Governance Structure

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

The Board is composed of 11 seats, with one vacancy as of December 31, 2021 reserved for an independent director<sup>1</sup>. The members of the Board are all professionals with various expertise in fields relevant to BDO's business and strategic plans such as banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations, information technology, sustainability, and risk management. It is led by a Non-Executive Chairperson with five Independent Directors, three Non-Executive Directors, and two Executive Directors who are the Vice Chairman and the President & CEO.

The present composition of the Board exceeds the minimum regulatory standards which require that independent and non-executive directors account for the majority. Independent and Non-Executive Directors of the Bank comprise 82% (nine of 11) of the Board. With five of 11 Board seats allocated for independent directors, the Bank goes beyond the 1/3 minimum requirement of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. Independent Directors comprised the majority

<sup>1</sup> Atty. Gilberto C. Teodoro, Jr., Independent Director, resigned from the Board of Directors effective October 7, 2021. His replacement, Mr. Vipul Bhagat, Independent Director, was appointed by the Board of Directors on January 8, 2022.



(six of 11 or 54.50%) of the Board until April 2021<sup>2</sup>, conforming with international best practices. Independent directors chair eight of nine Board Committees, namely Risk Management, Audit, Corporate Governance, Related Party Transactions, IT Steering, Nominations, Compensation, and Trust. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined.

The Board is aided by four advisors who are considered as integral parts of the Board and whose influence are akin to directors. Their opinions and recommendations are taken into consideration by the Board members. The presence of a female Board advisor provides an independent view of the Bank and complements the two female non-executive directors.

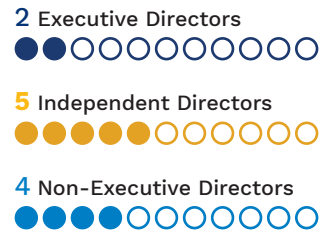
The Board is responsible for the screening of new directors through the Nominations Committee. The Nominations Committee leads the process of identifying and evaluating the nominees for directors. It evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of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

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

In evaluating the suitability of an individual board member and promoting diversity in the composition of the Board, the Nominations Committee annually reviews the Board and Board Committee composition to ensure appropriate balance of skills, competencies, experience of its members, and diversity to ensure the alignment with the new regulations. The Committee recommends to the Board of Directors the slate of nominees for election to the Board of Directors during the Bank’s annual stockholders’ meeting. The Committee takes into account the relevant qualifications of every candidate nominated for election, with competence and integrity as the primary factors, including other criteria such as, among others, physical and mental fitness,

## Board snapshot

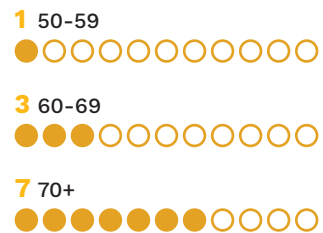
### DIRECTOR INDEPENDENCE



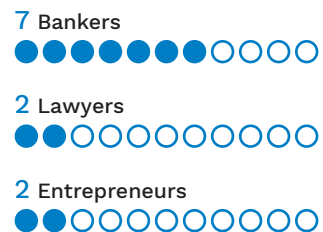
### DIRECTOR DIVERSITY



### DIRECTOR AGE



### SKILLS, EXPERIENCE & BACKGROUND



<sup>2</sup> Former Lead Independent Director, Mr. Jones M. Castro, Jr., was reclassified to non-executive director on April 23, 2021, in order to comply with the nine-year term limit for independent directors.

relevant educational and professional background, personal track record, experience and training, commitment to contribute, willingness to serve, and interest to remain engaged and involved, without regard to race, gender, ethnic origin, religion, age, or sexual orientation.

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

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

During the year, the Board approved, reviewed, and oversaw the Bank's financial budget and capital funding, business targets and strategies, quarterly declaration of dividends, and the release of the 2020 audited financial statements within 57 days from year end. Its oversight functions include the review of operational and financial performance of senior management and work of the various committees in accordance with their Terms of Reference.

In 2021, the Board focused on the Bank's strategic plans. Six special Board meetings were called in 2021 to specifically discuss the Bank's strategies for an enhanced customer journey, seamless digital transformation, effective wealth management initiatives, and robust cyber security measures. The Board approved and confirmed the expanded business model of its overseas branch to include dealing and offering of securities and collective investment schemes, and providing custodial services.

The Board continued with its efforts in countering the effects of COVID-19 pandemic in its operations. Constant monitoring of the adequacy of the Bank's provision was made at Board level in 2021. Similarly, the Board kept track of the Bank's COVID-19 response programs, particularly the regular testing and vaccination of its employees.

The Board also oversaw matters related with sustainability. It approved a three-year transition plan aimed at embedding sustainability principles in the Bank's corporate governance framework, risk management systems, strategic objectives, and operations.

# Improving Board Effectiveness

## Board Performance

A yearly self-assessment is conducted focusing on the performance of the Board, directors, Committees and senior management, through the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaires to each director and advisor. They are required to complete the questionnaire and explain the rationale of their response. The results of which are tabulated and consolidated. In 2021, the Corporate Governance Committee endorsed to the Board the continuous engagement of the services of an external facilitator for its yearly self-assessment. To the Committee, engaging an independent party every year, rather than every three years as recommended by the SEC, provides more governance inputs to the Board and allows comparability and continuity of aspects examined.

For 2021, the Bank reappointed PwC Philippines (PwC) as external facilitator for the 2021 Board Effectiveness Evaluation (BEE) as continuation of being the external facilitator for the 2019 and 2020 BEE. PwC facilitated a peer and self-evaluation process on the Board, Board Committees, and individual directors.

## Continuing Education for Directors

The continuing education program for directors is an ongoing process to ensure the enhancement of their skills and knowledge. Every year, all directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the banking industry. All directors of BDO Unibank complied with the annual corporate governance training requirement of four hours in 2021. Nine directors of BDO Unibank attended the in-house corporate governance seminar facilitated by Gartner Executive Programs last September 1, 2021. It concentrated on the impact of geopolitics on digital business, design and delivery for customer facing digital products, and digital leadership. Two directors attended the corporate governance seminar facilitated by the Institute of Corporate Directors last September 30, 2021 with topics on sustainability, artificial intelligence, and digitalization, among others.

## Chairperson of the Board

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

## Independent and Non-Executive Directors' Meeting

A regular meeting is held by Independent and Non-Executive Directors (INED) with the heads of the control functions (i.e. Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor) as well as the external auditor, without the presence of management or any bank executive, to discuss various matters or issues outside the Audit Committee and Risk Management Committee meetings. The meeting is chaired by the Lead Independent Director. In 2021, the INED conducted three (3) sessions and the results of these sessions were discussed with the Bank's Executive Directors in three (3) separate sessions.

## Board Committees

The Board has established nine committees to help in discharging its duties and responsibilities. These committees derive their authority from and report directly to the Board. Their mandates and scopes of responsibility are set forth in their respective Terms of Reference, which are subjected to annual review and may be updated or changed in order to meet the Board's needs or for regulatory compliance. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. As of December 31, 2021, eight of nine board-level committees are chaired by Independent Directors.

## The Board of Directors

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

### Executive Committee

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

### Board Audit Committee

- Oversees the financial reporting process, system of internal control and risk management systems, internal and external audit functions, and compliance with governance policies, applicable laws and regulations.
- Reviews the integrity of the reporting process to ensure the accuracy and reliability of financial statements and compliance with financial reporting standards and disclosure requirements set for publicly-listed companies.
- Monitors and evaluates the adequacy, soundness and effectiveness of the Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank.

### Corporate Governance Committee

- Assists the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Bank as well as its subsidiaries and affiliates.
- Conducts annual performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and conducts a self-evaluation of its performance.
- Oversees the continuing education program for directors and key officers and proposes relevant training for them.

### Trust Committee

- Reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property.
- Evaluates trust and other fiduciary accounts at least once a year.
- Reviews Trust and Investment Group's overall performance, profile of funds and assets under its management, industry position, and the risk management reports.
- Approves offering of new products and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties.

### **Risk Management Committee**

- Responsible for the oversight of the enterprise risk management program of the Bank.
- Responsible for approving risk appetite levels, risk management policies, risk tolerance limits and approves the appropriate strategies for managing and controlling risk exposures, including preventing and/or minimizing impact of losses if risk becomes real.
- Oversees the implementation and review of the risk management plan including the system of limits of discretionary authority delegated by the Board of Directors to management under its purview and ensures that immediate corrective actions when limits are breached.
- Responsible for evaluating the continued relevance, comprehensiveness and effectiveness of the risk management framework.
- Works with the Audit Committee in certifying in the Annual Report the adequacy of the Bank's internal control and risk management systems and controls.

### **Nominations Committee**

- Leads process of identifying candidates for election and appointment of directors and all other positions requiring appointment of the Board of Directors, giving full consideration to succession planning and the leadership needs of the Group. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's directions to fill the gaps. It then makes appropriate recommendations to the Board.
- Makes recommendations to the Board on the composition and chairmanship of the various committees.
- Reviews structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to Board with regard to any changes.

### **Compensation Committee**

- Provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that the compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance.
- Ensures consistency of the compensation policies and practices across the Group.

### **Information Technology Steering Committee**

- Provides oversight and governance over the Bank's IT functions, including approvals of information technology-related policies and practices of the Bank and applicable guidelines.
- Informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, progress vs. strategic objectives.
- Approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures.
- Responsible for understanding, managing and mitigating technology risks that confront the Bank and its subsidiaries, ensuring that the risks are properly managed and mitigated, and monitoring of IT performance including status of major IT projects and issues.

### **Related Party Transactions Committee**

- Assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Bank and its stakeholders.
- Ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote at the Annual Stockholders' meeting of the Bank's significant transactions with related parties.

Further information regarding BDO's Board and Committees can be found in the Annual Report and at [www.bdo.com.ph](http://www.bdo.com.ph).

# Independent Control Functions

## Compliance

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

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

The Compliance Group and its compliance program endeavors to protect the Bank's franchise, manage compliance risks and simultaneously supports the business goals and growth of the institution by providing appropriate compliance insights and regulatory guidance to safeguard the Bank and its stakeholders.

## Internal Audit

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



It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance processes. Upholding a commitment to integrity and accountability, Internal Audit provides value to senior management and governing bodies as objective source of independent advice, not only by promoting the professional development of its auditors but also by keeping abreast of relevant changes in regulations and trends in technology.

Internal Audit reports to the Board of Directors through the Board Audit Committee (parent bank and respective subsidiaries). It seeks BAC approval for the annual audit plan, provides updates on accomplishments, reports results of audit conducted and tracks resolution of audit findings. In its year-end closing report, Internal Audit attests to the fulfillment of its mandated responsibilities and provides overall assurance on the effectiveness of internal control, risk management and governance processes.

## Compliance with the SEC Code of Corporate Governance

Publicly-listed companies are advised to disclose in their Annual Report the company's compliance with the Code of Corporate Governance and where there is non-compliance, to identify and explain the reason for such issue. We confirm that as of December 31, 2021, the Bank has substantially complied with the recommendations of the Code except for the following: 1) Policy on retirement age of directors; 2) Disclosure of executive remuneration on an individual basis; 3) voting system for majority of non-related party shareholders to approve material related party transactions during shareholders meeting; 4) voting mechanism such as supermajority or "majority of minority" to protect the minority shareholders against action of controlling shareholder. For a more detailed discussion on the matter, please refer to the BDO Annual Report.

## Corporate Policies and Practices

### BDO Code of Conduct and Business Ethics

As a financial institution, BDO believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders. The BDO Code of Conduct and Business Ethics (the Code) outlines the principles and policies that govern the activities of the Bank and sets forth the rules of conduct in the workplace and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders.

The Bank upholds the virtues of honesty and integrity among its employees and instills a sense of commitment toward duty and responsibility. All employees are expected to observe discipline in attending to their jobs and in interacting with co-workers. Supervisors and managers are expected to foster self-discipline and serve as role models to their subordinates. Bank officers are expected to intelligently and consistently apply the accepted principles of people management. All cases/violations must be reported. Failure to do so either by oversight or deliberate cover up is subject to appropriate disciplinary action.

The Office of the Human Resources is responsible for overseeing the implementation of this Code across the BDO Unibank Group. It receives reports of violations and ensures that a confidential investigation is undertaken. As necessary, it may endorse the handling of the investigation to the Cases Review Secretariat for the appropriate action and recommendation. The Audit Committee, at its discretion, may periodically report the Code of Conduct and Business Ethics cases to the Board of Directors. The Compliance Office will address lapses in compliance with regulatory requirements arising from the administrative cases due to the violation of this Code.



## Internal Fraud, Breach of the Code, or other Unethical/Illegal Activities

BDO believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any director or employee who becomes aware of any violations of law, regulations, or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting of violations should be done in good faith and without malice. This is embodied in the BDO Policy of Disclosure of Sensitive/Confidential Matters to management that governs the policies and procedures in the handling of whistleblower cases.

## Data Privacy

BDO implements strict compliance with data privacy and protection laws. All personal data, including sensitive and confidential information obtained in the course of employment, directorship, engagement of services, or other work or business-related relationships with BDO, shall not be divulged unless authorized in accordance with internal and regulatory requirements, and shall not be used for any personal or financial gain.

The Bank has in place a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Bank's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). BDO's DPMP strives to comply with the Five Pillars of Data Privacy Accountability and Compliance of the National Privacy Commission.

- 1. Appointment of Data Privacy Officer.** The Bank appointed a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). Compliance Officers for Privacy (COPs) in each business and support unit (BSU) were also appointed to ensure proper coordination in the implementation of any initiatives related to the Bank's DPMP.
- 2. Conduct of Privacy Impact Assessment.** The Bank completed a Privacy Impact Assessment (PIA) for the whole BDO Group to assess privacy risks and ensure that necessary security measures are in place that will mitigate risks to personal data, and uphold the data privacy rights of individuals. The results of the PIA were reported to the Risk Management Committee (RMC) of the BDO Board.
- 3. Privacy Management Program and Privacy Manual.** The Bank's DPMP is part of its Data Privacy Manual (DPM), which serves as a framework for protecting the data privacy rights of the Bank's data subjects. The Bank codified its DPM to serve as a reference for all units of the Bank in complying with Republic Act 10173, also known as the Data Privacy Act of 2012. All bank personnel are required to comply with the terms set out in the Manual.
- 4. Implement Data Privacy and Protection Measures.** Even before the Data Privacy Act was passed into law, data privacy and protection measures were already in place in BDO's processing of personal data. However, implementation of these measures was not a one-time activity, but a continuous process. Foremost among these steps are the establishment of the Enterprise Data Privacy Policy, Data Privacy Statement, and Breach Reporting Procedures, including the templates for Consent, Data Sharing Agreement, and Outsourcing Agreement Supplements. Privacy risk monitoring was also enhanced using the existing operational risk management tools of the Bank. To ensure continuous education within BDO, an eLearning course on Data Privacy is sent to employees as part of an Awareness Program. The Bank has also intensified its data privacy awareness with an in-depth training for COPs and complaints management training for Customer Contact Center personnel.

- 5. Exercise of Breach Reporting Procedures.** As a precaution and to proactively manage personal data breach incidents, the Bank documented in its Data Privacy Manual the detailed procedures in reporting potential personal data breaches. Breach reporting is also included in the Bank's Data Privacy Training and Awareness Program.

The RMC is also regularly updated with respect to the progress of the Bank's compliance to the PDPA. In view of its commitment to comply with data privacy requirements, and as part of its continuing assessment and development efforts, the Bank actively participates in data privacy forums of the NPC and liaises with other DPOs of the Bankers Association of the Philippines (BAP).

## Consumer Protection Practices

BDO's financial consumer protection framework is anchored on disclosure and transparency, protection of client information, fair treatment, effective recourse, and financial education and awareness. The framework ensures that consumer protection practices are embedded in our operations and considered in the development and implementation of our products and services.

The Board is primarily responsible in maintaining an effective oversight on the Bank's consumer protection policies and programs. Senior management implements the Board-approved strategy and ensures that control mechanisms are in place. BDO's Consumer Assistance Management System reflects the Bank's commitment that our customers are treated fairly, honestly, and professionally at all stages of their relationship with the Bank. To ensure its effective implementation, BDO Customer Contact Center records customer complaints and monitors its resolution in adherence to established standard operating procedures and service level agreements. Customer feedback and complaints are analyzed and these are reported to the Board's Risk Management Committee on a periodic basis.

BDO devotes resources to ensure that customers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions. In 2021, CAMS logged around 8 million customer cases of which only 6% were problem-related in nature. Majority of the cases were inquiries (5.2 million or 65%) and requests (2.3 million or 29%).

## Supply Chain and Approach to Procurement

BDO sources 99.6% of its supplies from a local supply chain. The Bank follows a Manual on General Procurement Guidelines that establishes the policies on procurement of products and services and provides a framework of efficient, consistent, transparent and compliant purchasing practices across all Business Units (BU) of the Bank. BDO also has an online Vendor Accreditation System (VAS) that serves as the central storage facility of all Bank accredited vendors/suppliers, and contractors. The VAS provides real time status of vendor evaluation for accreditation, allows the upload of required documents for vendor accreditation, and generates reports for monitoring and reference. The Bank works with its suppliers to generate awareness and understanding of sustainability principles to help identify and mitigate the supply chain's environmental and social impact. The Bank also aims to find ways to build its supply chain's resilience to both natural and man-made disasters brought about by climate change.

## Acceptance/Solicitation of Gifts, Bribery, and Corruption

The Bank has zero tolerance for the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from clients, business partners, suppliers and third party service providers in connection to a service that may, in any way, influence the Director's, Officer's or employee's decision-making in exchange for any unnecessary favorable treatment. Likewise, BDO commits to comply with anti-corruption and bribery laws in all jurisdictions it operates. BDO will not make political donations that may be interpreted as an attempt to encourage favorable treatment of BDO and/or its directors and employees.

## Anti-Money Laundering, Counter-Terrorist Financing, and Proliferation Financing

BDO is committed to conduct business with the highest ethical standards and in full compliance with all applicable laws and regulations. The Bank seeks to prevent the flow of illicit funds on money laundering, combat terrorist financing, and proliferation financing by establishing policies and guidelines that would detect and report on red flags for these activities. These are articulated in the Board-approved Money Laundering and Terrorist Financing Prevention Program Manual (MTPP) which requires mandatory compliance from front liners and Bank officers.

BDO has also adopted the following pillars in its Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) and Combating Proliferation Financing (CPF) initiatives:

- **Know Your Client (KYC).** Acquiring the necessary information and performing validation to establish the identity of the client, including beneficial owners, are part of the core processes in the Bank's efforts to prevent money laundering, and terrorist and proliferation financing. Policies, procedures and tools are in place to screen new and existing clients and transactions. For product-specific transactions such as trade, KYC and screening extend to counterparties, vessels, ports, routes, and commodities, standards for establishing and maintaining business relationships are explicit and defined.
- **Know Your Employee (KYE).** Managing attendant AML, CTF, and CPF risks; safeguarding assets; and the protection of stakeholders are among the primary considerations in maintaining a strong and responsible workforce. Recruitment and screening standards cover physical, mental, social, and moral aptitude in order to strictly adhere to the fit and proper rule for bank personnel as prescribed by relevant regulations. To implement the KYE process, there is continuing monitoring of employees' lifestyle, behavior and compliance with the Bank's code of conduct. Employees are required to uphold professionalism and integrity in all their dealings at all times and they are encouraged to report any form of adverse behavior or practice as espoused in the Bank's Corporate Governance Manual on whistle-blowing and anti-bribery and corruption.
- **Ongoing Monitoring and Independent Checking.** Product and transaction owners perform and actively monitor changes in profile, behavior, and transaction patterns of their customers through cyclical due diligence, daily and periodic monitoring reports, on-site visits, sales calls, and other means to secure updated information.

Designated Unit Compliance Coordinators (UCCs) for branches and business units check compliance with the AML Program of the Bank on a monthly basis. Moreover, the Bank's AML Department under the Compliance Group conducts year round Independent Compliance Testing (ICT) based on risk-based AML roadmap that is approved by the Bank's Board Audit Committee.

The Bank also employs an enterprise-wide AML monitoring system which generates alerts based on pre-defined scenarios and specific parameters. Alert scenarios were configured to flag accounts and transactions that may be suspiciously connected with sanctioned and designated lists. These alert scenarios are subject to annual review and assessment.

The Risk Classification Process (RCP) is a module under the AML system that runs risk classifiers on transactional behavior across the institution's customer database. The RCP automates the process of integrating the onboarding or prior risk classification of a client and the actual transactional behavior. The RCP process supports an updated and current customer risk profile.

For AML System and funds flow monitoring, an interim tool enables monitoring of customers' activities on an aggregate basis and equips the AML investigators to pull information on all accounts and transactions of particular customers and their related accounts.

- **Regulatory Reporting.** The Bank adheres to all the prescribed regulatory reporting requirements including Covered and Suspicious Transactions (CTRs and STRs). The Bank's AML system facilitates the reporting of CTRs and STRs, while a Robotics Process Automation (RPA) assists in the reporting procedures. CTRs are transactions above P500,000 in value, while STRs are transactions with suspicious indicators. STRs are reportable regardless of amount and these include attempted transactions.
- **Record Retention.** BDO strictly upholds the confidentiality and integrity of Bank records and adheres to AML rules and regulations on record management. Records are either retained for a minimum of five (5) years or in perpetuity.
- **Training.** AML, CTF, and CPF awareness initiatives and trainings are integral in the organization's compliance culture that promotes proficient management of money laundering risks. Regulatory advisories and AML bulletins are regularly cascaded to employees to promote familiarity and knowledge of regulations and emerging AML risks, typologies and crimes. All new employees are required to take mandatory AML, CTF, and CPF basic e-learning courses prior to deployment while existing personnel undergo regular AML e-learning modules, refresher courses, and classroom and virtual trainings conducted by the AML Department. Key personnel for the effective implementation of the Bank's AML program subscribe to external trainings conducted by regulators, industry specialists and global AML experts.

## Stakeholder Communication 102-43

BDO implemented a comprehensive communication plan on the Bank's sustainability initiatives to generate wider awareness and understanding of how the Bank helps fuel the economy, protect the environment, and contribute towards positive social impact in the country.

Key themes for sustainability stories focused on the following:

- Support to micro, small and medium enterprises (MSMEs)
- Accreditation of the Bank's Sustainable Finance Framework by Sustainalytics, for future bond issuances
- Sustainable Finance projects
- Asia's Top Sustainability Advocate award
- Sustainability Bond issuance

The Bank's Corporate Communications team shared stories with traditional media (including national broadsheets, tabloids, and provincial publications), online news sites, as well as bloggers with targeted market segments as their followers. The stories were also widely shared on BDO's own social media accounts on LinkedIn and Facebook and select bloggers.

Throughout the year, the Sustainability Office also actively represented BDO in several virtual forums and webinars to share the plan on the Bank's sustainability initiatives as disclosed in the 2020 Sustainability Report. Among these were the HSBC Sustainability Summit on banks and achieving net zero; BusinessWorld Insights' Forum on how ESG criteria guides leading companies; the Nordic Embassies Forum on gender equality in the workplace; and the 5th Asia Sustainability Reporting Summit on corporate governance and sustainability.

## Looking Ahead

The Bank is now in the era of digital transformation and we continue to look at ways to optimize the use of the new technologies to strengthen our corporate governance practices while remaining vigilant on the risk of digitization to our business operations. In ensuring that the Bank stays as the market leader in the Philippine financial services industry, we are focused on maximizing the effectiveness of our corporate governance practices as a business enabler and driver of our performance in the proper context of risks and rewards, opportunities and prospects for the Bank. This is essential going forward as we continue to compete and remain relevant to our various stakeholders. Globally, there is also an increasing call for companies to support the UN Sustainable Development Goals as part of sustainable business performance with emphasis on strategies that promote economic growth, environmental protection, efforts that address a range of social needs and a governance model that considers sustainability issues. BDO continues to be mindful of these and creating a positive impact on sustainability as it continues to report annually on its sustainability performance and contribution to the UN Sustainable Development Goals.

# GRI Content Index



For the Materiality Disclosures Service, GRI Services reviewed that the GRI content index is clearly presented and the references for Disclosures 102-40 to 102-49 align with appropriate sections in the body of the report.

| GRI Standard                             | Disclosure  | Page Number(s), Direct Answer and/or URLs | Reason for Omission |
|--|---|---|---------------------|
| <b>GRI 101: Foundation 2016</b>          |   |   |                     |
| <b>General Disclosures</b>               |   |   |                     |
| <b>GRI 102: General Disclosures 2016</b> | <b>Organizational Profile</b>                                 |   |                     |
| 102-1                                    | Name of the organization                                      | 2, 4                                      |                     |
| 102-2                                    | Activities, brands, products, and services                    | 4-5, 8-9, 20-31, 32-53, 65-69             |                     |
| 102-3                                    | Location of headquarters                                      | 91  |                     |
| 102-4                                    | Location of operations  | 4   |                     |
| 102-5                                    | Ownership and legal form                                      | 4   |                     |
| 102-6                                    | Markets served  | 4, 22-23, 27, 29-30, 32, 45, 57           |                     |
| 102-7                                    | Scale of the organization                                     | 4, 8-9                                    |                     |
| 102-8                                    | Information on employees and other workers                    | 56-64                                     |                     |
| 102-9                                    | Supply chain  | 81  |                     |
| 102-10                                   | Significant changes to the organization and its supply chain  | None to report                            |                     |
| 102-11                                   | Precautionary principle or approach                           | 8-9, 32-53                                |                     |
| 102-12                                   | External initiatives  | 8-9, 53-54                                |                     |
| 102-13                                   | Membership in associations                                    | 89  |                     |
| 102-22                                   | Composition of the highest governance body and its committees | 71-77                                     |                     |
| 102-23                                   | Chair of the highest governance body                          | 75  |                     |
| <b>Strategy</b>                          |   |   |                     |
| 102-14                                   | Statement from senior decision-maker                          | 6-7                                       |                     |
| <b>Ethics and Integrity</b>              |   |   |                     |
| 102-16                                   | Values, principles, standards, and norms of behavior          | 5, 57-59, 79-83                           |                     |
| <b>Governance</b>                        |   |   |                     |
| 102-18                                   | Governance structure  | 14-15, 69-83                              |                     |
| <b>Stakeholder Engagement</b>            |   |   |                     |
| 102-40                                   | List of stakeholder groups                                    | 18  |                     |
| 102-41                                   | Collective bargaining agreements                              | 56, 60                                    |                     |
| 102-42                                   | Identifying and selecting stakeholders                        | 18  |                     |
| 102-43                                   | Approach to stakeholder engagement                            | 17-18, 62, 83                             |                     |
| 102-44                                   | Key topics and concerns raised                                | 16-18                                     |                     |

| GRI Standard              | Disclosure  | Page Number(s), Direct Answer and/or URLs   | Reason for Omission |
|---------------------------|---|---|---------------------|
| <b>Reporting Practice</b> |   |   |                     |
|                           | 102-45 Entities included in the consolidated financial statements | BDO Unibank, Inc. (parent) and Subsidiaries |                     |
|                           | 102-46 Defining report content and topic boundaries               | 15-17                                       |                     |
|                           | 102-47 List of material topics                                    | 16  |                     |
|                           | 102-48 Restatements of information                                | None  |                     |
|                           | 102-49 Changes in reporting                                       | None  |                     |
|                           | 102-50 Reporting period   | January to December 2021                    |                     |
|                           | 102-51 Date of most recent report                                 | 2020 (published in 2021)                    |                     |
|                           | 102-52 Reporting cycle  | Annual                                      |                     |
|                           | 102-53 Contact point for questions regarding the report           | 91  |                     |
|                           | 102-54 Claims of reporting in accordance with the GRI Standards   | Inside front cover                          |                     |
|                           | 102-55 GRI Content Index  | 85-88                                       |                     |
|                           | 102-56 External assurance   | No external assurance                       |                     |

## Material Topics

| GRI Standard                                   | Disclosure   | Page Number(s), Direct Answer and/or URLs | Reason for Omission |
|--|--|---|---------------------|
| <b>Economic Performance</b>                    |  |   |                     |
| <b>GRI 103: Management Approach 2016</b>       | 103-1 Explanation of the material topic and its boundary | 16  |                     |
|  | 103-2 The management approach and its components         | 10-18, 32-33                              |                     |
|  | 103-3 Evaluation of the management approach              | 14-15, 33                                 |                     |
| <b>GRI 201: Economic Performance 2016</b>      | 201-1 Direct economic value generated and distributed    | 33  |                     |
| <b>Indirect Economic Impacts</b>               |  |   |                     |
| <b>GRI 103: Management Approach 2016</b>       | 103-1 Explanation of the material topic and its boundary | 16  |                     |
|  | 103-2 The management approach and its components         | 12-18                                     |                     |
|  | 103-3 Evaluation of the management approach              | 14-15, 20-21                              |                     |
| <b>GRI 203: Indirect Economic Impacts 2016</b> | 203-1 Infrastructure investments and services supported  | 32-33, 38-44                              |                     |
|  | 203-2 Significant indirect economic impacts              | 20-31, 46, 51-54, 56-57, 65-69            |                     |

| GRI Standard                             | Disclosure | Page Number(s), Direct Answer and/or URLs          | Reason for Omission |
|--|------------|--|---------------------|
| <b>Energy</b>                            |            |  |                     |
| <b>GRI 103: Management Approach 2016</b> | 103-1      | Explanation of the material topic and its boundary | 16                  |
|  | 103-2      | The management approach and its components         | 10-18               |
|  | 103-3      | Evaluation of the management approach              | 16-17               |
| <b>GRI 302: Energy 2016</b>              | 302-1      | Energy consumption within the organization         | 46                  |
| <b>Water</b>                             |            |  |                     |
| <b>GRI 103: Management Approach 2016</b> | 103-1      | Explanation of the material topic and its boundary | 16                  |
|  | 103-2      | The management approach and its components         | 10-18               |
|  | 103-3      | Evaluation of the management approach              | 16-17               |
| <b>GRI 303: Water and Effluents 2018</b> | 303-3      | Water withdrawal                                   | 46                  |
| <b>Emissions</b>                         |            |  |                     |
| <b>GRI 103: Management Approach 2016</b> | 103-1      | Explanation of the material topic and its boundary | 16                  |
|  | 103-2      | The management approach and its components         | 10-18               |
|  | 103-3      | Evaluation of the management approach              | 16-17               |
| <b>GRI 305: Emissions 2016</b>           | 305-1      | Direct (Scope 1) GHG emissions                     | 46                  |
|  | 305-2      | Energy indirect (Scope 2) GHG emissions            | 46                  |
| <b>Employment</b>                        |            |  |                     |
| <b>GRI 103: Management Approach 2016</b> | 103-1      | Explanation of the material topic and its boundary | 16                  |
|  | 103-2      | The management approach and its components         | 10-18, 55-61        |
|  | 103-3      | Evaluation of the management approach              | 55-61               |
| <b>GRI 401: Employment 2016</b>          | 401-1      | New employee hires and employee turnover           | 56                  |



| GRI Standard                                | Disclosure | Page Number(s), Direct Answer and/or URLs  | Reason for Omission |
|---|------------|--|---------------------|
| <b>Training and Education</b>               |            |  |                     |
| <b>GRI 103: Management Approach 2016</b>    | 103-1      | Explanation of the material topic and its boundary                                       | 16                  |
|   | 103-2      | The management approach and its components   | 10-18               |
|   | 103-3      | Evaluation of the management approach  | 60-61               |
| <b>GRI 404: Training and Education 2016</b> | 404-1      | Average hours of training per year per employee  | 56-57               |
|   | 404-2      | Programs for upgrading employee skills and transition assistance programs                | 60-61               |
| <b>Local Communities</b>                    |            |  |                     |
| <b>GRI 103: Management Approach 2016</b>    | 103-1      | Explanation of the material topic and its boundary                                       | 16                  |
|   | 103-2      | The management approach and its components   | 10-18               |
|   | 103-3      | Evaluation of the management approach  | 65-69               |
| <b>GRI 413: Local Communities 2016</b>      | 413-1      | Operations with local community engagement, impact assessments, and development programs | 29-31, 49-53, 65-69 |

## Sector Disclosures: Financial Services

|                               | Disclosure | Page Number(s), Direct Answer and/or URLs   | Reason for Omission     |
|-------------------------------|------------|---|-------------------------|
| <b>Product Responsibility</b> |            |   |                         |
| <b>Product Portfolio</b>      | DMA        | Disclosure of management approach   | 10-18                   |
|                               | FS7        | Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose                           | 20-31, 38-45            |
|                               | FS8        | Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose                    | 38-45                   |
| <b>Active Ownership</b>       | DMA        | Disclosure of management approach   | 10-18                   |
|                               | FS10       | Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues | 37, 38-45, 49-54, 66-69 |

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# Memberships in Associations

ACI Philippines the Financial Markets Association Inc.

Association of Bank Compliance Officers, Inc.

Association of Bank Remittance Officers, Inc.

Association of Philippine Correspondent Bank Officers, Inc.

Australian-New Zealand Chamber of Commerce Philippines, Inc.

Bank Marketing Association of the Philippines

Bank Security Management Association of the Philippines Incorporated

Bankers Association of the Philippines

Bankers Institute of the Philippines, Inc.

British Chamber of Commerce of the Philippines, Inc.

Clearing Officers Club, Inc.

Credit Card Association of the Philippines, Inc.

Dutch Chamber of Commerce in the Philippines, Inc.

Employers Confederation of the Philippines

Financial Executives Institute of the Philippines

French Chamber of Commerce in the Philippines - Le Club Inc.

Fund Managers Association of the Philippines, Inc. (FMAP)

German-Philippine Chamber of Commerce & Industry Inc.

Healthcare Information Management Association of the Philippines, Inc.

Information Systems Audit and Control Association, Inc. (ISACA)

Institute of Internal Auditors Philippines, Inc.

Israel Chamber of Commerce of the Philippines, Inc.

IT & Business Process Association of the Philippines, Inc.

Italian Chamber of Commerce in the Philippines, Inc.

Japanese Chamber of Commerce and Industry of Cebu, Inc.

Korean Chamber of Commerce Philippines (KCCP), Inc.

Makati Business Club, Inc.

Management Association of the Philippines

Money Market Association of the Philippines, Inc. (MART)

National Association of Securities Broker Salesmen, Inc.

Nordic Chamber of Commerce of the Philippines, Inc.

People Management Association of the Philippines, Inc.

Phil. Association of National Advertisers, Inc.

Philippine Payments Management, Inc.

Singapore Philippines Association Inc.

Spanish Chamber of Commerce in the Philippines

The American Chamber of Commerce of the Philippines, Inc. (AMCHAM Philippines)

The Canadian Chamber of Commerce of the Philippines, Inc.

The Japanese Association Manila Inc.

The Japanese Chamber of Commerce and Industry of the Philippines, Inc.

The Philippines-Japan Society, Inc.

Trust Officers Association of the Philippines, Inc.

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# Sustainability and ESG Awards and Recognition

## **Platinum Award**

(2010–2021)

*The Asset ESG Corporate Awards 2021*

## **BDO Unibank: The Best of Asia awardee**

(2005–2019, 2021)

*Corporate Governance Asia*

*16th Asian ESG Award 2021*

## **BDO Unibank, Asian Excellence awardee**

(2011–2021)

## **Best Investor Relations Company**

### **(Philippines) awardee**

(2011–2021)

## **Best Corporate Communications awardee**

(2014–2015, 2017–2021)

## **Asia's Best CSR awardee**

(2020–2021)

*Corporate Governance Asia*

*11th Asian Excellence Award 2021*

## **3G Championship Award in Transparency**

## **3G Championship Award in Service**

## **Excellence**

## **3G Excellence Award in Education & Literacy Programme**

*Global Good Governance Awards 2021*

## **Top Sustainability Advocates in Asia**

*Asia Corporate Excellence & Sustainability*

*Awards (ACES) 2021*

## **Best Local Currency Green Bond (Philippines)**

(Energy Development Corporation PHP5 billion dual-tranche Asean green bond; BDO Capital & Investment Corporation as issue manager, lead underwriter and bookrunner)

*The Asset Triple A Country Awards 2021*

## **Water Deal of the Year**

(Wawa JVCo PHP20 billion Term Loan Facility, BDO Unibank as lender and BDO Capital & Investment Corporation as lead arranger and sole bookrunner)

*The Asset Triple A Infrastructure Awards 2021*

## **BDO Foundation: COVID Management Initiative of the Year – Philippines**

*Asian Banking & Finance*

*Retail Banking Awards 2021*

## **BDO Foundation, Inc. for COVID-19**

## **Pooled Testing and Other Initiatives for**

## **Underserved Sectors of Society (Category: Health Promotion)**

*Enterprise Asia's Asia Responsible Enterprise*

*Awards (AREA) 2021*

## **Women in the Workforce**

## **Rank #1 in Asian Banks and in the Philippines:**

**Women as percentage of total staff**

## **Rank #4 in Asian Banks and #3 in the Philippines: Percentage of women VPs**

## **Rank #1 in the Philippines: Percentage of recent graduate hires that are women**

*Asiamoney Leaders for Women Survey 2021*

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BDO Unibank, Inc. welcomes inquiries from analysts, investors, and the financial community.

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The 2021 Sustainability Report can be viewed and downloaded online at [www.bdo.com.ph/company-disclosures/sustainability-report](http://www.bdo.com.ph/company-disclosures/sustainability-report).

The 2021 Annual Report and the Financial Supplements can be viewed and downloaded online at [www.bdo.com.ph/company-disclosures/annual-reports](http://www.bdo.com.ph/company-disclosures/annual-reports).

BDO Unibank is regulated by the Bangko Sentral ng Pilipinas with contact number +63 (2) 8708-7087, email address [consumeraffairs@bsp.gov.ph](mailto:consumeraffairs@bsp.gov.ph), and webchat at [www.bsp.gov.ph](http://www.bsp.gov.ph).

For concerns, please visit any BDO branch nearest you, or contact us through our 24x7 hotline +63 (2) 8631-8000 or email us via [callcenter@bdo.com.ph](mailto:callcenter@bdo.com.ph).

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