

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box:
[☒] Preliminary Information Statement
[☐] Definitive Information Statement
2. Name of Registrant as specified in its charter: **BDO Unibank, Inc.**
3. Country of Incorporation: **Philippines**
4. SEC Identification Number: **34001**
5. BIR Tax Identification Code: **000-708-174-000**
6. Address of principal office: **BDO Corporate Center, 7899 Makati Avenue, Makati City**
7. Registrant's telephone number, including area code: **(632) 8840-7000/ (632) 8631-8000/ (632) 8702-6000**
8. Date, time and place of the meeting of security holders: **June 16, 2020, 2:00 o'clock p.m.**
Virtual via Cisco Webex
9. Approximate date on which the Information Statement is first to be sent or given to security holders:
May 26, 2020
10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:
- | <u>Title of Each Class</u> | <u>Number of Shares</u> |
|------------------------------------|-----------------------------------|
| Common Shares, ₱10.00 par value | 4,382,729,413 (as of May 5, 2020) |
| Preferred Shares, ₱10.00 par value | 515,000,000 |
11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes ☒ No ☐ Philippine Stock Exchange, Common Shares

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

A. GENERAL INFORMATION

Item 1. Date, Time and Place of Meeting of Security Holders

- (a) Date : **June 16, 2020, Tuesday**
- Time : **2:00 o'clock p.m.**
- Place : **Virtual via Cisco Webex**
- Mailing : **BDO UNIBANK, INC.**
 Address : **Office of the Corporate Secretary**
 14th Floor, North Tower, BDO Corporate Center
 7899 Makati Avenue, Makati City
 Philippines
- (b) Approximate date on which the Information Statement is first to be sent or given to security holders:
 May 26, 2020

Item 2. Rights of Shareholders; Dissenter's Right of Appraisal

BDO Unibank, Inc. (BDO) respects the inherent rights of shareholders in accordance with law. BDO recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the By-Laws of BDO provide that all shares of each class should carry the same rights, and any changes in the voting rights shall be approved by shareholders.

When a proposed corporate action would involve a substantial and fundamental change in BDO in the cases provided by law, a stockholder may exercise his appraisal rights. Pursuant to Section 80 of the Revised Corporation Code of the Philippines, a stockholder may exercise his appraisal right by dissenting on any of the following corporate actions and demanding payment of the fair value of his shares:

- (1) In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (3) In case of merger or consolidation; and
- (4) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The procedure for the exercise of a stockholder's appraisal right is as follows:

- (1) A stockholder shall have dissented to such corporate action;
- (2) Within thirty (30) days after the date on which the vote was taken, the dissenting stockholder shall make a written demand on BDO for payment of the fair value of his shares.

Failure to make the demand within such period shall be deemed a waiver of the appraisal right.

- (3) Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit to BDO the certificate(s) of stock representing his shares for notation thereon that such

shares are dissenting shares. His failure to do so shall, at the option of BDO, terminate his appraisal rights.

- (4) No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless BDO consents thereto.
- (5) If the corporate action is implemented or effected, BDO shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved.
- (6) If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and BDO cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by BDO, and the third by the two (2) thus chosen.
- (7) The findings of a majority of the appraisers shall be final, and their award shall be paid by BDO within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless BDO has unrestricted retained earnings in its books to cover such payment.
- (8) Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to BDO.

No matter will be presented for shareholders' approval during the annual meeting that may give rise to the exercise of the right of appraisal.

Item 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

- (a) No director or officer of BDO since the beginning of the last fiscal year, or any nominee for election as director, nor any of their associates, has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the meeting, other than election to office.
- (b) No director of BDO has informed BDO in writing that he intends to oppose any action to be taken by BDO at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders

- (a) Voting securities entitled to be voted at the meeting:

Title of Each Class	Number of Shares (as of April 30, 2020)	Number of Votes Outstanding
Common Shares	4,382,611,513	One (1) vote per share, except in the election of directors where one share is entitled to as many votes as there are directors to be elected.
Series A Preferred Shares	515,000,000	
Total	4,897,611,513	

(b) Record date

Only stockholders of record in the books of BDO as of the close of business on May 22, 2020 are entitled to notice of, and to vote at, the annual meeting.

(c) Election of directors and voting rights (cumulative voting)

Each shareholder holding Common Shares and Series A Preferred Shares (each, a “**Voting Share/s**”) as of May 22, 2020 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.

The shareholder holding Voting Shares may nominate directors and vote by proxy in favor of the Chairman of the meeting. In accordance with BDO’s By-Laws, stockholders may submit their duly executed and signed proxies in favor of the Chairman of the Meeting on or before June 1, 2020 to the Corporate Secretary at 14th Floor, North Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City via courier delivery or by email to corporate_secretary@bdo.com.ph. Stockholders of record may download and print the proxy form from BDO’s website (www.bdo.com.ph/2020proxyform).

A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by BDO’s stock and transfer agent shall be convened on June 4, 2020, 10:00 o’clock a.m., at the 14th Floor, North Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary’s decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.

(d) Security ownership of certain record and beneficial owners and management:

1. Security ownership of certain record/beneficial owners

As of April 30, 2020, 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. 10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/ Parent Company	Sy Family (Substantial Stockholders)	Filipino	1,787,180,649 *	40.78%
Common	PCD Nominee Corp. (Non-Filipino) 29 th Floor, BDO Equitable Tower, Paseo de Roxas, Makati City/	Various stockholders	Foreign	1,241,058,962	28.32%

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
	Various stockholders				
Common	PCD Nominee Corp. (Filipino) 29 th Floor, BDO Equitable Tower, Paseo de Roxas, Makati City/ Various stockholders	Various stockholders	Filipino	617,619,758 ^{**}	14.09%
Common	Multi-Realty Development Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder	SM Investments Corp. (Subsidiary)	Filipino	291,513,036 [*]	6.65%
Common	Sybase Equity Investments Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder	Various corporate stockholders	Filipino	240,010,292 [*]	5.48%
TOTAL (COMMON)				4,177,382,697	95.32%
Preferred	Sybase Equity Investments Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City/ Stockholder	Various corporate stockholders	Filipino	391,400,000	76.00%
Preferred	SM Investments Corp. 10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City/ Parent Company	Sy Family (Substantial Stockholders)	Filipino	123,600,000	24.00%
TOTAL (PREFERRED)				515,000,000	100.00%

* 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.

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 April 30, 2020, 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
HSBC Clients' Account	The Hong Kong and Shanghai Banking Corp. Ltd – Clients' Acct. HSBC Securities Services, HSBC Centre, 3058 Fifth Avenue West, Bonifacio Global City, Taguig City	366,245,749	7.48%
DEUB Clients' Account	Deutsche Bank Manila - Clients' Account 26 th Floor, Ayala Tower 1, Ayala Triangle, Makati City	341,642,556	6.98%
	TOTAL	707,888,305	14.46%

- 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 April 30, 2020, the total number of shares owned by the directors and management of the registrant as a group unnamed is 26,137,179 common shares, which is equivalent to 0.5964% 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	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
Common	Teresita T. Sy	Chairperson	Filipino	394,947	394,947	0.0090%
Common	Jesus A. Jacinto, Jr.	Vice Chairman	Filipino	502	802	0.0000%
Common	George T. Barcelon	Independent Director	Filipino	1,001	1,001	0.0000%
Common	Christopher A. Bell-Knight	Director	Canadian	123	623	0.0000%
Common	Jose F. Buenaventura	Independent Director	Filipino	1	1	0.0000%
Common	Jones M. Castro, Jr.	Lead Independent Director	Filipino & American	1	1	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
Common	Vicente S. Pérez, Jr.	Independent Director	Filipino	5,000	5,000	0.0001%
Common	Dioscoro I. Ramos	Independent Director	Filipino	181,880	203,800	0.0047%
Common	Josefina N. Tan	Director	Filipino	596,458	691,208	0.0158%
Common	Nestor V. Tan	President, CEO & Director	Filipino	10,671,794	12,666,759	0.2890%
Common	Gilberto C. Teodoro, Jr.	Independent Director	Filipino	1	1	0.0000%
Common	Joseph Albert L. Gotuaco	SEVP	Filipino	0	0	0.0000%
Common	Rolando C. Tanchanco	SEVP	Filipino	468,653	547,383	0.0125%
Common	Walter C. Wassmer	SEVP	Filipino	344,189	410,939	0.0094%
Common	Jaime C. Yu	SEVP	Filipino	341,134	316,134	0.0072%
Common	Ador A. Abrogena	EVP	Filipino	240,379	274,129	0.0063%
Common	Stella L. Cabalatungan	EVP	Filipino	220,500	240,300	0.0055%
Common	Anthony Q. Chua	EVP	Filipino	0	0	0.0000%
Common	Julie Y. Chua	EVP	Filipino	462,811	557,561	0.0127%
Common	Gerard Lee B. Co	EVP	Filipino	334,682	388,682	0.0089%
Common	Lucy C. Dy	EVP & Comptroller	Filipino	490,839	595,589	0.0136%
Common	Eduardo V. Francisco	EVP	Filipino	654,629	749,379	0.0171%
Common	Jesus Antonio S. Itchon	EVP	Filipino	0	0	0.0000%
Common	Jeanette S. Javellana	EVP	Filipino	246,356	300,356	0.0069%
Common	Ma. Corazon A. Mallillin	EVP	Filipino	119,432	78,432	0.0018%
Common	Dalmacio D. Martin	EVP & Treasurer	Filipino	39,795	93,795	0.0021%
Common	Ricardo V. Martin	EVP	Filipino	314,189	213,469	0.0049%
Common	Edwin	EVP	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
	Romualdo G. Reyes					
Common	Luis S. Reyes, Jr.	EVP	Filipino	586,280	670,530	0.0153%
Common	Cecilia Luz L. Tan	EVP	Filipino	0	0	0.0000%
Common	Evelyn L. Villanueva	EVP & Chief Risk Officer	Filipino	575,527	660,277	0.0151%
Common	Albert S. Yeo	EVP	Filipino	0	1,000	0.0000%
Common	Noel L. Andrada	SVP	Filipino	127,300	127,300	0.0029%
Common	Maria Carina S. Antonio	SVP	Filipino	48,895	74,010	0.0017%
Common	Rafael G. Ayuste, Jr.	SVP & Trust Officer	Filipino	0	0	0.0000%
Common	Ferdinand C. Bacungan	SVP	Filipino	0	26,000	0.0006%
Common	Melanie S. Belen	SVP	Filipino	137,804	176,804	0.0040%
Common	Maria Carla Josefa G. Campos	SVP	Filipino	0	0	0.0000%
Common	Edmund S. Chan	SVP	Filipino	0	29,500	0.0007%
Common	Romeo Ramon M. Co, Jr.	SVP	Filipino	4,785	4,785	0.0001%
Common	Jonathan T. Cua	SVP	Filipino	31,000	0	0.0000%
Common	Ramon S. David	SVP	Filipino	87,711	30,791	0.0007%
Common	Montiel H. Delos Santos	SVP	Filipino	0	93,000	0.0021%
Common	Geronimo D. Diaz	SVP	Filipino	31,574	31,574	0.0007%
Common	Noel D. Dizon	SVP	Filipino	169,037	210,037	0.0048%
Common	Gwyneth M. Entao	SVP	Filipino	46,677	40,277	0.0009%
Common	Belinda C. Fernandez	SVP	Filipino	43,764	77,764	0.0018%
Common	Andre M. Flores	SVP	Filipino	0	0	0.0000%
Common	Maria Cecilia G. Fonacier	SVP	Filipino	0	0	0.0000%
Common	Gina Marie C. Galita	SVP	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
Common	Geneva T. Gloria	SVP	Filipino	68,169	93,169	0.0021%
Common	Alvin C. Go	SVP & Assistant Corporate Secretary	Filipino	0	0	0.0000%
Common	Jonathan Cua Bian T. Go II	SVP	Filipino	259,545	313,545	0.0072%
Common	Marilyn K. Go	SVP & Deputy Treasurer	Filipino	0	50,000	0.0011%
Common	Sonia Maribel D. Go	SVP	Filipino	112,387	149,887	0.0034%
Common	Frederic Mark S. Gomez	SVP	Filipino	0	0	0.0000%
Common	Richard Emil R. Grau	SVP	Filipino	0	0	0.0000%
Common	Lazaro Jerome C. Guevarra	SVP	Filipino	31,718	11,718	0.0003%
Common	Enrico R. Hernandez	SVP	Filipino	171,948	210,948	0.0048%
Common	Geraldine C. Liggayu	SVP	Filipino	0	43,303	0.0010%
Common	Gabriel U. Lim	SVP	Filipino	245,789	191,369	0.0044%
Common	Donald Benjamin G. Limcaco	SVP	Filipino	0	0	0.0000%
Common	Juan Sabino P. Lizares	SVP	Filipino	177,380	214,880	0.0049%
Common	Joseph Rhoderick B. Lledo	SVP	Filipino	96,019	96,019	0.0022%
Common	Manuel Z. Locsin, Jr.	SVP	Filipino	63	54,063	0.0012%
Common	Rhodora M. Lugay	SVP	Filipino	0	0	0.0000%
Common	Jose Paolo Enrique A. Magpale	SVP	Filipino	0	2,500	0.0001%
Common	Roy Allan V. Magturo	SVP	Filipino	97,572	117,572	0.0027%
Common	Manuel Patricio C. Malabanan	SVP	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
Common	Angelita C. Manulat	SVP	Filipino	128,611	88,611	0.0020%
Common	Edgardo R. Marcelo, Jr.	SVP	Filipino	0	36,003	0.0008%
Common	Jose Noel M. Mendoza	SVP	Filipino	238,590	264,590	0.0060%
Common	Tomas Victor A. Mendoza	SVP	Filipino	12,060	12,060	0.0003%
Common	Ramon T. Militar	SVP	Filipino	120,000	154,000	0.0035%
Common	Aurea Imelda S. Montejo	SVP	Filipino	225,889	251,889	0.0057%
Common	Jaime M. Nasol	SVP	Filipino	52,000	76,000	0.0017%
Common	Annie H. Ngo	SVP	Filipino	201,884	255,884	0.0058%
Common	Cristina G. Ngo	SVP	Filipino	133,896	171,396	0.0039%
Common	Frederico Rafael D. Ocampo	SVP	Filipino	0	0	0.0000%
Common	Estrellita V. Ong	SVP & Chief Internal Auditor	Filipino	0	0	0.0000%
Common	Maria Rhoda B. Orsolino	SVP	Filipino	35,007	35,007	0.0008%
Common	Jose Alfredo G. Pascual	SVP	Filipino	125,055	116,155	0.0027%
Common	Antonio O. Peña	SVP	Filipino	253,233	307,233	0.0070%
Common	Rogel A. Raya	SVP	Filipino	120,734	158,234	0.0036%
Common	Maria Nannette R. Regala	SVP	Filipino	294,447	294,447	0.0067%
Common	Susan Audrey P. Rivera	SVP	Filipino	43,355	43,355	0.0010%
Common	Evelyn C. Salagubang	SVP	Filipino	40,009	72,454	0.0017%
Common	Cerwina Elenore A. Santos	SVP	Filipino	59,910	34,910	0.0008%
Common	Roberto Ramon L. Santos	SVP	Filipino	0	0	0.0000%
Common	Gregorio C. Severino	SVP	Filipino	67,560	38,060	0.0009%
Common	Ma. Theresa S. Simbul	SVP	Filipino	86,456	33,756	0.0008%
Common	Paul John Siy	SVP	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 12, 2019)	No. of Shares (as of April 30, 2020)	Percent of Class (Shares as of April 30, 2020)
Common	Howard Lincoln D. Son	SVP	Filipino	0	0	0.0000%
Common	Noel B. Sugay	SVP	Filipino	45,628	63,128	0.0014%
Common	Robert W. Sy	SVP	Filipino	124,441	68,441	0.0016%
Common	Edwin R. Tajanlangit	SVP	Filipino	4	4	0.0000%
Common	Arthur L. Tan	SVP	Filipino	395,626	395,626	0.0090%
Common	Christopher Raymund P. Tan	SVP	Filipino	0	0	0.0000%
Common	Maria Theresa L. Tan	SVP	Filipino	83,395	83,395	0.0019%
Common	Federico P. Tancongco	SVP & Chief Compliance Officer	Filipino	0	0	0.0000%
Common	Reynaldo A. Tanjangco, Jr.	SVP	Filipino	29,002	94,002	0.0021%
Common	Edna R. Tarroza	SVP	Filipino	46,392	51,552	0.0012%
Common	Dante R. Tinga, Jr.	SVP	Filipino	0	0	0.0000%
Common	Agnes C. Tuason	SVP	Filipino	574	25,574	0.0006%
Common	Myla R. Untalan	SVP	Filipino	300	300	0.0000%
Common	Edward G. Wenceslao	SVP	Filipino	888	888	0.0000%
Common	Antonio N. Cotoco	Senior Credit Executive	Filipino	155,380	155,380	0.0035%
Common	Guia C. Lim	Senior Credit Executive	Filipino	17,200	17,200	0.0004%
Common	Nilo L. Pacheco, Jr.	Senior Credit Executive	Filipino	0	0	0.0000%
Common	Mario B. Palou	Senior Credit Executive	Filipino	0	0	0.0000%
Common	Edmundo S. Soriano	Senior Credit Executive	Filipino	346,528	203,420	0.0046%
Common	Edmundo L. Tan	Corporate Secretary	Filipino	1,312	1,312	0.0000%
Common	Sabino E. Acut, Jr.	Asst. Corporate Secretary	Filipino	0	0	0.0000%
	Total			22,132,442	26,137,179	0.5964%

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 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 and to the PSE.

Item 5. Directors and Executive Officers

(a) Directors and Corporate 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:

Directors' Profile

Teresita T. Sy
Chairperson
Non-Executive Director
Filipino, 69 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 Adviser to the Board of BDO Network Bank, Inc.

Ms. Sy is the Vice Chairperson of SM Investments Corporation and Adviser 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, 72 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, 62 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. He concurrently holds the Chairmanship of the following BDO Unibank Subsidiaries: BDO Strategic Holdings, Inc. and BDO Network Bank, Inc. He also concurrently holds vice chairmanships and/or directorships in the following subsidiaries of BDO Unibank, Inc.: BDO Leasing and Finance, Inc., BDO Finance Corporation, BDO Capital & Investment Corporation, BDO Insurance Brokers, Inc., BDO Life Assurance Company, Inc., BDO Private Bank, Inc., BDO Remit (USA), Inc., and SM Keppel Land, Inc. He is also a Trustee of BDO Foundation, Inc. and Chairman of the De La Salle University Board of Trustees. He is also the Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks. He previously served as President and Director of the Bankers Association of the Philippines, in addition to being the previous Chairman and Director of Philippine Dealing System Holdings Corporation.

Prior to joining BDO Unibank, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment banking subsidiary of the Barclays Group. His banking career spans nearly four decades and includes posts at global financial institutions, among them Mellon Bank (now BNY Mellon) in Pittsburgh, PA; Bankers Trust Company (now Deutsche Bank) 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.

Jones M. Castro, Jr.
Lead Independent Director
Filipino and American, 71 years old

Jones M. Castro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. on April 20, 2012. Mr. Castro has 46 years of banking expertise, with 39 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 Executive Vice Chairman and Trustee of the PhilDev USA and PhilDev S & T, Advisor of Wave Computing, Inc., 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 Masters in Business Administration, Accounting & Finance from Stanford University.

George T. Barcelon
Independent Director
Filipino, 70 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, 75 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 Adviser to the Board of BDO Unibank for more than two 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 Adviser 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, 85 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.; and Director and Corporate Secretary of 2B3C Foundation, Inc., and Peter Paul Philippines Corporation. 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, 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 from Georgetown University Law Center in Washington, D.C.

Vicente S. Pérez, Jr.
Independent Director
Filipino, 61 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, BDO Capital & Investment 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. 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 American 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. Pérez obtained his Masters in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class at the Yale School of Management.

Dioscoro I. Ramos
Independent Director
Filipino, 61 years old

Dioscoro I. Ramos was elected to the Board of Directors of BDO Unibank, Inc. on January 9, 2016. 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 in Business degree from Wharton School, University of Pennsylvania.

Josefina N. Tan
Non-Executive Director
Filipino, 74 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 Adviser 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 a Trustee of the Finex

Academy and 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 Masters in Business Administration from Ateneo Graduate School of Business.

Gilberto C. Teodoro, Jr.
Independent Director
Filipino, 55 years old

Gilberto C. Teodoro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. on April 25, 2014. He is the Chairman of Sagittarius Mines, Inc. and Indophil Resources Philippines, Inc. He was formerly Chairman of Suricon Resources Corporation and PNP Foundation, Inc. He is also a member of the Board of Directors of Philippine Geothermal Production Company, Inc., Alphaland Corporation, and Canlubang Sugar Estate. He served as Secretary of National Defense from 2007 to 2009 and was a member of the Philippine House of Representatives from 1998 to 2007. He continues to advise the public sector agencies and is currently the Chairman of the Philippine Air Force Multi-Sectoral Governance Council and sits in a similar one of the Philippine Navy. He is a recipient of the Philippine Legion of Honor with the rank of Grand Commander. He trained under former Solicitor General Estelito P. Mendoza, Esq., and was involved in a wide range of issues - constitutional, corporate, criminal, civil, and administrative- and in pro-bono work to assist various indigent litigants from 1990 to 1997. Mr. Teodoro holds a Bachelor of Science degree in Commerce, Major in Management of Financial Institutions, from De La Salle University; a Bachelor's in Law degree (LLB) from the University of the Philippines; and a Masters in Law degree (LLM) from Harvard Law School. He placed first in the Philippine Bar Examinations of 1989 and was admitted to the State Bar of New York.

Edmundo L. Tan
Corporate Secretary
Filipino, 74 years old

Edmundo L. Tan serves as Corporate Secretary of BDO Unibank, Inc. from July 27, 2007 up to the present and BDO Private Bank, Inc. from February 2012 up to the present. He was formerly a Director of BDO Leasing and Finance, Inc. and now serves as Advisor to the Board. Atty. Tan is a Director of APC Group, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2016. He serves as Director of Philippine Global Communications, Inc. from 2000 up to the present and as Corporate Secretary from 2000 until 2010. He is a Director of Aragorn Power and Energy Corporation from 2005 up to the present and as Corporate Secretary from 2005 up to 2012. He is currently a Director of PRC MAGMA Resources (2010 up to the present). He is a Director of OCP Holdings, Inc. from July 2012 up to the present. He was elected as Director of Sagittarius Mines, Inc. in March 2016. On December 12, 2019, he was elected Director of Concrete Aggregates Corporation.

Atty. Tan was a founder and was elected President of Philippine Dispute Resolution Center, Inc. in July 2017.

Atty. Tan is the Managing Partner of Tan, Acut Lopez & Pison Law Offices (1993 up to present). He was formerly 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 Villarin Ongkiko Academia & Durian Law Offices. Atty. Tan holds a Bachelor of Arts degree from De La Salle College, Bacolod and Bachelor's degree in Law from the University of the Philippines.

Sabino E. Acut, Jr.
Assistant Corporate Secretary
Filipino, 69 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. 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, 58 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, Jones M. Castro, Jr., Vicente S. Pérez, Jr., Dioscoro I. Ramos, and Gilberto C. Teodoro, Jr.**

Directorships in other reporting companies:

During the last five (5) years, the following directors are also directors of other reporting companies as listed below:

Name of Director	Name of Reporting Company	Position Held
Teresita T. Sy	SM Investments Corporation BDO Leasing and Finance, Inc.	Vice Chairperson Chairperson
Nestor V. Tan	BDO Leasing and Finance, Inc.	Director

Name of Director	Name of Reporting Company	Position Held
Jose F. Buenaventura	Cebu Air, Inc.	Director
Vicente S. Pérez, Jr.	DoubleDragon Properties Corp.	Independent Director

Nomination of Directors

The following are nominated for election to the Board of Directors during this year's Annual Stockholders' Meeting:

1. Ms. Teresita T. Sy
2. Mr. Jesus A. Jacinto, Jr.
3. Mr. Nestor V. Tan
4. Mr. Christopher A. Bell-Knight
5. Ms. Josefina N. Tan
6. Mr. George T. Barcelon (Independent Director)
7. Atty. Jose F. Buenaventura (Independent Director)
8. Mr. Jones M. Castro, Jr. (Independent Director)
9. Mr. Vicente S. Pérez, Jr. (Independent Director)
10. Mr. Dioscoro I. Ramos (Independent Director)
11. Atty. Gilberto C. Teodoro, Jr. (Independent Director)

The nominees for independent directors for this year's annual stockholders' meeting are George T. Barcelon, Jose F. Buenaventura, Jones M. Castro, Jr., Vicente S. Pérez, Jr., Dioscoro I. Ramos, and Gilberto C. Teodoro, Jr. Mr. Barcelon and Atty. Buenaventura were nominated by Marcelita I. Geollegue. Messrs. Ramos and Pérez were nominated by Ma. Mercedes P. Tioseco. Mr. Castro and Atty. Teodoro were nominated by Ismael G. Estela, Jr. All three (3) are shareholders of BDO, and to BDO's knowledge, there is no relationship between the nominees for independent directors and the nominating stockholders.

The procedure for nomination of directors shall be as follows:

- All nominations for directors shall be submitted in writing to the Corporate Secretary of BDO from April 24 to May 7, 2020. Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record, including a minority stockholder, entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of BDO. (par. 2 Section 17, By-Laws)

All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. (SRC Rule 38)

- The nominations received from April 24 to May 7, 2020 shall be submitted to BDO's Nominations Committee, which shall determine the qualifications of the nominees for Directors and Independent Directors.

The Nominations Committee meets at least twice a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board of Directors of BDO from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of BDO. The Nominations Committee also requested for the database of the Institute of Corporate Directors for potential directors.

- The Nominations Committee shall pre-screen the nominees based on their qualifications as provided in BDO's Manual of Good Corporate Governance and (SRC Rule 38). The Nominations Committee will hold its meeting on May 25, 2020.
- The decision of the Nominations Committee concurred in by a vote of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the annual meeting. (par. 2 Section 17, By-Laws)
- The Nominations Committee is composed of the following members, all of whom are independent directors:
 1. Vicente S. Pérez, Jr. - Chairman (Independent Director)
 2. Jose F. Buenaventura - Member (Independent Director)
 3. Gilberto C. Teodoro, Jr. - Member (Independent Director)

Those elected to the Board as independent directors shall submit to the SEC a Certification of Independent Directors. BDO ensures compliance with SEC Memorandum Circular No. 19, Series of 2016 and SEC Memorandum Circular No. 4, Series of 2017, on the term limits for independent directors; and SEC Memorandum Circular No. 5, Series of 2017 on disclosure of the qualifications of independent directors to hold said position.

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 2019, Board members of BDO and its subsidiaries attended the Bank-sponsored Annual Corporate Governance Seminar on Cybersecurity in the Philippines conducted by Invicta Cyber Defence Corporation and Blockchain Technology conducted by Boston Consulting Group; and Annual Forum on Good Governance, Ethics & Compliance (Good Governance Convergences) conducted by Good Governance Advocates & Practitioners of the Philippines (GGAPP). In 2020, Board members of BDO and its subsidiaries attended the Bank-sponsored Annual Corporate Governance Seminar on Web 3.0 Digital and Physical Interact (Implications for a Bank's Digital Strategy) conducted by Boston Consulting Group; and Global AML/CTF Cases (Governance Lessons) & Emerging AML Risks from Philippine Fintechs, Financial Inclusion and Mobile Payments conducted by the Association of Certified Anti-Money Laundering Specialists. The Board also held strategic meetings and received regular economic briefings and briefings on new regulatory issuances.

(b) Senior executive officers

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, and their business experiences during the past five (5) years:

Joseph Albert Lim Gotuaco, 54, 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 in New York in 1986, as a trader and risk manager for various fixed income products of Chemical Bank. In 1994, he was based in Hong Kong for J.P. Morgan, and was responsible for servicing 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 BPI’s Executive Vice President & Chief Financial Officer; from 2016 to 2018, he was Head of Retail Banking. 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, 56, Filipino, is Senior Executive Vice President for Consumer Lending. He holds a Bachelor’s degree in Business Economics from the University of the Philippines. He acquired his MBM at the Asian Institute of Management. Mr. Tanchanco joined BDO to head the BDO’s Consumer Lending. 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. He was formerly a Director of BDO Elite Savings Bank, Inc. and MMPC Auto Financial Services Corporation.

Walter C. Wassmer, 62, 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, 61, 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.

Ador A. Abrogena, 65, Filipino, is Executive Vice President and Head of Investment Products Group. He holds a Bachelor’s degree in Chemical Engineering from De La Salle University and a Master’s degree in Business Economics from the University of Asia and the Pacific. He was previously connected with First Pacific Securities, Philippines, Inc. as Vice President and with Private Development Corporation of the Philippines as Assistant Vice President.

Stella L. Cabalatungan, 55, 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-Relationship Management Head.

Anthony Q. Chua, 68, Filipino, has been elected Executive Vice President since June 2014. He also concurrently holds directorships in BDO Remit (Canada) Ltd. and BDO Remit (Japan) Ltd. His banking experience spans thirty-seven (37) years with stints in Citibank N.A., Philippine Bank of Communications, and Philippine National Bank/Allied Banking Corporation, holding various positions in relationship management, risk management, transaction banking, product development,

trust, and operations. He was also a Partner at SGV & Co., specializing in Bank Risk Management and Process Management. He holds dual degrees of Bachelor of Arts and Bachelor of Science in Commerce from De La Salle University. He received his MBA and Ph. D. in Finance from Michigan State University.

Julie Y. Chua, 68, Filipino, is 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. She was appointed as Co-Deputy Head of Institutional Banking Group effective July 1, 2018.

Gerard Lee B. Co, 60, 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, 64, is Executive Vice President and Comptroller. She is also a Director of BDO Remit Limited, BDO Remit (Italia), S.p.A., BDO Life Assurance Company, Inc., and BDORO Europe, Ltd.; Director and Treasurer of BDO Strategic Holdings, Inc.; Trustee and Treasurer of BDO Foundation, Inc. She was formerly a Director of PCIB Securities, Inc., BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), Banco de Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.), Express Padala Frankfurt GmbH, BDO Life Assurance Holdings Corporation, and Express Padala Hong Kong Limited; and formerly Chairperson and President of the The Executive Banclounge, Inc. She holds a Bachelor's degree in Accounting from the University of Santo Tomas.

Eduardo V. Francisco, 58, Filipino, is Executive Vice President. He is President/Director of BDO Capital & Investment Corporation, the investment banking arm of BDO Unibank, Inc. He is also the Chairman for International Association of Financial Executives Institutes (IAFEI), Chairman/Director/Trading Nominee for BDO Nomura Securities, Inc., and Chairman of Averon Holdings Corp. He also sits on the boards of CIBI Foundation, FINEX Research & Foundation, International School of Manila (ISM), UP College of Business Alumni Association (UPCBAA), Makati Sports Club, Inc. (MSCI) and Valle Verde Country Club, Inc. (VVCCI). He is also a member of Makati Business Club (MBC), and the POLO Triathlon Team. He was formerly the Co-Chairman of the Capital Market Development Council (CMD) of the Philippines, Vice Chairman of the Integrity Initiative, and has been the President of the Management Association of the Philippines (MAP), Financial Executives Institute of the Philippines (FINEX), Wharton-Penn Club, Federation of Valle Verde Associations, First Valle Verde Association Inc. and BDO Securities Corporation. He was previously on the boards of AFC Merchant Bank, Shareholders Association of the Philippines (SharePhil), Institute of Corporate Directors (ICD), Foundation for Filipino Entrepreneurs (FFE), LGU Guarantee Corporation, Investment Houses Association of the Philippines (IHAP), Makati Business Development Council and BDO Strategic Corporation. Mr. Francisco has worked with other financial institutions in New York and Hong Kong. He holds a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania and Bachelor's degree in Business Administration from the University of the Philippines. He is also a recipient of Distinguished Alumni award for Financial Management Excellence from the University of the Philippines and the Distinguished Alumnus Award from the U.P. College of Business Administration and 2017 UPAA Awardee for Financial Management Excellence. Recently honored by BizNewsAsia as one of the Nation Builders and Asia Leaders Award's Mentor of the Year finalist.

Jesus Antonio S. Itchon, 59, 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, 60, Filipino, is Executive Vice President and Head for Commercial Banking Metro Manila. She joined the Bank in October 2001.

Ma. Corazon A. Mallillin, 57, 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 fourteen (14) 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, 57, 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 MEL.

Ricardo V. Martin, 62, Filipino, is Executive Vice President and Chief of Staff for the Office of the President. He concurrently is the Group Head for the Corporate Compliance and Legal Services Group and administratively oversees the Corporate Secretary's Office, Anti-Money Laundering Unit, Legal Services, Compliance, Corporate Governance Office, and Internal Audit. He is also a Director of BDO Remit (Italia), S.p.A., BDO Remit (USA), Inc., Averon Holdings Corporation and Nashville Holdings, Inc. Prior to this, he was Executive Vice President and Head of the Information Technology Group. Previously, he served as Chief Finance Officer & Executive Vice President for Equitable PCI Bank, Inc. Earlier, he was the Chief Finance Officer of Solidbank Corporation. He is a graduate of the Management Engineering Program of the Ateneo de Manila University.

Edwin Romualdo G. Reyes, 60, 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 Depositary 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 DR Strategies 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 BDO Nomura Securities, 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, 59, 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 38 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, 61, 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 thirty-five (35) 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, 60, 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., 56, Filipino, is Senior Vice President of BDO Unibank, Inc. He has been with BDO Unibank for more than six (6) 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 (30) years banking experience, with twenty-four (24) 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.

Maria Cecilia G. Fonacier, 58, Filipino, is Senior Vice President and Marketing Communications Group Head of BDO Unibank, Inc. She joined the Bank in June 1, 2017. Prior to joining BDO Unibank, Ms. Fonacier was a Managing Director and Head of the Customer Franchise Group of Citibank, N.A. Philippines. In the 23 years that she spent in Citibank N.A., she managed various functions like Marketing, Customer Experience, Data Analytics, Public Relations, Digital Banking, and Consumer Loans. Ms. Fonacier also serves as board member of the Anna's Home for Widows Foundation. She holds a bachelor's degree in Economics from the Ateneo de Manila University.

Frederic Mark S. Gomez, 57, 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. from January 2011 to January 2017. He held various 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.

Estrellita V. Ong, 63, 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, 56, 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, 51, 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, 58, 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 lawyer 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: WorldTeach Ministries Philippines, Inc. and Far East Broadcasting Corporation. 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, 66, 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 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.

Roberto E. Lapid, 63, Filipino, was appointed Vice Chairman of BDO Leasing and Finance, Inc. on December 1, 2010, and appointed as its President on April 23, 2014. He is concurrently President and Vice Chairman of the Board of Directors of BDO Rental, Inc., a wholly owned subsidiary of BDO Leasing, and BDO Finance Corporation. He is a member of the Board of Trustees of the Foundation for Carmelite Scholastics. He was formerly the President of Equitable Exchange, Inc. and the Vice

Chairman/Director of EBC Investments, Inc. Mr. Lapid holds a Bachelor's degree in Business Administration from the University of the Philippines.

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:

Antonio N. Cotoco, 71, Filipino, is Senior Credit Executive and is a member of the Executive Committee. He currently serves as Director of BDO Leasing and Finance, Inc., BDO Insurance Brokers, Inc., BDO Remit (Macau), Ltd., BDO Remit (USA), Inc., BDO Remit Limited, Express Padala (Hong Kong), Limited, and Chairman of BDO Rental, Inc. He has been involved in Investment Banking, Corporate Finance, Treasury, Consumer Banking, Credit, Business and Development, and Account Management over the past forty-four (44) years. He currently also serves as a Director of OAC Realty & Development Corporation.

Guia C. Lim, 72, Filipino, is Senior Credit Executive for Executive Committee/Management Credit Committee. She is a Certified Public Accountant with more than forty (40) years of banking experience. She was Executive Vice President of Union Bank from 1993 to 2013 responsible for corporate banking, risk management, asset recovery and disposal of foreclosed assets. She was appointed as Interim President for the International Corporate Bank (Interbank) to manage the transition of the merged bank. Prior to that, she was Executive Vice President of the Land Bank of the Philippines overseeing the commercial bank sector, and handling the supporting units of the entire commercial bank organization. Ms. Lim graduated from St. Theresa's College.

Mario B. Palou, 66, Filipino, is Executive Vice President and Senior Credit Officer 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.

Nilo L. Pacheco, Jr., 64, Filipino, is a Senior Credit Executive of BDO Unibank, Inc. He was appointed on February 3, 2020. He has had 45 years of work experience in the area of finance that included 27 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 unit in Business Administration in the University of the Philippines, and finished the Advanced Management Program of Harvard Business School.

Edmundo S. Soriano, 64, 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.*

(1) Significant Employees

BDO's senior executive officers are enumerated under Item 5 (b). BDO has no employee who is not an executive officer expected to make a significant contribution to BDO's business.

(2) Family Relationships

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

(3) 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:

- (a) 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;
- (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- (c) 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;
- (d) 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.

(4) 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 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.

Please refer to Notes 2.17 and 26 of the Notes to Financial Statements. Said Financial Statement is attached to this Information Statement as **Annex "A"**.

(5) Disagreement with a Director

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual shareholders' meeting because of a disagreement with BDO on any matter relating to BDO's operations, policies or practices.

Item 6. Executive Compensation

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	Salary	Bonuses	Other Annual Compensation
President and four (4) most highly compensated executive officers	2020 (estimate)	133.51	68.80	none
	2019	129.62	66.81	none
	2018	125.74	64.29	none
Year	Name			Position/Title
2019	Nestor V. Tan			President and CEO
	Walter C. Wassmer			SEVP
	Jaime C. Yu			SEVP
	Rolando C. Tanchanco			SEVP
	Joseph A. Gotuaco			SEVP
2018	Nestor V. Tan			President and CEO
	Walter C. Wassmer			SEVP
	Jaime C. Yu			SEVP
	Rolando C. Tanchanco			EVP
	Lucy C. Dy			EVP

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 Annual Compensation
Aggregate Officers (from senior vice presidents) & Directors	2020 (estimate)	726.81	351.55	none
	2019	712.56	344.66	none
	2018	701.84	337.30	none

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.

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. Jesus A. Jacinto, Jr. - Member
3. Teresita T. Sy - Member
4. Josefina N. Tan - Member

(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 7. Independent Public Accountants

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. Leonardo D. Cuaresma, Jr., Partner of Punongbayan & Araullo, Grant Thornton has handled the Financial audit since 2017. Mr. Romualdo V. Murcia III was the Signing Partner from years 2012-2016 financial audit.

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 ₱18,085,815.89 for the year 2019, ₱12,126,753.15 for the year 2018, and ₱14,389,986.84 for the year 2017. 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 2019, 2018, and 2017.

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)
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

Item 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

Item 9. Authorization or Issuance of Securities Other than for Exchange

No action will be presented for shareholders' approval at this year's annual meeting which involves authorization or issuance of any securities.

Item 10. Modification or Exchange of Securities

No action will be presented for shareholders' approval at this year's annual meeting which involves the modification of any class of BDO's securities, or the issuance of one class of BDO's securities in exchange for outstanding securities of another class.

Item 11. Financial and Other Information

The Audited Financial Statements of BDO is attached as **Annex "A"** and the Quarterly Report as of March 31, 2020 is attached as **Annex "B"**.

Representatives of BDO's external auditor, Punongbayan & Araullo, Grant Thornton 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. 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.

Item 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for shareholders' approval at this year's annual meeting in respect of (1) the merger or consolidation of BDO into or with any other person, or of any other person into or with BDO, (2) acquisition by BDO or any of its shareholders of securities of another person, (3) acquisition by BDO of any other going business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of BDO, or (5) liquidation or dissolution of BDO.

Item 13. Acquisition or Disposition of Property

No action will be presented for shareholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of BDO.

Item 14. Restatement of Accounts

No action will be presented for shareholders' approval at this year's annual meeting which involves the restatement of any of BDO's assets, capital or surplus account.

D. OTHER MATTERS**Item 15. Action with Respect to Reports and Other Proposed Action**

There is no action to be taken with respect to any report of BDO or of its directors, officers or committees, except for the approval of the minutes of the previous annual meeting of BDO.

At the annual meeting, shareholders will be asked to approve and ratify the acts of the Board of Directors during their term of office. The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business, the significant acts or transactions of which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc. are as follows:

Date of Disclosure	Subject
March 14, 2019	Preliminary Information Statement for the Annual Stockholders' Meeting of BDO on April 22, 2019, Monday, at 2:00 in the afternoon, at the Forbes Ballroom, 2 nd Floor, Conrad Manila Hotel, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City
March 22, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers totaling 16,900 BDO common shares
March 22, 2019	Definitive Information Statement for the Annual Stockholders' Meeting of BDO on April 22, 2019, Monday, at 2:00 in the afternoon, at the Forbes Ballroom, 2 nd Floor, Conrad Manila Hotel, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City
March 27, 2019	Amended General Information Sheet of BDO for the Year 2018 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
March 27, 2019	Press Release re: <i>BDO to Offer P5 Bn LTNCDs</i>
April 1, 2019	Result of Regular Board Meeting held on March 30, 2019 - Notation of the retirement of Ms. Shirley Macaspac Sangalang, Senior Vice President, effective April 1, 2019
April 1, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers totaling 40,505 common shares
April 3, 2019	Amended General Information Sheet of BDO for the Year 2018 to reflect the updated Capital Structure, Officers, Stockholders' Information, and Additional

	Issued Shares of BDO
April 5, 2019	Press Release re: <i>BDO Upsizes LTNCD Offer to P7.3 B (Offer Period Shortened Due to Strong Demand)</i>
April 5, 2019	List of the Top 100 stockholders for BDO Unibank, Inc. with PCD Participants for the period ending March 31, 2019
April 10, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers and a retiree totaling 139,260 common shares
April 16, 2019	Public ownership Report as of March 31, 2019
April 16, 2019	Amended General Information Sheet of BDO for the Year 2018 to reflect the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
April 16, 2019	SEC Form 17-A (Annual Report of BDO Unibank for the Year 2018)
April 16, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers and a retiree totaling 80,920 common shares
April 17, 2019	Amended General Information Sheet of BDO for the Year 2018 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
April 22, 2019	Press Release re: <i>BDO posts record P32.7 Bn income in 2018 (1Q19 Core Earnings up 21%)</i>
April 22, 2019	Result of Regular Board Meeting held on April 22, 2019 - Approved the hiring of Ms. Gina Marie Chuakay Galita as Senior Vice President for Central Operations Group, effective May 2, 2019
April 22, 2019	Results of 2019 Annual Stockholders' Meeting
April 22, 2019	Results of Organizational Board Meeting
April 25, 2019	SEC 17-Q (SEC Form 17-Q as of March 31, 2019)
May 7, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers and a retiree totaling 6,000 common shares
May 8, 2019	BDO Statement of Condition as of March 31, 2019
May 14, 2019	Summary of Self-Assessment of the Board Audit Committee of BDO for the Year 2018
May 16, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers and a retiree totaling 7,000 common shares
May 17, 2019	Disclosure on the completion of BDO's transaction with Osmanthus Investment Holdings Pte. Ltd. (Osmanthus) for the acquisition by Osmanthus of a 15% equity stake in One Network Bank, Inc. (A Rural Bank of BDO)
May 23, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officers and a retiree totaling 265,085 common shares
May 24, 2019	General Information Sheet of BDO for the Year 2019
May 27, 2019	Result of Regular Board Meeting held on May 25, 2019 - Approved the declaration of regular cash dividends on common shares of

	BDO in the amount of Php0.30 per share for the 2nd Quarter of 2019 payable on June 24, 2019 to all stockholders of record as of June 11, 2019
May 31, 2019	Integrated Annual Corporate Governance Report of BDO for the year ended 2018
May 31, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 4,945 common shares
June 4, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
June 25, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 341,100 common shares
June 26, 2019	Clarification on the news article entitled "Bank creditors convert Hanjin exposure to equity"
June 27, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
July 1, 2019	Results of Regular Board Meeting held June 29, 2019 1. Hiring of Ms. Carla G. Campos as Senior Vice President for Institutional Banking Group, effective July 15, 2019, subject to Bangko Sentral ng Pilipinas (BSP) confirmation. 2. Hiring of Ms. Rhodora M. Lugay and her simultaneous secondment as Senior Vice President to BDO Private Bank, Inc., effective July 1, 2019, subject to BSP confirmation. 3. Promotion of the following Senior Officers of the Bank from First Vice President to Senior Vice President, effective February 1, 2019, provided that the assumption to their position be, subject to confirmation by the BSP: a. Mr. Edmund S. Chan - Consumer Lending Group (CLG) - Business Support, CLG-Systems b. Ms. Geraldine C. Liggayu - CLG - Unsecured Business Development, Cards Issuing c. Mr. Edgardo R. Marcelo, Jr. - Transaction Banking Group - Cash Management Services, Large Corporates d. Mr. Christopher Raymund P. Tan - CLG - Operations Support
July 3, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 1,328,200 common shares
July 10, 2019	List of the top 100 stockholders for BDO with PCD Participants for the period ending June 30, 2019
July 10, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated List of Officers of BDO
July 10, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 677,660 common shares
July 11, 2019	Analysts' Briefing Notice on July 29, 2019 (Monday), 12:00 NN at the Fernando Amorsolo Room 5/F, South Tower, BDO Corporate Center, 7899 Makati Ave.,

	Makati City
July 16, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
July 16, 2019	Public Ownership Report as of June 30, 2019
July 19, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 578,450 common shares.
July 24, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
July 26, 2019	Press Release re: <i>BDO earns P20.2 Bn in 1H 2019</i>
July 30, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 211,100 common shares.
July 30, 2019	SEC 17-Q (SEC Form 17-Q as of June 30, 2019)
August 1, 2019	Amended General Information Sheet of BDO for the Year 2019 to reflect the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
August 8, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 158,270 common shares.
August 8, 2019	BDO Statement of Condition as of June 30, 2019
August 15, 2019	Amended General Information Sheet of BDO for the Year 2019 using the prescribed 2019 GIS form for Stock Corporations pursuant to SEC Memorandum Circular No. 15, Series of 2019. BDO's GIS was amended to reflect the updated Capital Structure, Stockholders' Information, Additional Issued Shares, and List of Stockholders and Subsidiaries/ Affiliates of BDO
August 20, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 246,490 common shares
August 27, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
August 29, 2019	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities) of BDO in Suntrust Home Developers, Inc., filed with the Securities and Exchange Commission
September 2, 2019	Result of Regular Board Meeting held on August 31, 2019 - Approved the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 3rd Quarter of 2019 payable on September 30, 2019 to all stockholders or record as of September 17, 2019
September 3, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 354,000 common shares
September 5, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional

	Issued Shares of BDO
September 10, 2019	Press Release re: <i>BDO to offer P5.0 Bn LTNCDs</i>
September 16, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 66,000 common shares
September 19, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
September 23, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 144,020 common shares
September 23, 2019	Press Release re: <i>BDO Raises P6.5 billion in LTNCD</i>
September 25, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
September 30, 2019	Results of Regular Board Meeting held on September 28, 2019 - Accepted the resignation of Mr. Joseph Gerard Dizon Tiamson, Senior Vice President and Head of Central Operations Group/Transaction Processing and Support Services, effective October 1, 2019, subject to clearance - Noted the retirement of Ms. Ma. Mercedes Pineda Tioseco, Senior Vice President and Head of Central Operations Group/Transaction Processing and Support Services/Customer Contact Center, effective October 1, 2019 - Approved the hiring of Mr. Paul John Siy as Senior Vice President for Infrastructure and Operations of Information Technology Group, effective October 28, 2019, subject to BSP confirmation
October 3, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 319,100 common shares
October 4, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
October 4, 2019	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities) of BDO in Suntrust Home Developers, Inc., filed with the Securities and Exchange Commission
October 7, 2019	Change in Corporate Contact Details and /or Website
October 9, 2019	List of the Top 100 stockholders for BDO with PCD Participants for the period ending September 30, 2019
October 15, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 264,600 common shares
October 16, 2019	Public Ownership Report as of September 30, 2019
October 16, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, Additional Issued Shares and List of Subsidiaries/Affiliates of BDO
October 23, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s

	and/or retiree/s totaling 135,100 common shares
October 23, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
October 28, 2019	Press release re: <i>BDO earns Php32.1 billion in Jan-Sept 2019</i>
October 28, 2019	Results of Regular Board Meeting held on October 26, 2019 - Approved the Amendments to the Bank's Articles of Incorporation and By-Laws to conform to the Revised Corporation Code of the Philippines and the Bank's current operations and structure as well as enhance corporate governance. The foregoing shall be endorsed to the Stockholders for approval and ratification.
October 28, 2019	SEC 17-Q (SEC Form 17-Q as of September 30, 2019)
October 29, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 208,620 common shares
October 30, 2019	Revised Material Related Party Transactions Policy pursuant to the SEC Memorandum Circular No. 10, Series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies)
October 30, 2019	SEC Form 23-B (Statement of Changes in Beneficial Ownership of Securities) of BDO in Suntrust Home Developers, Inc., filed with the Securities and Exchange Commission
November 4, 2019	BDO Statement of Condition as of September 30, 2019
November 5, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
November 11, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 114,500 common shares
November 13, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
November 22, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 141,820 common shares
December 2, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 90,100 common shares
December 5, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
December 9, 2019	Results of Regular Board Meeting held on December 5, 2019 - Approved the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 4th Quarter of 2019 payable on December 27, 2019 to all stockholders on record as of December 23, 2019 - Approved the secondment of Mr. Noel Lombos Andrada, Senior Vice President, from BDO - Trust and Investments Group to BDO Securities

	Corporation, effective December 15, 2019 - Noted the retirement of Ms. Ma. Ophelia Llanos Camiña, Senior Vice President and Head of BDO Nomura Securities, Inc./Support Services, effective January 1, 2020
December 10, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 161,500 common shares
December 26, 2019	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
December 26, 2019	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 143,720 common shares
January 3, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 116,000 common shares
January 6, 2020	Board of Directors' Attendance for Meetings held in 2019
January 6, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
January 7, 2020	Redemption of Series 2014-1 Unsecured Subordinated Notes
January 14, 2020	List of the Top 100 stockholders for BDO with PCD Participants for the period ending December 31, 2019
January 14, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 30,000 common shares
January 16, 2020	Public Ownership Report as of December 31, 2019
January 16, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, Additional Issued Shares of BDO, and List of Subsidiaries/Affiliates
January 20, 2020	Press Release re: <i>BDO to issue P5.0 Bn Fixed Rate Bonds</i>
January 21, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 30,000 common shares (Amendment to change the reckoning date of before figure to January 3, 2020)
January 21, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 45,420 common shares.
January 24, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
January 27, 2020	BDO to Sell Equity Stake in BDO Leasing and Finance, Inc. (BDOLF)
January 28, 2020	BDO to Sell Equity Stake in BDOLF (Rationale of the transaction)
January 29, 2020	Press Release re: <i>BDO Raises P40.1 Bn in Fixed Rate Peso Bonds</i>
January 29, 2020	Clarification on the news article entitled "BDO likely surpassed ₱38.5 billion profit target for 2019"

February 3, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 41,020 common shares
February 3, 2020	Results of Regular Board Meeting held on February 1, 2020 - Approved the change in the Chairman of the Related Party Transactions Committee for the remainder of the term 2019 - 2020 to Gilberto C. Teodoro, Jr. - Approved 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 Php339,399,305.56, payable within sixty (60) banking days from dividend declaration date - Approved the setting of the Annual Stockholders' Meeting of the Bank on April 24, 2020, at 2:00 in the afternoon, at the Forbes Ballroom, Conrad Manila Hotel, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City; and setting of the record date for stockholders entitled to vote and participate at such meeting on March 17, 2020 - Hiring of Mr. Nilo Locsin Pacheco, Jr. as Senior Credit Executive, effective February 3, 2020, and Mr. Andre Marin Flores as Senior Vice President for Central Operations Group, effective February 17, 2020, both subject to BSP confirmation
February 5, 2020	BDO Statement of Condition as of December 31, 2019
February 5, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
February 14, 2020	Notice of Analysts' Briefing on February 28, 2020 (Friday), 12:00 NN at the Fernando Amorsolo Room 5/F, South Tower, BDO Corporate Center, 7899 Makati Ave., Makati City
February 18, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 264,190 common shares
February 19, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
February 26, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 202,400 common shares
February 27, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
February 27, 2020	Press Release re: <i>BDO Posts ~~P~~44.2 Billion Net Income in 2019</i>
February 27, 2020	Results of Regular Board Meeting held on February 27, 2020 - Approved the declaration of regular cash dividends on common shares of BDO in the amount of Php0.30 per share for the 1st Quarter of 2020 payable on March 27, 2020 to all stockholders of record as of March 13, 2020 - Approved the change in the venue of the Annual Stockholders' Meeting of BDO scheduled on April 24, 2020, Friday, at 2:00 o'clock in the afternoon, from Forbes Ballroom, Conrad Manila Hotel, Pasay City to Rizal Ballroom A & B, Second Floor, Makati Shangri-La Hotel, Ayala Avenue, Makati City

February 27, 2020	Audited Financial Statements of BDO and its subsidiaries as of December 31, 2019
March 3, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 118,750 common shares
March 3, 2020	Agenda for the Annual Stockholders' Meeting of BDO scheduled on April 24, 2020 (Friday) 2:00 o'clock in the afternoon, at the Rizal Ballroom A & B, Second Floor, Makati Shangri-La Hotel, Ayala Avenue, Makati City
March 6, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
March 12, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 309,500 common shares.
March 13, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, Additional Issued Shares, and List of Subsidiaries/Affiliates of BDO
March 16, 2020	Press Release re: <i>BDO Operations Normal, But on Guard vs. COVID-19</i>
March 18, 2020	Press Release re: <i>BDO Defers P5.0 Bn Fixed Rate Bonds Issue</i>
March 18, 2020	BDO Operations Normal, But on Guard vs. COVID-19
March 19, 2020	Preliminary Information Statement for the Annual Stockholders' Meeting on April 24, 2020
March 23, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 179,925 common shares
March 24, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Stockholders' Information, and Additional Issued Shares of BDO
March 25, 2020	Disclosure to inform PSE, SEC, PDEX and Investing Public that that the March 27, 2020 payment date for the cash dividends remains unchanged and that given the declaration of President Rodrigo R. Duterte placing the entire Luzon area in the Philippines under "enhanced community quarantine" to contain the spread of COVID-19, resulting in temporary work suspension of non-essential services, distribution of cash dividends to all stockholders of record on payment date poses a great challenge and may not be achievable, hence, could result in expected delays
March 30, 2020	Results of Board Meeting held on March 28, 2020 - Approved the recall of the secondment of Mr. Dante Rodriguez Tinga, Jr., Senior Vice President, from BDO Nomura Securities, Inc.\Institutional Sales to BDO Unibank, Inc.\Trust and Investments Group, effective April 1, 2020 - Noted the resignation of Mr. Arthur Vincent Dee Chung, Senior Vice President and Head of Institutional Banking Group/Financial Institutions, effective March 31, 2020
March 31, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 41,974 common shares
March 31, 2020	Amended General Information Sheet of BDO for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
April 2, 2020	Definitive Information Statement for the Annual Stockholders' Meeting on April 24, 2020

April 3, 2020	Updated Definitive Information Statement for the Annual Stockholders' Meeting on April 24, 2020
April 7, 2020	Notice of Postponement of Annual Stockholders' Meeting originally scheduled on April 24, 2020
April 13, 2020	List of the Top 100 stockholders for BDO with PCD Participants for the period ending March 31, 2020
April 15, 2020	Public Ownership Report as of March 31, 2020
April 15, 2020	SEC Form 17-A (Annual Report)
April 17, 2020	Change in Number of Issued and Outstanding Shares pursuant to BDO's employee stock option/grant program granted to eligible senior officer/s and/or retiree/s totaling 8,000 common shares.
April 23, 2020	Amended General Information Sheet of BDO Unibank, Inc. (BDO) for the Year 2019 reflecting the updated Capital Structure, Officers, Stockholders' Information, and Additional Issued Shares of BDO
April 24, 2020	Results of Board meeting held on April 24, 2020 - Approved the financial statements of the Bank for the First Quarter of 2020 and Press release re: <i>BDO posts P8.8 billion net income in 1Q 2020</i>
April 28, 2020	SEC Form 17-Q as of March 31, 2020
May 7, 2020	Notice of Annual Stockholders' Meeting on June 16, 2020 (Tuesday) at 2:00 p.m., and the record date set for stockholders entitled to vote and participate at such meeting on May 22, 2020
	Related Party Transactions (Please refer to Notes 2.17 and 26 of the Notes to Financial Statements attached to Information Statement as Annex "A")

Item 16. Matters Not Required to be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

Item 17. Amendment of Charter, By-laws or Other Documents

Shareholders have the right to approve or disapprove any proposed amendments to the Articles of Incorporation and By-laws of BDO.

To be presented for shareholders' approval at this year's annual meeting are the amendments to BDO's Articles of Incorporation and By-Laws to conform to the Revised Corporation Code of the Philippines and BDO's current operations and structure as well as enhance corporate governance.

Approval and ratification by the shareholders will be sought to amend the Articles of Incorporation and By-Laws of BDO in order to update its processes and structure, enhance corporate governance, and conform to the requirements under the Revised Corporation Code and other relevant regulatory issuances. The Board approved and endorsed to the stockholders for their approval and ratification the proposed amendments at its meeting on October 26, 2019 through the adoption of Board Resolution Nos. 242-2019 and 242-A-2019, as follows:

Resolution No. 242-2019

RESOLVED, That the Board of Directors of BDO Unibank, Inc. (the "Bank") approve, as it hereby approves, the amendments to the Bank's Amended Articles of Incorporation, as follows:

SECOND - x x x x x

- d) To establish, with approval of the Monetary Board of the *Bangko Sentral ng Pilipinas*, branches or offices anywhere in the Philippines *and/or abroad*;
- e) To do and perform such acts as are necessary and incident to the purpose for which the corporation is organized, and such acts as are *of legal* interest to the business of an expanded commercial bank and consistent with the powers of corporations organized under the laws of the Republic of the Philippines, *including but not limited to investments with any institution within or without the Philippines*;

x x x x x

THIRD - That the principal office of *BDO Unibank, Inc.* shall be at BDO Corporate Center, 7899 Makati Avenue, in Makati City, Philippines, **0726**;

FOURTH - *That the Bank shall have perpetual existence.*

RESOLVED, FURTHER, That all references to "Central Bank" or "Central Bank of the Philippines" and "corporation" in the Amended Articles of Incorporation of the Bank be, as they shall be, changed to "*Bangko Sentral ng Pilipinas*" and "*BDO Unibank, Inc.*", respectively.

RESOLVED, FURTHERMORE, that the President (with full power of delegation or substitution), and/or the Corporate Secretary/Assistant Corporate Secretary of the Bank be authorized and empowered, for and on behalf of the Bank, to sign, execute, deliver and cause the submission of any documents necessary for the amendment of the Articles of Incorporation with the Securities and Exchange Commission, and/or other regulatory authorities such as the Bangko Sentral ng Pilipinas, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect.

RESOLVED, FINALLY, That the foregoing resolution be, as it shall be, endorsed to the Stockholders for approval and ratification.

Resolution No. 242-A-2019

RESOLVED, That the Board of Directors of BDO Unibank, Inc. (the "Bank") approve, as it hereby approves, the amendments to the Bank's Amended By-laws, as follows:

ARTICLE I HEAD OFFICE AND BRANCHES

SECTION 1. Head Office. The head office of *BDO Unibank, Inc. (the "Bank")* shall be located *at BDO Corporate Center, 7899 Makati Avenue, Makati City, Philippines, 0726.*

SECTION 2. Branches. Branches and/ or extension offices may be established at such places as the Board of Directors may fix, with the prior approval of the *Bangko Sentral ng Pilipinas.*

ARTICLE II
STOCK AND STOCK CERTIFICATE

x x x x x

SECTION 4. Transfer of Stock. x x x x x

Shares of stock shall be transferred by delivery of the certificate duly indorsed by the owner or his attorney-in-fact or other person legally authorized to make the transfer, but no transfer shall be valid until the transfer is annotated in the stock and transfer book. The persons in whose names the shares of stock are registered in the said book shall be deemed the owner thereof for all purposes.

x x x x x

SECTION 6. Loss of Stock Certificates. In case of loss or destruction of any certificate, a duplicate may be issued in accordance with the provisions of the Corporation Code of the Philippines, any amendments or supplements thereto. Before the issuance of a new certificate in case of loss or destruction, the Board of Directors may require such guaranty as it may deem necessary *and* sufficient.

SECTION 7. Closing of Stock and Transfer Book. For the purpose of determining the stockholders entitled to notice of or to vote at any stockholders' meeting, or entitled to receive dividends, or for any other purpose, the stock and transfer book shall be closed for such period *as* the Board of Directors may from time to time fix, and during such period no registration of transfers of stock shall be made. In lieu of closing the stock and transfer book, the Board of Directors may fix in advance a certain date as the record date for any such determination of stockholders.

x x x x x

ARTICLE IV
MEETING OF THE STOCKHOLDERS

SECTION 10. Place. All meetings shall be held *in any of the principal offices of the Bank, or, if not practicable*, at any venue in Metro Manila.

x x x x x

SECTION 14. Annual Meeting. The annual meeting of the stockholders shall be held during business hours on *any day in April* of each year, *or if not practicable, on such date as may be fixed by the Board of Directors.*

x x x x x

SECTION 16. Notice of Meeting. Notice of annual meeting or special meeting of stockholders shall be sent either by:

- (a) Mail, facsimile transmission, electronic mail, *or other modes as may be allowed under applicable law, rules and regulations*, to each stockholder no less than fifteen (15) days prior to the date set for each meeting, which notice shall state the day, hour and place of the meeting; *or*

- (b) Publication in newspapers of general circulation published in Metro Manila not less than fifteen (15) days prior to the date set for the meeting, which notice shall state the day, hour and place of the meeting;

*In special meeting, the notice shall be sent not less than ten (10) days prior to the date set for such meeting and shall also state the purpose or purposes for which it is called. The requisite of notice of meeting, whether annual or special, may however be waived by the stockholders: **Provided, that attendance by a stockholder at a meeting shall constitute his/her waiver of notice of such meeting.***

Failure of or defect in the notice shall not, however, invalidate any annual meeting of the stockholders or any of the proceedings had thereat, if the business transacted is within the powers of the Bank and all the stockholders were present or represented at the meeting nor shall any defect in the notice or failure to state the purpose or purposes for which a special meeting is called invalidate the same, except when so provided by law.

SECTION 17. Order of Business. The order of business at the annual meeting and, as far as possible, at other meetings of the stockholders shall be:

1. *Call to Order*
2. *Proof of Notice of Meeting and Determination of Existence of Quorum*
3. *Approval of the Minutes of the Previous Annual Stockholders' Meeting*
4. *Report of the President and Approval of the Audited Financial Statements of the Preceding Fiscal Year*
5. *Approval and Ratification of all Acts of the Board of Directors, Board Committees and Management during their terms of office*
6. *Election of Directors*
7. *Appointment of External Auditor*
8. *Other Matters*
9. *Adjournment*

x x x x x

The Bank's Board of Directors may constitute a Nominations Committee for the determination of the qualification of nominees for directors composed of at least three (3) members, *majority* of whom *are* independent directors. *The Chairman shall be an independent director.* The Committee shall promulgate the guidelines or criteria to govern the conduct of the nominations. The decision of the Committee as concurred in by a vote of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the stockholders' meeting.

x x x x x

ARTICLE V BOARD OF DIRECTORS

x x x x x

SECTION 20. Election and Tenure of Office. The members of the Board of Directors shall be elected annually by the stockholders, for a term of one (1) year, and shall serve until their successors shall have been duly elected and qualified in accordance with the *Revised* Corporation Code.

SECTION 21. Chairman and Vice Chairman. x x x x x

The Chairman shall preside at all meetings of the stockholders and the Board of Directors and shall have such powers and duties as the Board of Directors may prescribe. The Vice Chairman and in the absence of the Chairman, shall act in his stead and shall exercise and perform such powers and duties pertaining to the latter as conferred by these By-laws and the resolutions of the Board *of Directors*.

SECTION 22. Regular and Special Meetings. The regular meeting of the Board of Directors shall be held at least once a month, on such date/time and place as may be fixed by *the Board of Directors*.

x x x x x

SECTION 23. Notice of Meeting. Notice shall not be necessary in the regular meetings of the Board *of Directors*. In special meetings, notice shall state the date, time and place thereof, and the purpose for which it is called. *Such notice shall be sent to each Director at least two (2) days before the date of meeting. However, when the urgency of the meeting requires, notice shall be sent in an expeditious manner as may be allowed under applicable law, rules and regulations.* The presence of a Director at the meeting shall be deemed a waiver of any failure, defect or irregularity of the notice with respect to him.

SECTION 24. Order of Business. x x x x x *(deleted)*

SECTION 24 (renumbered). Quorum. The Directors shall act only as a Board *of Directors* and the individual Directors shall have no power as such. *At least two-thirds (2/3) of the Directors shall constitute a quorum at any meeting for the transaction of any business, but a less number may adjourn any meeting from time to time, and the meeting may be continued as adjourned without further notice. Unless there be a quorum at any meeting, no business may be transacted. Every decision of at least two-thirds (2/3) of such quorum duly assembled as a Board on any question or matter submitted to the Board of Directors shall be valid as a corporate act.*

The Directors who cannot physically attend or vote at board meetings can do so through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate in accordance with applicable law, rules and regulations.

SECTION 25 (renumbered). Vacancies. *For regular vacancies or vacancies in the Board of Directors occurring during the year for any cause, such vacancy may be filled for the unexpired term of their office by appointment made by the remaining directors, if still constituting a quorum, and the person so appointed shall hold office until his successor shall have been duly elected by the stockholders and qualified. Should the number of Directors be reduced to less than a quorum, vacancies in the Board of Directors shall be filled at a special stockholders' meeting duly called for that purpose.*

However, for emergency vacancies or when the vacancy prevents the remaining directors from constituting a quorum and emergency action is required to prevent grave, substantial and irreparable loss or damage to the Bank, such vacancy may be temporarily filled from among the Senior Officers of the Bank by unanimous vote of the remaining directors. The action by the designated director shall be limited to the emergency action necessary, and the term shall cease within a reasonable time from

the termination of the emergency or upon election for the replacement director at the special stockholders' meeting duly called for the purpose in accordance with the preceding paragraph, whichever comes earlier.

SECTION 26 (renumbered). Directors' Fees and Other Remuneration. x x x x x

SECTION 27 (renumbered). Presiding Officer. The Chairman, or, in his/her absence or inability, the *Vice* Chairman, shall be the Presiding Officer of the Board of Directors.

In the event of the absence, death, incapacity, or permanent disability of both the Chairman and Vice Chairman, the Directors present shall determine who among themselves shall preside over the meeting of the Board *of Directors*.

SECTION 28 (renumbered). Powers. The Board of Directors shall direct, *oversee*, and supervise under its collective responsibility the *corporate* affairs of the Bank. The powers of the Board *of Directors* shall include, but shall not be limited to, the following:

- (a) to appoint *such classes of* officers as may be deemed necessary for the proper and efficient administration of the Bank;
- (b) to dismiss any *senior* officer for just cause;
- (c) to fill up any vacancy or vacancies in the Board *of Directors* occurring during the year. When the remaining members of the Board *of Directors* do not constitute a quorum, the Chairman or, in his/her absence, the Vice Chairman or any other directors designated by the directors present shall call a special stockholders' meeting to fill up the vacancies. The Directors so elected shall hold office until their successors are duly elected and qualified;
- (d) to create additional positions for officers if and when the volume of business of the Bank demands;
- (e) to appoint agents, correspondents, and depositories, and to designate the points where they are to be situated;
- (f) to promulgate rules and regulations to implement the provisions of these By-laws;
- (g) to pass upon the annual budget of the Bank, which shall be submitted by the Management at least two (2) weeks before the beginning of the succeeding fiscal year;
- (h) to approve loan applications *in accordance with applicable law, rules and regulations and internal policies of the Bank*;
- (i) to delegate to the Chairman, Vice Chairman, President or to any officer or to any committee of its powers whenever deemed necessary for the best interests of the Bank, subject to such conditions or limitations as the Board *of Directors* may impose;

- (j) from time to time to make such rules and regulations and to introduce amendments thereto as are not inconsistent with these By-laws for the management of the Bank's business and officers; *and*
- (k) *to exercise other powers as may be allowed under applicable law, rules and regulations.*

SECTION 29 (renumbered). Executive Committee. The Board of Directors may create an Executive Committee *composed of at least five (5) members, three (3) of whom must be Directors and the remaining members may be from senior management*. The members of the Executive Committee shall serve for such period as the Board *of Directors* may determine.

The presence of *at least a majority of the* members shall be sufficient for the transactions of business by the Committee.

SECTION 30. Management Committee. x x x x x (*deleted*)

SECTION 30. Trust and Other Fiduciary Business. *Trust and other fiduciary business of the Bank shall be carried out through a trust department which shall be organizationally, operationally, administratively, and functionally separate and distinct from, other departments and/or businesses of the Bank. The trust department, Trust Officer and other subordinate officers of the trust department shall only be directly responsible to the Bank's Trust Committee which shall in turn be only directly responsible to the Board of Directors.*

The Board of Directors shall ensure an appropriate degree of independence between the activities of the Bank proper and its trust department.

The Board of Directors shall designate the Trust Officer who shall be vested with the management of day-to-day fiduciary activities.

The qualifications, duties and responsibilities of the Board of Directors, Trust Committee, Trust Officer and other officers of the trust department shall be in accordance with applicable laws, rules and regulations.

SECTION 31 (renumbered). Minutes. x x x x x

ARTICLE VI OFFICERS OF THE BANK

SECTION 32 (renumbered). Senior Officers. x x x x x

SECTION 33 (renumbered). The President. The President shall be a member of the Board of Directors and shall be elected by the vote of at least seventy percent (70%) of all the members of the Board *of Directors*.

SECTION 35. Other Officers. x x x x x (*deleted*)

SECTION 34 (renumbered). Powers and Duties of the President. The President shall, subject to control and supervision of the Board of Directors, *be in* charge of *the* business activities of the Bank. He shall provide at all meetings of the stockholders, *and* the Board of Directors, reports and data which may be required of

him. He shall have such other powers and perform such duties as may be conferred upon and assigned to him by the Board *of Directors*.

SECTION 35 (renumbered). Powers and Duties of Senior Officers. *The senior officers* shall have such powers and perform such duties as may be conferred and assigned to *them* or may from time to time be prescribed by the Board of Directors.

SECTION 36 (renumbered). The Corporate Treasurer. The Board *of Directors* shall appoint or designate a *Corporate* Treasurer, *where appropriate*, who shall have the custody and control of all the funds, securities and properties of the Bank and perform such duties as may be assigned to him by the Board *of Directors*.

He shall render to the President and/or to the Board *of Directors* an account of the financial condition of the Bank, whenever required. At the close of each fiscal year, he shall submit to the Board *of Directors* a financial report of the Bank's operations during the year. He shall keep accurate books on accounts of the Bank.

SECTION 37 (renumbered). The Internal Auditor. The Board *of Directors* shall appoint or designate an Internal Auditor who shall report directly to the Board of Directors. He shall have the following duties, in addition to those which may be prescribed or delegated from time to time by the Board *of Directors*, to wit:

x x x x x

SECTION 38 (renumbered). The Corporate Secretary and Assistant Corporate Secretary. The Board *of Directors* shall appoint a Corporate Secretary and one or more Assistant Corporate Secretaries who shall give due notice and keep the minutes of all meetings of the stockholders of the Bank and of the Board of Directors, have custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Bank, prepare ballots for the annual election and keep a complete and up-to-date roll of the stockholders and their addresses. The Corporate Secretary shall perform such other duties as are incident to his office and those which may be required of him by the Board of Directors.

SECTION 41. Junior Officers. x x x x x (*deleted*)

ARTICLE VII RESTRICTED LOANS

SECTION 39 (renumbered). Loans to Directors and Officers. No director or officer of the Bank shall, either directly or indirectly, for himself or as the representative or agent of others, borrow any of the deposits *or* funds of the Bank, nor shall he become a guarantor, endorser, or surety of loans from the Bank to others, or in any manner be an obligor for money borrowed from the Bank or loaned or loaned by it, except with the written approval of the majority of the directors of the Bank, excluding the director concerned. Any such approval shall be entered upon the records of the Bank and a copy of such entry shall be transmitted forthwith to the appropriate supervising department of the *Bangko Sentral ng Pilipinas*. The office of any director or officer who violates the provision of this section shall immediately become vacant.

ARTICLE VIII
AUTHORIZED SIGNATURES

SECTION 40 (renumbered). Officers Authorized to Sign. x x x x x

ARTICLE IX
RESERVE

SECTION 41 (renumbered). Surplus Reserve. Subject to the provisions of law and of the regulations of the *Bangko Sentral ng Pilipinas*, the Board of Directors may create a surplus reserve out of the net earnings resulting from the operation of the Bank for such purpose/s as it may deem necessary, proper and convenient.

ARTICLE X
DIVIDENDS

SECTION 42 (renumbered). Declaration of Dividends. Dividends may be declared as the Board of Directors may determine. The Board of Directors may declare dividends only from the surplus profits of the Bank, after making proper provisions for the necessary reserves in accordance with law and the regulations of the *Bangko Sentral ng Pilipinas*.

SECTION 43 (renumbered). Stock Dividends. x x x x x

ARTICLE XI
FISCAL YEAR

SECTION 44 (renumbered). Fiscal Year. x x x x x

ARTICLE XII
INSPECTION

SECTION 45 (renumbered). Inspection by Stockholders. x x x x x

ARTICLE XIII
AMENDMENT OR REPEAL

SECTION 46 (renumbered). Amendments, Repeals, New By-laws. x x x x x

ARTICLE XIV
CORPORATE SEAL

SECTION 47 (renumbered). Design. The Board of Directors shall by resolution prescribe a corporate seal which shall be in such a design as the Board *of Directors* may choose.

RESOLVED, FURTHER, That all references to "Central Bank" or "Central Bank of the Philippines" and "corporation" in the Amended Articles of Incorporation of the Bank be, as they shall be, changed to "*Bangko Sentral ng Pilipinas*" and "*BDO Unibank, Inc. (the "Bank")*", respectively.

RESOLVED, FURTHERMORE, that the President (with full power of delegation or substitution), and/or the Corporate Secretary/Assistant Corporate Secretary of the

Bank be authorized and empowered, for and on behalf of the Bank, to sign, execute, deliver and cause the submission of any documents necessary for the amendment of the By-Laws with the Securities and Exchange Commission, and/or other regulatory authorities such as the Bangko Sentral ng Pilipinas, and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect.

RESOLVED, FINALLY, That the foregoing resolution be, as it shall be, endorsed to the Stockholders for approval and ratification.

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

Proposed changes shall not have any effect on the current rights enjoyed by shareholders but will enable BDO to update its processes and structure, enhance corporate governance, and conform to the requirements under the Revised Corporation Code and other relevant regulatory issuances.

Item 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

Item 19. Voting Procedures

At the 2020 Stockholders' Meeting, holders of a majority of BDO's issued and outstanding voting shares who are represented by the Chairman of the Meeting as their proxy shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

BDO's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors. Stock Transfer Service, Inc., BDO's stock transfer agent, in conjunction with Punongbayan & Araullo, Grant Thornton, BDO's external auditor, both independent parties, are tasked to count votes on any matter properly brought to the vote of the shareholders, including the election of directors.

Shareholders holding BDO common shares and Series "A" preferred shares as of May 22, 2020 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

1. Approval of the minutes of the previous annual meeting held on April 22, 2019

The minutes of BDO's annual meeting held on April 22, 2019 is attached to this Information Statement as **Annex "A"** for review of the shareholders. Shareholders' approval of the minutes will be sought at this year's annual meeting.

Required vote: A majority vote of shareholders present or represented at the meeting.

2. Audited Financial Statements as of December 31, 2019

BDO's Audited Financial Statements as of December 31, 2019, together with the Supplementary Schedules, is attached as **Annex "A"** to this Information Statement for

review of the shareholders. This will enable the shareholders to assess the financial performance of BDO for the period covered by said financial statements. Shareholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of shareholders present or represented at the meeting.

3. Approval and ratification of all acts of the Board of Directors, Board Committees and Management during their terms of office

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of BDO. The acts of the Board of Directors, its Committees, and Management listed in Part D, Item 15, during their terms of office, will be presented to the shareholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in BDO's Manual on Good Corporate Governance, BDO regularly and promptly discloses actions taken by its Board and Management. While shareholders' approval of such acts is not required under the Corporation Code and regulatory issuances, BDO believes it to be sound corporate governance to present these to the shareholders for approval and ratification.

Required vote: A majority vote of shareholders present or represented at the meeting.

4. Election of Directors

At the annual meeting, shareholders will be asked to elect the directors for the ensuing year. A shareholder may cumulate his vote as discussed in Part B, Item 4(c) of this Information Statement.

Required vote: Candidates receiving the highest number of votes shall be declared elected.

5. Amendments to BDO's Articles of Incorporation and By-Laws to conform to the Revised Corporation Code of the Philippines and BDO's current operations and structure as well as enhance corporate governance.

At the annual meeting, approval and ratification by the stockholders will be sought to amend the Articles of Incorporation and By-Laws of BDO in order to update its processes and structure, enhance corporate governance, and conform to the requirements under the Revised Corporation Code and other relevant regulatory issuances. The Board approved and endorsed to the stockholders for their approval and ratification the proposed amendments at its meeting on October 26, 2019 through the adoption of Board Resolution Nos. 242-2019 and 242-A-2019, the full text of which is provided in Item 17 herein.

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

6. Appointment of External Auditor

Pursuant to BDO's Manual of Corporate Governance, the Board, upon the recommendation of the Board Audit Committee, shall recommend to the shareholders, appointment of an external auditor to undertake independent audit and provide objective assurance on the manner by which the financial statements are being prepared and presented to the shareholders.

At the annual meeting, the shareholders will be requested to approve the re-appointment of Punongbayan & Araullo, Grant Thornton as external auditor of BDO for the ensuing fiscal year.

Required vote: A majority vote of shareholders present or represented at the meeting.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct.

This report is signed in the City of Makati on May 12, 2020.

Issuer:

BDO Unibank, Inc.

A handwritten signature in blue ink, appearing to read 'Edmundo L. Tan'.

Edmundo L. Tan
Corporate Secretary

BDO UNIBANK, INC.

MANAGEMENT REPORT

I. CONSOLIDATED AUDITED FINANCIAL STATEMENTS

The consolidated financial statements of BDO Unibank, Inc. (**BDO** or the “**Bank**”) for the year ended 31 December 2019 are incorporated herein by reference.

II. INFORMATION CONCERNING DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

The financial statements of the Bank for the year ending 31 December 2018 and 31 December 2019 have been audited by Punongbayan and Araullo, Grant Thornton in accordance with generally accepted accounting principles. The Bank has not had any disagreements with any of its former or present accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of the disagreement in connection with its report.

III. MANAGEMENT’S DISCUSSION AND ANALYSIS OR PLAN OF OPERATIONS

(1) Management’s Discussion and Analysis

Balance Sheet – March 2020 vs. December 2019

Cash and Other Cash Items decreased 20% to P51.1 billion, from a high year-end 2019 level owing to deposits generated during the Christmas season.

Due from BSP went up 17% to P362.7 billion mainly from deposit growth.

Due from Other Banks increased 11% to P43.4 billion due to higher placements and working balances with correspondent banks.

Net Loans and Other Receivables inched up 2% to P2.3 trillion coming from increases in Customer Loans, Interbank Loans and Securities Purchased Under Reverse Repurchase Agreements (SPURRA). Other Receivables, on the other hand, went down 25% partially offsetting the growth.

Other Resources declined 16% to P31.9 billion due to lower volumes of outstanding credit card transactions as of the cut-off date.

Total Deposits grew 4% to P2.6 trillion as Demand and Savings deposits hiked 26% and 5%, respectively. Time deposits, on the other hand, went down 9%.

Bills Payable grew 19% to P198.6 billion following the issuance of the P40.1 billion fixed rate bonds in February 2020.

The Bank redeemed its P10.0 billion Subordinated Notes Payable in March 2020.

Other Liabilities went down 12% to P99.0 billion mainly due to mainly to lower levels of accounts payable and bills purchased contra-account.

Balance Sheet – March 2020 vs. March 2019

Total Resources expanded 9% year-on-year period to P3.3 trillion as Customer Loans increased 11% funded by deposits, the bond issuance and re-invested profits.

Cash and Other Cash Items rose 20%, year-on-year, mainly from deposit growth.

Net Loans and Other Receivables rose 11% owing to an increase in Customer Loans to P2.2 trillion. Likewise, Interbank Loans, SPURRA and Other Receivables went up 11%, 66% and 9%, respectively.

Bank Premises and Net Finance Lease inflated 37% to P45.8 billion due to reclassifications from Investment Properties as well as the full implementation of the new PFRS 16 lease accounting standard. The Bank only adopted partial modified retrospective application of the standard to selected subsidiaries in the first quarter of 2019.

Consequently, Investment Properties dropped 15% to P16.9 billion.

Deferred Tax Assets rose 7% to P8.8 billion resulting from the Bank's retirement obligation.

Other Resources declined 8% mainly due to lower outstanding credit card transactions as of the cut-off date.

Deposit Liabilities grew 9% year-on-year, as Demand and Savings deposits expanded 62% and 12%, respectively. Time deposits, on the other hand, dropped by 12%, partially offsetting the growth.

Bills Payable rose 13% to P198.6 billion from the issuance of the P40.1 billion fixed rate bonds in February 2020.

The Bank redeemed its P10.0 billion Subordinated Notes Payable in March 2020.

Insurance Contract Liabilities surged 26% to P41.7 billion on higher BDO Life business volumes.

Total Equity grew 10% to P372.2 billion from continued profitable operations.

Income Statement – March 2020 vs. March 2019

The Bank reported a Net Income attributable to Equity holders of the Parent Company of P8.8 billion, a 10% decline from the P9.8 billion for the same period last year.

Net Interest Income expanded 19% to P33.0 billion owing to higher margins and an increase in the Bank's interest-earning assets.

The Bank set aside P2.3 billion as Provision for Impairment Losses, 76% higher than the previous year's P1.3 billion.

Other income slid 39% to P9.0 billion from the following:

- Trading Loss of P4.6 billion compared to a Trading Gain of P1.3 billion for the same period last year primarily attributed to BDO Life's unit-linked portfolio as affected by over 30% decline in the equity markets. However, this has a corresponding decline in insurance policy reserves.
- Trust Fees grew 9% to P922 million on higher level of funds managed.
- Foreign Exchange (FX) Gain dropped 68% to P291 million on adverse market movements owing to the pandemic.
- Insurance Premiums hiked 20% to P3.9 billion owing to higher BDO Life business volumes.
- Other Income went up 8% to P1.3 billion mainly from higher income from associates.

Operating Expenses dropped 5% to P26.8 billion on account of the following:

- Employee Benefits rose 9% due to salary increases as well as a higher manpower count from business expansion.
- Occupancy expenses slid 12% following the newly implemented lease accounting standard.
- Litigation/ Assets Acquired expenses went up 15% from higher costs relating to litigation and maintenance of acquired assets.
- Policy Reserves were reversed by P1.5 billion on BDO Life's unit-linked funds following adverse market movements. Insurance Benefits and Claims jumped 51% from higher BDO Life business volumes.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses grew 9% and 19%, respectively, owing to an expanded distribution network and increased business volumes.

Tax Expense climbed 30% to P4.2 billion on a higher taxable income base.

Comprehensive Income – March 2020 vs. March 2019

From a Net Income of P8.8 billion, Total Comprehensive Income for the first quarter of 2020 registered at P3.1 billion, comprised of a P3.4 billion decline in gains on FVOCI Securities, a negative P3 million translation adjustment related to foreign operations, a negative P513 million remeasurement on life insurance reserves, a P1.8 billion drop in unrealized gain on equity investments at FVOCI as well as a negative P8 million share in Other Comprehensive Income (OCI) of subsidiaries and affiliates.

This represents a 74% decline from the Total Comprehensive Income of P11.8 billion for the same period last year, inclusive of a P9.7 billion Net Income, a P3.9 billion increase in gains on FVOCI Securities, a P13 million translation adjustment, a negative P2.3 billion remeasurement on life insurance reserves, a P504 million increase in unrealized gain on equity investments at FVOCI and a P1 million share in OCI of subsidiaries and affiliates.

Key Performance Indicators – 2019 vs. 2018

	3M 2020	3M 2019	12M 2019
Return on Average Common Equity (%)	9.52%	11.83%	12.75%
Return on Average Assets(%)	1.08%	1.29%	1.44%
Net Interest Margin	4.36%	3.91%	4.15%
Liquidity Ratio	29.51%	30.69%	27.80%
Debt to Equity	783.04%	790.69%	760.49%
Asset to Equity	883.04%	890.69%	860.49%
Interest Rate Coverage	267.47%	217.17%	245.49%

Profit Margin	17.60%	18.16%	19.97%
Capital Adequacy Ratio	13.82%	13.98%	14.26%
Basic Earnings per Share	1.92	2.15	10.02

Return on Average Common Equity and Return on Average Assets declined to 9.52% and 1.08%, respectively, on lower bottomline profits.

Net Interest Margin improved to 4.36% from growth in interest-earning assets as well as an improvement in funding mix.

Liquidity Ratio went down, year-on-year, to 29.51% owing to customer loan growth.

Debt to Equity and Assets to Equity declined to 783.04% and 883.04%, respectively, as both total equity and total asset growth outpaced the increase in liabilities.

Interest Rate Coverage rose to 267.47% on the improvement in funding cost.

Profit Margin dropped to 17.60% owing to lower non-interest income.

Capital Adequacy Ratio, covering credit, market and operations risk went down to 13.82% as growth in risk-weighted assets outpaced the increase in total qualified capital.

Basic earnings per share went down by P0.23 year-on-year to P1.92 for the first quarter on lower Net Income.

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 22% to P60.6 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 P1.9 billion vis-à-vis a Trading Loss of P1.6 billion the previous year.

Operating Expenses went up 17% to P115.2 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 71% 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	14.3%	13.8%	0.5%
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%	18.3%	1.7%

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.

Balance Sheet – 2018 vs. 2017

Total Resources expanded 13% reaching P3.0 trillion as Gross Loans jumped 15% year-on-year funded mainly by a 14% increase in deposits. Cash and Other Cash Items rose 19% to P53.7 billion following deposit growth. Due from Other Banks increased 7% to P55.3 billion from higher placements and working balances with correspondent banks. Investment Securities expanded 16% to P385.2 billion coming from a 38% and 24% increase in Financial Assets at Fair Value Through Profit and Loss (FVTPL) and Held-to-Collect (HTC) Securities, respectively. Net Loans and Other Receivables climbed 16% to P2.1 trillion propelled by the growth in Customer Loans as well as a 31%, 21% and 6% increase in Interbank Loans, Securities Purchased Under Reverse Repurchase Agreements (SPURRA) and Other Receivables, respectively.

Bank Premises went up 15% to P33.7 billion from branch expansion and improvements in the Bank's distribution network. Investment Properties rose 10% to P19.8 billion on additional

foreclosures and dacion payments. Deferred Tax Assets grew 12% to P8.3 billion resulting from the Bank's retirement obligation.

Deposit Liabilities climbed 14% year-on-year to P2.4 trillion fueled by a 33%, 7% and 27% expansion in Demand, Savings and Time deposits. Bills Payable rose 10% to P143.6 billion primarily owing to the \$150 million green bond in February 2018. Insurance Contract Liabilities went up 10% to P28.5 billion attributable to higher BDO Life business volumes. Other Liabilities grew 12% to P92.0 billion primarily due to higher levels of accounts payable, accrued expenses, bills purchased contra-account and retirement benefit obligation.

Total Equity hiked 10% to P328.1 billion from continued profitable operations.

Contingent Accounts – 2018 vs. 2017

Total Contingent Accounts went up 8% to P1.9 trillion owing to the following:

- Trust Department Accounts expanded 11% to P1.2 trillion on account of higher levels of managed funds.
- Export L/Cs Confirmed grew 163% to P6.2 billion with increased volume of trade transactions .
- Bills for Collection as well as Late Deposits and Payments Received rose 109% and 86% to P10.7 billion and P2.7 billion, respectively, owing to higher volume of outstanding transactions as of year-end 2018.
- Other Contingent Accounts climbed 13% to P361.2 billion on higher committed credit lines.
- Increased treasury trading activities resulted in growth in Spot Exchange Bought, Forward Exchange Sold and Interest Rate Swap Receivables and Payables. Meantime, Spot Exchange Sold, Forward Exchange Bought as well as Interest Rate Futures Sold dropped year-on-year.
- Outstanding Guarantees Issued went down 92% to P1.7 billion as of the cut-off date.

Income Statement – For the years Ended December 31, 2018 vs. 2017

The Bank registered a Net Income attributable to Equity holders of the Parent Company of P32.7 billion in 2018, a 17% improvement from the P28.1 billion the previous year. Net Interest Income jumped 20% to P98.3 billion resulting from an expansion in margins and growth in interest-earning assets. The Bank maintained its conservative impairment provisioning allocating P6.3 billion for loans, securities, ROPA and other assets.

Other income was up 5% to P49.7 billion as Service Charges, Trust Fees, FX Gain, Insurance Premiums and Miscellaneous Income improved 7%, 2%, 11%, 20% and 11%, respectively, reflecting business growth across the Bank's varied business lines. On the other hand, the Bank recorded a Trading Loss of P1.6 billion mainly from unrealized losses on BDO Life's portfolio.

Operating Expenses rose 16% to P98.0 attributable to the following:

- Employee Benefits rose 11% owing to salary increases and an increasing manpower count from business expansion.
- Occupancy Costs grew 13% due to an enhanced distribution network.
- Taxes and Licenses hiked 41% resulting from GRT on higher income as well as higher DST costs on a larger Time Deposit volume, due to the effectivity of the Tax Reform for Acceleration and Inclusion (TRAIN) Law.
- Insurance expenses increased 16% following continued deposit expansion.

- Advertising Expenses climbed 25% on increased spending on marketing, promotional and advertising activities.
- Litigation/Assets Acquired expenses grew 15% on costs relating to litigation and maintenance of acquired assets.
- Policy Reserves dropped 10% owing to the effect of unfavorable market conditions on BDO Life's asset portfolio.
- Insurance Benefits and Claims went up 39% following higher BDO Life business volumes.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses rose 14% and 16%, respectively, due to an expanded distribution network as well as increased business volumes.

Tax Expense grew 16% to P11.0 billion on a higher taxable income base.

Comprehensive Income – For the years Ended December 31, 2018 vs. 2017

From a Net Income of P32.6 billion, the Bank recorded a Total Comprehensive Income of P27.9 billion for 2018. This is inclusive of a P5.1 billion drop in net gains on FVOCI Securities partially offset by a re-measurement on life insurance reserves of P3.7 billion, translation adjustment related to foreign operations of P34 million, an actuarial loss on retirement benefit asset of P2.1 billion, a P1.2 billion decline in unrealized gains on equity investments at FVOCI, as well as a negative P9 million share in Other Comprehensive Income (OCI) of affiliates. The Total Comprehensive Income represents a 6% improvement from the P26.2 billion in 2017.

Key Performance Indicators – 2018 vs. 2017

	2018	2017	Inc/(Dec)
Return on Average Common Equity	10.7%	10.2%	0.5%
Return on Average Equity	10.6%	10.2%	0.4%
Return on Average Assets	1.1%	1.1%	0.0%
Net Interest Margin	3.64%	3.48%	0.16%
Capital to Risk Assets	13.8%	14.5%	-0.8%
Basic Earnings Per Share	7.40	6.42	0.98
Liquidity Ratio	30.4%	31.6%	-1.2%
Solvency Ratio (Debt-to-Equity)	821.0%	794.3%	26.7%
Asset-to-Equity Ratio	921.0%	894.3%	26.7%
Interest Rate Coverage Ratio	241.9%	308.2%	-66.3%
Profit Margin	18.3%	19.1%	-0.8%

Return on Average Common Equity, Return on Average Equity and Basic Earnings Per Share went up to 10.7%, 10.6% and 7.40, respectively, owing to higher Net Income.

Return on Average Assets was steady at 1.1%

Net Interest Margin improved to 3.64% following the increase in market rates and growth in higher-yielding earning assets.

Capital to Risk Assets went down to 13.8% due to the increase in risk weighted assets.

Liquidity Ratio went down to 30.4% as the Bank continued its focus on loan expansion.

Solvency Ratio and Asset-to-Equity Ratio rose to 821.0% and 921.0%, respectively, as the Bank leveraged capital with its deposit expansion.

Interest Rate Coverage Ratio declined to 241.9% owing to an increasing interest rate environment.

Profit Margin went down to 18.3% as cost growth outpaced revenue growth.

Balance Sheet – 2017 vs. 2016

Total Resources expanded 15% year-on-year to P2.7 trillion primarily funded by low cost deposits, the P11.8 billion LTNCD issuance, the \$700 million Senior Notes issuance and the P60.0 billion proceeds from the Bank's Stock Rights Offering (SRO) in January 2017. Cash and Other Cash Items and Due from BSP increased 10% and 11% to P45.0 billion and P353.3 billion, respectively, owing to increased reserve requirements on higher deposit levels. Investment Securities hiked 24% to P332.9 billion from expansion in both Treasury and BDO Life's portfolios. Net Loans and Other Receivables grew 14% to P1.8 trillion primarily from an 18% growth in Customer Loans. Securities Purchased Under Reverse Repurchase Agreements (SPURRA) likewise increased 28% to P18.3 billion, while Interbank Loans, Unquoted Debt Securities Classified as Loans (UDSCL) and Other Receivables dropped to P37.7 billion, P4.0 billion and P6.8 billion, respectively.

Bank Premises rose 9% to P29.3 billion due to enhancements and additions to the Bank's distribution channels inclusive of branch expansion. Equity Investments grew 9% to P4.8 billion on continued earnings of associates. Deferred Tax Assets climbed 17% to P7.4 billion resulting from the Bank's retirement obligation. Other Assets jumped 20% to P34.0 billion owing to outstanding credit card transactions as of the cut-off date.

Total Deposits expanded 11% to P2.1 trillion as Demand, Savings and Time Deposits grew 18%, 11% and 10%, respectively. Bills Payable soared 30% to P130.5 billion mainly from the issuance of the \$700 million Senior Notes. Insurance Contract Liabilities jumped 26% to P26.0 billion following strong growth in BDO Life business volumes. Other Liabilities climbed 16% to P82.3 billion mainly due to higher levels of accrued expenses, accounts payable and checks outstanding as of the cut-off date.

Total Equity hiked 37% to P298.3 billion due to the SRO in January 2017 and bottomline profits.

Contingent Accounts – 2017 vs. 2016

Total Contingent Accounts increased 11% to P1.8 trillion due to the following:

- Export L/Cs Confirmed rose 51% to P2.4 billion.
- Other Contingent Accounts jumped 35% to P321.1 billion on higher committed credit lines.
- Increased treasury trading activities resulted in growth in Spot Exchange Bought and Sold, as well as Forward Exchange Bought and Sold. Interest Rate Futures Sold was at P604 million while Interest Rate Swap Receivable and Payable dropped year-on-year.
- Outstanding Guarantees Issued and Late Deposits and Payments Received went down 40% and 44% to P20.2 billion and P1.4 billion, respectively, as of the cut-off date.

Income Statement – For the years Ended December 31, 2017 vs. 2016

Net Income Attributable to Equity holders of the Parent Company registered at P28.1 billion for 2017, a 7% improvement from the previous year's Net Income of P26.2 billion, which included a one-time gain on the consolidation of BDO Life as well as higher trading gains.

Net Interest Income soared 25% to P81.8 billion on account of expansion in earning assets as well as the continuing improvement in net interest margins. The Bank maintained its conservative impairment provisioning allocating P6.5 billion for loans, securities, ROPA and other assets.

Other Income climbed 13% to P47.2 billion as Service Charges and Fees, Trust Fees, Foreign Exchange Gains and Insurance Premiums improved 35%, 4%, 15% and 23%, respectively. On the other hand, Trading Gain dropped to P450 million while Miscellaneous Income slid to P4.5 billion as the 2016 level included a one-time gain on the consolidation of BDO Life.

Operating Expenses rose 21% to P84.9 billion due to the following:

- Compensation and Benefits grew 11% to P27.4 billion from merit increases and a higher manpower count owing to business expansion.
- Occupancy expenses hiked 10% to P8.4 billion on an expanded distribution network.
- Taxes and Licenses climbed 14% to P8.3 billion mainly from higher gross receipts taxes on interest and fee-based income.
- Insurance expenses increased 9% on a larger deposit base.
- Advertising expenses went up 27% due to higher spending on advertising, marketing and promotional campaigns.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses hiked 12% and 48%, respectively, primarily from an expanded distribution network and increased business volumes.
- Litigation/Assets Acquired expenses moved up 16% due to higher ROPA-related expenses.
- Policy Reserves as well as Insurance Benefits and Claims rose 35% and 15%, respectively.

Tax Expense grew to P9.5 billion on higher taxable income and lower write-offs of fully-provided assets.

Comprehensive Income – For the years Ended December 31, 2017 vs. 2016

From a Consolidated Net Income of P28.1 billion, Total Comprehensive Income for 2017 stood at P26.2 billion. This included a drop in unrealized gains on AFS Securities of P92 million, a negative P8 million translation adjustment related to foreign operations, an actuarial loss on retirement benefit asset amounting to P2.6 billion, a remeasurement of life insurance reserves of P785 million and a P3 million share in Other Comprehensive Loss of affiliates. The Total Comprehensive Income registered a 19% improvement from P22.1 billion in 2016.

Key Performance Indicators – 2017 vs. 2016

	2017	2016	Inc/(Dec)
Return on Average Common Equity	10.2%	12.7%	-2.5%
Return on Average Equity	10.2%	12.5%	-2.4%
Return on Average Assets	1.1%	1.2%	-0.1%
Net Interest Margin	3.48%	3.24%	0.24%
Capital to Risk Assets	14.5%	12.4%	2.1%
Basic Earnings Per Share	6.42	6.81	-0.39
Liquidity Ratio	31.6%	33.5%	-2.0%
Solvency Ratio (Debt-to-Equity)	794.3%	968.7%	-174.4%
Asset-to-Equity Ratio	894.3%	1068.7%	-174.4%

Interest Rate Coverage Ratio	308.2%	301.3%	6.7%
Profit Margin	19.1%	21.2%	-2.1%

Return on Average Common Equity, Return on Average Equity and Return on Average Assets declined to 10.2%, 10.2% and 1.1%, respectively, as Net Income improvement was outpaced by growth in Equity and Total Resources.

Net Interest Margin improved to 3.48% owing to growth in earning assets and improvement in funding mix.

Capital to Risk Assets went up to 14.5% due to the SRO as well as continued profitable operations.

Basic Earnings Per Share dropped to P6.42 owing to a larger number of common shares outstanding due to the SRO.

Liquidity Ratio went down to 31.6% as the Bank focused on loan expansion.

Solvency Ratio and Asset-to-Equity Ratio declined 174.4% apiece to 794.3% and 894.3%, respectively, owing to a larger capital base following the SRO.

Interest Rate Coverage Ratio improved to 308.2% from a higher pre-tax income.

Profit Margin went down to 19.1% as cost growth outpaced revenue growth.

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

BDO Unibank, Inc. (BDO) recorded a net income of P44.2 billion in 2019 from P32.7 billion in 2018 on the strong performance of its core recurring income sources. The results exceeded the Bank's P38.5 billion guidance and translate to a Return on Common Equity (ROCE) of 12.8% from 10.7% the year before.

Net interest income went up to P119.9 billion from P98.3 billion. Net Interest Margin improved on continued CASA growth and improving loan mix in favor of consumer and middle market customers. Customer loans rose by nine 9% to P2.2 trillion on broad-based growth across market segments. Total deposits grew by three 3% to P2.5 trillion, bolstered by the eight 8% increase in low-cost Current Account/Savings Account (CASA) deposits that comprised 73% of total deposits.

Non-interest income reached P60.6 billion, led by fee-based income with P35.3 billion and insurance premiums with P14.8 billion. Trading and forex gains settled at P5.7 billion. Overall, gross operating income went up to P180.5 billion.

Operating expenses amounted to P115.2 billion, in line with the Bank's continuing business and network expansion, as well as higher volume-related expenses (specifically, taxes and licenses and policy reserves at BDO Life). The Bank maintained its conservative credit and provisioning policies, setting aside P6.2 billion in provisions, even as gross non-performing loan (NPL) ratio was steady at 1.2% and NPL cover remained high at 164.7%.

Total capital base increased to P370.6 billion, with Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio at 14.2% and 12.7%, respectively, both comfortably above regulatory levels.

Moving forward, BDO's robust business franchise, extensive distribution network, solid balance sheet and focused growth strategy place the Bank in an advantageous position to tap growth opportunities and development thrusts in line with government priorities while remaining resilient to domestic and external challenges.

Prospects for the Future/Plans of Operation

Philippine economic growth this year is expected to be driven by upbeat government spending with the early passage of the 2020 budget, firmer household consumption on favorable demographics, and supportive monetary policy, with inflation seen settling within the BSP's 2%-4% target. The country's outlook upgrade from "stable" to "positive" by Fitch Ratings, brings the Philippines closer to a ratings upgrade, underscoring the country's solid macroeconomic fundamentals.

Downrisks to the outlook, however, are the impact of the Taal volcano eruption, the uncertainty in government contracts, and the potential economic fallout on the global economy generated by a prolonged duration of the 2019 coronavirus disease (COVID-19). Philippine economic pace is seen to continue in 2020, in line with modest global growth prospects. BDO will continue to have sustained, albeit tempered loan growth while asset quality is generally expected to remain benign.

(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 herein discussed under item III (2) above.

(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 III (2) above.

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

The causes for any material changes from 2018-2019 are explained in item III (1) above.

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

None.

IV. DESCRIPTION OF THE GENERAL NATURE AND SCOPE OF THE BUSINESS OF THE BANK AND ITS SUBSIDIARIES

(1) Business Development

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 1,434 operating domestic branches (including 263 BDO Network Bank, Inc. (BDO Network) (formerly One Network Bank, Inc.) branches) and two full-service branches in Hong Kong and Singapore. As at 31 December 2019, its network includes 22 overseas remittance and representative offices across Asia, North America, Europe and the Middle East, and 4,466 automated teller machines (ATMs) (including 241 BDO Network ATMs) and 562 cash deposit 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 assets, loans, deposits and trust assets as of 31 December 2019.

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 2019 are as follows:

Philippine Subsidiaries	% Interest Held
Averon Holdings Corp.	100%
BDO Insurance Brokers, Inc.	100%
BDO Private Bank, Inc.	100%
BDO Rental, Inc.	100%
BDO Securities Corporation	99.88%
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%

BDO Nomura Securities, Inc.	51%
Foreign Subsidiaries	% Interest Held
BDO Remit (Canada), Ltd.	100%
BDO Remit (Italia) S.p.A.	100%
BDO Remit (Japan), Ltd.	100%
BDO Remit (Macau), Ltd.	100%
BDO Remit (USA), Inc.	100%
BDO Remit Limited	100%
BDORO Europe Ltd.	100%
BDO Remit International Holdings B.V.	96.32%
Associates	% Interest Held
SM Keppel Land, Inc.	50%
Taal Land, Inc.	33.33%
Northpine Land Incorporated	20%
NLEX Corporation (formerly Manila North Tollways Corporation)	11.70%

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 – Description of the Business and its Significant Subsidiaries

(i) Principal Products and Services

Deposits

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.

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 4,466 ATMs nationwide (inclusive of 241 ATMs under BDO Network) and 562 cash deposit 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 only 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 branch.

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 1,434 operating domestic branches (inclusive of 263 branches of BDO Network Bank, Inc.), the Bank has 4,466 ATMs (inclusive of 241 ATMs under BDO Network Bank) and 562 Cash Deposit Machines as of 31 December 2019.

The Bank's foreign operations 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, six are branches of foreign universal banks and three are government-controlled universal banks. Of the 25 commercial banks, five are private commercial domestic banks, 18 are branches of foreign banks and two are subsidiaries of foreign banks.

Based on consolidated published statements of condition, the total assets of the commercial banking system as of 31 December 2019 reached P16.9 trillion. As at 31 December 2019, the ten largest commercial banks (including unlisted banks such as LBP and DBP) account for approximately 84% of total assets and 84% of total deposits of the Philippine banking system based on published statements of condition.

As of 31 December 2019, the loans and receivables (net) of the commercial banking system amounted to P9.10 trillion, while total deposits was at P12.56 trillion. The total capital accounts of the commercial banking system amounted to P2.10 trillion as of December 2019.

Note: All the data used in the discussion above are based on consolidated published statements of condition of all commercial banks.

(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:

	Trademarks	Duration
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
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
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	June 2, 2016 to June 2, 2026

	(vertical)	
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
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
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

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	WWW.INSUREME.NET.PH	December 30, 2018 to December 30, 2028
132	WWW.INSUREME.ORG.PH	December 30, 2018 to December 30, 2028
133	BDO WE FIND WAYS Application Number: 42019503945	November 7, 2019 to November 7, 2029
134	BDO We find ways (in black) Application Number: 42019503948	November 7, 2019 to November 7, 2029
135	BDO We find ways (in blue) Application Number: 42019503950	November 7, 2019 to November 7, 2029
136	BDO We find ways (in blue & yellow) Application Number: 42019503952	December 5, 2019 to December 5, 2029
137	WE FIND WAYS (wordmark) Application Number: 42019503996	January 19, 2020 to January 19, 2030
138	WE FIND WAYS Application Number: 42019503997	January 19, 2020 to January 19, 2030
139	BDO (wordmark)	November 7, 2019 to November 7, 2029

	Application Number: 42019503940	
140	We find ways (in blue) Application Number: 42019503941	November 7, 2019 to November 7, 2029
141	We find ways (in yellow) Application Number: 42019503942	November 7, 2019 to November 7, 2029
142	WWW.BDOINSURE.COM.PH	June 16, 2019 to June 16, 2029

(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 38,510 employees as of 31 December 2019 broken down as follows:

	Non-Officers	Officers	TOTAL
Total for Parent Company	17,898	14,733	32,631
Head Office	2,739	8,173	10,921
Branches	15,159	6,560	21,719
Total for Subsidiaries	1,862	4,017	5,879
TOTAL EMPLOYEES	19,760	18,750	38,510

The Bank has an existing Collective Bargaining Agreement (CBA) with the NUBE-Banco De Oro Employees Association covering substantially all of the Bank's 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 2015 to 31 October 2020, in so far as Union representation is concerned.

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.

(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, market, liquidity, and operational risks).

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity, and operational 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 four (4) members of the Board of Directors, with Jones M. Castro, Jr. (Independent Director) as Chairman, and Nestor V. Tan, Christopher A. Bell-Knight and Dioscoro I. Ramos as members.

Description of Property

(1) Principal Properties Owned

A. Presented below is a list of the Bank's principal properties as of 31 December 2019 owned by the Bank and utilized as Head Offices:

No.	NAME	ADDRESS
1	BDO Corporate Center – Makati North & South Tower	BDO Corporate Tower, 7899 Makati Avenue cor. H.V. Dela Costa St., Makati City
2	BDO Corporate Center – Ortigas	12 ADB Avenue Ortigas Center Mandaluyong City
3	Radio Marine - MTech	BDO Bldg., Sen. Gil Puyat Avenue corner Paseo de Roxas, Brgy. Bel-Air, Makati City

B. Presented below is a list of the Bank's principal properties as of 31 December 2019 owned by the Bank which are utilized as Head Offices and partly tenanted:

No.	NAME	ADDRESS
1	Equitable Bank Tower	Equitable Bank Tower, 8751 Paseo de Roxas, Makati City
2	Pacific Star	Pacific Star Building, Makati Avenue, Makati City
3	Robinsons Tower	Robinsons PCIBank Tower, ADB Avenue, Ortigas Center, Pasig City
4	Dagupan Vicar	Vicar Hotel Bldg. along A.B. Fernandez Ave. Brgy. Herrero Perez Dagupan City, Pangasinan

C. Presented below is a list of the Bank's real properties as of 31 December 2019 owned by the Bank and utilized as BDO branches:

(a) Metro Manila and Provincial 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, Paranaque City
4	Alfaro - Salcedo Village	G/F PCCI Bldg., 118 Leviste St. (formerly Alfaro St.), Salcedo Village, Makati City
5	Angeles - Balibago	BDO Building along Ramon Tang Avenue, Diamond Subd., Balibago, Angeles City, Pampanga
6	Angeles - MacArthur Highway	Lot 1, MacArthur Highway corner Magalang Avenue, Brgy. Salapungan, Angeles City, Pampanga
7	Angeles - Miranda	BDO Bldg., Miranda St., Sto. Rosario, Angeles City, Pampanga
8	Antique	Corner Gov. Villavert St. & Gov. Gella St., San Jose, Antique 5700
9	Arranque - T. Alonzo	733 T. Alonzo St., Manila
10	Asia Tower - Paseo	G/F Asia Tower corner Paseo de Roxas & Benavidez St., 1229 Makati City

No.	BRANCH	ADDRESS
11	Aurora Blvd. - Notre Dame	0137 Aurora Blvd. corner Notre Dame St. Cubao, 1110 Quezon City
12	Aurora Blvd. - Yale	Aurora Blvd. corner Yale St. Cubao, Quezon City
13	Baclaran - Redemptorist Road	Redemptorist Road, Baclaran, Parañaque, MM
14	Bacolod - Capitol Shopping	Benigno Aquino Drive, Capitol Shopping 6100 Bacolod City, Negros Occidental
15	Bacolod - Gatuslao	26 & 28 Gov. V. Gatuslao St., Brgy. 13, Bacolod City
16	Bacolod - Lacson	Lacson corner Galo St., 6100 Bacolod City, Negros Occidental
17	Bacolod - Rosario Lacson	Lot 296-B-7, Lacson St. corner Rosario St., Bacolod City, Negros Occidental
18	Bacolod Plaza	Araneta corner Gonzaga St., 6100 Bacolod City, Negros Occidental
19	Bagtikan - Chino Roces Avenue	Unit 102 G/F Pryce Center Condominium, 1179 Chino Roces Avenue corner Bagtikan St., San Antonio Village, Makati City
20	Balanga - A. Banzon	A. Banzon St., City of Balanga, 2100 Bataan
21	Baliwag - JP Rizal	J.P. Rizal St., San Jose, Baliwag, Bulacan
22	Batangas - Nasugbu	JP Laurel St., Barangay Poblacion, Nasugbu, Batangas
23	Batangas - Sto. Tomas	Maharlika Highway, San Antonio, Sto. Tomas, Batangas
24	Batangas City - Rizal Avenue	Rizal Avenue corner P. Burgos St., 4200 Batangas, Batangas City
25	BDO Corporate Center	BDO Corporate Center, 7899 Makati Avenue, Makati City
26	Bel-Air - Gil Puyat	Country Space I Condominium Bldg., Sen. Gil Puyat Avenue, Bel-Air Village, 1209, Makati City
27	Bicutan - Doña Soledad Ave. Ext.	Lot 3 Block 1, Doña Soledad Avenue Extension, Better Living Subd., Brgy. Don Bosco, Parañaque City
28	Biñan	A. Bonifacio St. Barrio Canlalay, Biñan, Laguna
29	Binondo	411 Quintin Paredes St., Binondo, Manila
30	Blumentritt	2325 Rizal Avenue corner Antipolo St. Sta. Cruz Manila
31	Blumentritt - Laong Laan	Laong Laan St corner Blumentritt St., Brgy 516, Zone 051, Sampaloc, Manila
32	Blumentritt - San Juan	Lot 11-B, Blk. 127 Blumentritt corner Sto. Toribio St., San Juan, Metro Manila
33	Boni - Maysilo	74 Maysilo Circle corner Boni Avenue, Mandaluyong City
34	Bukidnon - Valencia	M.L. Quezon St. corner G. Laviña Avenue, Valencia City, Bukidnon 8709
35	C. Palanca - Quiapo	132 Carlos Palanca St. Quiapo, Manila
36	C.M. Recto	CM Recto Avenue corner Nicanor Reyes St. Manila
37	C.M. Recto - San Sebastian	2070 C.M. Recto St., 1008 Sampaloc, Manila

No.	BRANCH	ADDRESS
38	Cabanatuan - Maharlika Road	Maharlika Road, near corner Sanciangco St., Cabanatuan City
39	Cabanatuan - Maharlika South	BDO Building, Maharlika Highway, Barangay Dicarma, Cabanatuan City, Nueva Ecija
40	Cagayan - Aparri	Rizal St. corner R.F Balisi St., Aparri, Cagayan
41	Cagayan de Oro - Lapasan	C.M. Recto Highway, Lapasan, 9000 Cagayan de Oro City, Misamis Oriental
42	Cagayan de Oro - Velez	Velez Road corner Abejuela St., Cagayan de Oro
43	Calamba Crossing - North	Calamba Crossing National Highway, 4027 Calamba, Laguna
44	Caloocan - Sangandaan	No. 628 A. Mabini St., 1408 Sangandaan, Caloocan City
45	Cavite - Dasmariñas Techno Park	Governor's Drive, Barangay Paliparan I, Dasmariñas, Cavite
46	Cavite - General Trias Gateway	Gateway Business Park, C. Delos Reyes Avenue, Brgy. Javalera Gen. Trias, Cavite 4107
47	Cavite - GMA Congressional Road	Lot 4 Block C-5-CL, Congressional Road, Brgy. Poblacion 1, Gen. Mariano Alvarez (GMA), Cavite
48	Cavite - Imus Anabu	Gen. Aguinaldo corner Ambrosia Road Anabu I, Imus, Cavite
49	Cavite City - P. Burgos	Corner P. Burgos & P. Julio St., Caridad, 4100 Cavite City
50	Cebu - Borromeo	Borromeo corner Magallanes St., Cebu City
51	Cebu - F. Gonzales	F. Gonzales corner Magallanes St., Cebu City
52	Cebu - Fuente Circle	Fuente Osmena Rotonda, Cebu City
53	Cebu - Gorordo	Gorordo Avenue, Lahug 6000 Cebu City, Cebu
54	Cebu - Magallanes Plaridel	Magallanes corner Plaridel St., 6000 Cebu City
55	Cebu - North Reclamation	Blk. 20-A corner Port Centre Avenue & Juan Luna Avenue, North Reclamation Area, Cebu City
56	Cebu Mandaue - M.C. Briones	M.C. Briones St. , National Highway Brgy. Bakilid, Mandaue City, Cebu
57	Corinthian Gardens	BDO Leasing Center, Ortigas Avenue, Quezon City
58	Cotabato - Kidapawan	Quezon Blvd., 9400 Kidapawan, North Cotabato
59	Cotabato - Makakua	Makakua St., 9600 Cotabato City, Maguindanao
60	Dagupan - Fernandez	A.B. Fernandez Avenue, 2400 Dagupan City, Pangasinan
61	Dasmariñas St. - Binondo	BDO Bldg., Dasmariñas St., Binondo, 1006 Manila
62	Davao - C.M. Recto	383 Claro M. Recto St., Davao City
63	Davao - Claveria	BDO Building No. 30 C.M. Recto Ave., Poblacion, Davao City
64	Davao - Digos	Rizal Avenue, Zone II, Digos, Davao Del Sur
65	Davao - JP Laurel	Landco-PDCP Corporate Center, JP Laurel Avenue, Bajada, Davao City
66	Davao - Mati	Rizal corner Mabini St., 8200 Mati, Davao Oriental

No.	BRANCH	ADDRESS
67	Davao - Tagum	577 Rizal St., 8100 Tagum, Davao Del Norte
68	Davao - Toril	Agton St., Toril, Davao City
69	Dian - Gil Puyat	G/F EPCIB Bldg., Sen. Gil Puyat Avenue corner Dian St., Makati City
70	Dipolog Quezon Ave.	Quezon Avenue, 7100 Dipolog City, Zamboanga Del Norte
71	Dumaguete Colon	Colon St., fronting Bldg. V of City, Public, Market, Poblacion 003, Dumaguete City
72	E. Rodriguez	1162 E. Rodriguez Sr. Avenue, New Manila, Quezon City
73	EDSA - Reliance St.	G/F Paragon Plaza corner Reliance St., Mandaluyong City
74	Fairview	Don Mariano Marcos Avenue Fairview, Quezon City
75	General Santos - Makar	Hadano Avenue (Makar Wharf), Purok Bagong Silang, Brgy. Labangal, General Santos City, South Cotabato 9500
76	General Santos - Pioneer	Pioneer Avenue, General Santos City, 9500
77	General Santos - Quezon Avenue	Lot 4670. Ts-217, Quezon Avenue, Brgy. Dadiangas West, General Santos City, South Cotabato
78	General Santos - Santiago St.	Ireneo Santiago Blvd., 9500 General Santos City., South Cotabato
79	Grace Park - 10th Avenue	359 Rizal Avenue Extension, Brgy. 62, Grace Park, Caloocan City
80	Grace Park - 8th Avenue	259 Rizal Avenue Extension Grace Park, Caloocan City
81	Grace Park - 9th Avenue	414 Rizal Avenue Extension, Grace Park, 1400 Caloocan City
82	Greenhills - Missouri	12 Missouri St., Northeast Greenhills, Brgy. Greenhills, San Juan City
83	Greenhills - Roosevelt	EBC Bldg. Ortigas Avenue corner Roosevelt Avenue, Greenhills, San Juan, MM
84	Greenhills North	Unit 102-103 Sunrise Condominium, Ortigas Avenue, 1500 San Juan, MM
85	Ilaya - M. de Santos	632 M. de Santos St., Manila
86	Iligan - Del Pilar	BC Labao corner Del Pilar St., Iligan City
87	Iloilo - Iznart	Iznart St., 5000 Iloilo City, Iloilo
88	Iloilo - Valeria	Valeria St., Iloilo City
89	Isabela - Roxas	#23 Osmeña Road, Bantug, Mallig Plain, 3320 Roxas, Isabela
90	Isabela - Santiago Centro	BDO Building City Rd. cor. Guzman St., Calao West, Santiago City, Isabela
91	Isabela Santiago - Maharlika Highway	BDO Bldg., No. 57 Maharlika Highway cor. Quezon Ave. St., Santiago City, Isabela
92	Kalentong	MRDC Bldg. Shaw Blvd. corner Gen. Kalentong St. Mandaluyong City

No.	BRANCH	ADDRESS
93	Koronadal - Gensan Drive	NE of Gensan Drive, Zone 1, Coronado City, South Cotabato
94	Koronadal - R. Alunan Avenue	R. Alunan Avenue corner Osmeña St., 9506 Koronadal, South Cotabato
95	La Union San Fernando - Quezon Avenue	Quezon Avenue, 2500 San Fernando, La Union
96	Laoag - Balintawak	Corner Rizal & Balintawak St., 2900 Laoag City, Ilocos Norte
97	Las Piñas - Pamplona	Alabang-Zapote Road Pamplona Las Piñas
98	Las Piñas - Philamlife Avenue	Alabang-Zapote Road, Pamplona Tres, 1740 Las Piñas, MM
99	Leveriza - Libertad	212 Libertad St., Pasay City, Metro Manila
100	Leyte - Maasin	Juan Luna St. cor. Enage St., Brgy. Tunga-tunga, Maasin, Southern Leyte
101	Leyte - Ormoc	Corner Burgos & Rizal St., 6541 Ormoc City, Leyte
102	Lipa - C M Recto	131 C.M. Recto St., 4217 Lipa City, Batangas
103	Lucena - Merchan	Lot 2903 Merchan St. cor. C.M. Recto St. cor. Cabana St., Brgy. IV, Lucena City
104	Luneta - TM Kalaw	707 T.M. Kalaw St. corner Churruca St. Ermita, Manila
105	Makati - Pasay Road	Unit 102 845 One Corporate Plaza Condominium, A. Arnaiz Avenue, Brgy. San Lorenzo, Makati City
106	Makati - Rockwell Center B	2/F Lot 3 Block 7 Rockwell Drive, Rockwell Center, Poblacion, Makati City
107	Makati Avenue - Ayala	L.V. Locsin Bldg. Ayala Avenue corner Makati Avenue, 1228 Makati City
108	Makati Cinema Square	Makati Cinema Square, Pasong Tamo, 1229 Makati City
109	Malabon	725 Rizal Avenue, San Agustin, Malabon City
110	Malabon - Rizal Avenue	694 Rizal Avenue, 1470 Malabon, Metro Manila
111	Malolos - Congreso	Paseo Del Congreso, San Agustin 3000 Malolos, Bulacan
112	Marikina - Bayanbayanan	No. 48 Bayanbayanan Avenue, Brgy. Concepcion Uno, Marikina City
113	Marikina - Concepcion	17 Bayan-Bayanan Avenue Concepcion Marikina City
114	Marikina - Sumulong Highway	Corner E. Dela Paz St. Amang Rodriguez Avenue, Sto. Niño, Marikina City
115	Marulas - MacArthur Highway	Lot 16 & 17 McArthur Highway Valenzuela, Metro Manila
116	Medical Plaza - Legaspi Village	Unit 101, G/F Medical Plaza Makati, Amorsolo St. corner Dela Rosa St. Legaspi Village, Makati City
117	Meycauayan - Zamora	Zamora St., Barrio Calvario, Meycauayan, Bulacan
118	Muntinlupa - National Highway	No. 8 National Highway cor. Aguila St., Brgy. Putatan, Muntinlupa

No.	BRANCH	ADDRESS
119	N. Domingo - Araneta Avenue	No. 71 N. Domingo St. corner Katubusan St., Brgy. Rivera, San Juan City
120	Naga - Plaza Rizal	Gen. Luna St., 4400 Naga City, Camarines Sur
121	Negros Occ - Cadiz	Cabahug St., 6121 Cadiz, Negros Occidental
122	Negros Occ - Escalante	National Highway, Escalante City, 6124 Negros Occidental
123	Negros Occ - Kabankalan	Guanzon St., Kabankalan, 6111 Negros Occidental
124	Negros Occ - Silay	Figuroa corner Rizal St., Silay City, 6116 Negros Occidental
125	Novaliches - Forest Hills	Lot 2 D 1 Quirino Avenue, Novaliches, Quezon City
126	Nueva Ecija - Gapan	Tinio St., 3105 Gapan, Nueva Ecija
127	Nueva Ecija - Guimba	Afan Salvador St., 3115 Guimba, Nueva Ecija
128	Nueva Ecija - Muñoz	T. delos Santos St., Science City of Muñoz, Nueva Ecija
129	Ortigas - Exchange Road	G/F, PSE Center, Exchange Road, Ortigas Commercial Complex, Pasig City
130	Ortigas Avenue	209 Ortigas Avenue Greenhills, San Juan, MM
131	Ozamiz - Gallardo	Cebedo St. corner Gallardo St., 50th District (Pob), Ozamiz City, Misamis Occidental
132	Paco - A. Linao	1635-1641 A. Linao St. Paco, Manila
133	Padre Faura - A. Mabini	A. Mabini corner Padre Faura St., 1000 Ermita, Manila
134	Pagadian	F.S. Pajares Avenue, Pagadian City, 7016 Zambonga Del Sur
135	Pampanga - Apalit	MacArthur Highway, Brgy. San Vicente, Apalit, Pampanga
136	Pampanga - Guagua	Lot 4876 Plaza Burgos St., Guagua, Pampanga
137	Pasay	Libertad corner Colayco St. Pasay City
138	Paseo - Gil Puyat	BDO Building, 381 Sen. Gil Puyat Avenue corner Paseo de Roxas, Brgy. Bel-Air, Makati City
139	Paseo Tower - Makati	Equitable Bank Tower, 8751 Paseo de Roxas, Makati City
140	Pasig - Danny Floro	125 Shaw Blvd. corner Danny Floro St. Pasig City
141	Pasig - Danny Floro B	2/F No. 125 Shaw Blvd. corner Danny Floro St., Barangay Oranbo, Pasig City
142	Pasig - Manggahan	Amang Rodriguez Avenue, Manggahan, Pasig City
143	Pasig - Market Avenue	No. 8 Market Avenue, Brgy. Palatiw, Pasig City
144	Pasig - Sixto Antonio Ave. Pilapil	Lot 2 B, Sixto Antonio Ave., Brgy. Kapasigan, Pasig City
145	Perea - Paseo	G/F Universal Re Bldg. 106 Paseo de Roxas 1228 Makati City
146	Perea - Paseo B	G/F Universal Re Bldg., 106 Paseo de Roxas, Legaspi Village, Brgy. San Lorenzo, Makati City
147	Pioneer Highlands - Madison	Unit 01 (facing Madison St.) LG/F Globe Telecom Plaza 1 Bldg., Pioneer St. corner Madison St., Mandaluyong City

No.	BRANCH	ADDRESS
148	Pitimini - Roosevelt	EBC Bldg. Roosevelt Avenue corner Pitimini St., SFDM, Quezon City
149	Plaza Sta. Cruz - Dasmariñas St.	377 Plaza Sta. Cruz, Sta. Cruz, Manila 1003
150	President's Avenue - BF Parañaque	Presient's Avenue corner J. Elizalde St., BF Homes Parañaque, Metro Manila
151	Puerto Princesa Rizal	261 Rizal Avenue, 5300 Puerto Princesa City, Palawan
152	Quezon - Candelaria	Rizal corner Valle St., Candelaria, Quezon 4323
153	Quezon Avenue - West Triangle	Lot 3-B, Quezon Ave. Extension, Brgy. West Triangle, Quezon City
154	Quezon Avenue-Heroes Hills	1052 Quezon Avenue, 1103 Quezon City
155	Quiapo - Quinta Market	Quezon Blvd. corner C. Palanca St., Quiapo, Manila
156	Reposo - Makati	EBC Bldg., JP Rizal corner N. Garcia (formerly Reposo), Makati City
157	Rizal Avenue	2502-2504 Rizal Avenue corner Cavite St. Sta. Cruz, Manila
158	Rockwell Center - Makati	Lot 3 Block 7, Rockwell Drive, Rockwell Center, Poblacion, Makati City
159	Roxas - Roxas Avenue	Roxas Avenue, Roxas City, Capiz
160	San Pablo - Rizal St.	2F Equitable PCI Bldg., Rizal St. corner P. Alcantara, San Pablo City, Laguna
161	Shaw Blvd. - Stanford	EBC Bldg., Shaw Blvd. corner Stanford St., Mandaluyong City
162	St. Ignatius - Katipunan	BDO Bldg., 137 Katipunan Avenue, St. Ignatius, Quezon City
163	Sta. Rosa - South Expressway	National Road Pulong, Sta. Cruz, 4026 Sta. Rosa, Laguna
164	Strata 100 - Ortigas	G/F Strata 100 Bldg., Don Francisco Ortigas Jr., Pasig City
165	Sultan Kudarat - Isulan	#075 National Highway, Kalawag 2, Isulan, Sultan Kudarat
166	Sultan Kudarat - Tacurong	Alunan Highway, 9800 Tacurong, Sultan Kudarat
167	Taft - Vito Cruz	Bankard Bldg. 2422 Taft Avenue, 1004 Malate, Manila
168	Tarlac - F. Tañedo	27 F. Tañedo St., Brgy. Poblacion, Tarlac City 2300
169	Tarlac - J. Luna	J. Luna St. near corner MacArthur Highway, Brgy. Sto. Cristo, Tarlac City
170	Tarlac - Luisita	MacArthur Highway, Barangay San Miguel, Tarlac City
171	Timog - South Triangle	G/F President Tower, 81 Timog Ave. corner Scout Ybardolaza St., Brgy. South Triangle, Diliman, Quezon City
172	Tomas Morato - Kamuning	Corner Kamuning & Tomas Morato, Quezon City
173	Tuguegarao - Bonifacio St.	Bonifacio St., Tuguegarao, Cagayan

No.	BRANCH	ADDRESS
174	UN Avenue - J. Bocobo	EBC Bldg., UN Avenue corner J. Bocobo St., Ermita, Manila
175	Urdaneta - Alexander	Alexander St., Urdaneta City, Pangasinan
176	V.A. Rufino Valero	G/F Chattam House, Herrera St. corner Valero & San Agustin St., Salcedo Village, Makati City
177	Valenzuela - Malanday MacArthur Highway	#656 MacArthur Highway, Brgy Malanday, Valenzuela City 1444
178	Vigan - Quezon Avenue	Corner Bonifacio St. & Quezon Avenue, 2900 Vigan, Ilocos Sur
179	West Trade Center - West Avenue	Unit #1, G/F West Trade Center, West Avenue, Quezon City
180	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
181	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 2019 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	Nuvali Sta. Rosa	Lot 6 Block 9, Nuvali, Sta. Rosa, Laguna
4	Presidents Tower (Unit G3)	Ground Floor Presidents Tower, 81 Timog Ave. corner Scout Ybardolaza St., Brgy. South Triangle, Diliman, Quezon City
5	Taguig Warehouse	Arthuro 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 2019 owned by the Bank reserved for Lease or for future Branch / 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	Property Leasing Dept. (Potrero)	110 MacArthur Highway corner Riverside St. Potrero Malabon

No.	NAME	ADDRESS
7	Premises Management Division (Lipa - Rotonda)	CM Recto Avenue, Lipa City
8	PSE Tower	One Bonifacio High Street, 28th Street corner 5th Avenue, Bonifacio Global City, Taguig
9	RBSJ Tarlac Building (Monarch)	Lot 3-H & 3-I-2 Sto. Cristo, J.P. Rizal Extension, Tarlac City
10	Shell House	156 Valero St. Salcedo Village Makati City

F. Presented below is a list of the Bank's principal property as of 31 December 2019 owned by the Bank which is utilized as Head Offices and partly vacant:

No.	NAME	ADDRESS
1	Citibank Center	8741 Paseo de Roxas Cor. Villar St. Salcedo Village Makati City

G. Presented below is a list of the Bank's owned building on a leased lot as of 31 December 2019 which are currently tenanted:

No.	NAME	ADDRESS
1	RBSJ Lapaz Tarlac	Lot 981, 982 & 984, San Isidro, Lapaz, Tarlac

(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. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the statements of income, amounted to ₱9,680, ₱9,509 and ₱8,412 in 2019, 2018 and 2017, respectively, in BDO Unibank Group's financial statements, and ₱8,278, ₱8,129 and ₱7,046 in 2019, 2018 and 2017, respectively, in the Parent Bank's financial statements

A list of these leased properties is as follows:

(a) Utilized as Head Offices as of 31 December 2019:

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	Customer Contact Center	4th floor, Asian Star Building, Asean Drive, Filinvest Corporate City, Alabang, Muntinlupa City
4	Ebanking Center	3rd Level Tower 1, The Enterprise Center, 6766 Ayala Avenue Makati City
5	SM Keppel Podium	ADB Avenue, Ortigas Center, Mandaluyong City

(b) Utilized as Representative Offices located abroad as of 31 December 2019:

No.	NAME	ADDRESS
1	China Representative Office	Level 24, China World Office 1, Beijing, China
2	Korea Representative Office	23 rd 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

(c) Utilized leased lot as ATM offsite location as of 31 December 2019:

No.	NAME	ADDRESS
1	Clark Philexcel	Philexcel Business Park, M.A. Roxas Highway, Clark Freeport Zone, Pampanga

(d) Utilized as Regional Offices as of 31 December 2019:

No.	NAME	ADDRESS
1	CLG Office – Batangas P. Burgos	PBC Building, Brgy. 13 P. Burgos St. Batangas City
2	CLG Office - Dagupan	3F & 4F Rudel Building, Perez Blvd. Cor. Guilig St, Dagupan City
3	CLG Office - Tuguegarao	2F Sychangco Bldg. Bonifacio Street, Tuguegarao City Cagayan
4	CLG Office - Legaspi Albay	2/F City Enterprise Building Landco Business Park F. Imperial St., Bgy. Capantawan, Legazpi City, Albay
5	CLG Office – Waltermart Calamba	2nd Floor Waltermart Makiling, Brgy. Makiling National Highway Calamba Laguna
6	CLG Office – SM City Iloilo	LG/F SM City Iloilo, Benigno Aquino Avenue, Barangay Boliao, Mandurriao, Iloilo City
7	CLG Office – Laoag Ilocos	G/F Insular Life Bldg, Balintawak St. Laoag City Ilocos Norte
8	CLG Office – Crosstown Mall Sta. Rosa	Crosstown Mall, Purok 4, Sta. Rosa Tagaytay Road, Pulong Sta. Cruz City, Sta. Rosa, Laguna
9	CLG 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

(e) Metro Manila Branches

1. Lot leased

No.	BRANCH	ADDRESS

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, Paranaque 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	EDSA - Pasay	507 EDSA corner B. Garcia St., 1300 Pasay City
6	Isidora Hills	BDO Bldg., Pook Ligaya Riding Ground, Interneighborhood Road, Isidora Hills Subdivision, Barangay Holy Spirit, Quezon City
7	JAS - Recto	1174 J. Abad Santos Avenue, Tondo, Manila
8	Las Piñas - BF Resort	BDO Bldg., Blk 4 Lot 9 BF Resort Drive Phase 4, BF Resort Village, Las Piñas
9	Makati - J.P. Rizal	872 JP Rizal St. Barangay Poblacion, Makati City
10	Makati - P. Ocampo Sr. Ext.	243 P. Ocampo Sr. corner Flor de Lis St., Brgy La Paz, Makati City
11	Marikina - Tañong	223 A. Bonifacio Avenue, Brgy. Tañong, Marikina City
12	Mayon	No.166 Mayon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City
13	Mayon - Simoun	116 Mayon St., Sta. Mesa Heights, Brgy. Lourdes, Quezon City
14	Monumento	MacArthur Highway corner Calle Uno, Caloocan City
15	Novaliches	1016 Quirino Highway Town Proper, Barangay Monica , Novaliches, Quezon City
16	Novaliches - Lagro	Lot 2-B-6 (LRC) PSD-341349, Quirino Highway, Lagro, Novaliches, Quezon City
17	Paso De Blas - North Expressway	Lot 921-B-1-B, Paso De Blas Road, Brgy. Paso De Blas, Valenzuela City
18	Project 8 - Shorthorn	BDO Bldg., No. 41 Shorthorn St., Barangay Toro, Project 8, Quezon City
19	Quezon City - Kalayaan Avenue	#108 Kalayaan Avenue, Brgy. Central, Central, Quezon City
20	Visayas Avenue - Project 6	57 Visayas Avenue (Near Sanville Subdivision), Quezon City

2. Building leased

No.	BRANCH	ADDRESS

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. corner Edades St., Makati City
4	A. Arnaiz-San Lorenzo Village	L & R Bldg., 1018 A. Arnaiz Avenue, Makati City
5	A. Bonifacio Ave. - Cloverleaf	2/F, Space No. 201A, 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. cor. 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., Brgy. Bagumbayan, Quezon City
9	Adriatico - Sta. Monica	1347 Adriatico near corner Sta. Monica across Robinsons Place Manila, Brgy. 669, Ermita, Manila
10	Alabang - Madrigal Avenue	Molito 2 Building, Units 1,2 & 3, Alabang-Zapote Road corner Madrigal Avenue, Alabang, Muntinlupa City
11	Alabang Hills	Unit G02 UGF Madison Galleries, No. 398 Don Jesus Blvd., Brgy. Cupang, Alabang Hills, Muntinlupa City
12	Anonas - Kamias	Anonas St. corner K-6 St. East Kamias, 1102 Quezon City
13	Araneta Center - Ali Mall II	Level 2, #s A202019-202020R, Ali Mall II, P. Tuazon Avenue, Araneta Center, Brgy. Socorro, Cubao, Quezon City
14	Araneta Center - Gateway Mall	#00016 Gateway Mall, Gen. Malvar Avenue, Brgy. Socorro, Cubao, Quezon City
15	Arranque	1359-1361 Soler St. Sta. Cruz, Manila
16	Arranque - Severino Reyes	1451-1457 C.M. Recto corner Severino Reyes St., Sta. Cruz, Manila
17	Aseana - Monarch Parksuites	Space 118 Monarch Parksuites, Bradco Avenue, Aseana Business Park, Brgy. Baclaran, Parangue City
18	Aurora Blvd. - Anonas	Manahan Bldg. Aurora Blvd. corner Anonas Avenue, Quezon City
19	Aurora Blvd. - Broadway Centrum	Broadway Centrum Condominium, Aurora Blvd. corner Doña Juana Rodriguez St., 1112 Valencia, 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

No.	BRANCH	ADDRESS
22	Aurora Blvd. - Princeton Residences	SMDC Princeton Residences (LC102a-103d), Aurora Blvd., Brgy. Valencia, Quezon City
23	Ayala - Rufino	G/F Rufino Bldg., Ayala Avenue corner Herrera St., 1226 Makati City
24	Ayala Alabang	G/F Condominium C Unioil Center Bldg. Acacia Avenue corner Commerce Avenue, Ayala Alabang, Muntinlupa
25	Ayala Alabang - Richville Center	Richville Center 1314 Commerce Avenue Extension, Madrigal Business Park, Ayala Alabang Muntinlupa
26	Ayala Avenue	6805 Multinational Bancorporation Bldg., Ayala, Makati City
27	Ayala Avenue - People Support	G/F People Support Center Amorsolo St. corner Ayala Avenue, Makati City
28	Ayala Avenue - SGV 1 Bldg.	G/F SGV 1 Building, 6760 Ayala Avenue, Makati City
29	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
30	Ayala Triangle 1	GM-B G/F Tower 1, Ayala Triangle, Ayala Avenue, 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	Unit 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 - 9th Avenue	Active Fun Bldg., 9th Avenue corner 28th St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City

No.	BRANCH	ADDRESS
44	BGC - Burgos Circle	Unit 1-F & 1-E G/F, Crescent Park Residences, 2nd Avenue corner Burgos Circle, Bonifacio Global City, Taguig City
45	BGC - Crescent Park West	Arthaland & Century Pacific Tower, 30th St. corner 4th Avenue, Crescent Park West, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig
46	BGC - Ecotower	G/F Ecotower, 32nd St., corner 9th Avenue, Bonifacio Global City, Taguig City
47	BGC - Fort Legends	G/F Fort Legends Tower corner 31st St. & 3rd Avenue, Bonifacio Global City, Taguig City
48	BGC - Grand Hamptons Tower	Grand Hamptons Tower, 1st Avenue corner 31st St., Bonifacio Global City, Taguig City
49	BGC - Inoza Tower	G/F, Inoza Tower, 39th Street, Bonifacio North Triangle, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
50	BGC - J.Y. Campos Center	G/F J.Y. Campos Center , 30th St. corner 9th Avenue, Bonifacio Global City, Taguig
51	BGC - Market Market	Space No. 101 Market Market, Bonifacio Global City, Fort Bonifacio, Taguig, MM
52	BGC - MC Home Depot	G/F MC Home Depot, 32nd St. corner Bonifacio Avenue, Bonifacio Global City, Taguig
53	BGC - Net Park	Net Park, 4th Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
54	BGC - One McKinley Place	G/F One McKinley Place, 4th Avenue corner 25th St., Bonifacio Global City, Taguig
55	BGC - One Park Drive	G/F Retail Unit Nos. 1 & 2, One Park Drive, 9th Avenue cor. 11th Drive, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
56	BGC - Phil. Stock Exchange	5/F One Bonifacio High Street Bldg., 28th St. corner 5th Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
57	BGC - Picadilly Star	G/F Picadilly Star Corporate Center, 4th Avenue corner 27th St. Bonifacio Global City, Taguig
58	BGC - Shangri-La The Fort	Unit GF 22,G/F Shangri-La at the Fort Manila, 30th St. cor. 5th Ave.. Brgy. Fort Bonifacio, Bonifacio Global City, Taguig
59	BGC - St. Luke's	St. Luke's Medical Center, Rizal Drive corner 5th Avenue & 32nd St., Fort Bonifacio Global City, Taguig
60	BGC - University Parkway	G/F Avecshares Center, 1132 University Parkway, Bonifacio North Triangle, Bonifacio Global City, Taguig
61	BGC - World Plaza	G F, Unit 6, World Plaza, 4th Avenue, Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
62	Bicutan - East Service Road	Prime Corporate Center, Km. 15 East Service Road corner Marian Road 2, Brgy. San Martin de Porres, Parañaque City

No.	BRANCH	ADDRESS
63	Bicutan - Sun Valley	RA024-RA026, Aria A Amaia Steps Bicutan, Sun Valley Drive, Brgy. Sun Valley, Paranaque City
64	Bicutan - West Service Road	HRDC Bldg., KM. 16 South Super Highway cor. Acsie Road, Severina Industrial Estate, Brgy. Marcelo Green, Paranaque
65	Binondo - Rosario	483-485 G/F Quintin Paredes St., Binondo, Manila
66	Binondo - San Fernando	Units 1-6, G/F, 500 San Fernando St., San Nicolas, 026, Brgy. 282, Manila
67	Bocobo - Pedro Gil	G/F Altra Center, 1663 Bocobo St., Brgy 698, Malate, Manila
68	Boni - Dansalan	G/F Exbonytz, Inc. Bldg. Boni Avenue corner M. Vicenter St., (formerly Dansalan St), Mandaluyong City
69	Boni - Ligaya	654 Boni Avenue, 1550 Mandaluyong City
70	Bonifacio Global City - The Infinity Tower	Unit 103 The Infinity Tower, 26th St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig
71	Bonny Serrano Avenue	Unit 11 & 12, Aguinaldo Corporate Centre 125 Col. Bonny S. Serrano Avenue Brgy. Socorro, Quezon City
72	Buendia - Taft	No. 401 Sen. Gil Puyat Ave. cor. Dominga St., Brgy. 48, Pasay City
73	C.M. Recto - Reina Regente	1059 CM Recto Avenue corner Reina Regente St., Binondo, Manila
74	Cainta - Sumulong Highway	Along Sumulong Highway, Brgy. Balanti, Cainta, Rizal
75	Calle Industria - Circulo Verde	G/F Unit I-102, Industria, Circulo Verde, No. 70 Calle Industria, Brgy. Bagumbayan, Quezon City
76	Caloocan	Rizal Avenue Extension near corner 11th Avenue, Grace Park, Caloocan City
77	Caloocan - A. Mabini	G/F Corazon Bldg., 432 A. Mabini St. Poblacion, Caloocan City
78	Caloocan - Maypajo	G/F, Units 1-3, 237 A. Mabini St., Brgy. 26, Zone 3, District II, Caloocan City
79	Caloocan - Primark Deparo	Primark Town Center Gilmar's Place Subd, BF Homes Brgy. 168, Deparo, Caloocan City
80	Caloocan 7th Avenue	Rizal Avenue Extension corner 7th Avenue, Caloocan City
81	Carmen Planas	Nos. 822, 824 & 826 Carmen Planas St., Brgy. 269, Zone 25, District 3, Manila
82	Carmen Planas - P. Rada	1033-1035 C. Planas St. 1012 Tondo, Manila
83	Carmen Planas - Zaragosa	921 Carmen Planas St. corner Zaragosa St. Tondo, Manila
84	Cash & Carry	G/F Unit No. G01A, Cash & Carry Mall, South Super Highway & Filmore St., Makati City
85	Central Market - V. Fugoso	1724 V. Fugoso St., Brgy. 311 Zone 31, District 3 Sta. Cruz, Manila

No.	BRANCH	ADDRESS
86	Chino Roces Avenue	Units 3 & 4 La Fuerza Plaza, Chino Roces, Makati City
87	Chino Roces Avenue V.A. Rufino	G/F Pacifica One Center, 2178 Don Chino Roces Avenue, Brgy. Pio Del Pilar (North Arnaiz), Makati City
88	Chino Roces Extension - Lumbang	G/F Dacon Bldg., 2281 Chino Roces Ave., Ext., Brgy. Magallanes, Makati City
89	City of Dreams Manila	2nd Level, City of Dreams Manila, Aseana cor. Roxas Blvd., Brgy. Tambo, Parañaque City
90	Commonwealth	G/F Teresita Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City
91	Commonwealth - Don Antonio	Don Antonio Sports Center, Don Antonio (former Holy Spirit Drive), Don Antonio Heights Subdivision, Quezon City
92	Commonwealth - Ever Gotesco	Ever-Gotesco Commonwealth Center, Don Mariano Marcos Avenue corner Don Antonio Road, Brgy. Batasan Hills, Quezon City
93	Commonwealth - Shopwise	Units A3 and A4, G/F, Shopwise Commonwealth, Commonwealth Avenue, Brgy. Holy Spirit, Quezon City
94	Congressional Ave. Ext. - T.M. Kalaw	Blk. 3 Lot 6 Mira Nila Homes, Congressional Ave. Ext., Brgy. Pasong Tamo, Quezon City
95	Congressional Avenue	The Excelland System I Congressional Avenue, Quezon City
96	Congressional Avenue - Project 8	149 Congressional Ave., Brgy. Bahay Toro, Project 8, Quezon City
97	Cubao - P. Tuazon	MEC Tower, P. Tuazon Ave. cor. 21st St., Cubao, Quezon City
98	Dapitan St. - A.H. Lacson Ave.	Dioresa Plaza, Dapitan St. corner A.H. Lacson Avenue, Sampaloc, Manila
99	Del Monte - Araneta Avenue	641 Del Monte Avenue., San Francisco Del Monte, Quezon City
100	Del Monte - Sienna	409 Del Monte Avenue, Quezon City 1105
101	Del Monte Avenue	63 Del Monte Avenue, Barangay Manresa, Quezon City
102	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
103	Dela Rosa - Rada	Ace Bldg., corner Dela Rosa & Rada St., Legaspi Village, 1229 Makati City
104	Diliman - Capitol Hills	16 Capitol Hills Drive, Old Balara, Diliman, Quezon City
105	Diliman - Matalino	G/F Suntrust Capitol Plaza, Matalino St. cor. City Hall Drive cor. Makatarungan St., Brgy. Central, Diliman, Quezon City

No.	BRANCH	ADDRESS
106	Divisoria - Juan Luna	744-746 Ilaya St., San Nicolas 025, Brgy. 268, Tondo, Manila
107	Divisoria - Sta. Elena	668 Sta. Elena St., Binondo, Manila
108	Dr. A. Santos Avenue	LT Bldg. Dr. A. Santos Avenue, Paranaque City
109	Dr. A. Santos Avenue - Amaia Steps	Units R108-R112, Amaia Steps Sucat, Dr. A. Santos Ave., Brgy. San Antonio, Parañaque City
110	Dr. A. Santos Avenue - Puregold Evacom	Commercial Units No.8-10, Puregold San Dionisio, Dr. A. Santos Avenue, Brgy. San Dionisio, Parañaque City
111	Dr. A. Santos Avenue - UPS 5	G/F Omniworx Business Centre, 0060 Dr. A. Santos Avenue, Brgy. San Isidro, Parañaque City
112	E. Rodriguez - Welcome Rotonda	G/F AEK Bldg., 40 E. Rodriguez Sr. Avenue, Don Manuel, Quezon City
113	E. Rodriguez Jr. Ave. - Bridgetowne	Shop 2-6 Tera Tower at Bridgetowne, E. Rodriguez Jr. Ave., Libis, Quezon City
114	E. Rodriguez Sr. - Hillcrest	G/F Rhodium Square Bldg., 1659 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Quezon City
115	Eastwood City - E. Rodriguez Jr. Ave.	Magnitude Commercial Arcade E. Rodriguez Jr. Avenue Bagumbayan, Quezon City
116	Eastwood City - IBM Plaza	G/F IBM Plaza, Eastwood City, E. Rodriguez Jr., Avenue, Bagumbayan, Quezon City
117	Eastwood City - Olympic Heights	G/F Olympic Heights, Eastwood City Cyberpark, Bagumbayan, Quezon City
118	Echague	No. 116-120 C. Palanca St. Quiapo, Manila
119	EDSA - A. De Jesus	474 EDSA corner B. Serrano & A. De Jesus St, 1403 Caloocan City
120	EDSA - Balintawak	G/F 1310 Edsa, Brgy Apolonio Samson, Balintawak, Quezon City
121	EDSA - Bangkal	No. 3 EDSA, Barangay Bangkal, Makati City
122	EDSA - Boni Avenue	LG/F, Phinma Properties Center, No. 29 Edsa, Brgy. Barangka Ilaya, Mandaluyong City 1500
123	EDSA - East Avenue	G/F Macdouton Building, 768 Edsa near cor. East Avenue, Brgy. Pinyahan, Cubao, Quezon City
124	EDSA - East Caloocan	L & E Bldg. EDSA corner Gen. Concepcion St, Caloocan City
125	EDSA - Eton Centris	Retail B. Cyberpod Centris Three Eton Centris, Edsa corner Quezon Ave., Brgy. Pinyahan, Quezon City 1100
126	EDSA - Kalayaan Avenue	G/F Palmyra Bldg., Kalayaan Avenue corner Edsa, Brgy. Pinagkaisahan Makati City
127	EDSA - New Farmers Plaza	Unit 1-B, G/F New Farmers Plaza, General Roxas Avenue, Araneta Center, Cubao, Quezon City
128	EDSA - New York	EDSA corner New York St., Cubao 1111 Quezon City

No.	BRANCH	ADDRESS
129	EDSA - Ortigas	Maranaw Plaza, 187 Edsa, Brgy. Wack-Wack, Greenhills East, Mandaluyong City
130	EDSA - Panorama - Technocenter	G-02 Panorama Technocenter, 1029 Edsa, Brgy Veterans Village I, Quezon City
131	EDSA - POEA	POEA Bldg., EDSA corner Ortigas Avenue, Mandaluyong City
132	EDSA - Skysuites Towers	927 The Skysuites Towers, Quezon Ave. cor. Edsa, Brgy West Triangle , District 1, Quezon City
133	EDSA Cubao	596 Simeon Medalla Bldg., corner Gen. McArthur Avenue, EDSA, Quezon City
134	Elcano	SHC Tower 619 Elcano St. San Nicolas, Manila
135	Emerald Avenue	G/F Unit 101 Taipan Place, Don Francisco Ortigas Jr. Road, Pasig
136	Escolta	303 Escolta St., Brgy. 291, Binondo, Manila
137	España	Carmen Bldg. Espana corner G. Tolentino St. Sampaloc, Manila
138	España - Basilio	España St. corner Basilio St. corner Instruccion St., Brgy 524, Manila
139	España - Blumentritt	2101-2103 España Avenue corner Blumentritt St. 1008 Sampaloc, Manila
140	España - Grand Residences 2	C1-C2, Grand Residences España Tower 2, 958 A.H. Lacson St., Brgy. 479, Zone 47, Sampaloc, Manila
141	España - M. dela Fuente	Esperanza Place, España Blvd. corner M. Dela Fuente St., Sampaloc, Manila
142	Evangelista - Makati	1695 Evangelista St corner Gen. Lacuna St. Bangkal, Makati City 1233
143	F. Ortigas Jr. Road	G/F Ortigas Center Association, Inc. Bldg., F. Ortigas Jr. Road, Brgy. Oranbo, Ortigas Center, Pasig City
144	Fairview - Ayala Terraces	UG/F Space No.U066, Ayala Fairview Terraces, Quirino Highway corner Maligaya Drive, Brgy. Pasong Putik, Novaliches, Quezon City
145	Fairview - Brittany Square	GF IL 103, Brittany Square, Belfast St. corner Mindanao Avenue Extension, Brgy. Pasong Putik, Fairview, Quezon City
146	Fairview - Fairmont	Regalado Avenue, Brgy. North Fairview, Novaliches, Quezon City
147	Fairview - Peacock Plaza	Peacock Plaza, Lot 1 Blk 2, Commonwealth Avenue. cor. Peacock St., Brgy. Fairview Park, Quezon City
148	Fairview - Regalado	G/F Regalado Hive, Regalado Ave., Brgy Fairview, Quezon City
149	Fairview Doña Carmen	Shopking Doña Carmen Commercial Center, Commonwealth Avenue, Brgy. North Fairview, Quezon City

No.	BRANCH	ADDRESS
150	Filinvest - Alabang	G/F Tower 1, Insular Life Corporate Center, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City
151	Filinvest - Civic Drive	Units 7 & 8, AA Corporate Plaza, Civic Drive, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
152	Filinvest - Northgate Aeon Center	Space 2, Aeon Center, Alabang Zapote Road corner North Bridgeway, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
153	Filinvest - Spectrum Midway	Space 3 & 4, Polaris Bldg., Spectrum Midway St., Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
154	Filinvest Avenue	G/F BC Group Bldg., Filinvest Ave. corner Commerce Ave. Brgy. Ayala Alabang, Filinvest Corporate City, Alabang, Muntinlupa
155	FiveE-comCenter	G/F FiveE-comCenter, Pacific Drive cor. Bayshore Ave., Brgy. 76, Zone 10, Mall of Asia Complex, Pasay City
156	Fort Bonifacio - Bayani Road	Bayani Road corner M. Roxas St., Fort Bonifacio, Taguig
157	Fort Bonifacio - McKinley Hill	G/F Three World Square, McKinley Hill, Fort Bonifacio, Taguig
158	Fort Bonifacio - McKinley West	LG/F Shops 3-5, Cyber Sigma, Lawton Avenue, McKinley West, Brgy. Fort Bonifacio, Taguig City
159	G. Araneta - Brixton Hill	G/F ILO Bldg. 195 G. Araneta Avenue, Quezon City
160	Gandara	811-813 Sabino Padilla St. (formerly Gandara St.) Sta. Cruz , Manila
161	Gandara - Soler	1268 Soler St. corner S. Padilla St., 1006 Binondo, Manila
162	GC Corporate Plaza - Legaspi St.	150, GC Corporate Plaza, Legazpi St., Legaspi Village, Makati City
163	General Luis	297 Gen. Luis St., Barrio Kaybiga, Caloocan City
164	Gil Puyat - Filmore	1320 Filmore St., Brgy. Palanan, Makati City
165	Gil Puyat - Harrison	Unit IC, ID & IE, No. 53 Gil Puyat Avenue, Brgy. San Rafael, Pasay City
166	Gil Puyat - Metro House	Metro House Building, 345 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air, Makati City
167	Gil Puyat - Taft	336-338 Gil Puyat Avenue, Brgy. 49, Pasay City
168	Gil Puyat - TechZone	G/F TechZone Philippines Bldg., 213 Sen. Gil Puyat Ave., Brgy. San Antonio , Makati City
169	Grace Park	G/F A & R Bldg. 213 Rizal Avenue Extension Grace Park, Caloocan City
170	Grace Park - 11th Avenue	1619 Rizal Avenue Extension corner 11th Avenue, 1400 Caloocan City
171	Grass Residences	Unit 101-102B, The Strip at Grass Residences, Misamis St. corner Nueva Ecija and Nueva Vizcaya Sts., Brgy. Sto. Cristo 3, Quezon City

No.	BRANCH	ADDRESS
172	Greenbelt Legaspi St.	G/F 108 Legaspi St. corner Paseo de Roxas, Pioneer House Bldg., Legaspi Village, Makati City
173	Greenhills - Annapolis	Unit 101 G/F Vasquez-Madrigal Plaza, Annapolis, Greenhills, San Juan
174	Greenhills - Connecticut	G/F Belomed Bldg., No. 49 Connecticut St., Brgy Greenhills, San Juan City
175	Greenhills - O Square	G/F Unit OS-105, O Square Greenhills Shopping Center, Ortigas Avenue, Brgy. Greenhills, San Juan City
176	Greenhills - West	101 Limketkai Bldg., Ortigas Avenue, San Juan, MM
177	Greenhills - Wilson	227 Wilson St., corner Don Miguel St., San Juan, MM
178	Greenhills Shopping Center	G/F Jewellery Center, Greenhills Shopping Center, Brgy. Greenhills, San Juan City
179	H.V. Dela Costa	120 Westgate Plaza Condominium, Salcedo Village, Makati City
180	Harrison Plaza	Unit R-5 URDI Bldg. Harrison Plaza Shopping Complex F. B. Harrison Malate, Manila
181	Ilaya	1049-1051 Ilaya St. Divisoria, Manila
182	Ilaya - Padre Herrera	1089 Ilaya St., Brgy.3, Zone 01, Tondo, Manila
183	Intramuros	G/F Chamber of Commerce Bldg., #3 Magallanes Drive, Intramuros, Manila
184	J Abad Santos	G/F Ching Leong Temple, J. Abad Santos Avenue, Tondo, Manila
185	JAS - Antipolo	G/F Intercast Corporate Tower 2230 J. Abad Santos Avenue, Tondo, Manila
186	Juan Luna	262 Juan Luna St., Binondo, Manila
187	Julia Vargas - IBP Tower	G/F IBP Tower, Dona Julia Vargas Avenue and Jade Drive, Ortigas Center, Brgy. San Antonio, Pasig City
188	Julia Vargas - Ortigas Technopoint One	Unit Nos. G04-07, OTP Bldg. 1, No. 01, Julia Vargas Avenue, Ugong, Pasig City
189	Julia Vargas - Valle Verde	Units L1-01 & L1-02, Silver City, Frontera Verde, Brgy. Ugong, Pasig City
190	Jupiter - Reposo	G/F CEI Headquarters, 158 Jupiter St. corner N. Garcia St., Bel-Air Village, Makati City
191	Kamagong	2567 P. Ocampo (Vito Cruz Extension) corner Madre Perla St. Manila
192	Kamias Road	Trinidad Bldg., Kamias Road corner K-J St., Quezon City
193	Karrivin Plaza - Chino Roces Avenue Ext.	G/F Building A, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City
194	Karuhatan - MacArthur Highway	KM. 13 McArthur Highway, 1441 Karuhatan, Valenzuela, Metro Manila

No.	BRANCH	ADDRESS
195	Katipunan	Regis Center, No. 327 Katipunan Avenue corner F. dela Rosa St., Loyola Heights, Quezon City
196	Katipunan - Blue Ridge	G/F, Place One Building, 205 Katipunan Avenue, Brgy. Milagrosa, Quezon City
197	Katipunan - Loyola Heights	De Borja Commercial Bldg., 299 Katipunan Avenue, Brgy Loyola Heights, Quezon City
198	Katipunan - Xavierville	G/F Xavierville Square Condominium, 38 Xavierville Avenue, Loyola Heights, Quezon City
199	Katipunan Avenue - U.P. Town Center	Second Level, Phase 2, Space No. 278a, Ayala Mall U.P. Town Center, Katipunan Avenue, Brgy. U.P. Campus, Quezon City
200	Katipunan Avenue Blue Residences	Strip at Blue, Blue Residences (LC 104-107A), Katipunan Ave. corner Aurora Blvd., Brgy. Loyola Heights, Quezon City
201	Las Piñas - Almanza	Alabang-Zapote Road, Almanza Uno, Las Piñas, Metro Manila
202	Las Piñas - Evia Daang Hari	Evia Lifestyle Center, Daang Hari Road, Tindig na Mangga, Brgy. Almanza Dos, Las Piñas City
203	Las Piñas - J. Aguilar Avenue Casimiro	Blk. 1 Lot 9 J. Aguilar Avenue, Casimiro Village 3, Brgy BF International, Las Piñas City
204	Las Piñas - Marcos Alvarez Avenue	B-2 L-19 Kimberkay Bldg., Marcos Alvarez Ave., Brgy. Talon Cinco, Las Piñas City
205	Las Piñas - Naga Road	Near corner Naga Road and Main Access Road, E.T. Homes 2, Pulanglupa 2, Las Piñas City
206	Las Piñas - Pamplona Tres	Unit 101-104, G/F, Lot G & H, Torre Sur, Alabang Zapote, Brgy. Pamplona Tres, Las Pinas City
207	Las Piñas - Talon	G/F Motiontrade Bldg., Alabang-Zapote Road, Talon, Las Pinas City
208	Lavezares	321-325 Garden City Condominium corner Lavezares & Camba St. San Nicolas, Manila
209	Legaspi Village - C. Palanca	G/F Colonade Residences, No. 132 Legaspi Village, Makati City
210	Legaspi Village - Gamboa	KL Tower 117 Gamboa Street, Legaspi Village, Brgy. San Lorenzo, Makati City
211	Legaspi Village - Salcedo St.	Maxicare Tower. 203 Salcedo St. Legaspi Village, Makati City
212	Leon Guinto - Gen. Malvar	Wynn Plaza Commercial Unit 2, 1674 Leon Guinto cor. Gen. Malvar & Agoncillo Sts., Brgy. 694, Zone 075, Malate, Manila
213	Leon Guinto - San Andres	G/F Unit A Queen Rose Bldg, 911 San Andres St. cor. Leon Guinto St., Brgy 723, Malate, Manila
214	Loyola Heights - Berkeley Residences	G/F Berkeley Residences, Katipunan Ave. corner Escaler St., Loyola Heights, Quezon City

No.	BRANCH	ADDRESS
215	Macapagal Blvd. - Aseana 3	G/F, Shop 3, Aseana 3, Pres. Diosdado Macapagal Blvd. corner Asean Avenue, Aseana City, Brgy. Tambo, Paranaque City
216	Macapagal Blvd. - Bay Area	Space Number 2013, Ayala Malls Manila Bay, Diosdado Macapagal Blvd. corner Asean Avenue, Brgy. Tambo, Paranaque City
217	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
218	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
219	Macapagal Blvd. - W-Mall	G/F W-Mall Macapagal, Diosdado Macapagal Avenue corner Coral Way, Brgy. 76 Zone 10, Pasay City
220	Magallanes Village	Unit 104 The Gate Way Center, Paseo de Magallanes, Magallanes Village, Makati City
221	Makati - Circuit Mall	Level 2, L2 049-L2 050, Ayala Malls Circuit, Circuit Makati, Hippodromo St., Brgy. Carmona, Makati City
222	Makati - Esteban	G/F A & V Crystal Tower, 105 Esteban St., Legaspi Village, Makati
223	Makati - Evangelista Macabulos	G/F QS Bldg., Evangelista St. corner General Macabulos St., Brgy. Bangkal, Makati City
224	Makati - Gramercy Residences	G/F Gramercy Residences, The Century City, Salamanca St., Brgy. Poblacion, Makati
225	Makati - Jazz Residences	G/F Jazz Residences, Jupiter St. corner N. Garcia St., Brgy. Bel-Air, Makati City
226	Makati - Metropolitan Avenue	G/F Metropolitan Terraces Metropolitan Avenue corner Sacred Heart St., (formerly Dao St.), Makati City
227	Makati Avenue - Zuellig	G/F Zuellig Building, Paseo de Roxas corner Makati Avenue. Makati City
228	Makati Medical Center	G/F Makati Medical Center Bldg., Salcedo St., corner Dela Rosa St., Legaspi Village, Makati City
229	Makati Shangrila Hotel	Unit 191 Shangrila Hotel Manila, Ayala Center, Makati City
230	Malabon - Concepcion	G/F Teresita Bldg., No.4 Gov. Pascual Avenue, Brgy. Baritan, Malabon City 1470
231	Malabon - Fisher Mall	Unit 1/F, G/F Malabon-Fisher Mall, Circumferential Road 4 Dagat-Dagatan Avenue, Brgy Longos, Malabon City 1472
232	Malabon - Gov. Pascual	G/F MGC Veranda Bldg., 31 Gov. Pascual Avenue, Tinejeros, Malabon City
233	Malanday - McArthur Highway	G/F & 2/F, 584 MacArthur Highway, Brgy. Malanday, 1405 Valenzuela City
234	Malate - Adriatico	Adriatico Executive Center, Adriatico St., Ermita,

No.	BRANCH	ADDRESS
		Manila
235	Mall of Asia - S Maison	G/F S Maison, Marina Way, Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City
236	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
237	Mall of Asia - Shell Residences	SMDC Shell Residences (LC 123), EDSA corner Road 11, Brgy. 76, SM Mall of Asia Complex, Pasay City
238	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
239	Mandaluyong - Calbayog	DMG Center, Libertad St. corner M. Cruz St., Mandaluyong City
240	Mandaluyong - Libertad	Sierra Madre St. corner Libertad St., Mandaluyong City
241	Mandaluyong - Light Mall	G/F Light Mall, Light Residences, Edsa corner Madison St., Brgy. Barangka Ilaya, Mandaluyong City
242	Mandaluyong - Reliance	G/F, Units 3 & 4 Launch Pad Bldg., Reliance corner Sheridan Sts., Brgy. Highway Hills, Mandaluyong City
243	Mandaluyong - Rockwell Sheridan	Retail 10, G/F The Rockwell Business Center - Sheridan, Sheridan St. corner United St., Brgy. Highway Hills, Mandaluyong City
244	Manila - Otis	1763 Paz Mendoza Guanzon St., Paco, Manila
245	Marikina - Calumpang	Florida I Bldg., J.P. Rizal corner M.A. Roxas St., Calumpang, Marikina City
246	Marikina - Gil Fernando Avenue	Gil Fernando Avenue corner Dragon St., Marikina City
247	Marikina - J.P. Rizal	265 Jose Rizal St., Sta. Elena, 1800 Marikina City
248	Marikina - Katipunan	G/F 107 Guerdon Commercial Center, Katipunan Avenue cor. Rainbow St., Brgy. Concepcion Dos, Marikina City
249	Marikina - Lamuan	J.P. Rizal St., near corner Malaya St., Barangay Lamuan, Marikina City
250	Marikina - Nangka	Unit 1A G/F Bldg. 2 Citi Centre Nangka, J.P. Rizal Avenue corner Puerto Rico Avenue, Nangka, Marikina City
251	Marikina - Parang	105 Gen. B.G. Molina St., Brgy. Parang, Marikina City
252	Marikina Heights	G/F Commercial Unit No. 108-110, Puregold & Ayala Malls Marikina, Liwasang Kalayaan, Brgy. Marikina Heights, Marikina City
253	Masangkay	Lun Hong Townmates Association Bldg., 1226 Masangkay St., Sta. Cruz, Manila
254	Masangkay - CM Recto	1029-1031 JP Bldg., Masangkay corner Tronqued St., Sta.

No.	BRANCH	ADDRESS
		Cruz, Manila
255	Masangkay - Luzon St.	907 Luzon St, corner Masangkay St., Tondo, Manila
256	Mascardo - Chino Roces Avenue	1101 Chino Roces corner Mascardo St., Brgy Sta. Cruz, Makati City
257	Mayon - N. Roxas	No. 241 Mayon Avenue corner Nicanor Roxas St., 1161 Quezon City
258	Maysilo Circle - F. Martinez Avenue	No. 315 Maysilo Circle, Brgy. Plainview, Mandaluyong City
259	Meralco - Ortigas	Meralco Compound, Ortigas Avenue, 1604 Pasig City
260	Meralco Avenue - Millenium Place	Unit 102 Millenium Place, Meralco Ave., Brgy. San Antonio, Pasig City
261	Mezza Residences	G/F Mezza Residences, Aurora Blvd. corner Araneta Avenue, Guirayan St., Barangay Doña Imelda, Quezon City
262	Mindanao Avenue - Bagong Pag-asa	Golden Sun Realty Bldg. II, No. 29 Mindanao Avenue, Brgy. Bagong Pag-asa, Quezon City
263	Mindanao Avenue - St. Charbel	G/F, Lot 2 Block 1, Mindanao Avenue, Brgy. Tandang Sora, Quezon City
264	Mindanao Avenue - Tandang Sora	G/F & 2/F, No.18 Mindanao Avenue, Brgy. Tandang Sora, Quezon City
265	Mindanao Avenue. Ext. - Brittany	EC Center Bldg., Mindanao Ave. Extension cor. Commonwealth Ave., Brgy. Pasong Putik, Quezon City
266	Mother Ignacia - M Place	SMDC M Place South Triangle (LC 106-107), Mother Ignacia corner Panay Avenue, Brgy. South Triangle, Quezon City
267	Muñoz - Roosevelt	328 Mesa Holdings Bldg., San Francisco Del Monte, Quezon City
268	Muntinlupa - East Bay Residences	Ground Floor, East Bay Residences, KM21, East Service Road, Brgy. Sucat, Muntinlupa City
269	Muntinlupa - Poblacion	G/F Elizabeth Center Bldg., National Road, Poblacion, Muntinlupa
270	N. Domingo - Gilmore Avenue	G/F Gilmore Tower, No. 2 Gilmore Ave. corner N. Domingo St., Brgy. Valencia, New Manila, Quezon City
271	N. Domingo - M. Paterno	G/F Maxsteel Bldg., No. 266 N. Domingo St., Brgy. Pasadena, San Juan City
272	NAIA 1	Arrival Area, Ninoy Aquino International Airport, Ninoy Aquino Avenue, 1705 NAIA Parañaque City
273	NAIA 3	Stall No.13, Arrival Lobby of Terminal 3, Ninoy Aquino International Airport, Andrews Avenue, Brgy. Villamor, Pas
274	Navotas	514 Northbay Blvd. corner Lacson St., Brgy. Bangkulasi, Navotas City 1485
275	Neptune - Makati Avenue	101 Neptune St. corner Makati Avenue 1209 Makati City

No.	BRANCH	ADDRESS
276	New Manila - E. Rodriguez Sr.	Unit 1G & 2E, 284 Doña Anita Bldg., E. Rodriguez Sr. Avenue, Quezon City
277	Newport City	G/F Newport Office Bldg. 1, Newport City, Pasay City
278	Newport City Plaza 66	Unit Retail 13a, Plaza 66, Newport City, Manlunas St., Brgy. 183, Villamor Airbase, Pasay City
279	Northbay - Virgo Drive	Melandrea V Bldg., Honorio Lopez Blvd. near corner Virgo, North Bay, Navotas City
280	Novaliches - Quirino Highway Bagbag	612 Quirino Highway, Brgy. Bagbag, Novaliches, Quezon City
281	Novaliches - Regalado Avenue	G/F, Lot 11 Block 114 Regalado Avenue, Brgy. Greater Lagro, Novaliches, Quezon City
282	Novaliches - S&R Commonwealth Ave.	G/F, Unit 1, S&R Commonwealth, Commonwealth Avenue corner Quirino Highway, Brgy. Kaligayahan, Novaliches, Quezon City
283	Novaliches - Trees Residences	The Strip at Trees Residences, Quirino Highway. Brgy. Pasong Putik, Novaliches, Quezon City
284	Novaliches - Zabarte	G/F C.I. Plaza, 1151 Quirino Highway corner Zabarte Road, Barangay Kaligayahan, Novaliches, Quezon City
285	Okada Manila Pearl Wing	Hotel Pearl Wing, Okada Manila, Atlantic Drive, Asiaworld City, Boulevard 2000, Brgy. Tambo and Don Galo, Parañaque City
286	Old Sta. Mesa - Albina	Newton Plaza, Old Sta. Mesa corner Albina St., Samplaoc, Manila
287	OneE-comCenter	G/F OneE-comCenter, Palm Coast Avenue, Mall of Asia Complex, Pasay City
288	Ongpin	Unit ABC Imperial Sky Garden Ongpin St. corner T. Pinpin St. Binondo, Manila
289	Ongpin - T. Alonzo	G/F Anchor Skysuites, No. 827 Ongpin St., Brgy.300, Zone 29, Sta. Cruz, Manila
290	Ongpin -Tomas Mapua	1004-1006 Ongpin St. Sta. Cruz, Manila
291	Ortigas - Garnet Road	Unit 1 G/F Cyberscape Alpha Bldg., Garnet & Sapphire Rds., Ortigas Central Business District, San Antonio, Pasig City
292	Ortigas - Octagon Centre	G/F Octagon Centre, San Miguel Avenue, Ortigas Center, Pasig City
293	Ortigas Ave. Ext. - Pasig	Along Ortigas Avenue Extension, Rosario, Pasig City
294	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
295	Ortigas Avenue Ext. - Pace Bldg	Pace Bldg, 98 Granada St., Ortigas Avenue Extension, Barangay Valencia, Quezon City
296	Ortigas Avenue Ext. - St. Joseph	15 A, Ortigas Avenue Extension corner Monaco St., Pasig City
297	Pablo Ocampo Sr. St. -	Barko Bldg., P. Ocampo Sr. St. corner Arellano Avenue

No.	BRANCH	ADDRESS
	Arellano Avenue	& Enrique St., Malate, Manila
298	Pacific Star - Makati	G/F Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City
299	Paco	1054-1060 Pedro Gil St., Paco, Manila
300	Padre Rada	G/F No. 481 Padre Rada St., Brgy. 01, Zone 01, Tondo, Manila
301	Parañaque - La Huerta	0422 Quirino Avenue corner J. Ferrer St., La Huerta, Parañaque City 1700
302	Parañaque - Moonwalk	G/F Seal I Bldg., Armstrong Avenue corner Yosemite St., Moonwalk Subdivision, Parañaque City
303	Parañaque - NAIA Road	G/F Park N Fly Carpark Bldg. 2, NAIA (MIA) Road cor. Mayuga St., Brgy. Tambo, Parañaque City
304	Parañaque - Pascor Drive	Sky Freight Bldg., Ninoy Aquino Avenue near corner Pascor Drive, St. Niño, Parañaque City
305	Parañaque - Sto. Nino	Units U & V, Columbia Airfreight Complex, No. 707 Ninoy Aquino Avenue, Brgy. Sto. Niño, Parañaque City
306	Parañaque Moonwalk E. Rodriguez Ave.	15413 A&M Bldg., E. Rodriguez Ave. corner Daang Batang St., Brgy. Moonwalk, Parañaque City
307	Parañaque-San Antonio Valley 1	San Antonio Plaza, Blk 6 Lot 20 & 21, San Antonio Ave., Brgy. San Antonio Valley 1, Sucat, Parañaque
308	Pasay - Domestic Road	Caltex Compound (PDSC / Park 'N Fly Bldg.), NAIA corner Domestic Road, 1300 Pasay City
309	Pasay - Two Shopping Center	2nd Level, Retail Shops Area, Two Shopping Center, Taft Avenue, Pasay City
310	Paseo de Roxas 2	G/F BDO Plaza, 8737 Paseo de Roxas St. Makati City
311	Pasig - 106 Shaw Boulevard	106 Shaw Blvd., Brgy. Kapitolyo, Pasig City
312	Pasig - A. Sandoval Ave.	G/F Isagabanna Bldg., A Sandoval Ave. corner Col. R. Fernandez St., Villa Alegre Subd., Brgy. Pinagbuhatan, Pasig City
313	Pasig - Amang Rodriguez Caruncho Road	Retail 1, Acacia Escalades, Amang Rodriguez corner Caruncho Road, Brgy. Manggahan, Pasig City
314	Pasig - C. Raymundo Ave.	JEMCO Bldg., Raymundo Ave. cor. Bernal St., Rosario, Pasig City
315	Pasig - Capitol Commons Estancia	Estancia Mall, Capitol Commons, Pasig City
316	Pasig - Caruncho	SG Bldg. Caruncho Avenue corner Market Avenue, Pasig City
317	Pasig - E. Rodriguez Jr. Lanuza Ave.	G/F Reliance Center, No. 99 E. Rodriguez Jr. Avenue, Barrio Ugong, Pasig City
318	Pasig - Felix Ave. Karangalan	G/F Hanlu Bldg., Felix Avenue, Karangalan Village, Brgy. Manggahan, Pasig City
319	Pasig - Kapasigan	Mariposa Arcade A. Mabini corner Dr. Pilapil St. Pasig City

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

No.	BRANCH	ADDRESS
342	Q. I. - E. Rodriguez Sr.	G/F Ablaza Bldg., 117 E. Rodriguez Avenue, Quezon City
343	Quezon Avenue - Araneta	G/F CSP Bldg., 815 Quezon Avenue, Quezon City
344	Quezon Avenue - Cordillera	No. 37 Quezon Avenue corner Cordillera St., Quezon City
345	Quezon Avenue - D. Tuazon	Unit 101 & 103, Bernmann Centre, No. 28 Quezon Ave., Brgy. Dona Josefa, Quezon City
346	Quezon Avenue - Examiner	G/F Maxmor Bldg., Examiner St. corner Quezon Ave. Brgy. West Triangle, Quezon City
347	Quezon Avenue - Fisher Mall	UB-Bank 1, Fisher Mall, Quezon Ave. corner Roosevelt Ave., Brgy Sta. Cruz, Quezon City
348	Quezon Avenue - Prima Residences	G/F Prima Residences, 243 Quezon Avenue, Brgy. Tatalon, Quezon City
349	Quezon Avenue - South Triangle	Unit LG02-03, SKC Service Center Bldg., 1320 Quezon Avenue Brgy. South Triangle, Quezon City
350	Quiapo - Quezon Blvd.	Quezon Blvd., 1001, Quiapo, Manila
351	Quintin Paredes	524 Enterprise Bldg. Quintin Paredes St. corner Carvajal St., Binondo, Manila
352	Quirino Paco	CRS Tower corner Perdigon St. Pres. Quirino Avenue, Paco, Manila
353	Rada Legaspi Village	G/F One Legaspi Park, Rada St. Legaspi Village, Makati City
354	Resorts World Manila	Newport Blvd., Newport City, Pasay City
355	Rizal Avenue - Bambang	1607 Alvarez St. corner Rizal Avenue, Sta. Cruz, 1003 Manila
356	Rizal Avenue - Batangas St.	2200 Rizal Avenue corner Batangas St., Sta. Cruz, Manila
357	Robinsons - Metro East	Level 1 (L 1 160 & 162), Robinsons Metro East Mall, Brgy. Dela Paz Marcos Highway, Pasig City 1611
358	Robinsons Galleria - Ortigas	LG/F Basement Westwing, Robinsons Galleria Mall, Brgy. Ugong Norte Ortigas Avenue, 1602 Quezon City
359	Robinsons Place - Manila	G/F Robinsons Mall corner Pedro Gil, Maria Orosa Sts., Ermita, 072 Brgy. 669, Manila
360	Roces Avenue	No. 57 (Don A.) Roces Avenue, Brgy. Laging Handa, Quezon City
361	Rockwell - Ortigas	Level 1, Tower 3 (South), The Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City
362	Rockwell Power Plant	G/F Power Plant Mall, Rockwell Center, Amapola corner Estrella St., Makati City
363	Roxas Blvd. - Breeze Residences	Unit 101-102, G/F SMDC Breeze Residences, Roxas Blvd., Brgy. 5, Zone 2, Pasay City
364	Roxas Blvd. - Crowne Bay Tower	Unit 101 Crowne Bay Tower, along Roxas Blvd., Brgy. Baclaran Paranaque City

No.	BRANCH	ADDRESS
365	Roxas Blvd. - R. Salas	S & L Bldg., Roxas Blvd. St. corner Romero Salas St., Ermita, Manila
366	Roxas Blvd. - Radiance Manila Bay	Retail No. 3 , Radiance Manila Bay, Roxas Blvd., Brgy 001, Pasay City
367	Roxas Blvd. Admiral Baysuites	G/F Admiral Baysuites, 2138 Aldecoa St. corner M.H. Del Pilar St., Brgy. 701, Malate, Manila
368	Salcedo - Gamboa	Optima Building along Salcedo St. near corner Gamboa St., Legaspi Village, Makati City
369	Salcedo Dela Rosa	Golden Rock Bldg. 168 Salcedo St. Legaspi Village, Makati City
370	Sales St. - Raon	545 Sales St. corner G. Puyat St. (Raon) 1016 Sta. Cruz, Manila
371	Sampaloc - A.H. Lacson	G/F JHL Centre Bldg., #519 A.H Lacson St., Brgy 434, Zone 44, Sampaloc, Manila
372	Sampaloc - Legarda	G/F Legarda Place Bldg., 2327 Legarda St., Sampaloc 042, Brgy.416, Manila
373	Sampaloc - Pureza	TP Building, No. 0414 Pureza Extension, Brgy. 425, Zone 043, Sampaloc, Manila
374	Samson Road	G/F Ma. Cristina Bldg. Samson Road corner UE Tech. Caloocan City
375	San Andres	San Andres corner A Linao St. Malate, Manila
376	San Juan - P. Guevarra	G/F No. 299 P. Guevarra St., Brgy. Little Baguio, San Juan City
377	San Juan - Pinaglabanan	G/F, Benson Apartelle, No. 627 & 629 Pinaglabanan St., Brgy. Corazon de Jesus, San Juan City 1500
378	San Juan - Santolan Town Plaza	G/F Santolan Town Plaza, 276 Santolan Road, Brgy. Little Baguio, San Juan City
379	Savemore - Amang Rodriguez	G/F Savemore Amang Rodriguez, GBU Bldg. Amang Rodriguez Avenue corner Evangelista St., Barangay Santolan, Pasig City
380	Savemore - Marulas	NF-5 & NF-6, G/F Savemore Marulas Valenzuela, 40 Pio Valenzuela St., Brgy. Marulas, Valenzuela City 1440
381	Savemore - Nagtahan	G/F Savemore Nagtahan, Magsaysay Blvd. corner Nagtahan Road, Brgy. 634, Sampaloc, Manila
382	Savemore - Novaliches	Savemore Novaliches, General Luis St., Novaliches, Quezon City
383	Savemore Project 8	Savemore Project 8, Benefit St. corner Redemption and Grant St., Brgy. Sangandaan, Project 8, Quezon City
384	Scout Albano - Quezon Avenue	1488 Quezon Avenue, 1103 South Triangle, Quezon City
385	Scout Limbaga - T. Morato	102 & 103 The Forum, Tomas Morato Avenue corner Scout Limbaga St., 1103 Quezon City
386	Shangri-la Plaza Mall -	Unit 516-517, Level 5 Shangri-La Plaza Mall, EDSA cor.

No.	BRANCH	ADDRESS
	EDSA	Shaw Blvd., Brgy Wack-wack, Mandaluyong City
387	Shaw - Pasig Blvd.	145 Pasig Boulevard., Pasig City
388	Shaw Blvd. - Beacon Plaza	UG 105-UG 106 Beacon Plaza, Shaw Blvd. corner Ideal St., Mandaluyong City
389	Shaw Blvd. - High Pointe Center	G/F Units 125-128 High Pointe Center, Shaw Boulevard corner M. Yulo St., Brgy. Bagong Silang, Mandaluyong City
390	Shaw Blvd. - Mandala Park	G/F Units 1 & 2, Bldg. B, Shaw Blvd, Mandala Park, Brgy. Pleasant Hills, Mandaluyong City
391	Shaw Blvd. - Wack-Wack	Unit A, BCC Showroom, 545 Shaw Blvd., Brgy Wack-Wack, Mandaluyong City
392	Silver City - Pasig	G/F Silver City Building 3, Frontera Verde, Ortigas Center, Pasig City
393	SM Aura Premier	LG/F SM Aura Premier, Bonifacio Global City, Brgy Fort Bonifacio, Taguig City
394	SM Center Las Piñas	LGF SM Center Las Piñas, Alabang-Zapote Road, Barangay Pamplona Dos, Las Piñas City
395	SM Center Muntinlupa	UG/F SM Center Muntinlupa, Brgy Tunasan, National Road, Muntinlupa City
396	SM Center Sangandaan	G/F SM Center Sangandaan, Marcelo H. Del Pilar St. corner Samson Road, Brgy. 003, 1408 Caloocan City
397	SM Cherry Congressional	LC 004-006 & 111-113, SM Cherry Congressional, Congressional Ave., Brgy. Bahay Toro, Quezon City
398	SM Cherry Shaw	SM Cherry Foodarama Shaw Blvd. (LC CS 1-09), Shaw Blvd. corner Old Wack-Wack Rd., Brgy. Pleasant Hills, Mandaluyong City
399	SM City BF Parañaque	G/F SM City BF Parañaque, Dr. A. Santos Avenue, Brgy. BF Homes, Sucat, Parañaque City
400	SM City Bicutan	LG/F SM City Bicutan, Dona Soledad Avenue corner West Service Road, Paranaque City
401	SM City East Ortigas	SM City East Ortigas (LC180-183), Ortigas Avenue Extension, Brgy. Sta. Lucia, Pasig City
402	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
403	SM City Fairview B	SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City
404	SM City Fairview C	LGF, Annex 2, SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City
405	SM City Manila	LG/F SM City Manila Concepcion corner Arroceros and San Marcelino St. Manila
406	SM City Marikina	G/F SM City Marikina, Barangay Calumpang, Marikina City

No.	BRANCH	ADDRESS
407	SM City North EDSA A	G/F The Block SM City North EDSA corner North Avenue, Quezon City
408	SM City North EDSA B	SM City North EDSA Annex I Bldg., North Avenue corner EDSA, Quezon City
409	SM City North EDSA C	SM Center Complex North EDSA, 1105 Quezon City
410	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
411	SM City Novaliches	G/F SM City Novaliches, Quirino Highway, Novaliches, Quezon City
412	SM City San Lazaro	Felix Huertas corner A.H. Lacson St. Sta. Cruz, Manila
413	SM City Sta Mesa	SM City Sta. Mesa Annex Bldg. Aurora Blvd. Quezon City
414	SM City Sucat A	G/F SM Supercenter Sucat, Parangue City
415	SM City Sucat B	G/F Annex Bldg. B SM City Sucat, Dr. A. Santos Avenue, Parangue City
416	SM City Valenzuela	Unit 126, G/F SM City Valenzuela, McArthur Highway, Brgy. Karuhatan, 1441 Valenzuela City
417	SM Corporate Offices	Bldg D. 104 J.W. Diokno Blvd., Mall of Asia Complex, Pasay City
418	SM Cubao	G/F SM Cubao, Cubao, Quezon City
419	SM Hypermarket Adriatico	G/F SM Hypermarket Adriatico, M. Adriatico St., Manila
420	SM Hypermarket Cubao	EDSA corner Main Street, Cubao, Quezon City
421	SM Hypermarket FTI Taguig	G/F SM Hypermarket FTI Taguig, Lot 85 A & B, DBP Avenue, FTI Complex, Brgy. Western Bicutan, Taguig City
422	SM Hypermarket Makati	SM Hypermarket Makati, 5560 Osmeña Highway corner Finlandia St., San Isidro, Makati City
423	SM Hypermarket Novaliches	G/F SM Hypermarket Novaliches, No 402 Quirino Highway, Brgy Talipapa, Novaliches, Quezon City
424	SM Hypermarket Pasig	G/F SM Supercenter Pasig, Frontera Verde, Ortigas Center, Pasig City
425	SM Hypermarket Sucat Lopez	SM Hypermarket Sucat-Lopez (LC102-103), Dr. A. Santos Ave., Brgy. San Isidro, Parangue City
426	SM Makati	G/F (GF05) Shoemart Bldg., Ayala Center, Brgy. San Lorenzo, Makati City
427	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
428	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

No.	BRANCH	ADDRESS
429	SM Megamall A	UG/F SM Megamall Bldg. A (LC121a-1 & 121a-2), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City
430	SM Megamall B	Upper & Lower Ground Floors SM Megamall Bldg. B Julia Vargas corner EDSA Ortigas Center, Mandaluyong City
431	SM Megamall C	UG/F SM Megamall Bldg. A (LC 115A), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City
432	SM Southmall A	UG/F SM Southmall Alabang-Zapote Road Las Piñas City
433	SM Southmall B	UG/F SM Southmall Alabang-Zapote Road, Las Pinas City
434	Solaire - Manila Resort	Solaire Manila, Bagong Nayong Pilipino Entertainment City, Parañaque City
435	Solaire - The Shoppes	Solaire Resorts and Casino Manila, Ang Bagong Nayong Pilipino Entertainment City, Brgy. Tambo, Parañaque City
436	Soler	U-1118 & 1120 Gracetown Bldg. corner Soler & Alvarado St. Binondo, Manila
437	Soler - Reina Regente	1087 Soler St., Binondo, Manila
438	Southgate Mall - EDSA	G/F Southgate Mall, EDSA corner Pasong Tamo Ext., Makati City
439	Sta. Ana - Xentro Mall	Space No. LS-02, Xentro Mall Sta. Ana City Market, Pedro Gil St., Brgy 876, Zone 96, Sta. Ana, Manila
440	Sta. Mesa - The Silk Residences	G/F Retail 5, The Silk Residences, Ramon Magsaysay Boulevard corner Santol St., Zone 057, Brgy. 586, Sta. Mesa, Manila
441	Sta. Mesa - V. Mapa	G/F & Mezzanine, Units H, I, L, LJS Logistics Center V. Mapa St. cor Second St., Brgy. 601, Sta. Mesa Manila
442	Sta. Mesa Heights - D. Tuazon	G/F, Unit ABC, TCC Center, 190 D. Tuazon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City
443	Starmall - Alabang	Unit G33, Manuela Metropolis, South Superhighway, Alabang Interchange, Muntinlupa City
444	Sto. Cristo	475-477 Kim Siu Ching Foundation Bldg. Sto. Cristo St. Binondo, Manila
445	Sto. Cristo - Comercio	No. 686 Sto. Cristo St., Binondo, Manila
446	Sto. Domingo	6 Sto. Domingo Avenue, Quezon City
447	Sto. Niño St. - Roosevelt	284 Roosevelt Avenue, San Francisco Del Monte, 1105 San Antonio, Quezon City
448	Sucat - Villa Mendoza	Dr. A. Santos Avenue corner Villa Mendoza Subdivision Sucat Road Paranaque City 1700
449	Sun Residences	G/F Sun Residences, España Blvd. corner Mayon St.,

No.	BRANCH	ADDRESS
		Brgy. Sta. Teresita, Quezon City
450	Tabora	859-861 L & J Bldg. Tabora St. Divisoria , Manila
451	Taft - Libertad	2250 MCF Bldg. Taft Avenue corner College Road, Pasay City
452	Taft - Pedro Gil	1430 Taft Avenue, Manila
453	Taft Avenue - J Nakpil	1747 Taft Avenue corner J. Nakpil St. Manila
454	Taft Avenue - Pres. Quirino	G/F FFW Bldg. 1943 Taft Avenue, Malate, Manila
455	Taguig - Grace Residences	Grace Residences (Location Code 131-132), Levi B. Mariano Avenue, Brgy. Ususan, Taguig City
456	Taguig - Levi Mariano Avenue	No. 160 Levi Mariano Avenue, Brgy Ususan, Taguig City
457	Taguig - Vista Mall	GF-108A Vista Mall Taguig, Camella Road, Brgy. Tuktukan (formerly Brgy. Sta. Ana), Taguig City
458	Tandang Sora - Commonwealth	Tierra Commercial Center Bldg., Commonwealth Ave. corner Tandang Sora Ave., Quezon City
459	Tandang Sora - Culiati	Royal Midway Plaza, No. 419 Tandang Sora Avenue, Brgy. Culiati, Quezon City
460	Tandang Sora - San Vicente de Paul	ERN Commercial Complex, Tandang Sora Avenue, Brgy. Tandang Sora, Quezon City
461	Tandang Sora - Tagumpay	M & J Bldg., 578 Tandang Sora Avenue corner Tagumpay St., Barangay New Era, Quezon City
462	Tayuman	G/F Delton Bldg., 1808 Rizal Avenue Sta. Cruz, Manila
463	Teacher's Village	No. 115 Maginhawa St., Brgy Teacher's Village, Quezon City
464	ThreeE-comCenter	Location Code 107-108a, G/F, Three E-com Center, Block 21 Harbor Drive corner Bay Shore, Mall of Asia Complex, Brgy. 76 Zone 10, Pasay City
465	Tierra Nueva - Alabang	Sycamore Arcade, Alabang-Zapote National Road, 1702 Alabang, Muntinlupa City
466	Timog	26 Cedar Executive Bldg. Timog Avenue corner Scout Tobias St. Quezon City
467	Timog - EDSA	G/F GEMPC Bldg., 132 Timog Avenue, Brgy. Sacred Heart, 1103 Quezon City
468	Timog - Rotonda	G/F Imperial Palace Suites, Tomas Morato corner Timog Avenue, South Triangle, Quezon City
469	Timog - Scout Torillo	Unit 11& 12, Timog Arcade, Timog Avenue corner Scout Torillo, Brgy. South Triangle, Quezon City
470	Timog - Victoria Towers	Unit F-2 & F-3 Victoria Towers, Timog Avenue corner Panay Avenue, Quezon City
471	Tomas Morato - Metrofocus Commercial	G/F, Units 101 & 102, Metrofocus Commercial Bldg., Tomas Morato Avenue, Brgy. Kristong Hari, Quezon City

No.	BRANCH	ADDRESS
472	Tondo - Gagalangin	2459 Juan Luna St. corner Paez St., Gagalangin, Tondo, Manila
473	Tondo - Pritil	1815 N. Zamora St. 1012 Tondo, Manila
474	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
475	Tordesillas Gallardo	G/F Cambridge Centre, 108 Tordesillas corner Gallardo St. Salcedo Village, Makati City
476	Trident - Gil Puyat	G/F Trident Tower Bldg., 312 Sen. Gil Puyat Avenue, Makati City
477	Tutuban	DS 17-18 Tutuban Primeblock, Tutuban Center, CM Recto, Manila
478	UN Avenue	Puso ng Maynila Bldg. UN Avenue corner A. Mabini St. Ermita, Manila
479	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
480	V-Mall	G/F New V-Mall, Greenhills Shopping Center, San Juan, MM
481	V. A. Rufino - Dela Rosa	GF Unit 103 Plaza 100 Building, Rufino St. cor. Dela Rosa St. Brgy. San Lorenzo, Makati City
482	V. A. Rufino - Sotto	115 YL Building V.A Rufino Cor. Sotto St. Legaspi Village Brgy. San Lorenzo, Makati City
483	V. Luna - Kalayaan Avenue	Unit 101 Kalayaan Center Bldg., 65-67 V. Luna Road corner Kalayaan Avenue corner Maginoo St., Brgy. Pinyahan, Quezon City
484	V.A. Rufino - Tuscan	G/F Tuscan Condominium, 114 V.A. Rufino St., Legaspi Village, Makati City
485	Valenzuela	Km. 15 MacArthur Highway, Dalandanan Valenzuela
486	Valenzuela - Gateway Complex	Valenzuela Gateway Complex, #318 GS Paso De Blas St., Brgy. Paso De Blas, Valenzuela City
487	Valenzuela - Gen T. De Leon	Gen. T. De Leon St., Valenzuela City
488	Valero - Salcedo Village	G/F Pearlbank Center 146 Valero St. Salcedo Village, Makati City
489	Villar - Salcedo Village	Eurovilla III Condominium 154 Villar St. corner L.P. Leviste St., Salcedo Village, Makati City
490	Visayas Avenue	No. 30 Visayas Ave., near corner Congressional Ave., Brgy Bahay Toro, Quezon City
491	Walter Mart - North EDSA	G/F Walter Mart Center - North EDSA, Dangay St., Veterans Village, Quezon City
492	Waltermart - Bicutan	G/F Waltermart Bicutan, Km 16 East Service Road corner Mañalac Avenue, Brgy San Martin de Porres, Bicutan, Parañaque

No.	BRANCH	ADDRESS
493	Waltermart - Sucat	G/F Waltermart Sucat, Dr. A. Santos Ave., Paranaque City
494	Washington - Gil Puyat	G/F Keystone Bldg., 220 Gil Puyat Avenue, Makati City
495	West Avenue - Baler	G/F Jafer Bldg. 118 West Avenue, Quezon City
496	West Avenue - Del Monte	No. 40 West Avenue, 1104 West Triangle, Quezon City
497	West Avenue - East Maya	160 Ground Floor Columbian Bldg., near corner EDSA, West Avenue corner East Maya Drive, Philam, Quezon City
498	Zabarte - Kaligayahan	Lot 16 Block 5, Zabarte Road, Brgy. Kaligayahan, Quezon City
499	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	Antipolo - Sumulong Highway	BDO Bldg., Sumulong Highway, Masinag, Mayamot, Antipolo
3	Bacoor - New Molino Blvd.	New Molino Blvd., Brgy. Molino 3, Bacoor, Cavite
4	Bacoor Molino - Bahayang Pag-asa	L-20 B-5 Avenida Rizal St., Bahayang Pag-asa Subd., Brgy. Molino 5, Bacoor, Cavite
5	Baliwag - Poblacion	B.S. Aquino corner J. Buizon, Brgy. Poblacion, Baliwag, Bulacan
6	Bataan - Mariveles FAB	Avenue of the Philippines cor. 8th Avenue, Freeport Zone of Bataan (the FAB), Mariveles, Bataan
7	Batangas - Mabini	National Road, Brgy. Pulong Niogan, Mabini, Batangas
8	Batangas - Rosario	BDO Bldg., G. Carandang St., Barangay C Poblacion, Rosario, Batangas
9	Bocaue - MacArthur Highway	MacArthur Highway, Brgy. Wakas, Bocaue, Bulacan
10	Bohol Tagbilaran - Visarra	C.P. Garcia Avenue near corner Vissara St., Bohol, Tagbilaran City
11	Bulacan - Obando	No. 224 J.P. Rizal St., Brgy Pag-asa, Obando, Bulacan
12	Cabanatuan - Sanciango	Sanciango St., Cabanatuan City
13	Cagayan De Oro - Bulua	Zone 3 Upper Bulua, Butuan-Cagayan de Oro-Iligan Rd., Cagayan de Oro City, 9000 Misamis Oriental
14	Cagayan de Oro - Limketkai	L-6 B-2, Limketkai Ave., Limketkai Commercial Complex, Brgy. 31, Poblacion, Cagayan De Oro City,

No.	BRANCH	ADDRESS
		Misamis Oriental
15	Cavite - Dasmariñas Aguinaldo Highway	Gen. Emilio Aguinaldo Highway corner Natividad St., Dasmariñas, Cavite
16	Cavite - Dasmariñas FCIE	Governor's Drive, Barangay Langkaan, Dasmariñas, Cavite
17	Cavite - EPZA	Cavite EPZA Compound, 4106 Rosario, Cavite
18	Cavite - Naic	Governor's Drive corner Soriano Highway, Naic, Cavite
19	Cavite - Silang	J.P. Rizal St. cor. Kiamzon St., Brgy. Poblacion III, Silang, Cavite
20	Cebu - Carcar	Dr. Jose Rizal St., Barangay Poblacion, Carcar City, Cebu
21	Cotabato - Kabacan	Rizal Avenue, National Highway, 9407 Kabacan, 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., 50th 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
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
34	Taytay - Manila East Road	BDO Bldg., East Road, Taytay, Rizal

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

No.	BRANCH	ADDRESS
		Francisco, Agusan del Sur
3	Aklan - Boracay	Station 2, Brgy. Balabag, Boracay Island, Malay, Aklan
4	Aklan - CityMall Boracay	Units 5-6 & 11-12 CityMall Boracay Sitio Diniwid, Brgy. Balabag, Boracay Island, Malay, Aklan
5	Aklan - CityMall Kalibo	Units 123-125 CityMall Kalibo, F. Quimpo St., Brgy. Andagao, Kalibo, Aklan
6	Aklan - Kalibo	XIX Martyrs St., Kalibo, Aklan 5600
7	Albay - Daraga	Rizal St., corner Burgos St., Brgy Centro Ilawod, Daraga, Albay
8	Albay - Polangui	Provincial Road corner Barangay Road, Barangay 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., 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. Rosario	Plaza Rafael I, 151-D Sto. Rosario St., Sto. Domingo, Angeles City
14	Angono - M.L. Quezon Avenue	G/F Xentro Mall Bldg, M.L. Quezon Avenue, Barangay San Pedro, Angono, Rizal
15	Antipolo - B.V. Soliven	Blk 24, Lot 1, Benito V. Soliven Avenue, Greenheights Subdivision, Barangay Mayamot, Antipolo City
16	Antipolo - Circumferential Rd.	G/F 1 Cirq Bldg., Circumferential Road., Brgy. San Roque, Antipolo City
17	Antipolo - M.L. Quezon St.	151 M.L. Quezon St., Brgy. San Roque, Antipolo City
18	Antipolo Plaza	Gatsby Bldg II M. L. Quezon St. Antipolo
19	Bacolod - East Block IT Park	G/F Villa Angela East Block Bldg A, The Block IT park, Carlos Hilado National Highway, Bacolod City
20	Bacolod - Goldenfield	Building 1, Goldenfield Commercial Complex, Araneta St., Brgy. Singcang, Bacolod City
21	Bacolod - Hilado	Hilado corner F.Y. Manalo St., 6100 Bacolod City, Negros Occidental
22	Bacolod - Libertad	Corner Hernaez St. & Lopez Jaena St., Bacolod City, Negros Occidental
23	Bacolod - Mandalagan	G/F Sta. Clara Estate Bldg., Lacson St., Mandalagan, Bacolod City
24	Bacolod Araneta	Cineplex Complex, Araneta St. Bacolod City
25	Bacolod Gonzaga	Gonzaga-Lopez Enterprise Bldg. Gonzaga St. Bacolod City

No.	BRANCH	ADDRESS
26	Bacoor - Puregold Panapaan	G/F Commercial Unit No. 2-4, Puregold Bacoor Cavite, Aguinaldo Highway, Brgy. Panapaan, Cavite
27	Bacoor - Zapote	Zapote Centre, Aguinaldo Highway, Zapote Road, Barangay Zapote 4, Bacoor, Cavite
28	Baguio - Abanao Square	Abanao Square, Abanao corner Zandueta St. Baguio City
29	Baguio - Bokawkan Road	69 Bokawkan Road, Brgy. Dizon Subdivision, Baguio City
30	Baguio - Harrison Road	G/F Our Lady of Lourdes Bldg., No.7 Harrison Rd., Brgy. Harrison Carantes Claudio, Baguio City
31	Baguio - Kennon Road	C & Triple A Bldg., Kennon Road corner Parisas St., Camp 7 Brgy., Baguio City
32	Baguio - Legarda	Our Lady of Fatima Bldg. Yandoc St. Kayang Extension, Baguio City
33	Baguio - Leonard Wood Road	ETCC Commercial Complex, Leonard Wood Road, Brgy. Cabinet Hill-Teachers Camp, Baguio City
34	Baguio - Luneta	Luneta Hill corner Gov. Pack Road Session Road Baguio City
35	Baguio - Marcos Highway Balsigan	G/F ECCO Bldg., No. 39 Marcos Highway, Brgy. Imelda Village, Baguio City
36	Baguio - Marcos Highway Centerpoint	G/F Centerpoint Plaza, Marcos Highway, Brgy Bakakeng Central, Baguio City
37	Baguio - Session Road	G/F National Life Bldg., Session Road, Baguio City
38	Balanga - Capitol Drive	G/F CT Edifice, Capitol Drive corner Kinatawan Road, Balanga City, Bataan
39	Bataan - Orani	Provincial Road corner Calle Coronel Leyba, Brgy. Parang-Parang, Orani, Bataan
40	Batangas - Balayan	Antorcha St., Balayan, Batangas
41	Batangas - Bauan	Kapitan Ponso St., Bauan, Batangas
42	Batangas - Diego Silang	Tom's Place, Diego Silang St. corner Maria de Jesus, Brgy. 15, Batangas City
43	Batangas - First Phil. Industrial Park	G/F Administration Bldg., First Philippine Industrial Park, Brgy. Sta. Anastacia, Sto. Tomas, Batangas
44	Batangas - Gulod	MB Bldg., Batangas Tabangao-Lobo Road, Brgy. Gulod Labac, Batangas City, Batangas
45	Batangas - Kumintang	Along National Highway, Barangay Kumintang, Ilaya, Batangas City, Batangas
46	Batangas - Lemery Ilustre	Ilustre Avenue corner Lakandula St., Lemery, Batangas
47	Batangas - Lemery Xentro Mall	G/F Xentro Mall Lemery, Brgy. Malinis, Lemery, Batangas
48	Batangas - Lima Technology Center	Unit 14 Lima Square, Business Loop, Lima Technology Center, Malvar, Batangas

No.	BRANCH	ADDRESS
49	Batangas - P. Burgos	P. Burgos St. corner Evangelista St., Barangay Poblacion, Batangas City
50	Batangas - San Juan	Marasigan corner Kalayaan St., San Juan, Batangas
51	Benguet - La Trinidad	G/F VC Arcadain Bldg., Km. 5, La Trinidad, Benguet
52	Biñan - A. Mabini	Rey Bldg., A. Mabini St., Poblacion, 4024 Biñan, Laguna
53	Biñan - San Antonio	Alalmeda 2 Arcade, Tulay Bato Old National Highway, Brgy. San Antonio, Biñan City, Laguna
54	Biñan Central Mall	G/F Biñan Central Mall, Units 8&9, Malvar St., cor. Old National Highway, Biñan, Laguna
55	Bohol - Panglao	G/F Units 1-5, Hennan Resort Commercial Bldg., Panglao Circumferential Road, Brgy. Tawala, Panglao Island, Bohol
56	Bohol - Tagbilaran	CP Garcia Avenue, 6300 Tagbilaran City, Bohol
57	Bohol - Tubigon	Holy Cross Academy, National Highway, Brgy. Centro, Tubigon, Bohol
58	Bulacan - Balagtas	McArthur Highway, Barangay San Juan, 3016 Balagtas, Bulacan
59	Bulacan - Bocaue	MacArthur Highway, Barangay Biñang 1st, Bocaue, Bulacan
60	Bulacan - Bustos	LRM Complex, Hilario St., Brgy. Poblacion, Bustos, Bulacan
61	Bulacan - Hagonoy	Provincial Road, Brgy. Sto. Niño, Hagonoy, Bulacan
62	Bulacan - Norzagaray	G/F Price Ken Bldg. II Circle, Gen. Alejo G. Santos Highway, Brgy. Partida, Poblacion, Norzagaray, Bulacan
63	Bulacan - Primark Plaridel	Primark Plaridel, Cagayan Valley Road, Brgy. Banga 1st, Plaridel, Bulacan
64	Bulacan - Pulilan	Doña Remedios Trinidad Highway, Sto. Cristo, Pulilan, Bulacan
65	Bulacan - Puregold Baliwag	G/F Puregold Baliwag, Benigno S. Aquino Ave., Brgy. Bagong Nayon, Baliwag, Bulacan
66	Bulacan - Puregold Bulakan	G/F Commercial Unit 1, Puregold Bulakan, Brgy. Bagumbayan, Bulakan, Bulacan
67	Bulacan - San Jose Del Monte	National Highway, Tungkong Mangga, San Jose del Monte City, Bulacan
68	Bulacan - San Miguel	Maharlika Highway, Brgy. Camias, San Miguel, Bulacan
69	Bulacan - San Rafael	Km. 59.5, Cagayan Valley Road, Brgy. Maguinao, San Rafael, Bulacan
70	Bulacan - Sapang Palay	G/F Elizabeth Place 1 Bldg., Bagong Buhay Ave., Brgy. Sapang Palay, San Jose Del Monte City, Bulacan
71	Bulacan - Sta. Rita Guiguinto	126 Cagayan Valley Road, Brgy. Sta. Rita, Guiguinto, Bulacan

No.	BRANCH	ADDRESS
72	Bulacan Sta. Maria - Bagbaguin	NEM Bldg., Gov. F. Halili Avenue, Bagbaguin, Sta. Maria, Bulacan
73	Bulacan Sta. Maria - M.G. de Leon	#15 M.G. De Leon St., Poblacion,, 3022 Sta. Maria, Bulacan
74	Bulacan Sta. Maria - Pulong Buhangin	GRECON Bldg., Km. 38 National Road, Brgy. Pulong Buhangin, Sta. Maria, Bulacan
75	Butuan - Estacio Village	Butuan Doctors College, J.C. Aquino Ave. cor. Victoria St., Brgy. Bayanihan, Butuan City, Agusan del Norte
76	Butuan - J.C. Aquino Avenue	D & V Plaza II Bldg., J. C. Aquino Avenue, Butuan City
77	Butuan - Montilla	Montilla Blvd. near corner Lopez Jaena St. Butuan City, Agusan Del Norte
78	Cabanatuan - Maharlika Highway North	G/F DGS Bldg., Along Maharlika Road, Bitas, Cabanatuan City
79	Cabanatuan - Paco Roman	Along Paco Roman St., Cabanatuan City, Nueva Ecija
80	Cagayan de Oro - Carmen	Max Y. Suniel St. corner V. Neri St., Carmen, Cagayan de Oro
81	Cagayan de Oro - Cogon	JR Borja St. Cogon, Cagayan de Oro City
82	Cagayan de Oro - Hayes	G/F Trendline Department Store., Arch. James Hayes St., Cogon, Cagayan de Oro City
83	Cagayan de Oro - Osmeña	Pres. S. Osmeña corner Ramon Chavez St., Cogon, 9000 Cagayan de Oro, Misamis Oriental
84	Cagayan de Oro - R.N. Pelaez Blvd.	Georgetown Cyber Mall, Rodolfo N. Pelaez Blvd., Kauswagan, Cagayan de Oro City
85	Cagayan de Oro - Xavier	Library Annex Bldg. Corrales Avenue, Cagayan de Oro City
86	Cainta - A. Bonifacio Ave.	Ledor Commercial Center. A. Bonifacio Avenue corner Samonte St., Barangay San Juan, Cainta, Rizal
87	Cainta - Puregold	Puregold Cainta Junction, A. Bonifacio Ave., Brgy. Sto. Domingo, Cainta, Rizal
88	Cainta Felix Avenue	Felix Avenue near Cainta Junction, Brgy, Sto. Domingo, Cainta, Rizal
89	Cainta Junction	Hipolito Bldg. Ortigas Avenue Extension Cainta Junction, Cainta, Rizal
90	Calamba - CityMall	National Highway, Brgy. Lecheria, Calamba City, Laguna
91	Calamba - Halang National Highway	D'Verde Commercial Bldg., National Highway, Brgy. Halang, Calamba City, Laguna
92	Calamba - Paseo Uno	G/F Paseo Uno de Calamba, National Highway, Barangay Paciano, Calamba City, Laguna
93	Calapan City - Puregold	Puregold Calapan Mindoro, J.P. Rizal St., Brgy Camilmil, Calapan City, Oriental Mindoro

No.	BRANCH	ADDRESS
94	Camarines Norte - Daet	J. Lukban St. corner Moreno St., Poblacion, Daet, Camarines Norte
95	Camarines Sur - Calabanga	Galleria de Calabanga, Lot 2, Provincial Road, Brgy. San Francisco, Calabanga, Camarines Sur
96	Camarines Sur - Nabua	lot 374 CZA Bldg., National Rd. near cor. Maganda St., Brgy. San Antonio, Poblacion, Nabua, Camarines Sur
97	Camarines Sur - Pili	Santiago, Pili, Camarines Sur
98	Canlubang iMall	Don Bosco Ave. corner Silangan Industrial Park Road, Brgy. Canlubang, Calamba City, Laguna
99	Catanduanes - Virac	San Juan corner Rizal St., 4800 Virac, Catanduanes
100	Cavite - Dasmariñas Central Mall	Central Mall Dasmariñas, Emilio Aguinaldo Highway cor. Salitran St., Dasmariñas, Cavite
101	Cavite - Dasmariñas Salawag	EVY Commercial Bldg., Molino-Paliparan Rd., Brgy. Salawag, Dasmariñas, Cavite
102	Cavite - Gen. Trias San Francisco	Lot 1 along Arnaldo Highway, Brookside Lane, Brgy. San Francisco, Gen. Trias, Cavite
103	Cavite - General Trias Manggahan	New Hall Commercial Center, Governors Drive corner Crisanto delos Santos Ave., Brgy. Manggahan, General Trias, Cavite
104	Cavite - Imus Aguinaldo Highway	G/F DCR Bldg., Aguinaldo Highway, 4103 Imus, Cavite
105	Cavite - Imus Nueno Avenue	358 Exodus Bldg., Nueno Avenue, Imus, Cavite
106	Cavite - Puregold Buhay na Tubig	G/F Commercial Unit Nos. 4,5 and 3A, Puregold Buhay na Tubig, Buhay na Tubig, Imus, Cavite
107	Cavite - Puregold Noveleta	Puregold Noveleta Cavite, National Road, Brgy. Magdiwang, Noveleta, Cavite
108	Cavite - Puregold Tanza	G/F Puregold Tanza, Provincial Road, Tanza, Cavite
109	Cavite - Silang Aguinaldo Highway	LS 42-43: CS-03 Premier Plaza, Emilio Aguinaldo Highway, Brgy. Lucsuhin, Silang Cavite
110	Cavite - Trece Martires	L Paseo Arcade near corner Indang-Trece Road, Trece Martires City, Cavite
111	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
112	Cebu - Ayala Business Park	Cebu Tower, Mindanao corner Bohol Avenue, Cebu Business Park, Cebu City
113	Cebu - Ayala Mall	Stall R106 Ground Level, ACC Corporate Center, Ayala Center Cebu, Cebu Business Park, Cebu City
114	Cebu - Banilad	Gov. M. Cuenco Avenue, Banilad, Cebu City
115	Cebu - Bogó	P. Rodriguez corner San Vicente St., 6010 Bogó, Cebu City

No.	BRANCH	ADDRESS
116	Cebu - Capitol	Osmeña Blvd. corner Ma. Cristina St., 6000 Cebu City, Cebu
117	Cebu - CityMall Danao	T-10-12 CityMall Danao, Olivar Sr. Extension corner F. Ralota St., Brgy. Poblacion, Danao City, Cebu
118	Cebu - Colon	279 Colon St., Brgy. Kalubihan, Cebu City
119	Cebu - Consolacion	G/F Annex Bldg., Fooda Saversmart, Consolacion, Cebu
120	Cebu - F. Ramos	134 Borromeo Bldg., F. Ramos corner Arlington Pond, Cebu City 6000
121	Cebu - Gaisano Minglanilla	UG/F Gaisano Grand Mall Minglanilla, Poblacion, Minglanilla, Cebu City
122	Cebu - Guadalupe	R. Duterte corner V. Rama St., Guadalupe, Cebu City
123	Cebu - Insular Life Business Centre	G/F Insular Life Cebu Business Centre, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City
124	Cebu - J. Mall	Unit 1 & 2 LGF, J Centre Mall, A.S. Fortuna St., Bakilid, Mandaue City 6014
125	Cebu - Mambaling	Grand Orchard Commercial Bldg., C. Padilla St., Mambaling, Cebu City
126	Cebu - Osmeña	JR Martinez Bldg., Osmena Blvd., Sta. Cruz, Cebu City
127	Cebu - Parkmall	Units 29-31 Parkmall No. 168 Ouano Avenue, Mandaue Reclamation Road, Mandaue City, Cebu
128	Cebu - Philam Life Center	Units 6 & 7, Philam Life Center, Cardinal Rosales Avenue corner Samar Loop, Cebu Business Park, Brgy. Luz, Cebu City
129	Cebu - Plaridel	21 Dy Bldg., Plaridel St., Cebu City
130	Cebu - Tabo-an	T. Abella St., San Nicolas Central 6000 Cebu City
131	Cebu Elizabeth Mall	G/F Elizabeth Mall, Leon Kilat corner South Expressway Cebu City
132	Cebu Escario	Cebu Escario St. Cebu City
133	Cebu F. Cabahug	Unit 10 Northwood Square, F. Cabahug St., Brgy. Kasambagan, Panagdait, Cebu City
134	Cebu IT Park - HM Tower	Units G01 and G02 HM Tower, Abad corner Geonzon St., Cebu IT Park, Brgy. Apas, Cebu City
135	Cebu IT Park - TGU Tower	G/F TGU Tower, Salinas Drive corner J.M. Del Mar St., Asiatown IT Park, Apas, Cebu City
136	Cebu Legaspi	Legaspi corner Zamora St. Cebu City
137	Cebu Magallanes	Plaridel St. corner Magallanes St. Cebu City
138	Cebu Mandaue - A.C. Cortes	Units 1-4 Ibabao Square, A. Cortes Avenue, Brgy. Ibabao, Mandaue City, Cebu
139	Cebu Mandaue - A.S. Fortuna	RKD Bldg., 867 A.S. Fortuna St., Brgy. Banilad, Mandaue City Cebu

No.	BRANCH	ADDRESS
140	Cebu Mandaue - North Road	G/F North Road Plaza, National Highway, Labogon, Mandaue City, Cebu
141	Cebu Mandaue - Subangdaku	La Fuerza Compound, Subangdaku, Mandaue City, Cebu
142	Cebu Mandaue - U.N. Avenue	The North Park, U.N. Avenue, Brgy, Alang-Alang, Mandaue City, Cebu
143	Cebu Tabunok	PBS Bldg. 2688 National Highway Tabunok Talisay, Cebu City
144	Clark - Philexcel Business Park	Philexcel Business Park, Manuel A. Roxas Highway, Clark Freeport Zone, Pampanga
145	Clark SEZ - Centennial	Facility No. N5315 along Centennial Road, Clark Freeport Zone, Clarkfield, Pampanga
146	Cotabato - CityMall	Unit 157 CityMall Cotabato, Gov. Gutierrez Avenue, Brgy. Rosary Heights 7, Cotabato City
147	Cotabato - Midsayap	Jaycee St., 9410 Midsayap, North Cotabato
148	Cotabato - S.K. Pendatun	G/F Insular Life Bldg., Salipada K. Pendatun Ave., Brgy. Poblacion 5, Cotabato City, Maguindanao
149	Dagupan - Mayombo	G/F BHF Family Plaza, MacArthur Highway, Brgy. Mayombo, Dagupan City, Pangasinan
150	Dagupan - Perez	386 Perez Blvd., Dagupan City
151	Dagupan - Tapuac	Units 8,9,10 Mother Goose Play School Bldg., MacArthur Highway, Tapuac District, Dagupan City, Pangasinan
152	Davao - Agdao	Lapu-lapu St., 8000 Agdao, Davao City
153	Davao - Bangoy	R. Magsaysay Avenue corner C. Bangoy St., 8000 Davao City
154	Davao - Calinan	WTKC Realty Bldg., Davao-Bukidnon National Highway, Brgy. Calinan, Davao City
155	Davao - Felcris Centrale	Felcris Centrale, Quimpo Boulevard, Brgy. Bucana, Davao City
156	Davao - Lanang Insular Village	SJRDC Bldg., Insular Village 1 Commercial Area, Lanang, Davao City
157	Davao - Lizada	Ramon Magsaysay Avenue corner Lizada St., 8000 Davao City, Davao del Sur
158	Davao - Magsaysay	Ramon Magsaysay Avenue, Davao City
159	Davao - Monteverde Gov. Sales	G/F Felcris Supermarket, Inc. Building, Gov. Sales Street Barangay 27 - C. Davao City, Davao Del Sur
160	Davao - Narra	Tomas Monteverde Avenue corner Narra St., Davao City
161	Davao - Panabo	National Highway, Brgy. Sto. Niño, Panabo City, Davao del Norte
162	Davao - Quirino Avenue	Nicolas I Bldg., Quirino Avenue, 8000 Davao City

No.	BRANCH	ADDRESS
163	Davao - Rizal	#365 Farmar Building, Rizal St., Brgy. 3-A Poblacion, Davao City
164	Davao - Sta. Ana	Monteverde corner F. Bangoy St., 8000 Davao City, Davao del Sur
165	Davao - Sta. Ana Gempesaw	Sta. Ana Avenue corner Gempesaw St., Brgy. 015, Davao City
166	Davao - Toril Gaisano Grand Mall	GFS 01-02, Gaisano Grand Toril, National Highway corner Saavedra St., Brgy. Lizada, Toril, Davao City
167	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
168	Davao Buhangin	KSS Bldg., Buhangin Road cor. Olive St., Brgy. Buhangin, Davao City
169	Davao Buhangin C.P. Garcia Highway	Elimar Trading Corporation Bldg. Carlos P. Garcia Highway, in front of NHA Brgy. Cabantian, Buhangin District, Davao City
170	Davao Digos - San Jose	G/F Ladera Bldg., Rizal Avenue, Brgy. Zone III, Digos City, Davao Del Sur
171	Davao Tagum - National Highway	BIBU Square, Liwayway Commercial Area, National Highway, Brgy. Magugpo East, Tagum City, Davao del Norte
172	Dipolog - Rizal Avenue	Rizal Avenue near corner Gonzales St., Brgy. Central, Dipolog City
173	Dumaguete - CityMall	Unit 03 CityMall Dumaguete, North National Highway, Barangay Daro, Dumaguete City
174	Gaisano Grand Mall - Cotabato Kidapawan	G/F Gaisano Grand Mall Kidapawan, Quezon Blvd., Purok 1, Brgy. Lanao, Kidapawan City, North Cotabato
175	General Santos	Santiago Blvd., corner J. P. Laurel St. General Santos City
176	General Santos - National Highway	Tandem Center, Pasiliao Subdivision, National Highway, Brgy. City Heights, General Santos City, South Cotabato
177	Iligan - Andres Bonifacio Avenue	Unit 101, Solana District, Andres Bonifacio Avenue, Brgy. San Miguel, Iligan City, Lanao Del Norte
178	Iligan - Quezon Avenue	Quezon Avenue, 9200 Iligan City, Lanao Del Norte
179	Ilocos Norte - Batac	Aoigan Bldg., Washington St., Batac 2906 Ilocos Norte
180	Ilocos Sur - Cabugao	MacArthur Highway, Brgy. Baclig, Cabugao, Ilocos Sur
181	Ilocos Sur - Candon	National Highway corner Abaya St., 2710 Candon, Ilocos Sur
182	Ilocos Sur - Narvacan	National Road, Brgy. Sta. Lucia, Narvacan, Ilocos Sur
183	Iloilo - Arevalo	Calle M.L. Quezon corner Gen. Yulo Drive, Brgy. Quezon, Arevalo, Iloilo City

No.	BRANCH	ADDRESS
184	Iloilo - CityMall Pavia	G/F, Units 01 & 02, Citymall Pavia, Iloilo R3 Road corner C1 Road, Brgy. Ungka, Pavia, Iloilo
185	Iloilo - General Luna	48 LPHTP Bldg., General Luna St., Iloilo City, 5000
186	Iloilo - Jaro	NB Bldg. Lopez Jaena St. Jaro, Iloilo City
187	Iloilo - La Paz	G/F INJAP Bldg. corner Luna St. & Huervana St., La Paz, Iloilo City
188	Iloilo - Ledesma	G/F Esther Bldg. Ledesma St. Iloilo City
189	Iloilo - Passi	G/F Fronthub Ventures Bldg., Simeon Aguilar St. (National Road) corner Commonwealth Drive, Brgy Ilawod, Passi City, Iloilo
190	Iloilo - Quezon St.	Lots 3 & 5 Quezon St., Iloilo City
191	Iloilo - Tabuc Suba	Roger's Bldg., McArthur Highway, Tabuc Suba, Jaro, Iloilo City
192	Iloilo Jaro - CityMall Tagbak	UO2 CityMall Tagbak Jaro Iloilo, MacArthur Highway, Brgy. Tagbak, Jaro, Iloilo City
193	Iriga City	Iriga Plaza Hotel Msgr. Lanuza St., San Francisco, Iriga City, Camarines Sur
194	Iriga City - Puregold	G/F Commercial Unit 1, Puregold Iriga City, Highway 1, San Roque, Iriga City 4431
195	Isabela - Ilagan	Along Maharlika Highway, Calamagui 2nd, Ilagan, Isabela
196	Isabela - Primark Cauayan	Primark Town Center, Maharlika Highway corner Cortes St., Brgy. San Fermin, Cauayan City, Isabela
197	Isabela - Primark Cordon	G04, G/F, Primark Cordon Isabela, Pan Philippine Highway, Brgy. Roxas Cordon, Isabela
198	Isabela - Tumauini	National Highway, Brgy. San Pedro, Tumauini, Isabela
199	Isabela Cabagan - Xentro Mall	G/F Xentro Mall, Brgy. Ugad, Cabagan, Isabela
200	Isabela Santiago - Xentro Mall	G/F Xentro Mall corner National Highway & 4 Lanes Rd., Brgy. Villasis, Santiago City, Isabela
201	Kawit - Centennial Road	Centennial Road, Brgy. Magdalo Pitol, Kawit, Cavite
202	La Union - Agoo	Along National Highway, Barangay San Nicolas, Agoo, La Union
203	La Union San Fernando - Manna Mall	G/F Manna Mall, National Highway corner Diversion Road, Brgy. Pagdaraoan, San Fernando City, La Union
204	La Union San Fernando - Rizal Avenue	Rizal Avenue corner Ortega St. San Fernando, La Union
205	Laguna - Alaminos	KCD Commercial Complex, National Highway, Barangay Il Poblacion, Alaminos, Laguna
206	Laguna - Cabuyao	G/F Lim-Bell Business Center, J.P. Rizal St., Cabuyao, Laguna

No.	BRANCH	ADDRESS
207	Laguna - Carmelray I	Administration Bldg., Carmelray Industrial Park I, Carmeltown, Canlubang, Calamba, Laguna
208	Laguna - Carmelray II	Administration Bldg., Carmelray Industrial Park II, Km. 54 National Highway, Brgy. Milagrosa, Calamba City
209	Laguna - Pagsanjan	JP Rizal St. corner F. De San Juan St., Barangay Dos, Poblacion, Pagsanjan, Laguna
210	Laguna - Sta. Cruz	Along Regidor St., Sta. Cruz, Laguna
211	Laguna - Sta. Cruz National Highway	G/F E Home Town Center, National Highway, Brgy. Pagsawitan, Sta. Cruz, Laguna
212	Laguna - Technopark	G/F Laguna Technopark Admin. Bldg. 1, North Main Avenue, Laguna Technopark, Biñan, Laguna
213	Laoag - Castro	Pichay Bldg., J.P. Rizal corner A. Castro St., Laoag City
214	Legazpi City - Albay District	G/F & Mezzanine Floor, ZPC Bldg., Rizal St., Brgy. Baño, Old Albay, Legazpi City, Albay
215	Legazpi City - Rizal St.	Rizal corner Gov. Imperial St. Legazpi City
216	Legazpi City - Rotonda	Rizal St., 4500 Legazpi City, Albay
217	Legazpi City - Tahao	AGR Building, Alternate Road, Tahao, Legazpi City
218	Leyte - Ormoc Gaisano	G/F Gaisano Capital Ormoc Riverside, Brgy. Alegria, Ormoc City, Leyte
219	Lipa - Ayala Highway	Casa Esperanza Bldg Pres. JP Laurel Highway, Barangay Mataas na Lupa, Lipa City
220	Lipa - High 5 Square	High 5 Square, Ayala Highway, Mataas na Lupa, Lipa City, Batangas
221	Lipa - J.P. Laurel	J.P. Laurel St., Brgy Tambo, Lipa City, Batangas
222	Lipa - Puregold	G/F Puregold Lipa, Gen. Luna St., cor. D.P. Laygo St. & H. La Torre St., Brgy. 10, Lipa City, Batangas
223	Los Baños	Olivarez Plaza Cinema & Supermarket Complex, Along National Highway, Barangay Batong Malake, Los Baños
224	Lucena - Enriquez	Enriquez corner Evangelista St., Lucena City
225	Lucena - Gulang-Gulang	505 Quezon Avenue Extension, Barangay Gulang-gulang, Lucena City
226	Lucena - Iyam	Space 4-6, Kester Bldg., Maharlika Highway corner Love St., Rosario Village, Subd., Brgy. Ilayang Iyam, Lucena City
227	Lucena - Quezon Avenue	Quezon Avenue corner Profugo St., Lucena City, Quezon
228	Lucena - Tagarao	M.L. Tagarao St., Brgy. 5, Lucena City
229	Mactan - EPZA 2	Unit 204 NGA Bldg. 2, Pueblo Verde, MEZ II, Basak, Lapu lapu City
230	Mactan - Lapu-lapu GMC	Unit 9, The Arcade, ML Quezon Highway, Pajo, Lapu-lapu City

No.	BRANCH	ADDRESS
231	Mactan - Pajo National Highway	Hofuna Cresente Building, 2783 ML Quezon National Highway, Sangi, Pajo, Lapu-Lapu City
232	Malolos - Crossing	G/F Margen Bldg., MacArthur Highway, Sumapang Matanda, Malolos City, Bulacan
233	Malolos - MacArthur Highway	S1 Space A, The Cabanas Mall, KM44-45, MacArthur Highway, Malolos City
234	Marcos - Sumulong Highway	Kingsville Commercial Arcade, Marcos Highway, 1870 Antipolo, Rizal
235	Marcos Highway	Town & Country Commercial Arcade, Marcos Highway corner Narra St., Cainta, Rizal
236	Marcos Highway - Feliz Mall	G/F Space No. 171, Ayala Malls Feliz, Marcos Highway, Brgy. Dela Paz, Pasig City
237	Marcos Highway - Vermont Park	Park Place Building, Marcos Highway corner Vermont Park, Brgy Mayamot, Antipolo City
238	Marilao - MacArthur Highway	Unit I-3 Cecilia Commercial Complex, Abangan Norte, McArthur Hi-way, 3019 Marilao, Bulacan
239	Meycauayan - Malhacan	Supima Square Commercial Complex, Lukytex Compound, Malhacan Road, Meycauayan, Bulacan
240	Mindoro - Calapan	J.P. Rizal St., 5200 Calapan, Oriental Mindoro
241	Mindoro - CityMall Calapan	T-3, T-4 & T-5 CityMall - Calapan, A. Bonifacio corner Roxas Drive, Brgy. Ilaya, Calapan City, Oriental Mindoro
242	Misamis Occ. - Oroquieta	Mayor A. Enerio St., Oroquieta City, 7207 Misamis Occidental
243	Misamis Oriental - Gingoog	National Highway, Gingoog City, Misamis Oriental
244	Montalban - Puregold	G/F Units 3-5, Rodriguez Highway, Brgy. Rosario, Montalban, Rizal
245	Naga - Concepcion Grande	G/F Commercial Bldg., Maharlika Highway, Brgy. Concepcion Grande, Naga City
246	Naga - Diversion Road	Building 5, Stalls A and B, M. Plaza Roxas Avenue, Diversion Road, Concepcion Pequeña, Naga City
247	Naga - Elias Angeles	Chua O. Co Bldg., Elias Angeles St., Brgy. San Francisco, Naga City, Camarines Sur
248	Naga - General Luna	Nos. 80-82 General Luna St. Dinaga, Naga City
249	Naga - Magsaysay Avenue	One Magsaysay Bldg., Magsaysay Avenue corner Reno St., Brgy. Concepcion Pequeña, Naga City
250	Naga - Panganiban Drive	G/F DECA Corporate Center, Panganiban Drive, Brgy Tinago, Naga City, Camarines Sur
251	Naga - San Francisco	Barangay San Francisco, Penafrancia Avenue, Naga City
252	Negros Occ - Bago	Araneta Avenue cor Gen Luna St, Bago City, Negros Occidental 6101
253	Negros Occ - Binalbagan	Biscom Compound, Binalbagan, Negros Occidental

No.	BRANCH	ADDRESS
254	Negros Occ - CityMall Kabankalan	Unit 07 & 08, CityMall - Kabankalan, Justice Perez Highway corner Noceco Road, Brgy. Talubangi, Kabankalan City, Negros Occidental
255	Negros Occ - Hinigaran	Aguinaldo corner Rizal St. Hinigaran, 6106 Negros Occidental
256	Negros Occ - La Carlota	Yunque St. corner Gurrea St., Brgy. 1, La Carlota City, Negros Occidental
257	Negros Occ - San Carlos	S. Carmona St. corner Rizal St., San Carlos City, Negros Occidental
258	Negros Occ - Talisay	Paseo Mabini St., Brgy. Poblacion, Zone 9, Talisay City, Negros Occidental
259	Negros Occ - Victorias	Osmeña Avenue, Victorias City, Negros Occidental, 6119
260	Negros Oriental - Bayawan	G/F NVF Bldg. 441 National Highway, Brgy. Poblacion, Negros Oriental
261	Nueva Ecija - CityMall Sta. Rosa	T-23 & 24, CityMall - Sta. Rosa, Maharlika Highway, Brgy. Rizal, Sta. Rosa City Nueva Ecija
262	Nueva Ecija - Gapan Maharlika Highway	Units 3-7, Maharlika Highway corner Sampaguita St., Brgy. Bayanihan, Gapan, Nueva Ecija
263	Nueva Ecija - Primark Cabiao	G/F PRIMARK Cabiao, Jose Abad Santos Avenue, Brgy. San Roque, Cabiao, Nueva Ecija
264	Nueva Ecija - Primark Gapan	Primark Gapan, Maharlika Highway corner Abad Santos Avenue, Brgy. San Vicente, Gapan City, Nueva Ecija
265	Nueva Ecija - San Jose	Maharlika Road, 3121 San Jose City, Nueva Ecija
266	Nueva Ecija - Sta. Rosa	Along Maharlika Highway, Sta. Rosa, Nueva Ecija
267	Nueva Ecija - Talavera	G/F RDL Square 1 Bldg., Maharlika Highway, Brgy. Marcos District, Poblacion, Talavera, Nueva Ecija
268	Nueva Ecija - Zaragoza	Along Tarlac-Sta. Rosa Road, Brgy. Del Pilar East, Zaragoza, Nueva Ecija
269	Nueva Vizcaya - Solano	National Highway, Solano, Nueva Vizcaya
270	Pampanga - Lubao	Olongapo-Gapan Road, Sta. Cruz, Lubao, Pampanga
271	Pampanga - Magalang	Pablo Luciano Avenue, Brgy. San Pedro 1, Poblacion, Magalang, Pampanga
272	Pampanga - Puregold Dau	G/F & 2/F Puregold Dau, MacArthur Highway, Brgy. Dau, Mabalacat, Pampanga
273	Pampanga San Fernando - Dolores	McArthur Highway, Dolores 2000 City of San Fernando (Pampanga)
274	Pampanga San Fernando - MacArthur Highway	G/F Doña Isa Fel Bldg. II, MacArthur Highway, Dolores, San Fernando City, Pampanga
275	Pampanga San Fernando - San Isidro	Kingspire Business Center, MacArthur Highway, Brgy. San Isidro, City of San Fernando, Pampanga

No.	BRANCH	ADDRESS
276	Pampanga San Fernando - Sindalan	Palm Bldg., MacArthur Highway, Sindalan, San Fernando City, Pampanga
277	Pampanga- Guagua Town Center	GTC Building, Lot 2, Olongapo-Gapan & Provincial Road, Brgy. San Matias, Guagua, Pampanga
278	Pangasinan - Alaminos	Marcos Avenue, Palamis 2404 Alaminos, Pangasinan
279	Pangasinan - Bayambang	206 Rizal Avenue, Brgy. Poblacion, Bayambang, Pangasinan
280	Pangasinan - Calasiao	G/F Señor Tesoro Academy Bldg., San Miguel, Calasiao, Pangasinan
281	Pangasinan - Carmen	McArthur Highway, Carmen East 2441 Rosales, Pangasinan
282	Pangasinan - Malasiqui	ARLU Bldg., Magsaysay St., Brgy Poblacion, Malasiqui, Pangasinan
283	Pangasinan - Mangaldan	Along Rizal Avenue, Poblacion, Mangaldan, Pangasinan
284	Pangasinan - San Carlos	Palaris St., 2420 San Carlos City, Pangasinan
285	Pangasinan - Tayug	Along Quezon Blvd., Poblacion, Tayug, Pangasinan
286	Pangasinan San Carlos - Magic Mall	G/F, Magic Mall, Roxas Blvd. Corner Zamora St., Brgy. Roxas Blvd., San Carlos City, Pangasinan 2420
287	Puerto Princesa - San Pedro	G/F Palawan Uno Hotel, National Highway, Brgy. San Pedro, Puerto Princesa City, Palawan
288	Quezon - CityMall Tiaong	Units T 3-5 CityMall-Tiaong, Maharlika Highway, Brgy. Lalig, Tiaong, Quezon
289	Quezon Gumaca	JT Bldg., Maharlika Highway, Brgy. Peñafrancia, Gumaca, Quezon
290	Rizal - Binangonan	Lexar Building, Manila East Road, Brgy. Calumpang, Binangonan, Rizal
291	Rizal - Montalban	G/F Montalban Town Center, Rodriguez Highway corner Lardizabal St., Barangay San Jose, Rodriguez, Rizal
292	Rizal - Morong	G/F & 2/F Morong Centerpoint, No. 58 T. Claudio St., Brgy. San Juan, Morong Rizal
293	Rizal - Primark Cainta	G05-G06, Primark Cainta Rizal, Ortigas Avenue Extension cor. Don Celso Tuazon Ave., Brgy. San Juan, Cainta Rizal
294	Rizal - Primark Teresa	G03, Primark Teresa Rizal, R. Magsaysay Avenue., Brgy. San Gabriel, Teresa, Rizal
295	Rizal - San Mateo	G/F & Mezzanine Flr., Doña Isabel Bldg., No. 29 Gen. Luna St., Brgy. Guitnang Bayan 1, San Mateo, Rizal
296	Rizal - Tanay	Tanay Town Center, Sampaloc Road corner F.T. Catapusan St., Plaza Aldea, Tanay, Rizal
297	Robinsons - Dumaguete	Robinsons Dumaguete, Dumaguete Business Park, South Road, Calindagan, Dumaguete City

No.	BRANCH	ADDRESS
298	Robinsons Place - General Trias	Level 1 130-33, Robinsons Place General Trias, Antero Soriano Highway, EPZA, Bacao Diversion Road, Brgy, Tejero, General Trias, Cavite
299	Robinsons Place - Lipa	Level 1, Space L1-177, Robinsons Place Lipa, Lipa Highway, Brgy. Mataas na Lupa, Lipa City, Batangas
300	Robinsons Place - San Nicolas	Unit 1-00144 Robinsons Place Ilocos, Brgy. 1 San Francisco, San Nicolas, Ilocos Norte
301	Robinsons Place - Tuguegarao	Level 1 Tenant 1085-1086, Robinsons Place Tuguegarao, Maharlika Highway, Brgy. Tanza, Tuguegarao City, Cagayan
302	Robinsons Townville - Cabanatuan	G/F Unit RA1, Robinsons Townville, Brgy. H. Concepcion, Km. 111, Maharlika Highway, Cabanatuan City
303	Roxas - Citymall	CityMall-Roxas, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz
304	Roxas - Pueblo De Panay	G/F Hotel Veronica Bldg, Immaculate Heart of Mary Ave., Pueblo De Panay, Brgy. Lawa-an, Roxas City
305	Samar - Calbayog	Magsaysay Blvd. corner Burgos St., Brgy. East Awang, Calbayog City, Samar
306	Samar - Catarman	E.B. Moore St. corner Anunciacion St., Brgy Lapu-Lapu, Catarman, Northern Samar
307	Samar - Catbalogan	Del Rosario St. corner Allen Avenue, 6700 Catbalogan, Samar
308	San Pablo - Maharlika Highway	G/F BienPaz Arcade, Maharlika Highway Junction, San Rafael, San Pablo City
309	San Pablo - Paulino	M. Paulino St., San Pablo City
310	San Pedro	National Highway Junction & Mabini St., Brgy. Nueva, San Pedro, Laguna
311	San Pedro - Pacita	G/F M. Allen Bldg., Km31, Old National, National Highway, San Pedro, Laguna
312	San Pedro - Robinsons Galleria South	Level 2 Robinsons Galleria South, National Highway, Barangay Nueva, San Pedro City
313	Savemore Market - EPZA	G/F Savemore Market Epza General Trias, Diversion Road, EPZA, Brgy. Bacao Dos, General Trias, Cavite
314	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
315	SM Center Angono	UG/F SM Center Angono, Manila East Road, Brgy. San Isidro, Angono, Rizal
316	SM Center Imus	G/F, SM Center Imus (LC 163-164a, 173-174a), NIA and Alapan Road, Brgy. Bucandala, Imus, Cavite
317	SM Center Lemery	Location Code 127-130, G/F SM Center Lemery, Illustre Avenue corner Calle P. Gomez St., Brgy. District IV, Lemery, Batangas

No.	BRANCH	ADDRESS
318	SM Center Ormoc	G/F SM Center Ormoc (Location Code 123-125), Real St., Brgy. District 14, Ormoc City, Leyte
319	SM Center Pulilan	Location Code 140-142, G/F SM Center Pulilan, Plaridel-Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan, Bulacan
320	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
321	SM Cherry Antipolo	UGF 122, 123 & 124, SM Cherry Foodarama Antipolo, Marcos Highway, Brgy. Mayamot, Antipolo City
322	SM City Bacolod	G/F South Wing Bldg. SM City Bacolod, Poblacion, Reclamation Area, Bacolod City
323	SM City Bacolod North	G/F SM City Bacolod North Wing Bldg., Brgy. 12, Poblacion, Reclamation Area, Bacolod City
324	SM City Bacoor	UG/F SM City Bacoor Gen. Aguinaldo Highway corner Tirona Highway Bacoor, Cavite
325	SM City Baguio	UG/F SM City Baguio, Upper Session Road, Baguio City
326	SM City Baliwag	G/F SM City Baliwag (LC EX 101-102,105a-107a), DRT Highway, Brgy. Pagala, Baliwag, Bulacan
327	SM City Batangas	G/F SM City Batangas, Barangay Pallocan West, Batangas City
328	SM City Cabanatuan	UG/F SM City Cabanatuan, Maharlika Highway, Brgy. Hermogenes C. Concepcion Sr., Cabanatuan City, Nueva Ecija
329	SM City Cagayan de Oro	G/F SM City Cagayan de Oro, Pueblo de Oro Business Park, Upper Canituan, Cagayan de Oro, Misamis Oriental
330	SM City Calamba	G/F SM City Calamba, National Highway, Barangay Real, Calamba City, Laguna
331	SM City Cauayan	G/F & 2/F SM City Cauayan, Maharlika Highway, Brgy. San Fermin, Cauayan, Isabela
332	SM City Cebu	SM City Cebu, North Reclamation Area, Cebu City
333	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
334	SM City Clark A	G/F SM City Clark, Clark Field, Pampanga
335	SM City Clark B	G/F SM City Clark BPO Tower 1 & 2 (LC B1-101-107), Brgy. Malabantias, Pampanga
336	SM City Consolacion Cebu	G/F SM City Consolacion Cebu, Cebu North Road, Brgy. Lamac, Consolacion, Cebu
337	SM City Dasmariñas A	Upper Ground Floor, SM City Dasmariñas, Barrio Pala-Pala Dasmariñas, Cavite

No.	BRANCH	ADDRESS
338	SM City Dasmariñas B	LGF SM City Dasmariñas, Governor's Drive, Brgy Pala-Pala, Dasmariñas, Cavite
339	SM City Davao	UG/F SM City Davao Barangay Matina, Davao City
340	SM City Davao Annex	G/F Annex Bldg., SM City Davao, Brgy. Matina, Davao City
341	SM City General Santos	G/F SM City General Santos, Santiago Boulevard corner San Miguel St., General Santos City
342	SM City Iloilo	UG/F SM City Iloilo, Benigno Aquino Avenue, Mandurriao, Iloilo City
343	SM City Iloilo B	UGF SM City Iloilo Expansion Bldg. (LC1053A-1053F), Benigno Aquino Avenue, Brgy. Bolilao, Mandurriao, Iloilo City 5000
344	SM City Legazpi	G/F SM City Legazpi (Location Code 1045-1047), Imelda Roces Avenue, Zone 9, Brgy, 37 Bitano, Legazpi City, Albay
345	SM City Lipa	G/F SM City Lipa, Ayala Highway, Lipa City, Batangas
346	SM City Lucena	G/F SM City Lucena, (LC 177-178) Pagbilao National Road, Lucena City
347	SM City Marilao	G/F SM City Marilao, MacArthur Highway, Marilao, Bulacan
348	SM City Masinag	G/F SM City Masinag, Marcos Highway, Mayamot, Antipolo City
349	SM City Molino	G/F SM City Molino, Brgy. Molino 4, Bacoor, Cavite
350	SM City Naga	G/F SM City Naga, Barangay Triangulo, Central Business District II, Naga City
351	SM City Olongapo	G/F SM City Olongapo (Location Code EXP 105-106), Magsaysay Drive corner Gordon Ave., Pag-asa, Olongapo City, Zambales
352	SM City Olongapo Central	Location Code 125-129, G/F, SM City Olongapo Central, Rizal Avenue, Brgy. East Tapinac, Olongapo City
353	SM City Pampanga A	G/F SM City Pampanga, San Fernando, Pampanga
354	SM City Pampanga B	G/F SM City Pampanga Annex Bldg. 4, San Fernando, Pampanga
355	SM City Puerto Princesa	LG/F SM City Puerto Prinsesa, Malvar corner Lacao Sts., Brgy. San Miguel, Puerto Prinsesa City, Palawan
356	SM City Rosales	SM City Rosales, Carmen East, Rosales, Pangasinan
357	SM City Rosario	G/F SM City Rosario, General Trias Drive, Barangay Tejero, Rosario, Cavite
358	SM City San Fernando	G/F SM City San Fernando, V. Tiomico St., Brgy. Poblacion, San Fernando, Pampanga
359	SM City San Jose Del Monte	SM City San Jose Del Monte, Quirino Highway, Brgy. Tungkong Mangga, San Jose Del Monte City, Bulacan

No.	BRANCH	ADDRESS
360	SM City San Mateo	SM City San Mateo, General Luna, Brgy. Ampid 1, San Mateo, Rizal
361	SM City San Pablo	G/F SM City San Pablo, National Highway, Barangay San Rafael, San Pablo City, Laguna
362	SM City Sta. Rosa	G/F SM City Sta. Rosa, Barrio Tagapo, Sta. Rosa, Laguna
363	SM City Tarlac	UG & LGF, SM City Tarlac, MacArthur Highway, San Roque, Tarlac City
364	SM City Taytay	G/F Bldg. A, SM City Taytay, Manila East Road, Barangay Dolores, Taytay, Rizal
365	SM City Telabastagan	184-185, Ground Floor, SM City Telabastagan, MacArthur Highway, Brgy. Telabastagan, 2000 City of San Fernando, Pampanga
366	SM City Trece Martires	UG/F SM City Trece Martires (LC 33A-135A), Brgy. San Agustin, Trece Martires, Cavite
367	SM City Urdaneta Central	LC 155-157, G/F SM City Urdaneta Central, MacArthur Highway, Brgy. Nancayasan, Urdaneta City, Pangasinan
368	SM Delgado	G/F SM Delgado Bldg. Valeria St. Iloilo City
369	SM Hypermarket Cainta	SM Hypermarket Cainta, Felix Huerta Ave., Cainta, Rizal
370	SM Hypermarket Daet	G/F SM Hypermarket Daet, Vinzons Avenue, Barangay IV, Daet, Camarines Norte
371	SM Hypermarket Mabalacat	G/F SM Hypermarket Pampanga, MacArthur Highway, Brgy. Camchiles, Dau, Mabalacat, Pampanga
372	SM Lanang Premier	UGF SM Lanang Premier, J.P. Laurel Avenue, Brgy. San Antonio Bajada, Lanang, Davao City
373	SM Market Mall Dasmariñas	G/F Dasmariñas Bagong Bayan Resettlement Project Area B (DBB-B), Congressional Road, Kadiwa, Dasmariñas City, Cavite
374	SM Megacenter Cabanatuan	UG/F SM Megacenter Cabanatuan, Gen. Tinio & Melencio Sts., San Roque Norte, Cabanatuan City
375	SM Savemore Davao Bangkal	G/F SM Savemore Market Bangkal, Davao Km. 7 MacArthur Highway, Brgy. Bangkal, Davao City
376	SM Savemore Tacloban	G/F SM Savemore Tacloban, Justice Romualdez St., Brgy. 13, Tacloban City
377	SM Seaside City Cebu A	LG/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City
378	SM Seaside City Cebu B	2/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City
379	Sorsogon - Primark J.P. Rizal	Primark Sorsogon 3, J.P. Rizal St. corner De Vera St., Brgy. Talisay, Sorsogon City
380	Sorsogon City	Son Bldg., R. Magsaysay Avenue, Sorsogon City

No.	BRANCH	ADDRESS
381	Sta. Lucia East - Cainta	Sta. Lucia East Grand Mall, Marcos Hi-Way corner Felix Avenue, 1900 Cainta, Rizal
382	Sta. Lucia East-Felix Avenue	G/F Phase 1, Sta. Lucia Grand Mall, Marcos Highway corner Felix Avenue, Cainta
383	Sta. Rosa - Arcadia	Unit Anchor 2, Arcadia Bldg., Greenfield City, Tagaytay - Balibago Road, Brgy. Don Jose, Sta. Rosa City, Laguna
384	Sta. Rosa - Don Jose	PCC Bldg., Sta. Rosa - Tagaytay Road, Barangay Don Jose, Sta. Rosa, Laguna
385	Sta. Rosa - Puregold Tagapo	Puregold Sta. Rosa - Tagapo, Rizal Blvd., Brgy Tagapo, Sta. Rosa, Laguna
386	Subic - Rizal Highway	Subicworx Building, 1056 Rizal Highway, Subic Bay Freeport Zone, Olongapo City, Zambales
387	Subic - Times Square	420 Rizal Highway Subic Bay Freeport Zone, 2200 Olongapo City, Zambales
388	Sultan Kudarat - Primark Tacurong	G10, G/F, Primark Town Center, Magsaysay Avenue corner Bonifacio St., Purok 1, Brgy. Poblacion, Tacurong City Sultan Kudarat
389	Surigao	Magallanes corner San Nicolas St., 8400 Surigao City
390	Tacloban - Justice Romualdez	Philamlife Bldg., Justice Romualdez St., corner P. Paterno St., Tacloban City
391	Tacloban - Rizal Avenue	Rizal Avenue, Brgy. 41, Tacloban City
392	Tacloban - Zamora	Carlos Chan Bldg. P. Zamora St. Tacloban City
393	Tagaytay - Mendez Junction	E. Aguinaldo Hi-way, Mendez Crossing, Tagaytay City
394	Tagaytay - Rotonda	Frablyn Tower (Tolentino Bldg.), Emilio Aguinaldo Highway, Tagaytay (Near Tagaytay Rotonda)
395	Tagaytay - Wind Residences	G/F Tower 2, SM Wind Residences, Aguinaldo Highway, Brgy. Maharlika West, Tagaytay City
396	Tanauan - A. Mabini	A. Mabini St., Tanauan 4232 Batangas
397	Tanauan - JP Laurel Highway	President J.P. Laurel Highway corner Sixto Castillo St., Poblacion, Tanauan, Batangas
398	Tarlac - Camiling	Romulo St., Barangay Poblacion A, Camiling, Tarlac
399	Tarlac - Capas	San Trope Bldg., 57 Mc Arthur Highway, Brgy. Sto. Domingo, Capas, Tarlac
400	Tarlac - CityMall	T-01, CityMall-Tarlac, MacArthur Highway, Brgy. San Rafael, Tarlac City
401	Tarlac - Concepcion	L. Jaena corner L. Cortes St., San Nicolas, 2316 Concepcion, Tarlac
402	Tarlac - MacArthur Highway	Block 7, MacArthur Highway, Brgy. San Nicolas, Tarlac City
403	Tarlac - San Roque	1567 Zamora St., Brgy. San Roque, Tarlac City, Tarlac
404	Tarlac Gerona	Nick Hotel Commercial Complex, MacArthur Highway, Brgy. Abagon, Gerona, Tarlac

No.	BRANCH	ADDRESS
405	Taytay National Highway	Korte Rosario Restaurant, Taytay National Highway, Ilog Pugad, Barangay San Juan, Taytay Rizal
406	Tuguegarao - Buntun	Luna St., Brgy. Buntun, Tuguegarao City, Cagayan
407	Urdaneta - MacArthur Highway	182 LIS Bldg., MacArthur Highway, San Vicente, Urdaneta
408	Vigan - Plaza Maestro	G/F Plaza Maestro Commercial Complex, Burgos & Florentino St., Vigan City, Ilocos Sur
409	Vigan - Puregold	Puregold Vigan, Jose Singson St., Brgy VIII, Sta. Elena, Vigan City, Ilocos Sur
410	Virac Town Center	G/F Virac Town Center, Rizal Avenue, Brgy. Gogon Sirangan, Virac, Catanduanes
411	Waltermart - Balayan	G/F Waltermart Balayan, Balibago-Balayan Highway corner Paz St., Brgy. Caloocan, Balayan, Batangas
412	Waltermart - Batangas City	G/F, Waltermart Batangas, P. Burgos St., Brgy. Calicanto, Batangas City, Batangas
413	Waltermart - Bel-Air Sta. Rosa	G/F Waltermart Bel-Air Sta. Rosa, Tagaytay National Highway, Brgy. Pulong , Sta. Cruz, Sta. Rosa, Laguna
414	Waltermart - Cabanatuan	G/F Waltermart Cabanatuan, Brgy. Dicarma, Cabanatuan City, Nueva Ecija
415	Waltermart - Carmona	G/F Waltermart Carmona, Macaria Business Center, National Highway, Brgy. Mabuhay, Carmona, Cavite
416	Waltermart - Concepcion Tarlac	G/F Waltermart Concepcion (LC WCON 033), L. Cortez St., Brgy. Alfonso, 2316 Concepcion, Tarlac
417	Waltermart - Dasmariñas	G/F Waltermart Dasmariñas, National Highway, Brgy. Barrio Burol, Dasmariñas, Cavite
418	Waltermart - Guiguinto	Waltermart Guiguinto Bulacan, MacArthur Highway, Brgy. Ilang-Ilang, Guiguinto, Bulacan
419	Waltermart - Nasugbu	Location Code WNAS 017, G/F Waltermart Nasugbu, J.P. Laurel Highway, Brgy. Lumbangan, Nasugbu, Batangas
420	Waltermart - Pampanga	G/F Waltermart Pampanga, MacArthur Highway, San Agustin, San Fernando, Pampanga
421	Waltermart - Paniqui	G/F, Waltermart Paniqui, MacArthur Highway, Brgy. Estacion, Paniqui, Tarlac 2307
422	Waltermart - San Jose	G/F, Waltermart San Jose, Pan Philippine Highway, Brgy. Malasin, San Jose, Nueva Ecija
423	Waltermart - Sta. Maria	G/F Waltermart Sta. Maria Provincial Road corner By Pass Road, Barangay Sta. Clara, Sta. Maria, Bulacan
424	Waltermart - Sta. Rosa	San Lorenzo Drive corner Balibago Road, Barangay Balibago, 4026 Sta. Rosa, Laguna
425	Waltermart - Subic	G/F Waltermart Subic, Subic National Highway, Brgy. Mangan Vaca, Subic, Zambales
426	Waltermart - Tanauan	G/F Waltermart Tanauan, Pres. J.P. Laurel Highway,

No.	BRANCH	ADDRESS
		Brgy. Darasa, Tanauan City, Batangas
427	Waltermart Center - Cabuyao	G/F Waltermart Center Cabuyao, Km 47 National Highway, Brgy. Banlic, Cabuyao, Laguna
428	Waltermart Center - Makiling	G/F Waltermart Center Makiling, National Highway, Brgy. Makiling, Calamba, Laguna
429	Waltermart Talavera	Unit WMT G-32, G/F Waltermart Talavera, Maharlika Highway, Brgy. La Torre, Talavera, Nueva Ecija 3114
430	Waltermart Taytay	LG/F Waltermart Taytay, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal
431	Zambales - Castillejos	G/F RM Mall, National Highway, Brgy San Nicolas, Castillejos, Zambales
432	Zambales - Iba	Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales
433	Zamboanga - Canelar	Mayor Jaldon Avenue, Barangay Canelar, Zamboanga City
434	Zamboanga - CityMall Tetuan	U33 CityMall Tetuan Zamboanga, Gov. Alvarez Extension, Tetuan, Zamboanga City
435	Zamboanga - Ipil	National Highway, Ipil, 7001 Zamboanga Del Sur
436	Zamboanga - La Purisima	La Purisima St., Brgy. Zone II, Zamboanga City
437	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.

V. DIRECTORS AND EXECUTIVE OFFICERS OF THE BANK

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Bank's directors and executive officers, their principal occupation or employment, the name and principal business of any organization by which such directors and executive officers are employed.

VI. MARKET PRICE, SHAREHOLDER AND DIVIDEND INFORMATION

(1) Market Information

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

	High	Low
First Quarter 2018	167.70	137.20
Second Quarter 2018	141.30	122.90
Third Quarter 2018	138.00	110.50
Fourth Quarter 2018	106.60	136.40
First Quarter 2019	142.70	121.50
Second Quarter 2019	143.40	126.10
Third Quarter 2019	154.00	137.40
Fourth Quarter 2019	161.80	137.00

Source: www.edge.pse.com.ph

As of March 16, 2020, the closing price of the Bank's common shares is ₱ 110.00.

(2) Holders of Securities

The number of common shareholders of record as of [April 30, 2020](#) was [12,441](#). Common shares outstanding as of [April 30, 2020](#) stood at [4,382,611,513](#). 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 *	40.78%
2	PCD Nominee Corp. (Non-Filipino)	Non-Filipino	1,241,058,962	28.32%
3	PCD Nominee Corp. (Filipino)	Filipino	614,320,909**	14.02%
4	Multi-Realty Development Corporation	Filipino	291,513,036 *	6.65%
5	Sybase Equity Investments Corporation	Filipino	240,010,292 *	5.48%
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	9,855,661 *	0.22%
10	Executive Optical Inc.	Filipino	2,724,575 *	0.06%
11	Edilberto Narciso	Filipino	2,615,452	0.06%
12	DHS Investment	Filipino	2,337,769	0.05%
13	Lucky Securities, Inc.	Filipino	2,256,438	0.05%
14	Cedar Commodities, Inc.	Filipino	1,050,146 *	0.02%
15	Ernest Lee Go	Filipino	1,042,124	0.02%

Rank	Name of Stockholder	Nationality	No. of Shares Owned	% of Ownership
16	Hong Eng Tan	Filipino	863,500	0.02%
17	Jonathan Dee Co	Filipino	800,000	0.02%
18	Tristan Matthew T. Sze	Filipino	618,000	0.01%
19	Regina Capital Development Corporation	Filipino	603,812	0.01%
20	Victoria Yu Tiam-Lee	Filipino	479,722	0.01%
Total			4,345,163,332	99.12%

* Inclusive of PCD-lodged shares

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

(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 January 30, 2016, the Board of Directors of BDO approved the declaration of annual 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 16, 2016.

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 2016 on February 27, 2016, May 28, 2016, August 27, 2016 and December 3, 2016, respectively. The dividends were paid on March 28, 2016, June 27, 2016, September 26, 2016 and December 29, 2016, respectively.

On January 27, 2017, 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 17, 2017.

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 2017 on February 24, 2017, May 26, 2017, August 26, 2017 and December 2, 2017, respectively. The dividends were paid on March 31, 2017, June 30, 2017, September 29, 2017 and December 29, 2017, respectively.

On January 27, 2018, the Board of Directors of BDO approved the declaration of annual 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 2, 2018.

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 2018 on February 24, 2018, May 26, 2018, August 31, 2018 and December 8, 2018, respectively. The dividends were paid on March 28, 2018, June 29, 2018, September 28, 2018 and December 28, 2018, respectively.

On January 26, 2019, the Board of Directors of BDO approved the declaration of annual 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.

On February 3, 2020, the Board of Directors of BDO approved the declaration of annual 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 quarter of 2020 on February 27, 2020. The dividends for most stockholders were paid on March 27, 2020. However, given the declaration of President Rodrigo R. Duterte placing the entire Luzon area in the Philippines under “enhanced community quarantine” to contain the spread of COVID-19, resulting in temporary work suspension of non-essential services, distribution of cash dividends to all stockholders of record on payment date posed a great challenge. However, BDO continues to manage the challenges of cash dividend payment distribution amidst the COVID-19 situation and shall carry out its best efforts to release all payments for cash dividends as soon as practicable, following the lifting of the enhanced community quarantine.

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

On 3 February 2020, the Bank issued ₱40.1 billion of senior fixed rate bonds with a rate of 4.408% per annum which will mature on 3 August 2022.

On February 11, 2019, the Bank issued P35.0 billion worth of senior fixed rate bonds with a rate of 6.42% per annum which will mature on August 11, 2020. The bond issuance is part of the Bank’s efforts to diversify its funding sources and support its business expansion.

On May 7, 2018, the Bank issued P8.2 billion worth of long-term negotiable certificates of deposit with a rate of 4.375% per annum which will mature on November 7, 2023.

On December 8, 2017, the Bank announced that it issued its first green bond, raising US\$150 million to expand financing for private sector investments that help address climate change. The issuance, which is the first green bond issued by a commercial bank in the Philippines, has the International Finance Corporation (IFC) as sole investor in the bond.

On August 31, 2017, the Bank issued \$700 million in Fixed Rate Senior Notes under the Bank’s Medium Term Note Program. The issue is part of the Bank’s liability management initiatives to tap longer-term funding sources to support the Bank’s lending operations and for general corporate purposes.

On August 18, 2017, the Bank issued P11.8 billion worth of Long Term Negotiable Certificates of Deposit (LTNCDs) to mature in 5.5 years, as part of the Bank’s efforts to lengthen the maturity profile of its main funding source.

VII. COMPLIANCE WITH LEADING PRACTICES ON CORPORATE GOVERNANCE

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

BDO Unibank, Inc. affirms its deep commitment to a high standard of corporate governance practice firmly anchored on the principles of accountability, fairness, integrity, transparency and performance consistently applied throughout the institution that supports our corporate objective of delivering long-term value. 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 has continued to comply with the SEC Code of Corporate Governance for Publicly-Listed Companies and provisions of BSP Circular 969 on Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions in its Corporate Governance Manual, which form part of its continuing commitment to comply with the latest rules and regulations. It has also continued to follow the 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 which serve as essential points of reference.

This report describes the highlights of our corporate governance practices throughout the financial year ended December 31, 2019.

1. Composition of the Board - The Board is composed of 11 members and aided by 3 Advisors. The members of the Board are all professionals with expertise in 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 6 Independent Directors, 2 Non-Executive Directors and 2 Executive Directors who are the Vice Chairman and the President & CEO. Independent Directors comprise the majority (54.50%) members of the Board, thus exceeding the requirement of the Securities and Exchange Commission (SEC) and the Bangko Sentral ng Pilipinas (BSP) as well as meeting global best practice. Non-Executive Directors including Independent Directors comprise 82% of board strength, more than the requirement of the BSP of at least majority of the Board. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined. The Board Advisors are considered as integral part of the Board whose influence are akin to a Director. 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 (2) female non-executive directors.
2. Composition of the Committees - Eight of 9 Board committees namely Risk Management, Board Audit, Corporate Governance, Related Party, Information Technology Steering, Nominations, Compensation, and Trust are chaired by Independent Directors. 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 were disclosed to the public on February 28, 2019 within 60 days from year end, following the best practice recommendation of the ASEAN Corporate Governance Scorecard, for five (5) consecutive years already;
4. Executive Sessions of Independent/Non-Executive Directors - The Independent and Non-Executive Directors, chaired by Lead Independent Director Jones M. Castro, Jr. conducted, conducted 3 executive sessions with the External Auditor, Chief Risk Officer,

Chief Compliance Officer and Chief Internal Auditor without the presence of management to discuss various matters or issues outside the regular committee meetings of the Audit and Risk Management Committees. The results of these sessions were discussed with the Bank's Executive Directors; and,

5. Annual performance self-assessment - In 2020, the Bank commissioned PricewaterhouseCoopers (PwC) to facilitate the Board Effectiveness Evaluation in compliance with the SEC Code of Corporate Governance in order to further align its governance framework with the principles of the said Code and global best practices. Part of the engagement of PwC is to facilitate a self and peer evaluation process on the Board, Board Committees, and individual directors. The results thereof are validated through focused interviews with individual directors. In 2019, the Corporate Governance Committee spearheaded the annual Board evaluation survey covering the performance in 2018 of the Board of Directors, Board Committees, Senior Management, each Director, and Board Advisors. The tabulated results were then referred to the Board. The overall assessment showed that the Board continues to operate on a very high standard of independence, committees function effectively and senior management has the relevant professional experience, necessary skills and ability to manage the Bank while the directors have rigorously maintained independence of views and the relationship between the Board and committee members remain strong.

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 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 the 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 or by proxy, 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 assign proxies to vote on their behalves if shareholders could not 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 2019, the Notice of Annual Stockholders' Meeting, which contains details and rationale for each agenda item, was released on March 21, 2019, or 31 days prior to the date of the Meeting.

The Annual Stockholders' Meeting was held on April 22, 2019 and was attended by the Board Chairperson, President & Chief Executive Officer, Directors and chairpersons of various Board Committees. The shareholders were allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinion and make suggestions on various issues. Please see the minutes of the 2019 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/ownership.

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 to be approved by them. The Bank accepts the votes cast by nominees and custodians in behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

Investors

BDO adopts a pro-active relationship with its stockholders through 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. In 2019, the following were the significant programs and events done by Investor Relations:

1. Meetings, Conferences and Roadshows

IR engaged with close to 500 investors through one-on-one meetings, conference calls, roadshows, and conferences locally and abroad last year.

2. Analyst briefings

IR held two analyst briefings in February and July in 2019 during which the Bank's senior management presented and answered queries on the Bank's 2018 and first half of 2019 financial results, operations and recent developments. Video coverage of the analysts' briefings last year are posted under the Investor Relations section of the Bank's website.

3. Media briefings/press conferences

IR held a media briefing/press conference in the morning prior to the Bank's Annual Stockholders' Meeting on April 22, 2019, during which the BDO President updated the press on the Bank's financial results as well as answered queries relating to the Bank.

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 disclosures and posting of material and relevant information.

IR directly liaises with its stock transfer agent on matters relating to stockholders' claim for cash dividends, updating of contact information and requests for documents and/or information regarding their stockholdings.

Shareholders could 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 2019 Annual Stockholders' Meeting is available in our corporate website at www.bdo.com.ph/company-disclosures/ownership.

Customers

Our clients provide the Bank the business for which we are most thankful. BDO is committed to meet their needs by providing them with high quality customer service and relevant products and services.

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

- Communications are fair and not misleading.
- Ensure that 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.

As a continuing compliance with BSP Circular 857 which is 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 with 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 in compliance with BSP Circular 949.

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, conduct of 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 were also enhanced using the existing risk management tools of the Bank. Currently, the Bank is completing the PIAs for the rest of the units and implementation of necessary security measures is being monitored. 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 as well as breach reporting exercises/drills.

The Bank has also recently 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) of the Board is 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).

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 such as protection services to the emerging Filipino middle class through BDO Life. It continues to invest heavily in technology to improve products and processes particularly on personal online banking, expand electronic channels, electronic payments, enhance anti-fraud features of electronic money instruments like shift to EMV cards, develop modern payment platforms and expand use of digital media. 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, 2019, BDO Unibank Group had 1,436 branches (including two foreign branches), 4,466 automated teller machines (ATMs) and 562 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. On 11 February 2019, the Bank issued P 35 B worth of Senior Fixed Rate Bonds to diversify the Bank’s funding sources and support business expansion. On 5 April 2019 and 27 September 2019, the Bank issued Long Term Negotiable Time Deposits (LTNCD) worth P7.3 B and P6.5 B, respectively, as part of the Bank’s efforts to diversify the maturity of funding sources and support business expansion plans.

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, commission or any form of payment from client, business partners, suppliers and third party service providers in exchange for any unnecessary favorable treatment.

Employees

The Bank puts very high value to its human resources. 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 directs, officers and employees in their activities and relationship with external shareholders. These reflect the core values the institution subscribes to and promotes.

The Code applies at all times to all members of the Board of Directors and BDO 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 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 to 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 capability, attitude and mindset of employees. The Bank allocates every year a training budget for these developmental programs. In 2019, the average training hours for internal and external training of staff, managerial and senior officers were 67.49, 62.67 and 44.01, respectively. In terms of actual number of employees trained, staff was at 22,908, managers at 19,145 and senior officers at 2,614. 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 2020 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 2019. Ten (10) directors of BDO Unibank attended the in-house corporate governance seminar last 24 July 2019 in Makati City. It concentrated on cybersecurity in the Philippines and blockchain technology/cryptocurrencies, to equip themselves on emerging risks as banks move to the era of digital banking. One (1) director attended an external corporate governance

training, which focused on boardroom realities, fighting red tape, and governance advocacies.

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 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.

In 2019, the Bank conducted the following initiatives to improve the safety of Bank employees and customers inside the premises:

1. We hired 3 additional Safety Officers for the year 2019 totaling to 9 full-time Safety Officers for the Bank. The Bank also assigned and trained 1,178 part-time Safety Officers at our branches. They are tasked to conduct safety trainings, audit, and inspections. Safety reports are also being submitted to the Department of Labor and Employment
2. We inspected a total of 534 facilities in 2019. Written reports are submitted to the concerned units in the Bank.
3. A total of 172 safety briefings were performed in 2019.
4. We conducted 28 fire drills in 2019.
5. Health and Safety Committee meets once a month 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

Aside from our clinics, employees have the option to go to any medical facility accredited by the health maintenance organizations supporting the Bank. Employees are required to undergo an annual medical check-up.

The Bank is active in promoting a healthy lifestyle for its employees by maintaining two adequate and well maintained gym facilities in its Corporate Centers located in Makati and Ortigas where various group exercises are also being held. In 2019, 3,728 employees used these facilities. We also have a tie up with a popular gym facility with preferential fees. We also conduct health and wellness seminars for our employees on top of sporting tournaments that are being organized regularly.

Society, Community and the Environment

Corporate Social Responsibility

BDO pursues its corporate citizenship initiatives through BDO Foundation, the bank's corporate social responsibility arm. Backed by the BDO Unibank community, the foundation develops and implements programs designed to address the needs of the underprivileged and marginalized members of society.

BDO Foundation's advocacies fall under two pillars: disaster response, which includes relief, rehabilitation and reconstruction programs; and financial inclusion. In 2019, the foundation – supported by stakeholders, BDO volunteers, its partners and donors – fulfilled these advocacies.

Disaster Response

BDO's presence all over the country gives BDO Foundation the capability to conduct relief operations with great efficiency. Leveraging the wide network of BDO branches and satellite offices across the country, the foundation mobilizes BDO volunteers to mount relief work in communities affected by natural or man-made disasters.

Branch officers and staff visit disaster-stricken barangays and distribute relief packs containing food, rice and water to affected residents. In some cases, hygiene kits and school supplies are handed out. In areas where there is no BDO presence, the foundation partners with church groups and other non-governmental organizations to mount relief operations.

In 2019, BDO Foundation organized 48 relief operations, benefiting a total of 69,082 families. Beneficiaries included people affected by incidents of fire, earthquakes the southwest monsoon, tropical depressions, flash floods and landslides. Victims of Typhoons Ineng, Quiel, Tisoy and Ursula as well as those affected by earthquakes in Batanes, Cotabato, Davao del Sur and Pampanga also received relief goods distributed by BDO volunteers. The foundation also donated 100 rolls of tarpaulin to public schools in Cotabato. These were used for temporary learning spaces in the aftermath of the earthquakes.

Rehabilitation of Rural Health Units

After conducting relief operations, BDO Foundation revisits areas hit by disasters to determine the long-term work that needs to be done as part of its disaster response advocacy. The rehabilitation of rural health units is one of the programs the foundation undertakes in calamity-stricken communities.

Through this rehabilitation program, BDO Foundation aims to contribute 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. The initiative is also in line with the improvement of the healthcare service delivery system, one of the goals under the Philippine Health Agenda.

Last year, as in prior years, the foundation rehabilitated rural health units in disaster-stricken and economically disadvantaged communities all over the country.

The renovation of health facilities included various rooms and spaces for mothers and infants, children, senior citizens, persons with disabilities and other patients. New furniture and fixtures were installed. Play areas for children complete with books and toys, waiting areas for the comfortable use of senior citizens and breastfeeding stations for nursing mothers were also built. These improvements enabled doctors, nurses and midwives to serve their constituents more effectively.

BDO Foundation rehabilitated 14 health centers in 2019. As a result, a total of 453,876 individuals now have access to better primary and maternal healthcare services.

School Buildings in Marawi

As part of its rehabilitation and reconstruction program, BDO Foundation constructs new school buildings in areas affected by natural disasters or armed conflict. This initiative supports the Adopt-A-School program of the Department of Education (DepEd) and helps address the need for more classrooms in the country.

In 2019, BDO Foundation constructed two-storey, four-classroom school buildings in Lake Lanao National High School and Harat Medina Central Elementary School in Marawi City, Lanao del Sur. The projects were aimed at helping rebuild the war-torn city.

The fully furnished school buildings are expected to initially benefit more than 700 pupils affected by the Marawi siege, which disrupted classes for several months and forced students and teachers to evacuate. Moreover, the project contributes to the efforts of DepEd, one of the member agencies of Task Force Bangon Marawi, to rehabilitate public schools in the wake of the fighting that ensued between government forces and a militant group in 2017. Counting the school building it turned over in Nanapun Elementary School in 2018, BDO Foundation has constructed three school buildings in the city.

The construction of the new school buildings is just one of several BDO Foundation initiatives for Marawi. The foundation successfully mounted relief operations and made donations for the benefit of thousands of evacuees, military operatives, police personnel and school children affected by the fighting and humanitarian crisis. It also donated storybooks and school supplies to hundreds of schoolchildren in the city.

Technical-vocational Facility in Mati

Last year, BDO Foundation, in partnership with the Salesian Society of St. John Bosco, constructed a two-storey technical-vocational facility at the Don Bosco Training Center (DBTC) in Mati City in the disaster-stricken province of Davao Oriental for disadvantaged and out-of-school youth in Mindanao. Typhoon Pablo battered Davao Oriental in 2012, devastating thousands of residents in coastal areas. The tropical storm, one of the strongest to make landfall in the province, damaged homes, infrastructure and school buildings.

Through the new school building, BDO Foundation aims to help the Don Bosco school capacitate students and make them employable in the Philippines and abroad. The project is in keeping with the United Nations Sustainable Development Goal no. 8 to promote sustained economic growth, full and productive employment, and decent work for all. The construction of the school building in Mati and the provision of tools and equipment were made possible by donations from BDO employees.

With construction completed, school administrators plan to set up new courses and accommodate more enrollees. Around 560 senior high school students are expected to benefit from the project in the first three years. The structure will serve as a workshop, where students can learn technical-vocational skills.

Facility for Survivors of Abuse

In 2019, BDO Foundation completed the construction of Cameleon Negros Center, a facility where abused girls can undergo therapy, study and receive counselling. Located in Silay City, Negros Occidental, the center is a home for abused children, a safe haven where they can receive the care, guidance and attention they need. The center initially accommodated 20 beneficiaries but will continue to accept more survivors of abuse.

Construction was co-funded by Cooperation Humanitaire Luxembourg and backed by Zonta Club of Makati-Ayala. The third shelter for abused children Cameleon has built in the country, Cameleon Negros Center was also made possible with the support of the local government of Silay, which donated an 8,000-square-meter property for the project.

Resettlement Homes

BDO Foundation builds typhoon-resilient resettlement homes for people displaced by disasters.

The foundation partnered with the United Nations Human Settlements Programme (UN-Habitat) for the construction of houses in Barangay Cabalawan, Tacloban City for families affected by Typhoon Yolanda, one of the worst disasters to hit the country. The initiative contributes to the achievement of UN-Habitat's mission to promote socially and environmentally sustainable human settlements development and the achievement of adequate shelter for all.

BDO Foundation funded the construction of 100 houses in support of UN-Habitat's Post-Yolanda Support for Safer Homes and Settlements program. In 2018, 40 houses were turned over to members of the Villa de Tacloban Homeowners Association Inc., the beneficiaries of the project. In 2019, the construction of the remaining 60 units was completed.

The resettlement homes form part of the 350 total housing units that UN-Habitat committed to build under the community mortgage program of the Social Housing Finance Corporation. The local government of Tacloban City handled site development.

Financial Inclusion

BDO Foundation, through its financial inclusion pillar, is collaborating with partners to help improve the financial literacy of Filipinos. Two programs fall under this advocacy: financial education and capability-building for small entrepreneurs.

In 2019, BDO Foundation continued to provide training on financial literacy as well as simple accounting and bookkeeping for farmers in support of SM Foundation's Kabalikat sa Kabuhayan, an agricultural training initiative designed to help fruits and vegetables farmers become self-sufficient. The foundation, in partnership with National University, organized training sessions for 3,000 farmer-beneficiaries in 29 sites all over the Philippines.

In keeping with a shared goal to promote financial inclusion, BDO Foundation, the Bangko Sentral ng Pilipinas (BSP) and the Department of Education (DepEd) introduced a financial education program for public schools in 2018. It is the foundation's flagship corporate citizenship initiative under its financial inclusion advocacy.

The program supports DepEd's efforts to strengthen financial education in its K to 12 curriculum and provide financial literacy education for its teaching and non-teaching personnel.

In 2019, the foundation partnered with BSP, DepEd, the Overseas Workers Welfare Administration (OWWA), the Civil Service Commission (CSC), the Philippine Army and the Armed Forces of the Philippines (AFP) for the development of financial education programs appropriate for these partner agencies.. All these programs contribute to the pillar on Financial Education and Consumer Protection of BSP's National Strategy for Financial Inclusion.

Beneficiaries include 24 million students in 47,000 public schools nationwide; 800,000 public school teachers and non-teaching personnel; 900,000 civil servants; 2.3 million OFWs; and 140,000 soldiers and civilian personnel of the armed forces.

BDO Foundation has developed 16 financial education videos for teachers and non-teaching personnel, public school students, OFWs attending OWWA's Pre-Departure Orientation Seminars (PDOS), OFWs attending OWWA's Post-Arrival Orientation Seminars (PAOS), families of OFWs, new recruits of the Philippine Army, new army officers, senior officers and civilian personnel. In 2019, the foundation began production on nine additional videos for OFWs, civil servants and the armed forces for release in 2020.

Designed to make lessons on personal finance engaging and compelling for the target audience, the videos were produced to serve as springboard for discussions on financial responsibility. The videos covered such topics as saving, budgeting and financial planning, investments, debt management, the responsible use of credit, entrepreneurship, avoiding scams and retirement planning, among others. The partners also developed training modules, lesson plans and discussion guides for each video.

In 2019, the financial literacy videos and lesson exemplars or lesson plans were uploaded in the DepEd learning portal making them accessible to teachers for use the classroom and for DepEd trainers for use in the training of teachers and non-teaching personnel. For its part, OWWA officially adopted BDO Foundation's financial literacy videos and discussion guides for use by all organizations conducting the mandatory PDOS. Four hundred trainers coming from OWWA and the various PDOS providers also attended the training of trainers organized by BDO Foundation and BSP. The Philippine Army, on the other hand, decided to embed financial literacy in its various training programs and designated 120 trainers to act as speakers and resources persons. BDO Foundation and BSP organized and conducted a training of trainers activity for 40 out of these 120 trainers.

Through its financial inclusion advocacy for educators, the Filipino youth, soldiers and OFWs, BDO Foundation hopes to promote financial inclusion, contribute to the development of a financially literate citizenry and support nation-building.

Finding Ways in the Future

Having made significant strides in its disaster response and financial inclusion programs the past year, BDO Foundation is gearing up for more projects in the future. The corporate social responsibility arm of BDO Unibank—supported by the BDO community of volunteers, partners and donors—will continue to pursue programs for the benefit of the underprivileged and marginalized members of society. BDO Foundation will continue to find ways for the people.

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 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 catalysed 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 \$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.

Please refer to the Corporate Social Responsibility Section of the 2019 Annual Report and the 2019 Sustainability Report for more details on the Bank's socio-civic programs and initiatives published in our corporate website at (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.

Since the Bank has started the program in 2010, the Bank has financed 45 renewable energy projects with total installed capacity of 2.1GW including various types of technology such as biomass, geothermal, wind, solar and hydro. This has provided electricity for 1,944,479 families while reducing greenhouse gas emissions by 3,922,454 tonnes per annum, equivalent to 832,801 passenger vehicles off the road for a year and growing 64,858,598 tree seedlings over a 10-year period.

Through almost a decade of 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. Currently, BDO's green financing accounts for more than 10% of its total loan portfolio inclusive of all industries. With continued innovation in green financing, the Bank has positioned to lead Sustainable Finance across various industries.

Sustainability, climate change and wildlife protection

Equally important to the Bank is our commitment to enhance the sustainability of the environment thru information, education and advocacies. It is a Corporate Partner of the World Wide Fund for Nature (WWF) Philippines, a member of the World Wide Fund for Nature, the world's largest conservation organization. This has allowed BDO to support the organization's various programs since 2010 such as the Bancas for the Philippines, Earth Hour, environmental education, sustainable fisheries in Ilocos and Palawan, marine conservation and research in the Tubbataha Reefs, agroforestry in the Sierra Madre, whale shark ecotourism in Donsol, sustainable tourism in the fabled Ticao Pass in Masbate, and the Tamaraw Conservation Program in Mindoro, forests for water campaign, Calaguas development, and anti-plastic project.

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 2019, 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

In particular, BDO released the 2019 audited financial statements on February 28, 2020 or just 59 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 an important corporate governance policies such 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 (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 check 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, system of internal control and risk management systems, internal and external audit functions, and compliance with governance policies, 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 including the BSP Report of Examination 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. It also reviews the annual plans of the Compliance Office including the Anti-Money Laundering Unit, 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.

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

Board Audit Committee

On financial reporting, the Committee reviewed and recommended for approval to the Board the quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 20, 2019, it endorsed for approval of the Board the audited financial statements as of December 31, 2018 including the Notes to the Financial Statements. This was approved by the Board and disclosed to the public on February 28, 2019, 59 days from the financial year-end 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, more specifically the changes brought about by the adoption of the Philippine Financial Reporting Standards 9 and 16, were likewise reviewed.

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

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

On regulatory compliance, it reviewed and approved the annual plans and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) units. It endorsed for approval of the Board of Directors the revised Regulatory Compliance and Management Manual and Money Laundering Prevention Program Manual of the Bank, which incorporates new and amended regulations as well as directives by the BSP in its examinations. It monitored the progress and reviewed the results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It discussed in detail the BSP Report 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 legislation and regulatory compliance reports to ensure that the Bank scrupulously complies with the relevant regulatory requirements. In 2019, the Committee reviewed the performance of the automated system being used by the Compliance Office for its AML function and related party database. It also discussed and assessed the Bank's guidelines on regulatory and AML emerging risks such as online gaming business and investment scams.

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

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2019 performance based on its Terms of Reference. The BAC, likewise evaluated the performance of Internal Audit, Compliance and Anti-Money Laundering Units and External Audit to ensure their effectiveness and achievement of objectives.

The Board Audit Committee reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems and governance processes 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 that these are 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., (Lead Independent Director) and Vicente S. Perez, Jr. (Independent Director).

The Board Audit Committee held 13 meetings in 2019 with Mr. Jones M. Castro, Jr. attending all meetings; and Atty. Jose F. Buenaventura attending 12 meetings. Mr. Vicente S. Perez, Jr. joined the Committee on April 22, 2019 and attended seven of nine 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.

Focus in 2019 was directed on the review of the Bank's Integrated Annual Corporate Governance Report that was submitted to the Securities and Exchange Commission, and the independent validation of the Bank's representations in the ASEAN Corporate Governance Scorecard (ACGS). It facilitated the compliance of the directors of the Bank and its subsidiaries to the regulatory requirement for an annual corporate governance seminar for Directors. In 2019, BDO Unibank and its subsidiary, BDO Leasing & Finance, were granted the Golden Arrow award by the Institute of Corporate Directors in recognition of their strong corporate governance practices based on their ACGS scores.

The Corporate Governance Committee is chaired by Atty. Gilberto C. Teodoro, Jr. (Independent Director). Its members are Mr. Jones M. Castro, Jr. (Lead Independent Director) and Mr. Vicente S. Perez, Jr. (Independent Director).

The Committee held 6 meetings in 2019 with Atty. Gilberto C. Teodoro, Jr. and Mr. Jones M. Castro, Jr. attending all meetings. Mr. Vicente S. Perez, Jr. joined the Committee on April 22, 2019 and attended all its meetings.

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. In 2019, 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. The revised articles and by-laws shall be endorsed to the Stockholders for approval and ratification. The Bank also updated its Related Party Transactions Policy. 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 are looking 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 in this new era. This is essential in going forward into the future 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.

VIII. UNDERTAKING TO PROVIDE WITHOUT CHARGE A COPY OF THE BANK'S ANNUAL REPORT ON SEC FORM 17-A

THE BANK WILL PROVIDE WITHOUT CHARGE A COPY OF THE BANK'S ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2019 (SEC FORM 17-A) TO ITS STOCKHOLDERS UPON RECEIPT OF A WRITTEN REQUEST ADDRESSED TO THE CORPORATE SECRETARY, 14/F NORTH TOWER, BDO CORPORATE CENTER, 7899 MAKATI AVENUE, MAKATI CITY, PHILIPPINES.



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, 2019, 2018 and 2017, 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 F. Sy
Chairperson of the Board

Nestor V. Tan
President & Chief Executive Officer

Dalmacio D. Martin
Treasurer

Signed this 27th day of February 2020
BDO Unibank, Inc.

BDO Corporate Center

7899 Makati Avenue

Makati City 0726

Philippines

Swift Code BDOUPHMM

Tel +632 840-7000

SUBSCRIBED and SWORN to before me this 27th day of February, 2020 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number	Date & Place Issued
1. Teresita T. Sy	Passport No. – P3927961A SSS No. – 03-2832705-4	08.24.2017/NCR East
2. Nestor V. Tan	Passport No. – EC7439560 CTC No. – 04374021	04.19.2016/Marila 01.30.2020/Makati
3. Dalmacio D. Martin	Driver's License No. – N11 89 041108 CTC No. – 04357675	02.13.2018/DLRC-Alabang 01.23.2020/Makati

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

Doc. No. 46
Page No. ac
Book No. I
Series of 2020

Atty. MARICHELLE Q. GERARDO
Appointment No. M-332
Notary Public until 31 December 2020
14/F BDO North Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
Roll No. 45421
IRP No. 063371, 04 January 2019, Quezon City
PTR No. 7333869, 03 January 2019, Makati City
MCLE Compliance No. VI-0014808, 13 November 2018

Report of Independent Auditors

Punongbayan & Araullo
20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1800 Makati City
Philippines
T +63 2 988 2288

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, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2019 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.

I. Key Audit Matters Applicable to the BDO Unibank Group and the Parent Bank Financial Statements

(a) Proper Valuation of Loans and Other Receivables

Description of the Matter

The BDO Unibank Group and the Parent Bank are required to recognize a allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model. As of December 31, 2019, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P2,225,777 million and P2,175,655 million, respectively, net of allowance for impairment of P32,666 million and P29,833 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 70% and 71% 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 has identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

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 10 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 key 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;

- (b) Valuation of Financial Instruments**

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 these financial instruments. For some financial instruments such as derivatives, the determination of fair value includes the use of estimates by the management. The fair value of derivative financial instruments is usually determined using the discounted cash flow approach. 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.

The disclosures of the EDO 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:

- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources, such as Philippine Dealing & Exchange Corp., Bloomberg and Philippine Stock Exchange;
- recomputing the fair values based on the inputs and compared with the market values used by the BDO Unibank Group and the Parent Bank;
- testing of controls over the valuation process of the BDO Unibank Group and the Parent Bank on financial instruments, particularly the measurement of derivative valuation adjustments; and,
- reviewing the formulas used in fair market valuation.

(c) Adoption of PFRS 16, Leases

Description of the Matter

Effective January 1, 2019, the BDO Unibank Group and the Parent Bank adopted PFRS 16, which replaced Philippine Accounting Standards (PAS) 17, *Leases*, and the related interpretations to PAS 17. The adoption of this new standard, which primarily affected the BDO Unibank Group's and the Parent Bank's accounting for leases as a lessee by recognizing "right-of-use" assets and lease liabilities "on-balance sheet", is considered significant due to the complexities of the accounting requirements and significant judgements involved in determining the assumptions to be used in applying the new standard. The adoption resulted into the recognition of right-of-use assets and lease liabilities amounting to P10,480 million and P12,043 million, respectively, by the BDO Unibank Group, and, P10,394 million and P11,961 million, respectively, by the Parent Bank, as at December 31, 2019. The right-of-use assets and lease liabilities are presented as part of Premises, Furniture, Fixtures and Equipment, and Other Liabilities, respectively, in the 2019 statement of financial position of the BDO Unibank Group and the Parent Bank.

The impact of the adoption of PFRS 16, and the related changes in accounting policies, and basis of judgement and estimates are disclosed in Notes 2 and 3 to the financial statements. In addition, the new disclosure requirements of PFRS 16 are discussed in Note 12 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the significant risk of material misstatement relating to the adoption of PFRS 16 by the BDO Unibank Group and the Parent Bank, included:

- understanding the accounting policies and procedures applied by the BDO Unibank Group and the Parent Bank in identifying leases that qualify under PFRS 16, and leases that qualify under the recognition exemptions on short-term leases and low-value leases, and compliance therewith;
- assessing the completeness of the lease contracts and verifying the accuracy of the lease information provided;

- on a sample basis, evaluating the reasonableness of the inputs and assumptions used by the management in determining the lease term and incremental borrowing rate used, such as but not limited to, renewal and termination options, contractual terms of the lease, nature and quality of the security, and the economic environment in which the transaction occurs; and,
- evaluating the appropriateness of the adjustments as a result of the adoption of PFRS 16 on the recognition and measurement of right-of-use assets and lease liabilities and determining the adequacy of related financial statement disclosures, including changes in accounting policies and bases of judgments and estimates.

II. Key Audit Matter Applicable to the BDO Unibank Group Financial Statements

Carrying Value of Goodwill

Description of the Matter

BDO Unibank Group has goodwill of P4,525 million, with allowance for impairment of P1,460 million, as of December 31, 2019, and the significant portion of which relates to the acquisition in prior years of BDO Network Bank, Inc. (BDO Network; formerly One Network Bank, Inc.)

Under PFRS, BDO Unibank Group is required to annually test the amount of goodwill for impairment. This annual impairment testing of goodwill is considered to be a key audit matter because the management's process in assessing the recoverability of goodwill is complex. In addition, the assumptions used in determining cash generating units (CGUs) where the goodwill is 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 are included in Notes 2 and 14 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 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 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, 2019 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, 2019, 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, 2019 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.**

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 30 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. Such supplementary information 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
Leonardo D. Cuaresma, Jr.

PUNONGBAYAN & ARAULLO



By: **Leonardo D. Cuaresma, Jr.**
Partner

CPA Reg. No. 0058647

TIN 109-227-862

PTR No. 8115542, January 2, 2020, Makati City

SEC Group A Accreditation

Partner - No. 0007-AR-5 (until July 6, 2021)

Firm - No. 0002-FR-5 (until March 26, 2021)

BIR AN 08-002511-7-2017 (until June 19, 2020)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until July 24, 2021)

February 27, 2020

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group				Parent Bank			
	Notes	2019		2018		2019		2018	
<u>RESOURCES</u>									
CASH AND OTHER CASH ITEMS	7	P	64,140	P	53,749	P	62,726	P	52,492
DUE FROM BANGKO SENTRAL NG PILIPINAS	7		309,040		354,132		306,938		349,017
DUE FROM OTHER BANKS	8		38,956		55,292		35,820		48,780
TRADING AND INVESTMENT SECURITIES	9		435,905		385,197		345,278		304,281
LOANS AND OTHER RECEIVABLES - Net	10		2,225,777		2,071,834		2,175,655		2,019,153
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11, 12		46,551		33,660		42,494		29,272
INVESTMENT PROPERTIES - Net	13		16,911		19,785		12,595		15,426
OTHER RESOURCES - Net	14		51,578		48,598		81,594		73,391
TOTAL RESOURCES		P	3,188,858	P	3,022,247	P	3,063,100	P	2,891,812
<u>LIABILITIES AND EQUITY</u>									
DEPOSIT LIABILITIES	16	P	2,485,228	P	2,419,965	P	2,438,737	P	2,362,302
BILLS PAYABLE	17		167,524		143,623		147,321		117,693
SUBORDINATED NOTES PAYABLE	18		10,030		10,030		10,030		10,030
INSURANCE CONTRACT LIABILITIES	19		42,473		28,506	-	-	-	-
OTHER LIABILITIES	20		113,016		91,974		97,802		74,166
Total Liabilities			2,818,271		2,694,098		2,693,890		2,564,191
EQUITY	21								
Attributable to:									
Shareholders of the Parent Bank			368,932		327,372		369,210		327,621
Non-controlling Interests			1,655		777	-	-	-	-
			370,587		328,149		369,210		327,621
TOTAL LIABILITIES AND EQUITY		P	3,188,858	P	3,022,247	P	3,063,100	P	2,891,812

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos Except Per Share Data)

		BDO Unibank Group			Parent Bank		
	Notes	2019	2018	2017	2019	2018	2017
INTEREST INCOME	22	P 160,572	P 129,040	P 99,795	P 153,081	P 122,615	P 93,786
INTEREST EXPENSE	23	40,681	30,748	18,042	38,581	28,720	16,434
NET INTEREST INCOME		119,891	98,292	81,753	114,500	93,895	77,352
IMPAIRMENT LOSSES - Net	9, 14, 15	6,166	6,286	6,537	5,699	5,700	5,809
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		113,725	92,006	75,216	108,801	88,195	71,543
OTHER OPERATING INCOME	24	60,621	49,674	47,206	43,145	35,823	33,633
OTHER OPERATING EXPENSES	24	115,159	98,034	84,865	94,337	81,794	68,929
PROFIT BEFORE TAX		59,187	43,646	37,557	57,609	42,224	36,247
TAX EXPENSE	30	15,019	11,007	9,452	13,376	9,512	8,241
NET PROFIT		P 44,168	P 32,639	P 28,105	P 44,233	P 32,712	P 28,006
Attributable to:							
Shareholders of the Parent Bank		P 44,194	P 32,708	P 28,070			
Non-controlling Interests		(26)	(69)	35			
		P 44,168	P 32,639	P 28,105			
Earnings Per Share:	31						
Basic		P 10.02	P 7.40	P 6.42			
Diluted		P 10.02	P 7.40	P 6.42			

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group			Parent Bank		
		2019	2018	2017	2019	2018	2017
NET PROFIT		P 44,168	P 32,639	P 28,105	P 44,233	P 32,712	P 28,006
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	9	7,583	(4,984)	-	3,659	(2,475)	-
Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax		228	(143)	-	(7)	(11)	-
Impairment losses on debt investments at FVOCI	9	13	18	-	5	5	-
Unrealized gains on available-for-sale (AFS) securities, net of tax	9	-	-	622	-	-	255
Transfer of amortized unrealized fair value losses on reclassified AFS securities to held-to-maturity investments to statements of income		-	-	621	-	-	288
Transfer of realized losses on impaired AFS securities to statements of income, net of tax		-	-	139	-	-	-
Transfer of realized gains on disposed AFS securities to statements of income, net of tax		-	-	(1,474)	-	-	(58)
Net gains (losses) on FVOCI securities, net of tax		7,824	(5,109)	-	3,657	(2,481)	-
Net gains (losses) on AFS securities, net of tax		-	-	(92)	-	-	485
Translation adjustment related to foreign operations		(1)	34	(8)	(5)	1	(14)
		7,823	(5,075)	(100)	3,652	(2,480)	471
Items that will not be reclassified to profit or loss:							
Remeasurement on life insurance reserves		(5,046)	3,655	785	-	-	-
Actuarial losses on remeasurement of retirement benefit obligation, net of tax	25	(2,355)	(2,088)	(2,550)	(2,240)	(2,052)	(2,445)
Unrealized gains (losses) on equity investments at FVOCI, net of tax	9	79	(1,210)	-	(181)	54	-
		(7,322)	357	(1,765)	(2,421)	(1,998)	(2,445)
Share in other comprehensive income (loss) of subsidiaries and associates accounted for under equity method		14	(9)	(3)	34	(220)	1,702
Other Comprehensive Income (Loss), net of tax		515	(4,727)	(1,868)	1,265	(4,698)	(272)
TOTAL COMPREHENSIVE INCOME		P 44,683	P 27,912	P 26,237	P 45,498	P 28,014	P 27,734
Attributable to:							
Shareholders of the Parent Bank		P 44,675	P 28,025	P 26,226			
Non-controlling Interests		8	(113)	11			
		P 44,683	P 27,912	P 26,237			

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

BDO Unibank Group																
	Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Remeasurement on Life Insurance Reserves	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Associates	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2019																
As previously stated	2	P 43,740	P 5,150	P 123,377	P 14,788	P 9	P 156,327	(P 10,390)	(P 8,893)	P 1,008	P 2,257	P 13	(P 14)	P 327,372	P 777	P 328,149
Effect of adoption of PFRS 16		-	-	-	-	-	(847)	-	-	-	-	-	-	(847)	-	(847)
As restated		43,740	5,150	123,377	14,788	9	155,480	(10,390)	(8,893)	1,008	2,257	13	(14)	326,525	777	327,302
Transactions with owners																
Issuance of shares during the year	21	74	-	672	-	-	-	-	-	-	-	-	-	746	-	746
Options transferred during the year		-	-	-	860	-	-	-	-	-	-	-	-	860	-	860
Options expensed during the year		-	-	-	890	-	-	-	-	-	-	-	-	890	-	890
Cash dividends		-	-	-	-	-	(5,593)	-	-	-	-	-	-	(5,593)	-	(5,593)
		74	-	672	1,750	-	(5,593)	-	-	-	-	-	-	(3,097)	-	(3,097)
Total comprehensive income (loss)		-	-	-	-	-	44,194	7,862	(2,347)	-	(5,046)	(2)	14	44,675	8	44,683
Transfer from Surplus Free																
Trust reserve	21, 27	-	-	-	272	-	(272)	-	-	-	-	-	-	-	-	-
Other reserves	21	-	-	-	1,552	-	(1,552)	-	-	-	-	-	-	-	-	-
		-	-	-	1,824	-	(1,824)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as fair value through other comprehensive income																
		-	-	-	-	-	(689)	729	-	-	-	-	-	40	-	40
Other adjustments																
Change in ownership interest in subsidiaries	29	-	-	-	-	3	689	58	16	-	-	-	-	766	870	1,636
Disposal of properties	21	-	-	-	-	-	76	-	-	(53)	-	-	-	23	-	23
		-	-	-	-	3	765	58	16	(53)	-	-	-	789	870	1,659
BALANCE AT DECEMBER 31, 2019																
		P 43,814	P 5,150	P 124,049	P 18,362	P 12	P 192,333	(P 1,741)	(P 11,224)	P 955	(P 2,789)	P 11	P -	P 368,932	P 1,655	P 370,587
BALANCE AT JANUARY 1, 2018																
As previously stated	2	P 43,690	P 5,150	P 122,966	P 3,354	P 11	P 133,529	(P 3,591)	(P 6,805)	P 1,008	(P 1,398)	(P 21)	(P 5)	P 297,488	P 852	P 298,340
Effect of adoption of PFRS 9		-	-	-	9,520	-	(2,010)	(529)	-	-	-	-	-	6,981	17	6,998
As restated		43,690	5,150	122,966	12,874	11	131,519	(4,520)	(6,805)	1,008	(1,398)	(21)	(5)	304,469	869	305,338
Transactions with owners																
Issuance of shares during the year	21	50	-	411	-	-	-	-	-	-	-	-	-	461	-	461
Cash dividends		-	-	-	-	-	(5,585)	-	-	-	-	-	-	(5,585)	(27)	(5,612)
		50	-	411	-	-	(5,585)	-	-	-	-	-	-	(5,124)	(27)	(5,151)
Total comprehensive income (loss)		-	-	-	-	-	32,708	(6,275)	(2,088)	-	3,655	34	(9)	28,025	(113)	27,912
Transfer from Surplus Free																
Trust reserve	21, 27	-	-	-	251	-	(251)	-	-	-	-	-	-	-	-	-
Reversal of appropriations during the year	21	-	-	-	207	-	(207)	-	-	-	-	-	-	-	-	-
Other reserves	21	-	-	-	1,870	-	(1,870)	-	-	-	-	-	-	-	-	-
		-	-	-	1,914	-	(1,914)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as fair value through other comprehensive income																
		-	-	-	-	-	(401)	405	-	-	-	-	-	4	-	4
Other adjustments																
Additional capital contribution to a subsidiary	29	-	-	-	-	-	-	-	-	-	-	-	-	-	49	49
Change in ownership interest in subsidiaries		-	-	-	-	(2)	-	-	-	-	-	-	-	(2)	(1)	(3)
		-	-	-	-	(2)	-	-	-	-	-	-	-	(2)	48	46
BALANCE AT DECEMBER 31, 2018																
		P 43,740	P 5,150	P 123,377	P 14,788	P 9	P 156,327	(P 10,390)	(P 8,893)	P 1,008	P 2,257	P 13	(P 14)	P 327,372	P 777	P 328,149
BALANCE AT JANUARY 1, 2017																
As previously stated	2	P 36,500	P 5,150	P 70,127	P 2,972	P 12	P 111,423	(P 3,919)	(P 4,259)	P 1,008	(P 2,183)	(P 13)	(P 2)	P 216,816	P 743	P 217,559
Effect of adoption of PFRS 9		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As restated		36,500	5,150	70,127	2,972	12	111,423	(3,919)	(4,259)	1,008	(2,183)	(13)	(2)	216,816	743	217,559
Transactions with owners																
Stock rights issuance	21	7,164	-	52,662	-	-	-	-	-	-	-	-	-	59,826	-	59,826
Issuance of shares during the year		26	-	177	-	-	-	-	-	-	-	-	-	203	-	203
Cash dividends		-	-	-	-	-	(5,582)	-	-	-	-	-	-	(5,582)	(50)	(5,632)
		7,190	-	52,839	-	-	(5,582)	-	-	-	-	-	-	54,447	(50)	54,397
Total comprehensive income (loss)		-	-	-	-	-	28,070	(72)	(2,546)	-	785	(8)	(3)	26,226	11	26,237
Transfer from Surplus Free																
Appropriations during the year	21	-	-	-	126	-	(126)	-	-	-	-	-	-	-	-	-
Trust reserve	21, 27	-	-	-	256	-	(256)	-	-	-	-	-	-	-	-	-
		-	-	-	382	-	(382)	-	-	-	-	-	-	-	-	-
Other adjustments																
Additional capital contribution to a subsidiary	21, 29	-	-	-	-	-	-	-	-	-	-	-	-	-	147	147
Change in ownership interest in subsidiaries		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	1	-
		-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	148	147
BALANCE AT DECEMBER 31, 2017																
		P 43,690	P 5,150	P 122,966	P 3,354	P 11	P 133,529	(P 3,591)	(P 6,805)	P 1,008	(P 1,398)	(P 21)	(P 5)	P 297,488	P 852	P 298,340

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

		Parent Bank										
	Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Surplus Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries and Associates	Total Equity
BALANCE AT JANUARY 1, 2019		P 43,740	P 5,150	P 123,358	P 13,885	P 155,583	(P 4,281)	(P 8,504)	P 1,005	(P 1)	(P 2,314)	P 327,621
As previously stated	2	-	-	-	-	(856)	-	-	-	-	-	(856)
Effect of adoption of PFRS 16												
As restated		43,740	5,150	123,358	13,885	154,727	(4,281)	(8,504)	1,005	(1)	(2,314)	326,765
Transactions with owners	21											
Issuance of shares during the year		74	-	672	-	-	-	-	-	-	-	746
Options transferred during the year		-	-	-	860	-	-	-	-	-	-	860
Options expensed during the year		-	-	-	890	-	-	-	-	-	-	890
Cash dividends		-	-	-	-	(5,593)	-	-	-	-	-	(5,593)
		74	-	672	1,750	(5,593)	-	-	-	-	-	(3,097)
Total comprehensive income (loss)		-	-	-	-	44,233	3,476	(2,240)	-	(5)	34	45,498
Transfer from Surplus Free												
Trust reserve	21, 27	-	-	-	189	(189)	-	-	-	-	-	-
Other reserves	21	-	-	-	1,563	(1,563)	-	-	-	-	-	-
		-	-	-	1,752	(1,752)	-	-	-	-	-	-
Disposals of equity securities classified as fair value through other comprehensive income		-	-	-	-	(689)	(23)	-	-	-	-	(712)
Other adjustment												
Change in ownership interest in subsidiaries	14, 29	-	-	-	-	733	-	-	-	-	-	733
Disposal of properties	21	-	-	-	-	76	-	-	(53)	-	-	23
		-	-	-	-	809	-	-	(53)	-	-	756
BALANCE AT DECEMBER 31, 2019		P 43,814	P 5,150	P 124,030	P 17,387	P 191,735	(P 828)	(P 10,744)	P 952	(P 6)	(P 2,280)	P 369,210
BALANCE AT JANUARY 1, 2018		P 43,690	P 5,150	P 122,947	2,524	P 132,625	(P 1,203)	(P 6,452)	P 1,005	(P 2)	(P 2,623)	P 297,661
As previously stated	2	-	-	-	9,356	(1,846)	(653)	-	-	-	126	6,983
Effect of adoption of PFRS 9												
As restated		43,690	5,150	122,947	11,880	130,779	(1,856)	(6,452)	1,005	(2)	(2,497)	304,644
Transactions with owners	21											
Issuance of shares during the year		50	-	411	-	-	-	-	-	-	-	461
Cash dividends		-	-	-	-	(5,585)	-	-	-	-	-	(5,585)
		50	-	411	-	(5,585)	-	-	-	-	-	(5,124)
Total comprehensive income (loss)		-	-	-	-	32,712	(2,427)	(2,052)	-	1	(230)	28,014
Transfer from Surplus Free												
Trust reserve	21, 27	-	-	-	181	(181)	-	-	-	-	-	-
Other reserves	21	-	-	-	1,824	(1,824)	-	-	-	-	-	-
		-	-	-	2,005	(2,005)	-	-	-	-	-	-
Disposals of equity securities classified as fair value through other comprehensive income		-	-	-	-	(401)	2	-	-	-	403	4
Other adjustment												
Change in ownership interest in subsidiaries	14, 29	-	-	-	-	83	-	-	-	-	-	83
BALANCE AT DECEMBER 31, 2018		P 43,740	P 5,150	P 123,358	P 13,885	P 155,583	(P 4,281)	(P 8,504)	P 1,005	(P 1)	(P 2,314)	P 327,621
BALANCE AT JANUARY 1, 2017		P 36,500	P 5,150	P 70,108	P 2,238	P 110,564	(P 1,688)	(P 4,007)	P 1,005	P 12	(P 4,325)	P 215,557
Transactions with owners	21											
Stock rights issuance		7,164	-	52,662	-	-	-	-	-	-	-	59,826
Issuance of shares during the year		26	-	177	-	-	-	-	-	-	-	203
Cash dividends		-	-	-	-	(5,582)	-	-	-	-	-	(5,582)
		7,190	-	52,839	-	(5,582)	-	-	-	-	-	54,447
Total comprehensive income (loss)		-	-	-	-	28,006	485	(2,445)	-	(14)	1,702	27,734
Transfer from Surplus Free												
Appropriation during the year	21	-	-	-	96	(96)	-	-	-	-	-	-
Trust reserve	21, 27	-	-	-	190	(190)	-	-	-	-	-	-
		-	-	-	286	(286)	-	-	-	-	-	-
Other adjustment												
Change in ownership interest in subsidiaries	29	-	-	-	-	(77)	-	-	-	-	-	(77)
BALANCE AT DECEMBER 31, 2017		P 43,690	P 5,150	P 122,947	P 2,524	P 132,625	(P 1,203)	(P 6,452)	P 1,005	(P 2)	(P 2,623)	P 297,661

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group			Parent Bank		
	Notes	2019	2018	2017	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 59,187	P 43,646	P 37,557	P 57,609	P 42,224	P 36,247
Adjustments for:							
Interest income	22	(160,572)	(129,040)	(99,795)	(153,081)	(122,615)	(93,786)
Interest received		159,329	125,410	97,862	151,900	119,115	91,455
Interest paid		(44,705)	(23,833)	(17,650)	(43,136)	(21,948)	(16,085)
Interest expense	23	40,681	30,748	18,042	38,581	28,720	16,434
Depreciation and amortization	11, 13, 14	8,850	5,776	5,172	7,564	4,555	3,958
Impairment losses	9, 14, 15	6,166	6,286	6,537	5,699	5,700	5,809
Share in net profit of subsidiaries and associates	14	(696)	(631)	(612)	(6,046)	(2,740)	(4,312)
Fair value losses (gains)		597	672	(199)	1,093	476	67
Operating profit before changes in operating resources and liabilities		68,837	59,034	46,914	60,183	52,535	39,653
Decrease (increase) in financial assets at fair value through profit or loss		(7,374)	1,048	(1,048)	(1,040)	487	(32)
Increase in loans and other receivables		(192,119)	(265,648)	(259,476)	(194,417)	(266,500)	(255,626)
Increase in investment properties		(1,058)	(2,113)	(3,573)	(1,014)	(2,107)	(3,389)
Increase in other resources		(16,129)	(13,823)	(17,395)	(13,265)	(8,121)	(16,848)
Increase in deposit liabilities		66,043	297,683	215,758	77,148	315,718	212,278
Increase in insurance contract liabilities		8,921	6,175	6,206	-	-	-
Increase in other liabilities		22,660	18,587	18,631	22,703	13,935	17,244
Cash generated from (used in) operations		(50,219)	100,943	6,017	(49,702)	105,947	(6,720)
Cash paid for income tax		(13,555)	(10,631)	(8,836)	(11,861)	(9,087)	(7,552)
Net Cash From (Used in) Operating Activities		(63,774)	90,312	(2,819)	(61,563)	96,860	(14,272)
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of investment securities at amortized cost	9	(79,199)	(87,158)	-	(78,983)	(60,406)	-
Acquisitions of securities at fair value through other comprehensive income (FVOCI)	9	(58,665)	(40,130)	-	(39,656)	(17,629)	-
Maturities of investment securities at amortized cost		51,579	54,036	-	48,746	26,154	-
Proceeds from disposals of securities at FVOCI		41,889	24,417	-	25,820	8,387	-
Acquisitions of premises, furniture, fixtures and equipment	11	(4,397)	(8,135)	(6,158)	(3,446)	(6,920)	(4,989)
Proceeds from disposals of premises, furniture, fixtures and equipment		310	230	113	165	125	17
Acquisitions of held-to-maturity (HTM) investments		-	-	(83,061)	-	-	(74,111)
Acquisitions of available-for-sale (AFS) securities	9	-	-	(59,161)	-	-	(26,052)
Proceeds from disposals of AFS securities		-	-	46,033	-	-	17,816
Maturities of HTM investments		-	-	34,503	-	-	33,013
Net Cash Used in Investing Activities		(48,483)	(56,740)	(67,731)	(47,354)	(50,289)	(54,306)
CASH FLOWS FROM FINANCING ACTIVITIES							
Proceeds from bills payable	17	510,151	297,475	342,828	132,467	116,744	172,575
Payments of bills payable	17	(482,251)	(289,925)	(313,242)	(99,044)	(110,166)	(143,071)
Dividends paid	21	(5,593)	(5,612)	(5,632)	(5,593)	(5,585)	(5,582)
Payments of lease liabilities	12	(3,122)	-	-	(3,076)	-	-
Proceeds from issuance of common stock	21	746	461	203	746	461	203
Net proceeds from issuance of stock rights	21	-	-	59,826	-	-	59,826
Net Cash From Financing Activities		19,931	2,399	83,983	25,500	1,454	83,951
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)							
		(P 92,326)	P 35,971	P 13,433	(P 83,417)	P 48,025	P 15,373

	Notes	BDO Unibank Group			Parent Bank		
		2019	2018	2017	2019	2018	2017
NET INCREASE IN CASH AND CASH EQUIVALENTS (<i>Brought Forward</i>)		(P 92,326)	P 35,971	P 13,433	(P 83,417)	P 48,025	P 15,373
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	7	53,749	45,006	40,909	52,492	43,882	39,813
Due from Bangko Sentral ng Pilipinas (BSP)	7	354,132	353,308	318,002	349,017	340,596	304,285
Due from other banks	8	55,292	51,479	41,794	48,780	41,088	33,463
Investment securities at amortized cost	9	9,168	2,097	-	6,490	2,097	-
HTM securities	9	-	-	894	-	-	894
Securities purchased under reverse repurchase agreement (SPURRA)	10	22,009	18,260	14,302	22,009	14,872	7,891
Interbank loans receivables	10	42,214	31,576	72,749	42,214	31,576	72,749
Foreign currency notes and coins (FCNC)	14	4,828	3,695	3,338	4,828	3,694	3,337
		<u>541,392</u>	<u>505,421</u>	<u>491,988</u>	<u>525,830</u>	<u>477,805</u>	<u>462,432</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	7	64,140	53,749	45,006	62,726	52,492	43,882
Due from BSP	7	309,040	354,132	353,308	306,938	349,017	340,596
Due from other banks	8	38,956	55,292	51,479	35,820	48,780	41,088
Investment securities at amortized cost	9	308	9,168	-	308	6,490	-
HTM securities	9	-	-	2,097	-	-	2,097
SPURRA	10	-	22,009	18,260	-	22,009	14,872
Interbank loans receivables	10	31,277	42,214	31,576	31,277	42,214	31,576
FCNC	14	5,345	4,828	3,695	5,344	4,828	3,694
		<u>P 449,066</u>	<u>P 541,392</u>	<u>P 505,421</u>	<u>P 442,413</u>	<u>P 525,830</u>	<u>P 477,805</u>

Supplemental Information on Noncash Financing and Investing Activities

The following are the significant noncash transactions:

- The BDO Unibank Group and the Parent Bank foreclosed real and other properties totalling to P14,009 and P13,780, respectively, in 2019, P13,032 and P12,834, respectively, in 2018 and, P11,975 and P11,784, respectively, in 2017, in settlement of certain loan accounts (see Note 13).
- In 2019, the BDO Unibank Group and the Parent Bank recognized additional right-of-use assets amounting to P2,801 and P2,693, respectively, which is presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 11 and 12).

Other Information

Certain investment securities at amortized cost, SPURRA and 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, 2019, 2018 AND 2017
(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 the General Banking Law of 2000 or Republic Act (RA) No. 8791.

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE). As of December 31, 2019, BDO Unibank Group had 1,436 branches (including two foreign branches), 2,472 on-site and 1,994 off-site automated teller machines (ATMs) and 562 cash accept machines (CAMs). As of December 31, 2019, the Parent Bank had 1,173 branches (including two foreign branches), 2,274 on-site and 1,951 off-site ATMs and 562 CAMs. The Parent Bank's registered address is at BDO Corporate Center, 7899 Makati Avenue, Makati City.

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 1.1%, 1.3% and 1.2% of BDO Unibank Group's total revenues in 2019, 2018 and 2017, respectively, and 1.8% and 1.4% of BDO Unibank Group's total resources as of December 31, 2019 and 2018, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 14.2.

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, 2019 (including the comparative financial statements as of December 31, 2018 and for the years ended December 31, 2018 and 2017) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 27, 2020.

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.

In 2018, the BDO Unibank Group and the Parent Bank adopted PFRS 9, *Financial Instruments*, which was applied using the transitional relief allowed by the standard. This allows the BDO Unibank Group and the Parent Bank not to restate its prior periods' financial statements. The impact of the adoption of PFRS 9 resulted to an increase (decrease) in the balances as of January 1, 2018 of Surplus Reserves, Surplus Free, Net Unrealized Fair Value Gains (Losses) (NUGL) on Fair Value Through Other Comprehensive Income (FVOCI), Non-controlling Interest and Total Equity amounting to P9,520, (P2,010), (P529), P17 and P6,998, respectively, for the BDO Unibank Group, and of Surplus Reserves, Surplus Free, NUGL on FVOCI, Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries and Associates and Total Equity amounting to P9,356, (P1,846), (P653), P126 and P6,983, respectively, for the Parent Bank.

(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 the 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 the BDO Unibank Group and the Parent Bank operate.

2.2 *Adoption of New and Amended PFRS*

(a) *Effective in 2019 that are Relevant to the BDO Unibank Group and the Parent Bank*

The BDO Unibank Group and the Parent Bank adopted for the first time the following new PFRS, amendments to PAS or PFRS, interpretation and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2019:

PAS 19 (Amendments)	:	Employee Benefits – Plan Amendment, Curtailment or Settlement
PAS 28 (Amendments)	:	Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures
PFRS 9 (Amendments)	:	Financial Instruments – Prepayment Features with Negative Compensation
PFRS 16	:	Leases
International Financial Reporting Interpretations Committee (IFRIC) 23	:	Uncertainty Over Income Tax Treatments
Annual Improvements to PFRS (2015-2017 Cycle)	:	
PAS 12 (Amendments)	:	Income Taxes – Tax Consequences of Dividends
PAS 23 (Amendments)	:	Borrowing Costs – Eligibility for Capitalization
PFRS 3 and 11 (Amendments)	:	Business Combinations and Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation

Discussed below and in the succeeding pages are the relevant information about these new standards, amendments, interpretation and improvements.

- (i) PAS 19 (Amendments), *Employee Benefits – Plan Amendment, Curtailment or Settlement*. The amendments clarify that past service cost and gain or loss on settlement is calculated by measuring the net defined benefit liability or asset using updated actuarial assumptions and comparing the benefits offered and plan assets before and after the plan amendment, curtailment or settlement but ignoring the effect of the asset ceiling that may arise when the defined benefit plan is in a surplus position. Further, the amendments now require that if an entity remeasures its net defined benefit liability or asset after a plan amendment, curtailment or settlement, it should also use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the change to the plan. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (ii) PAS 28 (Amendments), *Investment in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*. The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long-term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (iii) PFRS 9 (Amendments), *Financial Instruments – Prepayment Features with Negative Compensation*. The amendments clarify that prepayment features with negative compensation attached to financial assets may still qualify under the “solely payments of principal and interests” (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (iv) PFRS 16, *Leases*. The new standard replaced PAS 17, *Leases*, and its related interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*, Standard Interpretations Committee (SIC) 15, *Operating Leases – Incentives* and SIC 27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. For lessees, it requires an entity to account for leases “on-balance sheet” by recognizing a “right-of-use” asset and lease liability arising from contract that is, or contains, a lease.

For lessors, the definitions of the type of lease (i.e., finance and operating leases) and the supporting indicators of a finance lease are substantially the same with the provisions under PAS 17. In addition, basic accounting mechanics are also similar but with some different or more explicit guidance related to variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The BDO Unibank Group and the Parent Bank have adopted PFRS 16 using the modified retrospective approach as allowed under the transitional provisions of the standard. The adoption of the standard has resulted in adjustments to the amounts recognized in the financial statements as at January 1, 2019, with the cumulative effect recognized in equity as an adjustment to the opening balance of Surplus Free for the current period. Accordingly, comparative information were not restated.

The accounting policies of the BDO Unibank Group and the Parent Bank as a lessor, as described in Note 2.20(a), were not significantly affected, while the new accounting policies of the BDO Unibank Group and the Parent Bank as a lessee are disclosed in Note 2.20(b).

Discussed below are the relevant information arising from the BDO Unibank Group and the Parent Bank's adoption of PFRS 16, and how the related accounts are measured and presented on the BDO Unibank Group and the Parent Bank's financial statements as at January 1, 2019.

- a. For contracts in place at the date of initial application, the BDO Unibank Group and the Parent Bank have elected to apply the definition of a lease from PAS 17 and IFRIC 4 and have not applied PFRS 16 to arrangements that were previously not identified as leases under PAS 17 and IFRIC 4.
- b. The BDO Unibank Group and the Parent Bank recognized lease liabilities in relation to leases which had previously been classified as operating leases under PAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the BDO Unibank Group and the Parent Bank's incremental borrowing rate as at January 1, 2019. The BDO Unibank Group and the Parent Bank's weighted average incremental borrowing rate applied to the lease liabilities on January 1, 2019 ranges from 6.78% to 7.53%. Lease liabilities are presented as part of Other Liabilities in the 2019 statement of financial position (see Notes 12 and 20).
- c. The BDO Unibank Group and the Parent Bank have elected not to include initial direct costs in the measurement of right-of-use assets at the date of initial application. The BDO Unibank Group and the Parent Bank also elected to measure the right-of-use assets at its carrying amount as if the new standard had been applied since commencement date, but discounted using the BDO Unibank Group and the Parent Bank's incremental borrowing rate at the date of application. The Right-of-use assets are presented as part of Premises, Furniture, Fixtures and Equipment in the 2019 statement of financial position (see Notes 11 and 12).
- d. For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the BDO Unibank Group and the Parent Bank have applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense as incurred.
- e. The BDO Unibank Group and the Parent Bank have also used the following practical expedients, apart from those already mentioned above, as permitted by the standard:

- i. reliance on its historical assessments on whether leases are onerous as an alternative to performing an impairment review on right-of-use assets. As at January 1, 2019, the BDO Unibank Group and the Parent Bank have no onerous contracts; and,
- ii. use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The following table shows the effects of the adoption of PFRS 16 in the carrying amounts and presentation of certain accounts in the statement of financial position as at January 1, 2019.

BDO Unibank Group:

	Notes		Carrying Amount (PAS 17) December 31, 2018	Remeasurement		Carrying Amount (PFRS 16) January 1, 2019
<i>Resources –</i>						
Premises, furniture, fixtures, and equipment – net	c	P	33,660	P 10,212	P	43,872
<i>Liabilities –</i>						
Other liabilities	b		91,974	11,059		103,033
Impact on surplus free				(P 847)		

Parent Bank:

	Notes		Carrying Amount (PAS 17) December 31, 2018	Remeasurement		Carrying Amount (PFRS 16) January 1, 2019
<i>Resources –</i>						
Premises, furniture, fixtures, and equipment – net	c	P	29,272	P 10,188	P	39,460
<i>Liabilities –</i>						
Other liabilities	b		74,166	11,044		85,210
Impact on surplus free				(P 856)		

A reconciliation of the opening lease liabilities recognized at January 1, 2019 and the total operating lease commitments determined under PAS 17 at December 31, 2018 is shown below.

	Notes		BDO Unibank Group		Parent Bank
Operating lease commitments December 31, 2018 (PAS 17)	34.2	P	16,974	P	16,975
Recognition exemptions:					
Leases of low value assets	d	(	2,225)	(	2,190)
Leases with remaining term of less than 12 months	d	(	1)		-
Operating lease liabilities before discounting			14,748		14,785
Discount using incremental borrowing rate	b	(	3,202)	(	3,254)
Lease liabilities, January 1, 2019 (PFRS 16)			P 11,546	P	11,531

- (v) IFRIC 23, *Uncertainty Over Income Tax Treatments*. This interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the BDO Unibank Group and the Parent Bank to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the BDO Unibank Group and the Parent Bank have to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. The application of this interpretation has no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (vi) Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments, which are effective from January 1, 2019, are relevant to the BDO Unibank Group and the Parent Bank but had no material impact on the financial statements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that an entity should recognize the income tax consequence of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized the transactions that generated the distributable profits.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that if any specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, such borrowing is treated as part of the entity's general borrowings when calculating the capitalization rate.
 - PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

(b) *Effective Subsequent to 2019 but not Adopted Early*

There are new PFRS and amendments to existing standards effective for annual periods subsequent to 2019, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, management is currently assessing the impact on the BDO Unibank Group and the Parent Bank's financial statements:

- (i) Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

- (ii) PAS 1 (Amendments), *Presentation of Financial Statements* and PAS 8 (Amendments), *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material* (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.
- (iii) PFRS 3 (Amendments), *Business Combinations – Definition of a Business* (effective January 1, 2020). The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Also, the amendments will likely result in more acquisitions being accounted for as asset acquisitions.

- (iv) 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). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.
- (v) PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4, *Insurance Contract*. 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 2.3(c) and 14.2, 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 this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as a gain in profit or loss [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-interests 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 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 14.2).

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		
	2019	2018	2017
Rural Bank			
BDO Network Bank, Inc. (BDO Network) [previously One Network Bank, Inc. (A Rural Bank of BDO) (ONB)]	84.87%	99.86%	99.79%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	99.88%	99.88%	99.88%
Private Banking			
BDO Private Bank, Inc. (BDO Private)	100%	100%	100%
Leasing and Finance			
BDO Leasing and Finance, Inc. (BDO Leasing)	88.54%	88.54%	88.54%
Averon Holdings Corporation (Averon)	99.88%	99.88%	99.88%
BDO Rental, Inc. (BDO Rental)	88.54%	88.54%	88.54%
BDO Finance Corporation (BDO Finance)	100%	-	-
Securities Companies			
BDO Securities Corporation (BDO Securities)	99.88%	99.88%	99.88%
BDO Nomura Securities, Inc. (BDO Nomura)	51%	51%	51%
Armstrong Securities, Inc. (ASI)	80%	80%	80%
Real Estate Companies			
BDO Strategic Holdings, Inc. (BDOSHI)	100%	100%	100%
BDORO Europe Ltd. (BDORO)	100%	100%	100%
Equimark-NFC Development Corporation (Equimark)	60%	60%	60%
Insurance Companies			
BDO Life Assurance Company Inc., (BDO Life)	100%	100%	100%
BDO Insurance Brokers, Inc. (BDOI)	100%	100%	100%
Remittance Companies			
BDO Remit (USA), Inc.	100%	100%	100%
BDO Remit (Italia) S.p.A	100%	100%	100%
BDO Remit (Japan) Ltd.	100%	100%	100%
BDO Remit (Canada) Ltd.	100%	100%	100%
BDO Remit Limited	100%	100%	100%
BDO Remit (Macau) Ltd.	100%	100%	100%
BDO Remit International Holdings B.V. (BDO RIH)	96.32%	96.32%	96.32%
Express Padala (Hongkong), Ltd.	-	100%	100%
PCIB Europe S.p.A.	-	-	100%
Others			
PCI Realty Corporation	100%	100%	100%

Non-controlling interests in 2019 and 2018 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.

On September 4, 2017, a downstream merger occurred between BDO Life and BDO Life Holdings resulting in the dissolution of the latter (see Note 29.3).

In 2018, PCIB Europe S.p.A. had been dissolved after the liquidation proceeding was completed.

In 2019, 2018 and 2017, the Parent Bank subscribed to additional shares of BDO Network (see Note 29.6).

On May 16, 2019, the Parent Bank completed the sale of its 15% ownership interest in BDO Network (see Note 29.6).

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.

On September 4, 2019, Express Padala (Hongkong), Ltd. had been dissolved and its remaining cash had been repatriated to the Parent Bank.

(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 profit or loss.

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 5, 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, transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss (FVTPL) are expensed in profit or loss.

(a) Classification, Measurement and Reclassification of Financial Assets

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

(i) Financial Assets at Amortized Cost

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

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

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

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial assets except for those that are subsequently identified as credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance). The interest earned is recognized in the statement of income as part of Interest Income.

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

BDO Unibank Group accounts for financial assets at FVOCI if the assets meet the following conditions:

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

At initial recognition, 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 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 recycled back to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Miscellaneous under Other Operating Income account, 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 – net 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 and the Parent Bank recognize interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

The BDO Unibank Group and the Parent Bank calculate interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.5(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted 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 carried at amortized cost, debt instruments measured at 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 and the Parent Bank 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 recognizes 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, subordinated notes payable, 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 and subordinated notes payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable and subordinated notes 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.
- *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.

(b) 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 financial position, net of applicable deferred tax (see Note 2.16).

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 is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Furniture, fixtures and equipment	3 to 15 years
Buildings	10 to 50 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 change 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).

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.

Transfers from other accounts (such as bank 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.

2.8 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 25 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 year of retirement or disposal (see Note 24).

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 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 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 (see Note 24).

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.

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 (see Note 24).

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 and the Parent Bank have 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 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 is 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. (DCI) 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 (the 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

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

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

Surplus reserves pertain to reserve for trust business representing the accumulated amount set aside by BDO Unibank Group and the Parent Bank 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. Surplus reserves also consist of 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 21). Share options outstanding (SOO), which is also included in the surplus reserve, 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.

Other reserves pertain to amount recognized from increase in percentage of ownership to any of the subsidiaries of BDO Unibank Group.

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.

NUGL on FVOCI compose of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.

Accumulated actuarial gains (losses) results from the remeasurements of post-employment defined benefit plan.

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).

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).

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).

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.

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 25.2).

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, *Revenue from Contract with Customers*. 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.

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 when the service has been provided. 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) *Trust fees* – 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.
- (c) *Income/ loss from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured. This is included in profit or loss as part of Other Operating Income account.

Collections from accounts, which did not qualify from revenue recognition are treated as customers' deposit included as part of Accounts payable under Other Liabilities account in the statement of financial position.

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 cardholders in relation to its credit card business' rewards program. Provisions for rewards are recognized at a certain rate of cardholders' credit card 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*

(i) *Accounting for Leases in Accordance with PFRS 16 (2019)*

For any new contracts entered into on or after January 1, 2019, 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.

(ii) Accounting for Leases in Accordance with PAS 17 (2018)

Leases which transfer to BDO Unibank Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases, which do not transfer to BDO Unibank Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentives received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expense as incurred.

The BDO Unibank Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease, only if one of the following applies:

- there is a change in contractual terms, other than a renewal or extension of the arrangement;
- a renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
- there is a change in the determination of whether fulfillment is dependent on a specified asset; or,
- there is a substantial change to the asset.

The terminal value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. The residual value of the leased asset at the end of the lease term is generally applied against the guaranty deposit of the lessee.

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.

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, 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 U.S. dollars, 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 is 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 US dollar, 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 (see Note 25):

(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 (see Note 23).

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 fixed 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 fixed 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 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 the 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 profit or loss comprises the sum of deferred tax and current 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 30.1).

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) Determination of Lease Term of Contracts with Renewal and Termination Options (2019)

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.

(b) 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.

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).

(c) *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.

(d) *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.

(e) *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 these 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 an 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.

(f) *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 and liabilities.

(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 three 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 6.5.

(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 (previously Manila North Tollways 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 for 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 judgement, 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, time elapsed, and appraisals of milestones reached or activities already performed.

(j) *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) Determination of Appropriate Discount Rate in Measuring Lease Liabilities (2019)

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.

(b) 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, Investments 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 9.2, 9.3, 10, and 15 respectively.

(c) 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 and the Parent Bank use 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 and the Parent Bank'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 9.1 and 9.2, respectively.

(d) 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.

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.

(e) *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, based on the period over which the assets are expected to be available for use. The estimated useful lives of premises, furniture, fixtures and equipment, investment properties and other properties, including trademark, 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. 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 11 while investment properties and other resources, including trademark, are analyzed in Notes 13 and 14, respectively.

(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 and the Parent Bank 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 6.5).

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.

(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 together with its future tax planning strategies. 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, 2019 and 2018 is disclosed in Note 30.1.

(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 15.

(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 25.2 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 25.2.

(j) *Recognition of Reward Points*

BDO Unibank Group provides rewards points to its banking clients and customers each time they avail of the pre-identified products and services of the Parent Bank and the companies which the Parent Bank has identified as partners in the rewards program. 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 based on BDO Unibank Group's past experience.

The carrying value of the rewards points accrued by BDO Unibank Group and the Parent Bank are presented as part of Accrued expenses under Other Liabilities account in the statement of financial position as disclosed in Note 20.

(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.

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

For credit risk, market risk, and liquidity risk, the 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 development and oversight of the risk management program. Considering the importance of appropriately addressing credit risk, the BOD has also constituted the Credit Committee. The Credit Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving credit portfolio risk-related policies and limits, as well as, market, liquidity, and operational risk policies and limits.

Within 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 integrated risk management system to address the risks it faces in its banking activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. 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 and operational risks) 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.

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, 2019 and 2018 in accordance with account classification of the BSP is presented below and 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.

BDO Unibank Group

	2019				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 64,140	P -	P -	P -	P 64,140
Due from BSP and other banks	134,653	2,264	48	211,031	347,996
Trading and investment securities	38,997	25,911	102,380	268,617	435,905
Loans and other receivables - net	453,118	281,272	328,369	1,163,018	2,225,777
Other resources - net*	-	88	38	114,914	115,040
Total Resources	690,908	309,535	430,835	1,757,580	3,188,858
Liabilities and Equity:					
Deposit liabilities	615,396	27,747	13,383	1,828,702	2,485,228
Bills and subordinated notes payable	48,675	43,331	42,761	42,787	177,554
Insurance contract liabilities**	61	(1,164)	342	43,234	42,473
Other liabilities	28,683	2,157	4,075	78,101	113,016
Total Liabilities	692,815	72,071	60,561	1,992,824	2,818,271
Equity	-	-	-	370,587	370,587
Total Liabilities and Equity	692,815	72,071	60,561	2,363,411	3,188,858
On-book gap	(1,907)	237,464	370,274	(605,831)	-
Cumulative on-book gap	(1,907)	235,557	605,831	-	-
Contingent assets	222,024	34,619	20,294	5,481	282,418
Contingent liabilities	255,066	35,598	19,993	5,467	316,124
Off-book gap	(33,042)	(979)	301	14	(33,706)
Net Periodic Gap	(34,949)	236,485	370,575	(605,817)	33,706
Cumulative Total Gap	(P 34,949)	P 201,536	P 572,111	(P 33,706)	P -

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

** Insurance Contract Liabilities with maturity of one month to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

		2018				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other						
cash items	P	53,749	P -	P -	P -	P 53,749
Due from BSP and						
other banks		130,290	1,570	782	276,782	409,424
Trading and investment						
securities		13,825	56,729	98,227	216,416	385,197
Loans and other						
receivables - net		463,437	201,081	349,271	1,058,045	2,071,834
Other resources - net*		<u>216</u>	<u>61</u>	<u>-</u>	<u>101,766</u>	<u>102,043</u>
Total Resources		<u>661,517</u>	<u>259,441</u>	<u>448,280</u>	<u>1,653,009</u>	<u>3,022,247</u>
Liabilities and Equity:						
Deposit liabilities		448,970	24,151	18,963	1,927,881	2,419,965
Bills and subordinated						
notes payable		31,674	21,458	59,258	41,263	153,653
Insurance contract						
liabilities**		125	(1,078)	984	28,475	28,506
Other liabilities		<u>27,564</u>	<u>2,739</u>	<u>4,712</u>	<u>56,959</u>	<u>91,974</u>
Total Liabilities		508,333	47,270	83,917	2,054,578	2,694,098
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>328,149</u>	<u>328,149</u>
Total Liabilities and Equity		<u>508,333</u>	<u>47,270</u>	<u>83,917</u>	<u>2,382,727</u>	<u>3,022,247</u>
On-book gap		<u>153,184</u>	<u>212,171</u>	<u>364,363</u>	<u>(729,718)</u>	<u>-</u>
Cumulative on-book gap		<u>153,184</u>	<u>365,355</u>	<u>729,718</u>	<u>-</u>	<u>-</u>
Contingent assets		178,126	47,437	15,049	6,978	247,590
Contingent liabilities		<u>216,731</u>	<u>49,330</u>	<u>15,131</u>	<u>6,872</u>	<u>288,064</u>
Off-book gap		<u>(38,605)</u>	<u>(1,893)</u>	<u>(82)</u>	<u>106</u>	<u>(40,474)</u>
Net Periodic Gap		<u>114,579</u>	<u>210,278</u>	<u>364,281</u>	<u>(729,612)</u>	<u>40,474</u>
Cumulative Total Gap	P	<u>114,579</u>	P <u>324,857</u>	P <u>689,138</u>	(P <u>40,474</u>)	P <u>-</u>

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

** Insurance Contract Liabilities with maturity of one month to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

	2019				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 62,726	P -	P -	P -	P 62,726
Due from BSP and other banks	131,182	2,255	48	209,273	342,758
Trading and investment securities	34,690	20,757	91,548	198,283	345,278
Loans and other receivables - net	446,261	268,912	304,999	1,155,483	2,175,655
Other resources - net*	-	-	-	136,683	136,683
Total Resources	<u>674,859</u>	<u>291,924</u>	<u>396,595</u>	<u>1,699,722</u>	<u>3,063,100</u>
Liabilities and Equity:					
Deposit liabilities	604,273	26,672	13,155	1,794,637	2,438,737
Bills and subordinated notes payable	36,334	40,519	37,971	42,527	157,351
Other liabilities	24,837	-	-	72,965	97,802
Total Liabilities	665,444	67,191	51,126	1,910,129	2,693,890
Equity	-	-	-	369,210	369,210
Total Liabilities and Equity	<u>665,444</u>	<u>67,191</u>	<u>51,126</u>	<u>2,279,339</u>	<u>3,063,100</u>
On-book gap	<u>9,415</u>	<u>224,733</u>	<u>345,469</u>	(<u>579,617</u>)	<u>-</u>
Cumulative on-book gap	<u>9,415</u>	<u>234,148</u>	<u>579,617</u>	<u>-</u>	<u>-</u>
Contingent assets	215,963	25,772	1,941	1,059	244,735
Contingent liabilities	249,084	26,941	1,957	1,095	279,077
Off-book gap	(<u>33,121</u>)	(<u>1,169</u>)	(<u>16</u>)	(<u>36</u>)	(<u>34,342</u>)
Net Periodic Gap	(<u>23,706</u>)	<u>223,564</u>	<u>345,453</u>	(<u>579,653</u>)	<u>34,342</u>
Cumulative Total Gap	(<u>P 23,706</u>)	<u>P 199,858</u>	<u>P 545,311</u>	(<u>P 34,342</u>)	<u>P -</u>

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

Parent Bank

		2018				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other cash items	P	52,492	P -	P -	P -	P 52,492
Due from BSP and other banks		125,574	-	-	272,223	397,797
Trading and investment securities		9,197	51,017	85,021	159,046	304,281
Loans and other receivables - net		451,821	185,561	325,786	1,055,985	2,019,153
Other resources - net*		-	-	-	118,089	118,089
Total Resources		<u>639,084</u>	<u>236,578</u>	<u>410,807</u>	<u>1,605,343</u>	<u>2,891,812</u>
Liabilities and Equity:						
Deposit liabilities		467,983	20,164	18,261	1,855,894	2,362,302
Bills and subordinated notes payable		13,092	17,756	52,833	44,042	127,723
Other liabilities		<u>23,876</u>	-	-	<u>50,290</u>	<u>74,166</u>
Total Liabilities		504,951	37,920	71,094	1,950,226	2,564,191
Equity		-	-	-	327,621	327,621
Total Liabilities and Equity		<u>504,951</u>	<u>37,920</u>	<u>71,094</u>	<u>2,277,847</u>	<u>2,891,812</u>
On-book gap		<u>134,133</u>	<u>198,658</u>	<u>339,713</u>	<u>(672,504)</u>	<u>-</u>
Cumulative on-book gap		<u>134,133</u>	<u>332,791</u>	<u>672,504</u>	<u>-</u>	<u>-</u>
Contingent assets		172,428	30,373	4,148	1,054	208,003
Contingent liabilities		<u>211,162</u>	<u>32,551</u>	<u>4,418</u>	<u>1,044</u>	<u>249,175</u>
Off-book gap	(	<u>38,734)</u>	(<u>2,178)</u>	(<u>270)</u>	<u>10</u>	(<u>41,172)</u>
Net Periodic Gap		<u>95,399</u>	<u>196,480</u>	<u>339,443</u>	<u>(672,494)</u>	<u>41,172</u>
Cumulative Total Gap	P	<u>95,399</u>	P <u>291,879</u>	P <u>631,322</u>	(P <u>41,172)</u>	P <u>-</u>

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

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. Market Risk Management 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 20% of unimpaired capital or US\$50 million, whichever is lower, on the BDO Unibank Group excess foreign exchange holding of banks in the Philippines. 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, 2019 and 2018 follows:

BDO Unibank Group

	2019			2018		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items						
and due from BSP	P 143	P 373,037	P 373,180	P 152	P 407,729	P 407,881
Due from other banks	36,842	2,114	38,956	52,953	2,339	55,292
Trading and investment securities:						
At FVTPL	5,671	21,410	27,081	4,093	16,215	20,308
At FVOCI	82,468	62,771	145,239	75,464	44,925	120,389
At amortized cost	134,678	128,907	263,585	138,103	106,397	244,500
Loans and other receivables	266,216	1,959,561	2,225,777	305,505	1,766,329	2,071,834
Other resources	5,658	333	5,991	5,029	2,041	7,070
	<u>P 531,676</u>	<u>P 2,548,133</u>	<u>P 3,079,809</u>	<u>P 581,299</u>	<u>P 2,345,975</u>	<u>P 2,927,274</u>
Liabilities:						
Deposit liabilities	P 373,229	P 2,111,999	P 2,485,228	P 416,383	P 2,003,582	P 2,419,965
Bills payable	112,719	54,805	167,524	117,787	25,836	143,623
Subordinated notes payable	-	10,030	10,030	-	10,030	10,030
Insurance contract liabilities	7,965	34,508	42,473	7,283	21,223	28,506
Other liabilities	5,677	96,155	101,832	5,439	75,635	81,074
	<u>P 499,590</u>	<u>P 2,307,497</u>	<u>P 2,807,087</u>	<u>P 546,892</u>	<u>P 2,136,306</u>	<u>P 2,683,198</u>

Parent Bank

	2019			2018		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items						
and due from BSP	P 48	P 369,616	P 369,664	P 36	P 401,473	P 401,509
Due from other banks	35,768	52	35,820	48,729	51	48,780
Trading and investment securities:						
At FVTPL	2,487	1,683	4,170	2,880	1,377	4,257
At FVOCI	64,337	29,463	93,800	61,026	16,089	77,115
At amortized cost	130,533	116,775	247,308	130,830	92,079	222,909
Loans and other receivables	267,520	1,908,135	2,175,655	307,567	1,711,586	2,019,153
Other resources	5,542	-	5,542	5,001	1	5,002
	<u>P 506,235</u>	<u>P 2,425,724</u>	<u>P 2,931,959</u>	<u>P 556,069</u>	<u>P 2,222,656</u>	<u>P 2,778,725</u>
Liabilities:						
Deposit liabilities	P 356,773	P 2,081,964	P 2,438,737	P 398,841	P 1,963,461	P 2,362,302
Bills payable	112,180	35,141	147,321	117,693	-	117,693
Subordinated notes payable	-	10,030	10,030	-	10,030	10,030
Other liabilities	5,075	83,163	88,238	4,755	59,998	64,753
	<u>P 474,028</u>	<u>P 2,210,298</u>	<u>P 2,684,326</u>	<u>P 521,289</u>	<u>P 2,033,489</u>	<u>P 2,554,778</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, 2019 and 2018 based on the expected interest realization or recognition are shown in the succeeding pages.

BDO Unibank Group

	2019					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 64,140	P 64,140
Due from BSP and other banks	25,325	-	-	-	322,671	347,996
Trading and investment securities	33,244	25,339	208,865	141,376	27,081	435,905
Loans and other receivables - net	1,063,144	272,907	748,014	141,712	-	2,225,777
Other resources - net*	-	-	-	-	115,040	115,040
Total Resources	1,121,713	298,246	956,879	283,088	528,932	3,188,858
Liabilities and Equity:						
Deposit liabilities	543,613	43,157	60,979	20,508	1,816,971	2,485,228
Bills and subordinated notes payable	58,529	43,336	68,912	6,777	-	177,554
Insurance contract liabilities**	(376)	(1,487)	349	29,948	14,039	42,473
Other liabilities	-	585	3,437	211	108,783	113,016
Total Liabilities	601,766	85,591	133,677	57,444	1,939,793	2,818,271
Equity	-	-	-	-	370,587	370,587
Total Liabilities and Equity	601,766	85,591	133,677	57,444	2,310,380	3,188,858
On-book gap	519,947	212,655	823,202	225,644	(1,781,448)	-
Cumulative on-book gap	519,947	732,602	1,555,804	1,781,448	-	-
Contingent assets	17,575	1,797	-	-	-	19,372
Contingent liabilities	4,373	1,772	-	-	-	6,145
Off-book gap	13,202	25	-	-	-	13,227
Net Periodic Gap	533,149	212,680	823,202	225,644	(1,781,448)	(13,227)
Cumulative Total Gap	P 533,149	P 745,829	P 1,569,031	P 1,794,675	P 13,227	P -

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

** Insurance Contract Liabilities with maturity of one month to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

		2018										
		One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total					
Resources:												
Cash and other cash items	P	-	P	-	P	-	P	53,749	P	53,749		
Due from BSP and other banks		23,248	-	-	-	386,176	409,424					
Trading and investment securities		11,664	56,431	178,738	118,056	20,308	385,197					
Loans and other receivables - net		1,025,682	189,261	620,802	236,089	-	2,071,834					
Other resources - net*		-	-	-	-	102,043	102,043					
Total Resources		1,060,594	245,692	799,540	354,145	562,276	3,022,247					
Liabilities and Equity:												
Deposit liabilities		608,569	71,985	75,763	16,766	1,646,882	2,419,965					
Bills and subordinated notes payable		48,967	21,429	78,898	3,861	498	153,653					
Insurance contract liabilities**	(	405)	(	1,270)	1,082	19,494	9,605	28,506				
Other liabilities		-	1,072	4,742	93	86,067	91,974					
Total Liabilities		657,131	93,216	160,485	40,214	1,743,052	2,694,098					
Equity		-	-	-	-	328,149	328,149					
Total Liabilities and Equity		657,131	93,216	160,485	40,214	2,071,201	3,022,247					
On-book gap		403,463	152,476	639,055	313,931	(1,508,925)	-					
Cumulative on-book gap		403,463	555,939	1,194,994	1,508,925	-	-					
Contingent assets		10,835	1,618	-	-	-	12,453					
Contingent liabilities		4,943	1,577	-	-	-	6,520					
Off-book gap		5,892	41	-	-	-	5,933					
Net Periodic Gap		409,355	152,517	639,055	313,931	(1,508,925)	(5,933)					
Cumulative Total Gap	P	409,355	P	561,872	P	1,200,927	P	1,514,858	P	5,933	P	-

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

** Insurance Contract Liabilities with maturity of one month to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Parent Bank

	2019					
	<u>One to Three Months</u>	<u>More Than Three Months to One Year</u>	<u>More Than One Year to Five Years</u>	<u>More Than Five Years</u>	<u>Non-rate Sensitive</u>	<u>Total</u>
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 62,726	P 62,726
Due from BSP and other banks	23,000	-	-	-	319,758	342,758
Trading and investment securities	32,079	20,757	182,122	106,150	4,170	345,278
Loans and other receivables - net	1,055,732	258,924	722,990	138,009	-	2,175,655
Other resources - net*	-	-	-	-	136,683	136,683
Total Resources	<u>1,110,811</u>	<u>279,681</u>	<u>905,112</u>	<u>244,159</u>	<u>523,337</u>	<u>3,063,100</u>
Liabilities and Equity:						
Deposit liabilities	527,032	40,769	60,451	26,085	1,784,400	2,438,737
Bills and subordinated notes payable	41,397	40,525	67,097	8,332	-	157,351
Other liabilities	-	-	-	-	97,802	97,802
Total Liabilities	568,429	81,294	127,548	34,417	1,882,202	2,693,890
Equity	-	-	-	-	369,210	369,210
Total Liabilities and Equity	<u>568,429</u>	<u>81,294</u>	<u>127,548</u>	<u>34,417</u>	<u>2,251,412</u>	<u>3,063,100</u>
On-book gap	<u>542,382</u>	<u>198,387</u>	<u>777,564</u>	<u>209,742</u>	(<u>1,728,075</u>)	<u>-</u>
Cumulative on-book gap	<u>542,382</u>	<u>740,769</u>	<u>1,518,333</u>	<u>1,728,075</u>	<u>-</u>	<u>-</u>
Contingent assets	14,574	-	-	-	-	14,574
Contingent liabilities	<u>1,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,409</u>
Off-book gap	<u>13,165</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,165</u>
Net Periodic Gap	<u>555,547</u>	<u>198,387</u>	<u>777,564</u>	<u>209,742</u>	(<u>1,728,075</u>)	(<u>13,165</u>)
Cumulative Total Gap	<u>P 555,547</u>	<u>P 753,934</u>	<u>P 1,531,498</u>	<u>P 1,741,240</u>	<u>P 13,165</u>	<u>P -</u>

* Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources.

Parent Bank

		2018					
		One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:							
Cash and other cash items	P	-	P	-	P	-	P 52,492
Due from BSP and other banks		22,000	-	-	-	375,797	397,797
Trading and investment securities		7,586	51,017	155,786	85,635	4,257	304,281
Loans and other receivables - net		1,015,170	166,254	597,213	240,516	-	2,019,153
Other resources - net*		-	-	-	-	118,089	118,089
Total Resources		<u>1,044,756</u>	<u>217,271</u>	<u>752,999</u>	<u>326,151</u>	<u>550,635</u>	<u>2,891,812</u>
Liabilities and Equity:							
Deposit liabilities		583,500	67,010	73,865	20,936	1,616,991	2,362,302
Bills and subordinated notes payable		26,492	17,756	74,931	8,544	-	127,723
Other liabilities		-	-	-	-	74,166	74,166
Total Liabilities		609,992	84,766	148,796	29,480	1,691,157	2,564,191
Equity		-	-	-	-	327,621	327,621
Total Liabilities and Equity		<u>609,992</u>	<u>84,766</u>	<u>148,796</u>	<u>29,480</u>	<u>2,018,778</u>	<u>2,891,812</u>
On-book gap		<u>434,764</u>	<u>132,505</u>	<u>604,203</u>	<u>296,671</u>	<u>(1,468,143)</u>	<u>-</u>
Cumulative on-book gap		<u>434,764</u>	<u>567,269</u>	<u>1,171,472</u>	<u>1,468,143</u>	<u>-</u>	<u>-</u>
Contingent assets		5,784	-	-	-	-	5,784
Contingent liabilities		-	-	-	-	-	-
Off-book gap		<u>5,784</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,784</u>
Net Periodic Gap		<u>440,548</u>	<u>132,505</u>	<u>604,203</u>	<u>296,671</u>	<u>(1,468,143)</u>	<u>(5,784)</u>
Cumulative Total Gap	P	<u>440,548</u>	P <u>573,053</u>	P <u>1,177,256</u>	P <u>1,473,927</u>	P <u>5,784</u>	P <u>-</u>

* Other resources includes 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:

BDO Unibank Group

	<u>2019</u>		<u>2018</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 25)	(P 280)	(P 27)	(P 401)
Interest rate risk – Peso	(62)	(1,137)	(71)	(754)
Interest rate risk – USD	(9)	(470)	(4)	(125)
	<u>(P 96)</u>	<u>(P 1,887)</u>	<u>(P 102)</u>	<u>(P 1,280)</u>

Parent Bank

	<u>2019</u>		<u>2018</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 25)	(P 276)	(P 25)	(P 367)
Interest rate risk – Peso	(20)	(276)	(47)	(348)
Interest rate risk – USD	(5)	(205)	(2)	(65)
	<u>(P 50)</u>	<u>(P 757)</u>	<u>(P 74)</u>	<u>(P 780)</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 US 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 2019 and 2018 is shown below and in the succeeding page.

BDO Unibank Group

2019				
<u>Change in Interest Rates (in basis points)</u>				
	<u>-100</u>	<u>+100</u>	<u>-50</u>	<u>+50</u>
Change on annualized net interest income	(P 5,965)	P 5,965	(P 2,982)	P 2,982
As a percentage of the BDO Unibank Group's net interest income for 2019	(4.98%)	4.98%	(2.49%)	2.49%
EAR	<u>P 12,584</u>			
As a percentage of the BDO Unibank Group's net interest income for 2019	<u>10.50%</u>			
Average (1yr) EAR	<u>P 8,874</u>			
Stress EAR	<u>P 22,781</u>			
2018				
<u>Change in Interest Rates (in basis points)</u>				
	<u>-100</u>	<u>+100</u>	<u>-50</u>	<u>+50</u>
Change on annualized net interest income	(P 4,533)	P 4,533	(P 2,266)	P 2,266
As a percentage of the BDO Unibank Group's net interest income for 2018	(4.60%)	4.60%	(2.30%)	2.30%
EAR	<u>P 5,104</u>			
As a percentage of the BDO Unibank Group's net interest income for 2018	<u>5.19%</u>			
Average (1yr) EAR	<u>P 7,912</u>			
Stress EAR	<u>P 16,651</u>			

Parent Bank

	2019			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 6,003)	P 6,003	(P 3,001)	P 3,001
As a percentage of the Parent Bank's net interest income for 2019	(5.24%)	5.24%	(2.62%)	2.62%
EAR	P 13,275			
As a percentage of the Parent Bank's net interest income for 2019	11.59%			
Average (1yr) EAR	P 9,290			
Stress EAR	P 22,823			
	2018			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 4,715)	P 4,715	(P 2,358)	P 2,358
As a percentage of the Parent Bank's net interest income for 2018	(5.00%)	5.00%	(2.50%)	2.50%
EAR	P 5,715			
As a percentage of the Parent Bank's net interest income for 2018	6.09%			
Average (1yr) EAR	P 8,209			
Stress EAR	P 17,305			

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 securities, 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 diversifies its 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, 2019 and 2018. The results are based on the volatility assumption of the benchmark equity index, which was 2.33% and 2.28% in 2019 and 2018, 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 Net Profit After Tax Increase			Impact on Other Comprehensive Income Increase		
	2019	2018	2017	2019	2018	2017
<u>BDO Unibank Group</u>						
Financial assets at FVTPL	P 335	P 194	P 93	P -	P -	P -
Financial assets at FVOCI	-	-	-	203	136	-
Available-for-sale (AFS) securities	-	-	-	-	-	861
	<u>P 335</u>	<u>P 194</u>	<u>P 93</u>	<u>P 203</u>	<u>P 136</u>	<u>P 861</u>
<u>Parent Bank</u>						
Financial assets at FVOCI	P -	P -	P -	P 48	P 2	P -
AFS securities	-	-	-	-	-	55
	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 48</u>	<u>P 2</u>	<u>P 55</u>

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/approving authorities. 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-
• Loans 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) *Loans Especially Mentioned (LEM)*

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to 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, 2019 and 2018, 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, 2019 and 2018 for each internal risk grade and the related allowance for ECL:

BDO Unibank Group

		2019			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate					
Grades AAA to B : Current	P	1,650,322	P -	P -	P 1,650,322
Grade B- : Watchlisted		25,059	2	292	25,353
Grade C : LEM		-	3,387	675	4,062
Grade D : Substandard		-	4,427	1,229	5,656
Grade E : Doubtful		-	164	3,507	3,671
Grade F : Loss		-	-	4,944	4,944
		<u>1,675,381</u>	<u>7,980</u>	<u>10,647</u>	<u>1,694,008</u>
Expected credit loss allowance	(	<u>6,609</u>	<u>549</u>	<u>8,412</u>	<u>15,570</u>
Carrying amount	P	<u>1,668,772</u>	<u>7,431</u>	<u>2,235</u>	<u>1,678,438</u>
Receivables from customers - consumer					
Grades AAA to B : Current	P	496,264	P -	P -	P 496,264
Grade B- : Watchlisted		80	-	-	80
Grade C : LEM		-	1,933	169	2,102
Grade D : Substandard		-	1,091	1,109	2,200
Grade E : Doubtful		-	5	3,536	3,541
Grade F : Loss		-	-	9,855	9,855
		<u>496,344</u>	<u>3,029</u>	<u>14,669</u>	<u>514,042</u>
Expected credit loss allowance	(	<u>5,050</u>	<u>681</u>	<u>8,767</u>	<u>14,498</u>
Carrying amount	P	<u>491,294</u>	<u>2,348</u>	<u>5,902</u>	<u>499,544</u>
Other receivables					
Grades AAA to B : Current	P	47,184	P -	P -	P 47,184
Grade C : LEM		1	-	20	21
Grade D : Substandard		-	325	851	1,176
Grade E : Doubtful		-	-	291	291
Grade F : Loss		-	-	1,721	1,721
		<u>47,185</u>	<u>325</u>	<u>2,883</u>	<u>50,393</u>
Expected credit loss allowance	(	<u>116</u>	<u>269</u>	<u>2,213</u>	<u>2,598</u>
Carrying amount	P	<u>47,069</u>	<u>56</u>	<u>670</u>	<u>47,795</u>
Debt investment securities at amortized cost					
Grades AAA to B : Current	P	263,736	P -	P -	P 263,736
Grade E : Doubtful		-	-	1,138	1,138
Grade F : Loss		-	-	264	264
		<u>263,736</u>	<u>-</u>	<u>1,402</u>	<u>265,138</u>
Expected credit loss allowance	(	<u>151</u>	<u>-</u>	<u>1,402</u>	<u>1,553</u>
Carrying amount	P	<u>263,585</u>	<u>-</u>	<u>-</u>	<u>263,585</u>
Debt investment securities at FVOCI					
Grades AAA to B : Current	P	<u>134,123</u>	<u>-</u>	<u>-</u>	<u>134,123</u>

BDO Unibank Group

		2019			
		Stage 1	Stage 2	Stage 3	Total
Loan commitments and other					
contingent accounts					
Grades AAA to B : Current	P	446,096	P -	P -	P 446,096
Grade B- : Watchlisted		11,640	-	-	11,640
Grade E : Doubtful		-	-	44	44
Grade F : Loss		-	1	-	1
		457,736	1	44	457,781
Expected credit loss allowance	(	114)	-	-	(114)
Carrying amount	P	457,622	P 1	P 44	P 457,667
		2018			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate					
Grades AAA to B : Current	P	1,532,084	P -	P -	P 1,532,084
Grade B- : Watchlisted		29,445	4,940	22	34,407
Grade C : LEM		-	797	297	1,094
Grade D : Substandard		-	4,299	1,749	6,048
Grade E : Doubtful		-	-	1,468	1,468
Grade F : Loss		-	-	4,764	4,764
		1,561,529	10,036	8,300	1,579,865
Expected credit loss allowance	(	6,630)	(1,972)	(6,243)	(14,845)
Carrying amount	P	1,554,899	P 8,064	P 2,057	P 1,565,020
Receivables from customers - consumer					
Grades AAA to B : Current	P	425,645	P -	P -	P 425,645
Grade B- : Watchlisted		146	12	13	171
Grade C : LEM		-	1,446	84	1,530
Grade D : Substandard		-	867	766	1,633
Grade E : Doubtful		-	-	2,558	2,558
Grade F : Loss		-	-	8,660	8,660
		425,791	2,325	12,081	440,197
Expected credit loss allowance	(	3,794)	(572)	(7,550)	(11,916)
Carrying amount	P	421,997	P 1,753	P 4,531	P 428,281
Other receivables					
Grades AAA to B : Current	P	77,857	P -	P -	P 77,857
Grade C : LEM		-	24	77	101
Grade D : Substandard		-	490	288	778
Grade E : Doubtful		-	-	609	609
Grade F : Loss		-	-	1,472	1,472
		77,857	514	2,446	80,817
Expected credit loss allowance	(	235)	(37)	(2,012)	(2,284)
Carrying amount	P	77,622	P 477	P 434	P 78,533
Debt investment securities at					
amortized cost					
Grades AAA to B : Current	P	244,635	P -	P -	P 244,635
Grade F : Loss		-	-	1,446	1,446
		244,635	-	1,446	246,081
Expected credit loss allowance	(	135)	-	(1,446)	(1,581)
Carrying amount	P	244,500	P -	P -	P 244,500
Debt investment securities at FVOCI					
Grades AAA to B : Current	P	110,150	P -	P -	P 110,150
Loan commitments and other					
contingent accounts					
Grades AAA to B : Current	P	398,080	P -	P -	P 398,080
Grade B- : Watchlisted		447	155	-	602
		398,527	155	-	398,682
Expected credit loss allowance	(	202)	(4)	-	(206)
Carrying amount	P	398,325	P 151	P -	P 398,476

The table below sets out the credit quality of trading debt securities measured at FVTPL (see Note 9.1).

	2019	2018
Grade:		
AAA	P 4,835	P 2,037
AA+ to AA	524	129
A+ to A-	474	341
BBB+ to BBB-	2,710	2,493
BB+ to BB-	61	14
	<u>P 8,604</u>	<u>P 5,014</u>

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. Outstanding derivative exposures to counterparties are generally to investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

	Total		Exchange-traded		Over-the-counter			
					Central Counterparties		Other Bilateral Collateralized	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
2019								
Derivative assets	P 161,883	P 3,562	P 131,305	P 1,523	P 3,730	P 26	P 26,848	P 2,013
Derivative liabilities	159,580	3,172	107,228	1,406	27,157	327	25,195	1,439
2018								
Derivative assets	P 169,103	P 6,230	P -	P -	P 138,743	P 2,621	P 30,360	P 3,609
Derivative liabilities	133,144	4,497	-	-	105,775	1,680	27,369	2,817

As of December 31, 2019 and 2018, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P412,136 and P463,173, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

Parent Bank

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Grades AAA to B : Current	P 1,635,751	P -	P -	P 1,635,751
Grade B- : Watchlisted	24,820	-	223	25,043
Grade C : LEM	-	2,986	581	3,567
Grade D : Substandard	-	4,427	1,036	5,463
Grade E : Doubtful	-	20	3,015	3,035
Grade F : Loss	-	-	4,681	4,681
	1,660,571	7,433	9,536	1,677,540
Expected credit loss allowance	(6,520)	(538)	(7,991)	(15,049)
Carrying amount	<u>P 1,654,051</u>	<u>P 6,895</u>	<u>P 1,545</u>	<u>P 1,662,491</u>
Receivables from customers - consumer				
Grades AAA to B : Current	P 465,858	P -	P -	P 465,858
Grade B- : Watchlisted	80	-	-	80
Grade C : LEM	-	1,663	119	1,782
Grade D : Substandard	-	594	994	1,588
Grade E : Doubtful	-	5	3,062	3,067
Grade F : Loss	-	-	7,951	7,951
	465,938	2,262	12,126	480,326
Expected credit loss allowance	(4,549)	(541)	(7,243)	(12,333)
Carrying amount	<u>P 461,389</u>	<u>P 1,721</u>	<u>P 4,883</u>	<u>P 467,993</u>

Parent Bank

		2019			
		Stage 1	Stage 2	Stage 3	Total
Other receivables					
Grades AAA to B : Current	P	44,525	P -	P -	P 44,525
Grade C : LEM		1	-	20	21
Grade D : Substandard		602	324	224	1,150
Grade E : Doubtful		-	-	261	261
Grade F : Loss		-	-	1,665	1,665
		45,128	324	2,170	47,622
Expected credit loss allowance	(	46)	(269)	(2,136)	(2,451)
Carrying amount	P	45,082	P 55	P 34	P 45,171
Debt investment securities at amortized cost					
Grades AAA to B : Current	P	247,449	P -	P -	P 247,449
Grade E : Doubtful		-	-	1,138	1,138
Grade F : Loss		-	-	264	264
		247,449	-	1,402	248,851
Expected credit loss allowance	(	141)	-	(1,402)	(1,543)
Carrying amount	P	247,308	P -	P -	P 247,308
Debt investment securities at FVOCI					
Grades AAA to B : Current	P	89,431	P -	P -	P 89,431
Loan commitments and other contingent accounts					
Grades AAA to B : Current	P	446,096	P -	P -	P 446,096
Grade B- : Watchlisted		11,640	-	-	11,640
Grade E : Doubtful		-	-	44	44
Grade F : Loss		-	1	-	1
		457,736	1	44	457,781
Expected credit loss allowance	(	114)	-	-	(114)
Carrying amount	P	457,622	P 1	P 44	P 457,667
		2018			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate					
Grades AAA to B : Current	P	1,507,824	P -	P 56	P 1,507,880
Grade B- : Watchlisted		28,873	4,907	-	33,780
Grade C : LEM		-	462	264	726
Grade D : Substandard		-	4,298	1,542	5,840
Grade E : Doubtful		-	-	1,184	1,184
Grade F : Loss		-	-	4,450	4,450
		1,536,697	9,667	7,496	1,553,860
Expected credit loss allowance	(	6,506)	(1,968)	(5,893)	(14,367)
Carrying amount	P	1,530,191	P 7,699	P 1,603	P 1,539,493
Receivables from customers - consumer					
Grades AAA to B : Current	P	401,136	P -	P -	P 401,136
Grade B- : Watchlisted		146	12	13	171
Grade C : LEM		-	1,307	65	1,372
Grade D : Substandard		-	438	701	1,139
Grade E : Doubtful		-	-	2,131	2,131
Grade F : Loss		-	-	6,693	6,693
		401,282	1,757	9,603	412,642
Expected credit loss allowance	(	3,545)	(429)	(5,805)	(9,779)
Carrying amount	P	397,737	P 1,328	P 3,798	P 402,863

Parent Bank

		2018			
		Stage 1	Stage 2	Stage 3	Total
Other receivables					
Grades AAA to B	: Current	P 76,116	P -	P -	P 76,116
Grade D	: Substandard	-	477	283	760
Grade E	: Doubtful	-	-	601	601
Grade F	: Loss	-	-	1,371	1,371
		76,116	477	2,255	78,848
Expected credit loss allowance		(83)	(37)	(1,931)	(2,051)
Carrying amount		<u>P 76,033</u>	<u>P 440</u>	<u>P 324</u>	<u>P 76,797</u>
Debt investment securities at amortized cost					
Grades AAA to B	: Current	P 223,032	P -	P -	P 223,032
Grade F	: Loss	-	-	1,446	1,446
		223,032	-	1,446	224,478
Expected credit loss allowance		(123)	-	(1,446)	(1,569)
Carrying amount		<u>P 222,909</u>	<u>P -</u>	<u>P -</u>	<u>P 222,909</u>
Debt investment securities at FVOCI					
Grades AAA to B	: Current	<u>P 73,741</u>	<u>P -</u>	<u>P -</u>	<u>P 73,741</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Current	P 398,080	P -	P -	P 398,080
Grade B-	: Watchlisted	447	155	-	602
		398,527	155	-	398,682
Expected credit loss allowance		(202)	(4)	-	(206)
Carrying amount		<u>P 398,325</u>	<u>P 151</u>	<u>P -</u>	<u>P 398,476</u>

The table below sets out the credit quality of trading debt securities measured at FVTPL (see Note 9.1).

	2019	2018
Grade:		
AAA	P 1,580	P 1,277
AA+ to AA	4	4
BBB+ to BBB-	975	-
BB+ to BB-	61	354
	<u>P 2,620</u>	<u>P 1,635</u>

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.

		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
2019									
Derivative assets	P	135,165	P 1,549	P 131,105	P 1,523	P 3,730	P 26	P 130	P -
Derivative liabilities		134,515	1,734	107,228	1,406	27,157	328	130	-
2018									
Derivative assets	P	138,743	P 2,621	P -	P -	P 138,743	P 2,621	P -	P -
Derivative liabilities		105,775	1,680	-	-	105,775	1,680	-	-

As of December 31, 2019 and 2018, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P405,484 and P450,289, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on S&P ratings.

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 pages.

BDO Unibank Group

	2019			2018		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 447,934	P 290,150	P 309,636	P 536,426	P 292,871	P 228,301
Real estate activities	5	286,744	20,542	-	242,836	22,080
Wholesale and retail trade	-	290,150	4,202	-	274,443	1,085
Electricity, gas, steam and air-conditioning supply	-	259,617	-	-	222,305	-
Transportation and storage	-	105,245	2,715	-	114,023	3,333
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	291,461	-	-	234,238	-
Manufacturing	-	206,143	13,797	-	215,108	13,940
Arts, entertainment and recreation	-	81,065	-	-	76,366	-
Construction	-	69,385	-	-	47,797	-
Accommodation and food service activities	-	37,357	-	-	31,465	-
Information and communication	-	30,366	-	-	32,530	-
Education	-	23,763	-	-	5,960	-
Water supply, sewerage waste management and remediation activities	-	21,780	-	-	12,567	-
Mining and quarrying	-	20,359	-	-	23,830	-
Agriculture, forestry and fishing	-	15,072	-	-	13,861	-
Professional, scientific and technical services	-	10,904	-	-	10,980	-
Administrative and support services	-	9,919	-	-	9,517	-
Human health and social work activities	-	8,982	-	-	9,092	-
Public administrative and defense; compulsory social security	-	1,416	-	-	640	-
Activities of extraterritorial and organizations and bodies	-	10	-	-	41	-
Other service activities	1,137	148,162	60,226	4,994	149,592	89,562
	P 449,076	P 2,208,050	P 411,118	P 541,420	P 2,020,062	P 358,301
Concentration by location:						
Philippines	P 381,356	P 2,083,321	P 326,070	P 448,131	P 1,891,447	P 279,391
Others	67,720	124,729	85,048	93,289	128,615	78,910
	P 449,076	P 2,208,050	P 411,118	P 541,420	P 2,020,062	P 358,301

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.5).

**Receivables from customers are reported net of unearned interests or discounts.

Parent Bank

	2019			2018		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 442,423	P 289,122	P 275,189	P 525,857	P 290,365	P 212,182
Electricity, gas, steam and air-conditioning supply	-	259,435	-	-	221,533	-
Real estate activities	-	286,343	15,475	-	241,272	17,701
Transportation and storage	-	102,347	2,659	-	109,997	2,571
Wholesale and retail traded	-	284,878	4,202	-	267,923	1,030
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	282,454	-	-	225,550	-
Manufacturing	-	203,539	12,124	-	211,264	12,481
Arts, entertainment and recreation	-	79,988	-	-	75,000	-
Construction	-	65,076	-	-	42,900	-
Accommodation and food service activities	-	37,113	-	-	31,298	-
Information and communication	-	29,889	-	-	32,072	-
Water supply, sewerage waste management and remediation activities	-	21,661	-	-	12,317	-
Mining and quarrying	-	19,599	-	-	22,434	-
Agriculture, forestry and fishing	-	14,167	-	-	13,043	-
Professional, scientific and technical services	-	10,811	-	-	10,738	-
Administrative and support services	-	8,677	-	-	8,131	-
Human health and social work activities	-	8,061	-	-	8,235	-
Education	-	5,280	-	-	5,411	-
Public administrative and defense; compulsory social security	-	536	-	-	629	-
Activities of extraterritorial and organizations bodies	-	7	-	-	38	-
Other service activities	-	148,883	32,494	-	136,352	50,015
	P 442,423	P 2,157,866	P 342,143	P 525,857	P 1,966,502	P 295,980
Concentration by location						
Philippines	P 375,872	P 2,034,336	P 264,380	P 438,835	P 1,845,037	P 224,717
Others	66,551	123,530	77,763	87,022	121,465	71,263
	P 442,423	P 2,157,866	P 342,143	P 525,857	P 1,966,502	P 295,980

* Cash and cash equivalents include cash and other cash items, due from BSP and other banks, SPURRA, 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, 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 due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity. The BDO Unibank Group and the Parent Bank hold collateral against credit exposures in the form of property, debt securities, equity securities, holdout deposits and others.

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Receivable from customers – corporate:				
Property	P 511,930	P 497,150	P 483,845	P 460,617
Equity securities	126,655	131,529	126,655	131,529
Hold-out deposits	93,768	141,806	93,765	141,806
Debt securities	1,964	5,147	1,964	5,109
Others	<u>229,282</u>	<u>220,603</u>	<u>225,522</u>	<u>210,049</u>
	<u>963,599</u>	<u>996,235</u>	<u>931,751</u>	<u>949,110</u>
Receivable from customers – consumer:				
Property	334,772	286,512	327,160	278,268
Hold-out deposits	2,841	3,950	2,775	3,881
Debt securities	647	849	239	571
Equity securities	591	171	102	171
Others	<u>199,222</u>	<u>170,747</u>	<u>189,263</u>	<u>159,536</u>
	<u>538,073</u>	<u>462,229</u>	<u>519,539</u>	<u>442,427</u>
Other receivables:				
Property	2,165	2,139	2,165	2,139
Others	<u>44,434</u>	<u>72,053</u>	<u>44,434</u>	<u>71,805</u>
	<u>46,599</u>	<u>74,192</u>	<u>46,599</u>	<u>73,944</u>
	<u>P 1,548,271</u>	<u>P 1,532,656</u>	<u>P 1,497,889</u>	<u>P 1,465,481</u>

As of December 31, 2019 and 2018, no collateral is held for due from other banks and trading and investment securities.

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 - Corporate

The net carrying amount of credit-impaired (loans under Stages 2 and 3) receivables to corporate customers amounted to P9,948 and P10,210 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P8,440 and P9,302 as of December 31, 2019 and 2018, respectively, for the Parent Bank. The value of identifiable collateral (mainly commercial properties) held against those loans and advances amounted to P963,559 and P996,235 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P931,751 and P949,110 as of December 31, 2019 and 2018, respectively, for the Parent Bank. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(b) Receivable from Customers - Consumer

The net carrying amount of credit-impaired receivables to individual customers amounted to P8,573 and P6,321 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P6,613 and P5,126 as of December 31, 2019 and 2018, respectively, for the Parent Bank. The value of identifiable collateral held against those loans and advances amounted to P538,073 and P462,229 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P519,539 and P442,427 as of December 31, 2019 and 2018, respectively, for the Parent Bank. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(c) Other Receivables

The net carrying amount of credit-impaired other receivables amounted to P204 and P911 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P89 and P764 as of December 31, 2019 and 2018, respectively, for the Parent Bank. The value of identifiable collateral held against those loans and advances amounted to P46,559 and P74,192 as of December 31, 2019 and 2018, respectively, for the BDO Unibank Group and P46,599 and P73,944 as of December 31, 2019 and 2018, respectively, for the Parent Bank. For each loan, the value of disclosed collateral is capped at the nominal amount of the loan that it is held against.

(d) Debt Investment Securities

The maximum exposure to credit risk of the investment securities at amortized cost, FVOCI securities and FVTPL are their carrying amounts of P263,585, P134,123 and P8,604, respectively, as of December 31, 2019, and P244,500, P110,150 and P5,014, respectively, as of December 31, 2018 for the BDO Unibank Group. Meanwhile, maximum exposure to credit risk of the investment securities at amortized cost, FVOCI securities and FVTPL are their carrying amounts of P247,308, P89,431 and P2,620, respectively, as of December 31, 2019, and P222,909, P73,741 and P1,635, respectively, as of December 31, 2018 for the Parent Bank.

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

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 a significant increase in credit risk has occurred for an exposure by comparing:

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

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

(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 judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference 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 substantial decline in sales and intermittent delays in payments.

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

(b) Definition of Default

The 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.

(c) Forward-looking Information

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, unemployment rate, foreign exchange, stock market index, oil prices and interest rates.

Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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

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

(d) Modified Financial Assets

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

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

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

The BDO Unibank Group renegotiates loans to 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; or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants for such loans as consumer and corporate loans and credit card receivables. The BDO Unibank Group’s Credit Committee regularly reviews reports on restructured activities.

For financial assets modified as part of the BDO Unibank Group’s restructuring policy, the estimate of PD reflects whether the modification has improved or restored the BDO Unibank Group’s ability to collect interest and principal and the BDO Unibank Group’s previous experience of similar action. 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 a significant increase in credit risk 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 before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

(e) Measurement of ECL

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

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

The methodology of estimating PDs is discussed 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.

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

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

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

(f) *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 Parent Bank have still, however, enforceable right to receive payment even if the financial assets have been written off except in certain cases [see Note 4.3.5(g)].

(g) *Loss allowance*

In 2019, the BDO Unibank Group and the Parent Bank performed recalibration of its existing ECL model to incorporate on 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 probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive and reliable.

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

BDO Unibank Group

	2019			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 6,630	P 1,972	P 6,243	P 14,845
Transfers to:				
Stage 1	20	(15)	(5)	-
Stage 2	(3)	3	-	-
Stage 3	(5)	(1,479)	1,484	-
Net remeasurement of loss allowance	(861)	(19)	279	(601)
New financial assets originated or purchased	3,024	131	793	3,948
Derecognition of financial assets	(2,159)	(44)	(226)	(2,429)
Write-offs	-	-	(90)	(90)
Foreign exchange	(37)	-	(66)	(103)
Balance at December 31	<u>P 6,609</u>	<u>P 549</u>	<u>P 8,412</u>	<u>P 15,570</u>
Receivables from customers – consumer				
Balance at January 1	P 3,794	P 572	P 7,550	P 11,916
Transfers to:				
Stage 1	256	(14)	(242)	-
Stage 2	(120)	36	84	-
Stage 3	(557)	(956)	1,513	-
Net remeasurement of loss allowance	565	1,077	2,787	4,429
New financial assets originated or purchased	1,638	238	595	2,471
Derecognition of financial assets	(523)	(272)	(1,660)	(2,455)
Write-offs	-	-	(1,856)	(1,856)
Foreign exchange	(3)	-	(4)	(7)
Balance at December 31	<u>P 5,050</u>	<u>P 681</u>	<u>P 8,767</u>	<u>P 14,498</u>
Other receivables				
Balance at January 1	P 235	P 37	P 2,012	P 2,284
Transfer to Stage 3	(1)	(5)	6	-
Net remeasurement of loss allowance	(65)	228	208	371
New financial assets originated or purchased	77	22	624	723
Derecognition of financial assets	(22)	(13)	(416)	(451)
Write-offs	(108)	-	(219)	(327)
Foreign exchange	-	-	(2)	(2)
Balance at December 31	<u>P 116</u>	<u>P 269</u>	<u>P 2,213</u>	<u>P 2,598</u>

BDO Unibank Group

	2019			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Balance at January 1	P 135	P -	P 1,446	P 1,581
Net remeasurement of loss allowance	26	-	-	26
New financial assets originated or purchased	22	-	-	22
Foreign exchange	(5)	-	(44)	(49)
Derecognition of financial assets	(27)	-	-	(27)
Balance at December 31	<u>P 151</u>	<u>P -</u>	<u>P 1,402</u>	<u>P 1,553</u>
Debt investment securities at FVOCI				
Balance at January 1	P 87	P -	P -	P 87
Net remeasurement of loss allowance	17	-	-	17
New financial assets originated or purchased	13	-	-	13
Derecognition of financial assets	(17)	-	-	(17)
Balance at December 31	<u>P 100</u>	<u>P -</u>	<u>P -</u>	<u>P 100</u>
Loan commitments and other contingent accounts				
Balance at January 1	P 202	P 4	P -	P 206
Transfer to Stage 1	2	(2)	-	-
Net remeasurement of loss allowance	(97)	-	-	(97)
New financial assets originated or purchased	65	-	-	65
Derecognition of financial assets	(57)	(2)	-	(59)
Foreign exchange	(1)	-	-	(1)
Balance at December 31	<u>P 114</u>	<u>P -</u>	<u>P -</u>	<u>P 114</u>

BDO Unibank Group

	2018			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 6,684	P 455	P 5,209	P 12,348
Transfers to:				
Stage 1	7	(7)	-	-
Stage 2	(28)	28	-	-
Stage 3	(25)	(2)	27	-
Net remeasurement of loss allowance	(676)	1,554	1,174	2,052
New financial assets originated or purchased	3,058	-	-	3,058
Derecognition of financial assets	(2,396)	(60)	(137)	(2,593)
Write-offs	-	-	(31)	(31)
Foreign exchange	6	4	1	11
Balance at December 31	<u>P 6,630</u>	<u>P 1,972</u>	<u>P 6,243</u>	<u>P 14,845</u>
Receivables from customers – consumer				
Balance at January 1	P 3,787	P 505	P 6,147	P 10,439
Transfers to:				
Stage 1	416	(148)	(268)	-
Stage 2	(64)	94	(30)	-
Stage 3	(332)	(167)	499	-
Net remeasurement of loss allowance	(877)	468	5,243	4,834
New financial assets originated or purchased	1,382	-	-	1,382
Derecognition of financial assets	(521)	(180)	(2,215)	(2,916)
Write-offs	-	-	(1,830)	(1,830)
Foreign exchange	3	-	4	7
Others	-	-	-	-
Balance at December 31	<u>P 3,794</u>	<u>P 572</u>	<u>P 7,550</u>	<u>P 11,916</u>

BDO Unibank Group

		2018			
		Stage 1	Stage 2	Stage 3	Total
Other receivables					
Balance at January 1	P	205	P 32	P 2,928	P 3,165
Transfers to:					
Stage 1		24	(1)	(23)	-
Stage 2	-		2	(2)	-
Stage 3	(1)	(1)		2	-
Net remeasurement of loss allowance	(	33)	11	1,081	1,059
New financial assets originated or purchased		61	-	-	61
Derecognition of financial assets	(	17)	(6)	(1,516)	(1,539)
Write-offs	(	4)	-	(459)	(463)
Foreign exchange	-	-	-	1	1
Balance at December 31	<u>P</u>	<u>235</u>	<u>P 37</u>	<u>P 2,012</u>	<u>P 2,284</u>
Debt investment securities at amortized cost					
Balance at January 1	P	128	P -	P 1,387	P 1,515
Net remeasurement of loss allowance	(	15)	-	-	(15)
New financial assets originated or purchased		21	-	-	21
Foreign exchange		6	-	61	67
Derecognition of financial assets	(	5)	-	(2)	(7)
Balance at December 31	<u>P</u>	<u>135</u>	<u>P -</u>	<u>P 1,446</u>	<u>P 1,581</u>
Debt investment securities at FVOCI					
Balance at January 1	P	69	P -	P -	P 69
Net remeasurement of loss allowance		13	-	-	13
New financial assets originated or purchased		6	-	-	6
Derecognition of financial assets	(	1)	-	-	(1)
Balance at December 31	<u>P</u>	<u>87</u>	<u>P -</u>	<u>P -</u>	<u>P 87</u>
Loan commitments and other contingent accounts					
Balance at January 1	P	329	P 2	P -	P 331
Net remeasurement of loss allowance	(	96)	3	-	(93)
New financial assets originated or purchased		83	-	-	83
Derecognition of financial assets	(	114)	(1)	-	(115)
Foreign exchange	-	-	-	-	-
Balance at December 31	<u>P</u>	<u>202</u>	<u>P 4</u>	<u>P -</u>	<u>P 206</u>

Parent Bank

		2019			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate					
Balance at January 1	P	6,506	P 1,968	P 5,893	P 14,367
Transfers to:					
Stage 2	(	2)	2	-	-
Stage 3	(	3)	(1,475)	1,478	-
Net remeasurement of loss allowance	(	851)	(44)	217	(678)
New financial assets originated or purchased		3,001	131	761	3,893
Derecognition of financial assets	(	2,094)	(44)	(222)	(2,360)
Write-offs	-	-	-	(70)	(70)
Foreign exchange	(	37)	-	(66)	(103)
Balance at December 31	<u>P</u>	<u>6,520</u>	<u>P 538</u>	<u>P 7,991</u>	<u>P 15,049</u>

Parent Bank

		2019			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers –					
consumer					
Balance at January 1	P	3,545	P 429	P 5,805	P 9,779
Transfers to:					
Stage 1		101	(9)	(92)	-
Stage 2	(	63)	(28)	91	-
Stage 3	(	401)	(106)	507	-
Net remeasurement of loss allowance		536	315	3,419	4,270
New financial assets originated					
or purchased		1,212	138	360	1,710
Derecognition of financial assets	(	378)	(198)	(1,130)	(1,706)
Write-offs	-	-	-	(1,713)	(1,713)
Foreign exchange	(	3)	-	(4)	(7)
Balance at December 31	P	<u>4,549</u>	P <u>541</u>	P <u>7,243</u>	P <u>12,333</u>
Other receivables					
Balance at January 1	P	83	P 37	P 1,931	P 2,051
Transfer to Stage 3	-	-	(5)	5	-
Net remeasurement of loss allowance	(	64)	228	208	372
New financial assets originated					
or purchased		49	22	619	690
Derecognition of financial assets	(	22)	(13)	(416)	(451)
Write-offs	-	-	-	(209)	(209)
Foreign exchange	-	-	-	(2)	(2)
Balance at December 31	P	<u>46</u>	P <u>269</u>	P <u>2,136</u>	P <u>2,451</u>
Debt investment securities at					
amortized cost					
Balance at January 1	P	123	P -	P 1,446	P 1,569
Net remeasurement of loss allowance		27	-	-	27
New financial assets originated					
or purchased		22	-	-	22
Foreign exchange	(	5)	-	(44)	(49)
Derecognition of financial assets	(	26)	-	-	(26)
Balance at December 31	P	<u>141</u>	P <u>-</u>	P <u>1,402</u>	P <u>1,543</u>
Debt investment securities at FVOCI					
Balance at January 1	P	67	P -	P -	P 67
Net remeasurement of loss allowance		11	-	-	11
New financial assets originated					
or purchased		8	-	-	8
Derecognition of financial assets	(	14)	-	-	(14)
Balance at December 31	P	<u>72</u>	P <u>-</u>	P <u>-</u>	P <u>72</u>
Loan commitments and other					
contingent accounts					
Balance at January 1	P	202	P 4	P -	P 206
Transfer to Stage 1		2	(2)	-	-
Net remeasurement of loss allowance	(	97)	-	-	(97)
New financial assets originated					
or purchased		65	-	-	65
Derecognition of financial assets	(	57)	(2)	-	(59)
Foreign exchange	(	1)	-	-	(1)
Balance at December 31	P	<u>114</u>	P <u>-</u>	P <u>-</u>	P <u>114</u>

Parent Bank

		2018			
		Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate					
Balance at January 1	P	6,537	P 433	P 4,865	P 11,835
Transfers to:					
Stage 1		7	(7)	-	-
Stage 2	(	28)	28	-	-
Stage 3	(	6)	(2)	8	-
Net remeasurement of loss allowance	(	662)	1,565	1,158	2,061
New financial assets originated or purchased		3,007	-	-	3,007
Derecognition of financial assets	(	2,355)	(53)	(109)	(2,517)
Write-offs	-	-	-	(30)	(30)
Foreign exchange		6	4	1	11
Balance at December 31	P	<u>6,506</u>	P <u>1,968</u>	P <u>5,893</u>	P <u>14,367</u>
Receivables from customers – consumer					
Balance at January 1	P	3,311	P 459	P 5,259	P 9,029
Transfers to:					
Stage 1		199	(130)	(69)	-
Stage 2	(	60)	71	(11)	-
Stage 3	(	297)	(138)	435	-
Net remeasurement of loss allowance	(	504)	327	4,082	3,905
New financial assets originated or purchased		1,287	-	-	1,287
Derecognition of financial assets	(	394)	(160)	(2,065)	(2,619)
Write-offs	-	-	-	(1,830)	(1,830)
Foreign exchange		3	-	4	7
Balance at December 31	P	<u>3,545</u>	P <u>429</u>	P <u>5,805</u>	P <u>9,779</u>
Other receivables					
Balance at January 1	P	54	P 32	P 2,854	P 2,940
Transfers to:					
Stage 1		24	(1)	(23)	-
Stage 2	-	-	2	(2)	-
Stage 3	(	1)	(1)	2	-
Net remeasurement of loss allowance	(	37)	11	1,066	1,040
New financial assets originated or purchased		60	-	-	60
Derecognition of financial assets	(	17)	(6)	(1,508)	(1,531)
Write-offs	-	-	-	(459)	(459)
Foreign exchange		-	-	1	1
Balance at December 31	P	<u>83</u>	P <u>37</u>	P <u>1,931</u>	P <u>2,051</u>
Debt investment securities at amortized cost					
Balance at January 1	P	115	P -	P 1,387	P 1,502
Net remeasurement of loss allowance	(	11)	-	-	(11)
New financial assets originated or purchased		14	-	-	14
Foreign exchange		6	-	61	67
Derecognition of financial assets	(	1)	-	(2)	(3)
Balance at December 31	P	<u>123</u>	P <u>-</u>	P <u>1,446</u>	P <u>1,569</u>

Parent Bank

	2018			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	P 62	P -	P -	P 62
Net remeasurement of loss allowance	1	-	-	1
New financial assets originated or purchased	5	-	-	5
Derecognition of financial assets	(1)	-	-	(1)
Balance at December 31	<u>P 67</u>	<u>P -</u>	<u>P -</u>	<u>P 67</u>
Loan commitments and other contingent accounts				
Balance at January 1	P 329	P 2	P -	P 331
Net remeasurement of loss allowance	(96)	3	-	(93)
New financial assets originated or purchased	83	-	-	83
Derecognition of financial assets	(114)	(1)	-	(115)
Foreign exchange	-	-	-	-
Balance at December 31	<u>P 202</u>	<u>P 4</u>	<u>P -</u>	<u>P 206</u>

The BDO Unibank Group and the Parent Bank had written off certain accounts amounting to P370 and P233 in 2019, respectively, and P585 and P582 in 2018, respectively, from which the BDO Unibank Group and the Parent Bank have no longer an enforceable right to receive payment [see Note 4.3.5(f)].

The following table sets out a reconciliation of changes in the total loss allowance.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at January 1	P 30,919	P 27,867	P 28,039	P 25,699
Net remeasurement of loss allowance	4,145	7,850	3,905	6,903
New financial assets originated or purchased	7,242	4,611	6,388	4,456
Derecognition of financial assets	(5,438)	(7,171)	(4,616)	(6,786)
Write-offs	(2,273)	(2,324)	(1,992)	(2,319)
Foreign exchange	(162)	86	(162)	86
Balance at December 31	<u>P 34,433</u>	<u>P 30,919</u>	<u>P 31,562</u>	<u>P 28,039</u>

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.

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 and KRIs. 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 Republic Act 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.

5. SEGMENT REPORTING

5.1 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 asset management, realty management, remittance, accounting service, credit card service and computer service, 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.

Currently, 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 United States. Geographical segment information is not presented as these foreign operations accounted for only 1.1%, 1.3% and 1.2% of BDO Unibank Group's total revenues in 2019, 2018 and 2017, respectively, and 1.8% and 1.4% of BDO Unibank Group's total resources as of December 31, 2019 and 2018, respectively (see Note 1.1).

5.2 Analysis of Segment Information

Segment information (by service lines) as of and for the years ended December 31, 2019, 2018 and 2017 follows:

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2019							
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)	(1,289)	(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 revenue							
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>17,589</u>	<u>587</u>	<u>65,981</u>
	<u>44,684</u>	<u>1,776</u>	<u>1,662</u>	<u>1,054</u>	<u>17,589</u>	<u>587</u>	<u>67,352</u>
Total net revenues	<u>161,628</u>	<u>1,771</u>	<u>2,458</u>	<u>1,640</u>	<u>19,164</u>	<u>553</u>	<u>187,214</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>14,418</u>	<u>349</u>	<u>107,446</u>
	<u>103,729</u>	<u>1,008</u>	<u>1,353</u>	<u>1,559</u>	<u>14,510</u>	<u>434</u>	<u>122,593</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>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2018							
Revenues							
From external customer							
Interest income	P 124,190	P 35	P 1,703	P 1,960	P 1,140	P 12	P 129,040
Interest expense	(28,840)	(2)	(815)	(1,008)	(82)	(1)	(30,748)
Net interest income	<u>95,350</u>	<u>33</u>	<u>888</u>	<u>952</u>	<u>1,058</u>	<u>11</u>	<u>98,292</u>
Intersegment revenues							
Interest income	248	9	1	-	30	36	324
Interest expense	(42)	(55)	(2)	(155)	-	(70)	(324)
Net interest income	<u>206</u>	<u>(46)</u>	<u>(1)</u>	<u>(155)</u>	<u>30</u>	<u>(34)</u>	<u>-</u>
Other operating income							
Investment banking fees	-	1,081	-	-	-	-	1,081
Others	<u>36,702</u>	<u>324</u>	<u>1,004</u>	<u>1,254</u>	<u>11,956</u>	<u>594</u>	<u>51,834</u>
	<u>36,702</u>	<u>1,405</u>	<u>1,004</u>	<u>1,254</u>	<u>11,956</u>	<u>594</u>	<u>52,915</u>
Total net revenues	<u>132,258</u>	<u>1,392</u>	<u>1,891</u>	<u>2,051</u>	<u>13,044</u>	<u>571</u>	<u>151,207</u>
Expenses							
Other operating expenses							
Impairment losses	6,266	2	(2)	1	18	1	6,286
Depreciation and amortization	4,747	54	33	881	37	24	5,776
Others	<u>79,574</u>	<u>981</u>	<u>1,359</u>	<u>748</u>	<u>10,330</u>	<u>378</u>	<u>93,370</u>
	<u>90,587</u>	<u>1,037</u>	<u>1,390</u>	<u>1,630</u>	<u>10,385</u>	<u>403</u>	<u>105,432</u>
Segment operating income	41,671	355	501	421	2,659	168	45,775
Tax expense	<u>9,363</u>	<u>161</u>	<u>200</u>	<u>90</u>	<u>1,151</u>	<u>42</u>	<u>11,007</u>
Segment net income	<u>P 32,308</u>	<u>P 194</u>	<u>P 301</u>	<u>P 331</u>	<u>P 1,508</u>	<u>P 126</u>	<u>P 34,768</u>
Statement of Financial Position							
Total resources							
Segment assets	P 2,905,520	P 5,745	P 48,802	P 41,382	P 43,167	P 5,486	P 3,050,102
Deferred tax assets							
(liabilities) - net	8,319	(181)	29	126	34	(15)	8,312
Intangible assets	<u>5,223</u>	<u>207</u>	<u>17</u>	<u>15</u>	<u>54</u>	<u>1</u>	<u>5,517</u>
	<u>P 2,919,062</u>	<u>P 5,771</u>	<u>P 48,848</u>	<u>P 41,523</u>	<u>P 43,255</u>	<u>P 5,472</u>	<u>P 3,063,931</u>
Total liabilities	<u>P 2,586,747</u>	<u>P 2,075</u>	<u>P 43,711</u>	<u>P 36,180</u>	<u>P 34,746</u>	<u>P 2,375</u>	<u>P 2,705,834</u>
Other segment information							
Capital expenditures	<u>P 9,791</u>	<u>P 37</u>	<u>P 26</u>	<u>P 986</u>	<u>P 75</u>	<u>P 27</u>	<u>P 10,942</u>
Investment in associates under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 235</u>	<u>P -</u>	<u>P 4,846</u>	<u>P 5,081</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>(P 31)</u>	<u>P -</u>	<u>P 662</u>	<u>P 631</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
<u>December 31, 2017</u>							
Revenues							
From external customer							
Interest income	P 95,224	P 62	P 1,779	P 1,913	P 806	P 11	P 99,795
Interest expense	(16,686)	-	(599)	(690)	(65)	(2)	(18,042)
Net interest income	<u>78,538</u>	<u>62</u>	<u>1,180</u>	<u>1,223</u>	<u>741</u>	<u>9</u>	<u>81,753</u>
Intersegment revenues							
Interest income	232	5	-	1	16	14	268
Interest expense	(23)	(48)	-	(154)	-	(43)	(268)
Net interest income	<u>209</u>	<u>(43)</u>	<u>-</u>	<u>(153)</u>	<u>16</u>	<u>(29)</u>	<u>-</u>
Other operating income							
Investment banking fees	-	1,766	-	-	-	-	1,766
Others	<u>34,646</u>	<u>412</u>	<u>855</u>	<u>1,242</u>	<u>12,642</u>	<u>457</u>	<u>50,254</u>
	<u>34,646</u>	<u>2,178</u>	<u>855</u>	<u>1,242</u>	<u>12,642</u>	<u>457</u>	<u>52,020</u>
Total net revenues	<u>113,393</u>	<u>2,197</u>	<u>2,035</u>	<u>2,312</u>	<u>13,399</u>	<u>437</u>	<u>133,773</u>
Expenses							
Other operating expenses							
Impairment losses	6,332	3	2	64	136	-	6,537
Depreciation and amortization	4,171	61	29	836	49	26	5,172
Others	<u>67,025</u>	<u>897</u>	<u>1,367</u>	<u>693</u>	<u>10,389</u>	<u>349</u>	<u>80,720</u>
	<u>77,528</u>	<u>961</u>	<u>1,398</u>	<u>1,593</u>	<u>10,574</u>	<u>375</u>	<u>92,429</u>
Segment operating income	35,865	1,236	637	719	2,825	62	41,344
Tax expense	<u>8,138</u>	<u>340</u>	<u>223</u>	<u>148</u>	<u>587</u>	<u>16</u>	<u>9,452</u>
Net profit	<u>P 27,727</u>	<u>P 896</u>	<u>P 414</u>	<u>P 571</u>	<u>P 2,238</u>	<u>P 46</u>	<u>P 31,892</u>
Statement of Financial Position							
Total resources							
Segment assets	P 2,540,028	P 7,153	P 64,439	P 42,676	P 38,454	P 5,486	P 2,698,236
Deferred tax assets							
(liabilities) - net	7,441	(182)	31	111	26	(24)	7,403
Intangible assets	<u>5,374</u>	<u>134</u>	<u>26</u>	<u>29</u>	<u>32</u>	<u>1</u>	<u>5,596</u>
	<u>P 2,552,843</u>	<u>P 7,105</u>	<u>P 64,496</u>	<u>P 42,816</u>	<u>P 38,512</u>	<u>P 5,463</u>	<u>P 2,711,235</u>
Total liabilities	<u>P 2,250,781</u>	<u>P 2,690</u>	<u>P 59,147</u>	<u>P 37,374</u>	<u>P 31,391</u>	<u>P 2,292</u>	<u>P 2,383,675</u>
Other segment information							
Capital expenditures	<u>P 2,414</u>	<u>P 42</u>	<u>P 18</u>	<u>P 788</u>	<u>P 26</u>	<u>P 386</u>	<u>P 10,674</u>
Investment in associates under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 267</u>	<u>P -</u>	<u>P 4,678</u>	<u>P 4,945</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>(P 14)</u>	<u>P -</u>	<u>P 626</u>	<u>P 612</u>

5.3 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>2019</u>	<u>2018</u>	<u>2017</u>
Revenue			
Total segment net revenues	P 187,214	P 151,207	P 133,773
Elimination of intersegment revenues	(6,702)	(3,241)	(4,814)
Net revenues as reported in profit or loss	<u>P 180,512</u>	<u>P 147,966</u>	<u>P 128,959</u>
Profit or loss			
Total segment net income	P 49,602	P 34,768	P 31,892
Elimination of intersegment profit	(5,434)	(2,129)	(3,787)
Net profit as reported in profit or loss	<u>P 44,168</u>	<u>P 32,639</u>	<u>P 28,105</u>
Resources			
Total segment resources	P 3,232,369	P 3,063,931	P 2,711,235
Elimination of intersegment assets	(43,511)	(41,684)	(43,131)
Total resources	<u>P 3,188,858</u>	<u>P 3,022,247</u>	<u>P 2,668,104</u>
Liabilities			
Total segment liabilities	P 2,828,491	P 2,705,834	P 2,383,675
Elimination of intersegment liabilities	(10,220)	(11,736)	(13,911)
Total liabilities	<u>P 2,818,271</u>	<u>P 2,694,098</u>	<u>P 2,369,764</u>

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 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

		2019			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
At amortized cost:					
Cash and other cash items	P	64,140	P -	P 64,140	P 64,140
Due from BSP		309,040	-	309,040	309,040
Due from other banks		38,956	-	38,956	38,956
Loans and other receivables		2,225,777	-	2,225,777	2,196,798
Other resources		5,991	-	5,991	5,991
Financial assets at FVTPL		-	27,081	27,081	27,081
Financial assets at FVOCI		-	145,239	145,239	145,239
Investment securities at amortized cost		<u>263,585</u>	<u>-</u>	<u>263,585</u>	<u>270,967</u>
	<u>P</u>	<u>2,907,489</u>	<u>P</u>	<u>3,079,809</u>	<u>3,058,212</u>
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	2,485,228	P -	P 2,485,228	P 2,492,812
Bills payable		167,524	-	167,524	168,772
Subordinated notes payable		10,030	-	10,030	9,876
Insurance contract liabilities		42,473	-	42,473	42,473
Other liabilities		98,660	-	98,660	98,660
At fair value –					
Other liabilities		<u>-</u>	<u>3,172</u>	<u>3,172</u>	<u>3,172</u>
	<u>P</u>	<u>2,803,915</u>	<u>P</u>	<u>2,807,087</u>	<u>2,815,765</u>

BDO Unibank Group

		2018			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
At amortized cost:					
Cash and other cash items	P	53,749	P -	P 53,749	P 53,749
Due from BSP		354,132	-	354,132	354,132
Due from other banks		55,292	-	55,292	55,292
Loans and other receivables		2,071,834	-	2,071,834	2,056,012
Other resources		7,070	-	7,070	7,070
Financial assets at FVTPL		-	20,308	20,308	20,308
Financial assets at FVOCI		-	120,389	120,389	120,389
Investment securities at amortized cost		<u>244,500</u>	<u>-</u>	<u>244,500</u>	<u>234,973</u>
		<u>P 2,786,577</u>	<u>P 140,697</u>	<u>P 2,927,274</u>	<u>P 2,901,925</u>
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	2,419,965	P -	P 2,419,965	P 2,462,134
Bills payable		143,623	-	143,623	138,501
Subordinated notes payable		10,030	-	10,030	9,757
Insurance contract liabilities		28,506	-	28,506	28,506
Other liabilities		76,577	-	76,577	76,577
At fair value –					
Other liabilities		<u>-</u>	<u>4,497</u>	<u>4,497</u>	<u>4,497</u>
		<u>P 2,678,701</u>	<u>P 4,497</u>	<u>P 2,683,198</u>	<u>P 2,719,972</u>

Parent Bank

		2019			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
At amortized cost:					
Cash and other cash items	P	62,726	P -	P 62,726	P 62,726
Due from BSP		306,938	-	306,938	306,938
Due from other banks		35,820	-	35,820	35,820
Loans and other receivables		2,175,655	-	2,175,655	2,148,083
Other resources		5,542	-	5,542	5,542
Financial assets at FVTPL	-		4,170	4,170	4,170
Financial assets at FVOCI	-		93,800	93,800	93,800
Investment securities at amortized cost		<u>247,308</u>	<u>-</u>	<u>247,308</u>	<u>256,288</u>
	P	<u>2,833,989</u>	P <u>97,970</u>	P <u>2,931,959</u>	P <u>2,913,367</u>

Parent Bank

		2019			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	2,438,737	P -	P 2,438,737	P 2,440,268
Bills payable		147,321	-	147,321	148,838
Subordinated notes payable		10,030	-	10,030	9,876
Other liabilities		86,504	-	86,504	86,504
At fair value –					
Other liabilities		-	1,734	1,734	1,734
		<u>P 2,682,592</u>	<u>P 1,734</u>	<u>P 2,684,326</u>	<u>P 2,687,220</u>
2018					
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
At amortized cost:					
Cash and other cash items	P	52,492	P -	P 52,492	P 52,492
Due from BSP		349,017	-	349,017	349,017
Due from other banks		48,780	-	48,780	48,780
Loans and other receivables		2,019,153	-	2,019,153	2,004,881
Other resources		5,002	-	5,002	5,002
Financial assets at FVTPL		-	4,257	4,257	4,257
Financial assets at FVOCI		-	77,115	77,115	77,115
Investment securities at amortized cost		<u>222,909</u>	<u>-</u>	<u>222,909</u>	<u>215,659</u>
		<u>P 2,697,353</u>	<u>P 81,372</u>	<u>P 2,778,725</u>	<u>P 2,757,203</u>
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	2,362,302	P -	P 2,362,302	P 2,399,846
Bills payable		117,693	-	117,693	115,373
Subordinated notes payable		10,030	-	10,030	9,757
Other liabilities		63,073	-	63,073	63,073
At fair value –					
Other liabilities		-	1,680	1,680	1,680
		<u>P 2,553,098</u>	<u>P 1,680</u>	<u>P 2,554,778</u>	<u>P 2,589,729</u>

6.2 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.

6.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2019 and 2018 are grouped into the fair value hierarchy as presented in the tables in the succeeding pages. Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

BDO Unibank Group

	Notes	Level 1	Level 2	Level 3	Total
<u>December 31, 2019</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Equity securities – quoted		P 14,595	P 320	P -	P 14,915
Government debt securities		5,178	-	-	5,178
Corporate debt securities		1,597	1,829	-	3,426
Derivative financial assets		-	3,562	-	3,562
		<u>21,370</u>	<u>5,711</u>	<u>-</u>	<u>27,081</u>
Financial assets at FVOCI:	9.2				
Government debt securities		81,514	-	-	81,514
Corporate debt securities		52,609	-	-	52,609
Equity securities – quoted		9,190	256	-	9,446
Equity securities – not quoted		-	-	1,670	1,670
		<u>143,313</u>	<u>256</u>	<u>1,670</u>	<u>145,239</u>
		<u>P 164,683</u>	<u>P 5,967</u>	<u>P 1,670</u>	<u>P 172,320</u>
Liabilities –					
Derivatives with negative fair values	20	P 87	P 3,085	P -	P 3,172
<u>December 31, 2018</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Equity securities – quoted		P 9,049	P 15	P -	P 9,064
Derivative financial assets		-	6,230	-	6,230
Government bonds		2,347	-	-	2,347
Corporate debt securities		204	2,463	-	2,667
		<u>11,600</u>	<u>8,708</u>	<u>-</u>	<u>20,308</u>
Financial assets at FVOCI:	9.2				
Government debt securities		60,165	-	-	60,165
Corporate debt securities		49,985	-	-	49,985
Equity securities – quoted		8,563	237	-	8,800
Equity securities – not quoted		-	-	1,439	1,439
		<u>118,713</u>	<u>237</u>	<u>1,439</u>	<u>120,389</u>
		<u>P 130,313</u>	<u>P 8,945</u>	<u>P 1,439</u>	<u>P 140,697</u>
Liabilities –					
Derivatives with negative fair values	20	P 79	P 4,418	P -	P 4,497

Parent Bank

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Government debt securities		P 2,348	P -	P -	P 2,348
Derivative financial assets		-	1,549	-	1,549
Corporate debt securities		272	-	-	272
Equity securities – quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>2,621</u>	<u>1,549</u>	<u>-</u>	<u>4,170</u>
Financial assets at FVOCI:	9.2				
Government debt securities		53,547	-	-	53,547
Corporate debt securities		35,884	-	-	35,884
Equity securities – quoted		3,898	252	-	4,150
Equity securities – not quoted		<u>-</u>	<u>-</u>	<u>219</u>	<u>219</u>
		<u>93,329</u>	<u>252</u>	<u>219</u>	<u>93,800</u>
		<u>P 95,950</u>	<u>P 1,801</u>	<u>P 219</u>	<u>P 97,970</u>
Liabilities –					
Derivatives with negative fair values	20	<u>P 87</u>	<u>P 1,647</u>	<u>P -</u>	<u>P 1,734</u>
<u>December 31, 2018</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Derivative financial assets		P -	P 2,621	P -	P 2,621
Government debt securities		1,616	-	-	1,616
Corporate debt securities		19	-	-	19
Equity securities – quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>1,636</u>	<u>2,621</u>	<u>-</u>	<u>4,257</u>
Financial assets at FVOCI:	9.2				
Government debt securities		36,865	-	-	36,865
Corporate debt securities		36,876	-	-	36,876
Equity securities – quoted		2,974	233	-	3,207
Equity securities – not quoted		<u>-</u>	<u>-</u>	<u>167</u>	<u>167</u>
		<u>76,715</u>	<u>233</u>	<u>167</u>	<u>77,115</u>
		<u>P 78,351</u>	<u>P 2,854</u>	<u>P 167</u>	<u>P 81,372</u>
Liabilities –					
Derivatives with negative fair values	20	<u>P 79</u>	<u>P 1,601</u>	<u>P -</u>	<u>P 1,680</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)].

6.4 *Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed*

The table below and in the succeeding page 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>
<u>December 31, 2019</u>				
Resources:				
Cash and other cash items	P 64,140	P -	P -	P 64,140
Due from BSP	309,040	-	-	309,040
Due from other banks	38,956	-	-	38,956
Investment securities at amortized cost	270,967	-	-	270,967
Loans and other receivable	-	-	2,196,798	2,196,798
Other resources	<u>5,639</u>	<u>-</u>	<u>352</u>	<u>5,991</u>
	<u>P 688,742</u>	<u>P -</u>	<u>P 2,197,150</u>	<u>P 2,885,892</u>
Liabilities:				
Deposit liabilities	P -	P -	P 2,492,812	P 2,492,812
Bills payable	-	168,772	-	168,772
Insurance contract liabilities	-	-	42,473	42,473
Subordinated notes payable	-	9,876	-	9,876
Other liabilities	<u>-</u>	<u>-</u>	<u>98,660</u>	<u>98,660</u>
	<u>P -</u>	<u>P 178,648</u>	<u>P 2,633,945</u>	<u>P 2,812,593</u>
<u>December 31, 2018</u>				
Resources:				
Cash and other cash items	P 53,749	P -	P -	P 53,749
Due from BSP	354,132	-	-	354,132
Due from other banks	55,292	-	-	55,292
Investment securities at amortized cost	233,974	-	999	234,973
Loans and other receivable	-	-	2,056,012	2,056,012
Other resources	<u>6,742</u>	<u>-</u>	<u>328</u>	<u>7,070</u>
	<u>P 703,889</u>	<u>P -</u>	<u>P 2,057,339</u>	<u>P 2,761,228</u>
Liabilities:				
Deposit liabilities	P -	P -	P 2,462,134	P 2,462,134
Bills payable	-	115,680	22,821	138,501
Insurance contract liabilities	-	-	28,506	28,506
Subordinated notes payable	-	9,757	-	9,757
Other liabilities	<u>-</u>	<u>-</u>	<u>76,577</u>	<u>76,577</u>
	<u>P -</u>	<u>P 125,437</u>	<u>P 2,590,038</u>	<u>P 2,715,475</u>

Parent Bank

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Resources:				
Cash and other cash items	P 62,726	P -	P -	P 62,726
Due from BSP	306,938	-	-	306,938
Due from other banks	35,820	-	-	35,820
Investment securities at amortized cost	256,288	-	-	256,288
Loans and other receivables	-	-	2,148,083	2,148,083
Other resources	<u>5,542</u>	<u>-</u>	<u>-</u>	<u>5,542</u>
	<u>P 667,314</u>	<u>P -</u>	<u>P 2,148,083</u>	<u>P 2,815,397</u>
Liabilities:				
Deposit liabilities	P -	P -	P 2,440,268	P 2,440,268
Bills payable	-	148,838	-	148,838
Subordinated notes payable	-	9,876	-	9,876
Other liabilities	<u>-</u>	<u>-</u>	<u>86,504</u>	<u>86,504</u>
	<u>P -</u>	<u>P 158,714</u>	<u>P 2,526,772</u>	<u>P 2,685,486</u>
<u>December 31, 2018</u>				
Resources:				
Cash and other cash items	P 52,492	P -	P -	P 52,492
Due from BSP	349,017	-	-	349,017
Due from other banks	48,780	-	-	48,780
Investment securities at amortized cost	215,659	-	-	215,659
Loans and other receivables	-	-	2,004,881	2,004,881
Other resources	<u>5,002</u>	<u>-</u>	<u>-</u>	<u>5,002</u>
	<u>P 670,950</u>	<u>P -</u>	<u>P 2,004,881</u>	<u>P 2,675,831</u>
Liabilities:				
Deposit liabilities	P -	P -	P 2,399,846	P 2,399,846
Bills payable	-	115,373	-	115,373
Subordinated notes payable	-	9,757	-	9,757
Other liabilities	<u>-</u>	<u>-</u>	<u>63,073</u>	<u>63,073</u>
	<u>P -</u>	<u>P 125,130</u>	<u>P 2,462,919</u>	<u>P 2,588,049</u>

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) *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. Due from other banks includes items in the course of collection. 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.

(b) *Investment Securities at Amortized Cost*

The fair value of investment securities at amortized cost are determined by direct reference to published price quoted in an active market for traded debt securities.

The BDO Unibank Group will hold into the investments until management decides to sell them when there will be offers to buy out such investments on the appearance of an available market where the investments can be sold.

(c) *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.

(d) *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.

(e) *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.

6.5 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, 2019 and 2018 are shown below.

BDO Unibank Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Investment properties				
Land	P -	P -	P 21,077	P 21,077
Building and improvements	-	-	12,396	12,396
Non-current assets held for sale	-	-	1,020	1,020
	<u>P -</u>	<u>P -</u>	<u>P 34,493</u>	<u>P 34,493</u>
<u>December 31, 2018</u>				
Investment properties				
Land	P -	P -	P 22,585	P 22,585
Building and improvements	-	-	16,096	16,096
Non-current assets held for sale	-	-	722	722
	<u>P -</u>	<u>P -</u>	<u>P 39,403</u>	<u>P 39,403</u>

Parent Bank

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2019</u>				
Investment properties				
Land	P -	P -	P 16,164	P 16,164
Building and improvements	-	-	11,569	11,569
Non-current assets held for sale	-	-	1,017	1,017
	<u>P -</u>	<u>P -</u>	<u>P 28,750</u>	<u>P 28,750</u>
<u>December 31, 2018</u>				
Investment properties				
Land	P -	P -	P 17,644	P 17,644
Building and improvements	-	-	12,318	12,318
Non-current assets held for sale	-	-	711	711
	<u>P -</u>	<u>P -</u>	<u>P 30,673</u>	<u>P 30,673</u>

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2019 and 2018 (see Note 13) 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 the Investment Properties and the Non-Current Assets Held for Sale.

The fair value of these investment properties and assets held for sale were determined based on the following approaches:

(a) *Fair Value Measurement for Land*

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

(b) *Fair Value Measurement for Buildings and Improvements*

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

(c) *Fair Value Measurement for Assets Held for Sale*

The fair value of assets held for sale are 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 2019 and 2018.

6.6 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, 2019 and 2018 are subject to offsetting, enforceable master netting arrangements and similar agreements:

BDO Unibank Group

	<u>Financial Assets</u>	<u>Financial Liabilities Available for Set-off</u>	<u>Collateral Received</u>	<u>Net Amount</u>
<u>December 31, 2019</u>				
Financial assets at FVTPL:				
Currency swaps	P 323	P 298	P -	P 25
Interest rate swaps	1,151	1,094	-	57
Loans and receivables –				
Receivables from customers	<u>42,164</u>	<u>-</u>	<u>40,160</u>	<u>2,004</u>
	<u>P 43,638</u>	<u>P 1,392</u>	<u>P 40,160</u>	<u>P 2,086</u>
<u>December 31, 2018</u>				
Financial assets at FVOCI	P 1,232	P 196	P -	P 1,036
Financial assets at FVTPL:				
Currency swaps	322	296	-	26
Interest rate swaps	130	65	-	65
Loans and receivables –				
Receivables from customers	<u>51,202</u>	<u>30</u>	<u>50,835</u>	<u>337</u>
	<u>P 52,886</u>	<u>P 587</u>	<u>P 50,835</u>	<u>P 1,464</u>

Parent Bank

	<u>Financial Assets</u>	<u>Financial Liabilities Available for Set-off</u>	<u>Collateral Received</u>	<u>Net Amount</u>
<u>December 31, 2019</u>				
Financial assets at FVTPL:				
Currency swaps	P 5	P -	P -	P 5
Interest rate swaps	1,100	1,043	-	57
Loans and receivables –				
Receivables from customers	<u>38,955</u>	<u>-</u>	<u>38,955</u>	<u>-</u>
	<u>P 40,060</u>	<u>P 1,043</u>	<u>P 38,955</u>	<u>P 62</u>
<u>December 31, 2018</u>				
Financial assets at FVTPL –				
Interest rate swaps	P 65	P -	P -	P 65
Loans and receivables –				
Receivables from customers	<u>50,779</u>	<u>-</u>	<u>50,779</u>	<u>-</u>
	<u>P 50,844</u>	<u>P -</u>	<u>P 50,779</u>	<u>P 65</u>

The currency forwards and interest rate swaps relates 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 Liabilities</u>	<u>Financial Assets Available for Set-off</u>	<u>Collateral Given</u>	<u>Net Amount</u>
<u>December 31, 2019</u>				
Deposit liabilities	P 80,100	P 40,160	P -	P 39,940
Derivatives with negative fair values:				
Currency swaps	532	298	90	144
Interest rate swaps	<u>115</u>	<u>75</u>	<u>-</u>	<u>40</u>
	<u>P 80,747</u>	<u>P 40,533</u>	<u>P 90</u>	<u>P 40,124</u>
<u>December 31, 2018</u>				
Deposit liabilities	P 105,374	P 50,835	P -	P 54,539
Bills payable	226	-	226	-
Derivatives with negative fair values:				
Currency swaps	2,028	296	1,732	-
Interest rate swaps	<u>158</u>	<u>65</u>	<u>-</u>	<u>93</u>
	<u>P 107,786</u>	<u>P 51,196</u>	<u>P 1,958</u>	<u>P 54,632</u>

Parent Bank

<u>December 31, 2019</u>				
Deposit liabilities	P 78,895	P 38,955	P -	P 39,940
Derivatives with negative fair values:				
Currency swaps	144	-	-	144
Interest rate swaps	<u>64</u>	<u>24</u>	<u>-</u>	<u>40</u>
	<u>P 79,103</u>	<u>P 38,979</u>	<u>P -</u>	<u>P 40,124</u>

Parent Bank

	Financial Liabilities	Financial Assets Available for Set-off	Collateral Given	Net Amount
<u>December 31, 2018</u>				
Deposit liabilities	P 105,318	P 50,779	P -	P 54,539
Derivatives with negative fair values – Interest rate swaps	<u>90</u>	<u>-</u>	<u>-</u>	<u>90</u>
	<u>P 105,408</u>	<u>P 50,779</u>	<u>P -</u>	<u>P 54,629</u>

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.

7. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash and other cash items	<u>P 64,140</u>	<u>P 53,749</u>	<u>P 62,726</u>	<u>P 52,492</u>
Due from BSP:				
Mandatory reserves	<u>285,191</u>	<u>347,260</u>	<u>283,089</u>	<u>342,145</u>
Other than mandatory reserves	<u>23,849</u>	<u>6,872</u>	<u>23,849</u>	<u>6,872</u>
	<u>309,040</u>	<u>354,132</u>	<u>306,938</u>	<u>349,017</u>
	<u>P 373,180</u>	<u>P 407,881</u>	<u>P 369,664</u>	<u>P 401,509</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 16). Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate ranging from 0.00% to 4.75% in 2019, from 2.50% to 5.25% in 2018 and from 2.50% and 3.50% in 2017. Total interest income earned amounted to P422, P899 and P1,441 in 2019, 2018 and 2017, respectively, in BDO Unibank Group's financial statements and P417, P785 and P1,165 in 2019, 2018 and 2017, respectively, in the Parent Bank's financial statements (see Note 22).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

8. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Foreign banks	P 30,211	P 51,537	P 35,087	P 48,117
Local banks	<u>8,745</u>	<u>3,755</u>	<u>733</u>	<u>663</u>
	<u>P 38,956</u>	<u>P 55,292</u>	<u>P 35,820</u>	<u>P 48,780</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
U.S. dollars	P 27,683	P 37,669	P 27,147	P 34,924
Philippine pesos	<u>2,114</u>	<u>2,339</u>	<u>52</u>	<u>51</u>
Other foreign currencies	<u>9,159</u>	<u>15,284</u>	<u>8,621</u>	<u>13,805</u>
	<u>P 38,956</u>	<u>P 55,292</u>	<u>P 35,820</u>	<u>P 48,780</u>

Annual interest rates on these deposits range from 0.00% to 5.75% in 2019, from 0.00% to 2.45% in 2018, and from 0.00% to 3.00% in 2017 in the BDO Unibank Group's financial statements, and from 0.00% to 2.00% in 2019, from 0.00% to 2.45% in 2018, and from 0.00% to 1.35% in 2017 in the Parent Bank's financial statements. There are deposits such as current accounts, which do not earn interest. Total interest income earned amounted to P959, P834, and P301 in 2019, 2018, and 2017, respectively, in the BDO Unibank Group's financial statements, and P817, P661, and P234 in 2019, 2018, and 2017, respectively, in the Parent Bank's financial statements (see Note 22).

Due from other banks are included in cash and cash equivalents for statements of cash flows purposes.

9. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

		<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Financial assets					
at FVTPL	9.1	P 27,081	P 20,308	P 4,170	P 4,257
Financial assets					
at FVOCI	9.2	145,239	120,389	93,800	77,115
Investment securities					
at amortized					
cost - net	9.3	<u>263,585</u>	<u>244,500</u>	<u>247,308</u>	<u>222,909</u>
		<u>P 435,905</u>	<u>P 385,197</u>	<u>P 345,278</u>	<u>P 304,281</u>

9.1 Financial Assets at FVTPL

This account is composed of the following:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Derivative financial assets	P 3,562	P 6,230	P 1,549	P 2,621
Government debt securities	5,178	2,347	2,348	1,616
Corporate debt securities	3,426	2,667	272	19
	12,166	11,244	4,169	4,256
Equity securities – quoted	14,915	9,064	1	1
	P 27,081	P 20,308	P 4,170	P 4,257

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	BDO Unibank Group		
		2019	2018	2017
Interest income	22	P 197	P 72	P 162
Trading gain (loss) - net	24	1,606	(1,863)	202
Dividend income	24	72	87	3
Foreign exchange gain (loss)	24	(449)	137	147
Total other income (loss)		1,229	(1,639)	352
Total other expenses		7	10	1
Net income (loss)		P 1,419	(P 1,577)	P 513

	Notes	Parent Bank		
		2019	2018	2017
Interest income	22	P 87	P 51	P 116
Trading gain (loss) - net	24	267	(126)	(51)
Net income (loss)		P 354	(P 75)	P 65

The BDO Unibank Group's government and corporate debt securities earn interest at annual rates ranging from 0.00% to 10.63%, from 2.75% to 10.63% and from 0.00% to 10.63% in 2019, 2018 and 2017, respectively, while the Parent Bank's government and corporate debt securities earn interest at annual rates ranging from 0.00% to 10.63%, from 2.75% to 10.63% and from 0.38% to 10.63% in 2019, 2018 and 2017, respectively.

Foreign currency-denominated securities amounted to P5,671 and P4,093 as of December 31, 2019 and 2018, respectively, in the BDO Unibank Group's financial statements and P2,487 and P2,880 as of December 31, 2019 and 2018, respectively, in the Parent Bank's financial statements.

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/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.

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 20 and 26(d)(i)(4)].

BDO Unibank Group

	2019			2018		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 249,230	P 1,129	P 1,714	P 220,114	P 1,884	P 1,020
Cross currency swaps	32,866	2,184	1,202	35,255	4,037	3,083
Interest rate swaps	30,892	249	180	38,402	309	315
ROP warrants	8,475	-	76	8,475	-	79
	<u>P 321,463</u>	<u>P 3,562</u>	<u>P 3,172</u>	<u>P 302,246</u>	<u>P 6,230</u>	<u>P 4,497</u>

Parent Bank

	2019			2018		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 244,530	P 1,084	P 1,260	P 213,708	P 1,769	P 1,020
Cross currency swaps	8,037	384	333	10,379	787	491
Interest rate swaps	8,638	81	65	11,956	65	90
ROP warrants	8,475	-	76	8,475	-	79
	<u>P 269,680</u>	<u>P 1,549</u>	<u>P 1,734</u>	<u>P 244,518</u>	<u>P 2,621</u>	<u>P 1,680</u>

Certain financial assets at FVTPL of the BDO Unibank Group and the Parent Bank amounting to P1,474 and P1,105, respectively, in 2019 and P452 and P65, respectively, in 2018, are subject to offsetting against the related derivatives with negative fair value presented under Other Liabilities of the BDO Unibank Group and the Parent Bank amounting to P1,392 and P1,043, respectively, in 2019 and P361 and nil, respectively, for 2018. This indicates an enforceable master netting arrangements and similar agreements with an intention to settle on a net basis (see Note 6.6).

9.2 Financial Assets at FVOCI

The details of the carrying amounts of these financial assets are as follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Government debt securities	P 81,514	P 60,165	P 53,547	P 36,865
Corporate debt securities	52,609	49,985	35,884	36,876
Equity securities:				
Quoted	9,446	8,800	4,150	3,207
Not quoted	1,670	1,439	219	167
	<u>P 145,239</u>	<u>P 120,389</u>	<u>P 93,800</u>	<u>P 77,115</u>

As to currency, this account is composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Foreign currencies	P 82,468	P 75,464	P 64,337	P 61,026
Philippine peso	<u>62,771</u>	<u>44,925</u>	<u>29,463</u>	<u>16,089</u>
	<u>P 145,239</u>	<u>P 120,389</u>	<u>P 93,800</u>	<u>P 77,115</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Within one year	P 35,277	P 29,763	P 25,273	P 20,595
One to five years	71,408	61,935	51,502	44,096
Beyond five years	<u>38,554</u>	<u>28,691</u>	<u>17,025</u>	<u>12,424</u>
	<u>P 145,239</u>	<u>P 120,389</u>	<u>P 93,800</u>	<u>P 77,115</u>

Government debt securities issued by the ROP and foreign sovereigns and corporate debt securities issued by resident and non-resident corporations earn interest at annual rates ranging from 0.00% to 12.13% in 2019, from 1.75% to 12.13% in 2018 and from 0.00% to 12.13% in 2017 for BDO Unibank Group's financial statements while from 0.00% to 10.63% in 2019, from 2.38% to 10.63% in 2018, and from 2.13% to 10.63% in 2017 in the Parent Bank's financial statements (see Note 22).

The fair values of government debt, equity and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 6.3).

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

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 120,389	P 110,799	P 77,115	P 70,188
Additions	58,665	40,130	39,656	17,629
Disposals	(39,235)	(28,550)	(24,045)	(11,305)
Unrealized fair value gains (losses)	7,662	(6,194)	3,478	(2,421)
Foreign currency revaluation	(2,244)	4,215	(2,404)	3,024
Deferred tax liability	<u>2</u>	<u>(11)</u>	<u>-</u>	<u>-</u>
Balance at end of year	<u>P 145,239</u>	<u>P 120,389</u>	<u>P 93,800</u>	<u>P 77,115</u>

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.

Government securities of BDO Unibank Group and the Parent Bank with an aggregate principal amount of P1,232 and nil, respectively, as of December 31, 2018 (nil as of December 31, 2019) were pledged as collaterals for bills payable under repurchase agreements (see Notes 6.6, 17 and 32).

Impairment losses recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to P13 and P5, respectively, in 2019 and P18 and P5, respectively, in 2018. Total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P100 and P72, respectively, as of December 31, 2019 and P87 and P67, respectively, as of December 31, 2018 (see Note 4.3.5).

9.3 Investment Securities at Amortized Cost

This account consists of:

		<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>Note</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Government debt securities		P 213,366	P 199,004	P 199,904	P 182,861
Corporate debt securities:					
Quoted		48,581	44,240	47,339	40,369
Not quoted		3,191	2,837	1,608	1,248
		265,138	246,081	248,851	224,478
Allowance for impairment	15	(1,553)	(1,581)	(1,543)	(1,569)
		<u>P 263,585</u>	<u>P 244,500</u>	<u>P 247,308</u>	<u>P 222,909</u>

As to currency, this account is composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Foreign currencies	P 134,678	P 138,103	P 130,533	P 130,830
Philippine peso	128,907	106,397	116,775	92,079
	<u>P 263,585</u>	<u>P 244,500</u>	<u>P 247,308</u>	<u>P 222,909</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Less than one year	P 36,183	P 49,070	P 34,816	P 43,910
One to five years	156,461	117,777	148,705	112,049
Beyond five years	70,941	77,653	63,787	66,950
	<u>P 263,585</u>	<u>P 244,500</u>	<u>P 247,308</u>	<u>P 222,909</u>

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Balance at beginning of year	P 244,500	P 203,764	P 222,909	P 183,805
Additions	79,199	87,158	78,983	60,406
Maturities	(54,988)	(52,687)	(49,647)	(27,459)
Foreign currency gains - net	(5,098)	6,264	(4,911)	6,157
Impairment recovery (loss)	(28)	1	(26)	-
Balance at end of year	<u>P 263,585</u>	<u>P 244,500</u>	<u>P 247,308</u>	<u>P 222,909</u>

Annual coupon interest rates on government and corporate debt securities range from 0.00% to 18.25% in 2019, from 1.40% to 15.00% in 2018 and from 0.00% to 10.63% in 2017 for BDO Unibank Group's financial statements while from 0.00% to 15.00% in 2019, from 2.38% to 15.00% in 2018 and from 0.00% to 10.63% in 2017 for the Parent Bank's financial statements (see Note 22).

Government securities with an aggregate principal amount of nil for both the BDO Unibank Group and the Parent Bank as of December 31, 2019 were pledged as collateral for bills payable under repurchase agreements (see Notes 17 and 32).

As mentioned in Note 27, certain government debt securities are deposited with the BSP.

10. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	BDO Unibank Group		Parent Bank	
		2019	2018	2019	2018
Receivables from customers:					
Loans and discounts	26	P 2,031,016	P 1,847,364	P 1,979,672	P 1,792,227
Credit card receivables		99,391	78,738	99,391	78,738
Customers' liabilities under letters of credit and trust receipts		62,043	79,476	62,043	79,476
Bills purchased		17,097	16,641	17,089	16,632
		<u>2,209,547</u>	<u>2,022,219</u>	<u>2,158,195</u>	<u>1,967,073</u>
Unearned interests or discounts		(1,497)	(2,157)	(329)	(571)
Allowance for impairment	15	(30,068)	(26,761)	(27,382)	(24,146)
		(31,565)	(28,918)	(27,711)	(24,717)
		<u>2,177,982</u>	<u>1,993,301</u>	<u>2,130,484</u>	<u>1,942,356</u>
Other receivables:					
Interbank loans receivables		38,571	49,264	38,571	49,264
Accounts receivable	26	10,010	7,698	8,153	6,550
Sales contract receivables		977	1,150	898	1,025
Others		835	696	-	-
SPURRA		-	22,009	-	22,009
		<u>50,393</u>	<u>80,817</u>	<u>47,622</u>	<u>78,848</u>
Allowance for impairment	15	(2,598)	(2,284)	(2,451)	(2,051)
		<u>47,795</u>	<u>78,533</u>	<u>45,171</u>	<u>76,797</u>
		<u>P 2,225,777</u>	<u>P 2,071,834</u>	<u>P 2,175,655</u>	<u>P 2,019,153</u>

Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2019 and 2018 are presented below as net of specific allowance for impairment in compliance with BSP Circular 941, *Amendments to Regulations on Past Due and Non-Performing Loans*.

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
NPL	P 25,228	P 19,977	P 22,275	P 17,108
Allowance for impairment	(16,495)	(13,408)	(14,868)	(11,346)
	<u>P 8,733</u>	<u>P 6,569</u>	<u>P 7,407</u>	<u>P 5,762</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.

The maturity profile of receivable from customers (net of unearned interest or discounts) is presented below.

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Less than one year	P 607,894	P 586,394	P 604,785	P 580,735
One to five years	277,107	266,661	248,584	243,128
Beyond five years	<u>1,323,049</u>	<u>1,167,007</u>	<u>1,304,497</u>	<u>1,142,639</u>
	<u>P 2,208,050</u>	<u>P 2,020,062</u>	<u>P 2,157,866</u>	<u>P 1,966,502</u>

BDO Unibank Group and Parent Bank's credit concentration of receivable from customers (net of unearned interest or discounts) as to industry is presented in Note 4.3.3.

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Secured:				
Real estate mortgage	P 306,031	P 292,723	P 301,476	P 288,276
Chattel mortgage	118,795	113,812	103,400	90,928
Other securities	<u>96,205</u>	<u>119,541</u>	<u>95,296</u>	<u>118,422</u>
	521,031	526,076	500,172	497,626
Unsecured	<u>1,687,019</u>	<u>1,493,986</u>	<u>1,657,694</u>	<u>1,468,876</u>
	<u>P 2,208,050</u>	<u>P 2,020,062</u>	<u>P 2,157,866</u>	<u>P 1,966,502</u>

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Variable interest rates	P 1,711,190	P 1,596,046	P 1,690,853	P 1,569,277
Fixed interest rates	<u>496,860</u>	<u>424,016</u>	<u>467,013</u>	<u>397,225</u>
	<u>P 2,208,050</u>	<u>P 2,020,062</u>	<u>P 2,157,866</u>	<u>P 1,966,502</u>

Loans and receivables bear annual interest rates of 0% (e.g., non-performing loans and zero percent credit card installment program) to 4.10% per month in 2019, 2018 and 2017 (see Note 22).

The BDO Unibank Group and the Parent Bank's receivables from customers amounting to nil as of December 31, 2019 and, P269 and nil, respectively, as of December 31, 2018 are pledged as collaterals to secure borrowings under rediscounting privileges (see Notes 17 and 32).

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P42,164 and P38,955, respectively, for 2019, and P51,202 and P50,779, respectively, for 2018, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P40,160 and P38,955, respectively, for 2019, and P50,835 and P50,779, respectively, for 2018, indicating a legally enforceable right to offset the recognized amounts with an intention to settle on a net basis (see Note 6.6.).

11. 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 2019 and 2018 are shown below and in the succeeding page.

BDO Unibank Group

	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Rights and Improvement	Construction in Progress	Right-of- Use Assets	Total
December 31, 2019							
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 15)	(<u>269</u>)	-	(<u>376</u>)	-	-	-	(<u>645</u>)
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>
December 31, 2018							
Cost	P 6,199	P 25,976	P 20,017	P 7,086	P 985	P -	P 60,263
Accumulated depreciation and amortization	-	(15,267)	(5,939)	(4,882)	-	-	(26,088)
Allowance for impairment(see Note 15)	(<u>140</u>)	-	(<u>375</u>)	-	-	-	(<u>515</u>)
Net Carrying Amount	<u>P 6,059</u>	<u>P 10,709</u>	<u>P 13,703</u>	<u>P 2,204</u>	<u>P 985</u>	<u>P -</u>	<u>P 33,660</u>
January 1, 2018							
Cost	P 6,155	P 24,452	P 16,744	P 6,201	P 711	P -	P 54,263
Accumulated depreciation and amortization	-	(14,837)	(5,368)	(4,197)	-	-	(24,402)
Allowance for impairment(see Note 15)	(<u>140</u>)	-	(<u>375</u>)	-	-	-	(<u>515</u>)
Net Carrying Amount	<u>P 6,015</u>	<u>P 9,615</u>	<u>P 11,001</u>	<u>P 2,004</u>	<u>P 711</u>	<u>P -</u>	<u>P 29,346</u>

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
December 31, 2019							
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 15)	(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>
December 31, 2018							
Cost	P 5,458	P 19,723	P 18,829	P 6,504	P 984	P -	P 51,498
Accumulated depreciation and amortization	-	(11,714)	(5,546)	(4,470)	-	-	(21,730)
Allowance for impairment (see Note 15)	(125)	-	(371)	-	-	-	(496)
Net Carrying Amount	<u>P 5,333</u>	<u>P 8,009</u>	<u>P 12,912</u>	<u>P 2,034</u>	<u>P 984</u>	<u>P -</u>	<u>P 29,272</u>
January 1, 2018							
Cost	P 5,414	P 18,395	P 15,588	P 5,659	P 711	P -	P 45,767
Accumulated depreciation and amortization	-	(11,461)	(5,043)	(3,850)	-	-	(20,354)
Allowance for impairment (see Note 15)	(125)	-	(371)	-	-	-	(496)
Net Carrying Amount	<u>P 5,289</u>	<u>P 6,934</u>	<u>P 10,174</u>	<u>P 1,809</u>	<u>P 711</u>	<u>P -</u>	<u>P 24,917</u>

A reconciliation of the carrying amounts at the beginning and end of 2019 and 2018 of premises, furniture, fixtures and equipment is shown below and in the succeeding page.

BDO Unibank Group

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment							
As previously stated	P 6,059	P 10,709	P 13,703	P 2,204	P 985	P -	P 33,660
Effect of adoption of PFRS 16 (see Note 2.2)	-	-	-	-	-	10,212	10,212
As restated	6,059	10,709	13,703	2,204	985	10,212	43,872
Additions	312	2,494	699	548	344	2,801	7,198
Disposals	(77)	(196)	(4)	-	-	-	(277)
Reclassifications	1,756	84	1,436	107	(187)	-	3,196
Allowance for impairment	(129)	-	(1)	-	-	-	(130)
Revaluation	-	1	(3)	(3)	-	-	(5)
Reversal	-	-	-	-	(5)	-	(5)
Depreciation and amortization changes for the year	-	(2,695)	(1,257)	(813)	-	(2,533)	(7,298)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	<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>
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment	P 6,015	P 9,615	P 11,001	P 2,004	P 711	P -	P 29,346
Additions	69	3,833	3,082	615	536	-	8,135
Disposals	-	(160)	-	(9)	(71)	-	(240)
Reclassifications	(25)	28	191	361	(191)	-	364
Revaluation	-	-	6	4	-	-	10
Depreciation and amortization changes for the year	-	(2,607)	(577)	(771)	-	-	(3,955)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	<u>P 6,059</u>	<u>P 10,709</u>	<u>P 13,703</u>	<u>P 2,204</u>	<u>P 985</u>	<u>P -</u>	<u>P 33,660</u>

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2019, net of accumulated depreciation, amortization and impairment, As previously stated Effect of adoption of PFRS 16 (see Note 2.2)	P 5,333	P 8,009	P 12,912	P 2,034	P 984	P -	P 29,272
As restated	-	-	-	-	-	10,188	10,188
Additions	5,333	8,009	12,912	2,034	984	10,188	39,460
Disposals	312	1,757	631	402	344	2,693	6,139
Reclassifications	(77)	(59)	-	-	-	-	(136)
Revaluation	1,757	83	1,436	106	(186)	-	3,196
Reversal	-	-	-	(1)	-	-	(1)
Depreciation and amortization charges for the year	-	-	-	-	(5)	(	(5)
	-	(1,754)	(1,185)	(733)	-	(2,487)	(6,159)
Balance at December 31, 2019, net of accumulated depreciation, amortization and impairment	<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>
Balance at January 1, 2018, net of accumulated depreciation, amortization and impairment	P 5,289	P 6,934	P 10,174	P 1,809	P 711	P -	P 24,917
Additions	69	2,686	3,056	573	536	-	6,920
Disposals	-	(48)	-	(7)	(71)	-	(126)
Reclassifications	(25)	30	191	364	(192)	-	368
Revaluation	-	-	-	1	-	-	1
Depreciation and amortization charges for the year	-	(1,593)	(509)	(706)	-	-	(2,808)
Balance at December 31, 2018, net of accumulated depreciation, amortization and impairment	<u>P 5,333</u>	<u>P 8,009</u>	<u>P 12,912</u>	<u>P 2,034</u>	<u>P 984</u>	<u>P -</u>	<u>P 29,272</u>

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2019 and 2018, 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, 2019 and 2018 are still being used in operations with acquisition costs amounting to P8,114 and P7,619, respectively, in the BDO Unibank Group's financial statements and P6,971 and P6,885, respectively, in the Parent Bank's financial statements.

12. 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 11) and a Lease liability under Other Liabilities (see Note 20) on the 2019 statement 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.

BDO Unibank Group

	<u>Number of Right-of-use Asset Leased</u>	<u>Range of Remaining Term</u>	<u>Average Remaining Lease Term</u>
Land	46	9 months – 27 years	12 years
Buildings	1,246	1 month – 28 years	4.5 years

Parent Bank

Land	49	9 months – 27 years	12 years
Buildings	1,088	1 month – 28 years	4.5 years

12.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as at December 31, 2019 and the movements during the period are shown below (see Note 11).

BDO Unibank Group

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at the beginning of the year	P 470	P 9,742	P 10,212
Additions	26	2,775	2,801
Depreciation and amortization	(47)	(2,486)	(2,533)
Balance at the end of year	<u>P 449</u>	<u>P 10,031</u>	<u>P 10,480</u>

Parent Bank

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at the beginning of the year	P 499	P 9,689	P 10,188
Additions	27	2,666	2,693
Depreciation and amortization	(48)	(2,432)	(2,487)
Balance at the end of year	<u>P 478</u>	<u>P 9,916</u>	<u>P 10,394</u>

12.2 Lease Liabilities

Lease liabilities are presented in the statements of financial position as part of Other Liabilities amounting to P12,043 and P11,961 for the BDO Unibank Group and the Parent Bank, respectively, as at December 31, 2019 (see Note 20).

The use of extension and termination options gives the BDO Unibank Group and the Parent Bank added flexibility in the event 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, 2019, 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, 2019, 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, 2019 for the BDO Unibank Group and the Parent Bank are as follows:

BDO Unibank Group

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 3,120	P 2,697	P 2,335	P 1,817	P 1,316	P 3,158	P 532	P 14,975
Finance charges	(723)	(576)	(443)	(332)	(249)	(460)	(149)	(2,932)
Net present value	<u>P 2,397</u>	<u>P 2,121</u>	<u>P 1,892</u>	<u>P 1,485</u>	<u>P 1,067</u>	<u>P 2,698</u>	<u>P 383</u>	<u>P 12,043</u>

Parent Bank

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 3,053	P 2,652	P 2,320	P 1,808	P 1,311	P 3,204	P 595	P 14,943
Finance charges	(722)	(578)	(446)	(335)	(251)	(477)	(173)	(2,982)
Net present value	<u>P 2,331</u>	<u>P 2,074</u>	<u>P 1,874</u>	<u>P 1,473</u>	<u>P 1,060</u>	<u>P 2,727</u>	<u>P 422</u>	<u>P 11,961</u>

The total cash outflow in respect of leases amounted to P3,122 and P3,076 in 2019 for the BDO Unibank Group and the Parent Bank, respectively. Interest expense in relation to lease liabilities amounted to P827 and P822 for the BDO Unibank Group and the Parent Bank, respectively, which are presented as part of Interest expense on lease liabilities under Interest Expense account in the 2019 statement of income (see Notes 20 and 23).

12.3 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 P1 and P404 for BDO Unibank Group, respectively, and nil and P399 for Parent Bank, respectively. Moreover, expenses recognized by the BDO Unibank Group and the Parent Bank relating to variable lease payments amounted to P267 and P260, respectively. These are presented as part of Occupancy under Other Operating Expenses account in the 2019 statement of income (see Note 24). As of December 31, 2019, the BDO Unibank Group and the Parent Bank do not have lease commitments in relation to short term leases.

13. 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 P435 and P88 in 2019, P381 and P87 in 2018, and P290 and P71 in 2017 in BDO Unibank Group and Parent Bank's financial statements, respectively, and are presented as part of Rental under Other Operating Income account (see Note 24). Direct expenses incurred from these properties such as taxes and licenses amounted to P32 and P3 in 2019, P5 and P2 in 2018, and P19 and P2 in 2017 in BDO Unibank Group and 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 24).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2019 and 2018 are shown below and in the succeeding page.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>BDO Unibank Group</u>			
December 31, 2019			
Cost	P 9,616	P 13,359	P 22,975
Accumulated depreciation	-	(4,189)	(4,189)
Allowance for impairment (see Note 15)	(1,776)	(99)	(1,875)
Net carrying amount	<u>P 7,840</u>	<u>P 9,071</u>	<u>P 16,911</u>
December 31, 2018			
Cost	P 11,094	P 14,768	P 25,862
Accumulated depreciation	-	(4,190)	(4,190)
Allowance for impairment (see Note 15)	(1,783)	(104)	(1,887)
Net carrying amount	<u>P 9,311</u>	<u>P 10,474</u>	<u>P 19,785</u>
January 1, 2018			
Cost	P 9,429	P 13,471	P 22,900
Accumulated depreciation	-	(3,217)	(3,217)
Allowance for impairment (see Note 15)	(1,539)	(104)	(1,643)
Net carrying amount	<u>P 7,890</u>	<u>P 10,150</u>	<u>P 18,040</u>
<u>Parent Bank</u>			
December 31, 2019			
Cost	P 7,218	P 10,712	P 17,930
Accumulated depreciation	-	(3,810)	(3,810)
Allowance for impairment (see Note 15)	(1,474)	(51)	(1,525)
Net carrying amount	<u>P 5,744</u>	<u>P 6,851</u>	<u>P 12,595</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Parent Bank</u>			
December 31, 2018			
Cost	P 8,693	P 12,182	P 20,875
Accumulated depreciation	-	(3,913)	(3,913)
Allowance for impairment (see Note 15)	(1,479)	(57)	(1,536)
Net carrying amount	<u>P 7,214</u>	<u>P 8,212</u>	<u>P 15,426</u>
January 1, 2018			
Cost	P 8,129	P 10,874	P 19,003
Accumulated depreciation	-	(2,943)	(2,943)
Allowance for impairment (see Note 15)	(1,504)	(60)	(1,564)
Net carrying amount	<u>P 6,625</u>	<u>P 7,871</u>	<u>P 14,496</u>

A reconciliation of the carrying amounts, at the beginning and end of 2019 and 2018, of investment properties is shown below and in the succeeding page.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>BDO Unibank Group</u>			
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 9,311	P 10,474	P 19,785
Additions	1,111	1,487	2,598
Reclassifications	(1,751)	(1,229)	(2,980)
Disposals	(826)	(707)	(1,533)
Revaluation	(5)	(2)	(7)
Depreciation for the year	<u>-</u>	<u>(952)</u>	<u>(952)</u>
Balance at December 31, 2019, net of accumulated depreciation and impairment	<u>P 7,840</u>	<u>P 9,071</u>	<u>P 16,911</u>
Balance at January 1, 2018, net of accumulated depreciation and impairment	P 7,890	P 10,150	P 18,040
Additions	916	1,891	2,807
Reclassifications	898	3	901
Disposals	(400)	(281)	(681)
Revaluation	7	(21)	(14)
Depreciation for the year	<u>-</u>	<u>(1,268)</u>	<u>(1,268)</u>
Balance at December 31, 2018, net of accumulated depreciation and impairment	<u>P 9,311</u>	<u>P 10,474</u>	<u>P 19,785</u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<u>Parent Bank</u>			
Balance at January 1, 2019, net of accumulated depreciation and impairment	P 7,214	P 8,212	P 15,426
Additions	1,106	1,438	2,544
Disposals	(818)	(706)	(1,524)
Reclassifications	(1,752)	(1,244)	(2,996)
Revaluation	(6)	-	(6)
Depreciation for the year	<u>-</u>	<u>(849)</u>	<u>(849)</u>
Balance at December 31, 2019, net of accumulated depreciation and impairment	<u>P 5,744</u>	<u>P 6,851</u>	<u>P 12,595</u>
Balance at January 1, 2018, net of accumulated depreciation and impairment	P 6,625	P 7,871	P 14,496
Additions	915	1,851	2,766
Disposals	(386)	(280)	(666)
Reclassifications	53	-	53
Revaluation	7	-	7
Depreciation for the year	<u>-</u>	<u>(1,230)</u>	<u>(1,230)</u>
Balance at December 31, 2018, net of accumulated depreciation and impairment	<u>P 7,214</u>	<u>P 8,212</u>	<u>P 15,426</u>

The fair value of investment properties as of December 31, 2019 and 2018, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P33,473 and P38,681, respectively, for the BDO Unibank Group's financial statements and P27,733 and P29,962, 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 6.5.

The recoverable amount of impaired investment properties as of December 31, 2019 and 2018 was based on value in use computed through discounted cash flows method at an effective rate of 1.92% and 2.63% in 2019 and 2018, 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, 2019 and 2018, ROPA, gross of allowance, comprise of the following:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Investment properties	P 11,822	P 11,581	P 11,596	P 11,389
Financial assets at FVOCI	1,130	687	1,130	687
Non-current assets held for sale	1,057	764	1,054	758
	<u>P 14,009</u>	<u>P 13,032</u>	<u>P 13,780</u>	<u>P 12,834</u>

14. OTHER RESOURCES

The components of this account are shown below.

	Notes	BDO Unibank Group		Parent Bank	
		2019	2018	2019	2018
Deferred charges	14.1	P 9,696	P 7,926	P 9,694	P 7,925
Deferred tax assets - net	30.1	8,927	8,312	8,179	7,608
Credit card acquiring		8,185	6,182	8,185	6,182
Foreign currency notes and coins on hand		5,345	4,828	5,344	4,828
Equity investments	14.2	5,048	5,081	40,398	36,919
Goodwill	14.3, 29.1, 29.6, 29.7	4,535	4,435	1,391	1,391
Branch licenses	14.4	3,020	3,020	3,020	3,020
Computer software - net		1,829	1,909	1,662	1,732
Non-current assets held for sale	14.5	1,057	764	1,054	758
Prepaid documentary stamps		590	956	555	923
Customer lists - net	14.7, 29.8	487	487	487	487
Real properties for development and sale		353	382	-	-
Returned checks and other cash items		330	361	330	360
Margin deposits		292	2,279	197	173
Trademark - net	14.6, 29.2	58	91	58	91
Dividend receivable		39	54	-	-
Others	14.7, 19	4,160	3,852	3,121	3,078
		53,951	50,919	83,675	75,475
Allowance for impairment	15	(2,373)	(2,321)	(2,081)	(2,084)
		<u>P 51,578</u>	<u>P 48,598</u>	<u>P 81,594</u>	<u>P 73,391</u>

14.1 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 10). 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 16).

14.2 Equity Investments

Equity investments consist of the following:

		BDO Unibank Group		Parent Bank	
	Held	2019	2018	2019	2018
<u>Philippine subsidiaries</u>					
BDO Network	84.87%	P -	P -	P 8,166	P 8,700
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
BDO Nomura	51%	-	-	243	243
PCI Realty Corporation	100%	-	-	34	34
BDOI	100%	-	-	11	11
Equimark	60%	-	-	4	4
		-	-	23,880	24,414
<u>Foreign subsidiaries</u>					
BDORO	100%	P -	P -	P 169	P 169
BDO Remit (Japan) Ltd.	100%	-	-	92	92
BDO Remit (Canada) Ltd.	100%	-	-	50	50
BDO Remit (USA), Inc.	100%	-	-	26	26
Express Padala (Hongkong), Ltd.	-	-	-	-	28
		-	-	337	365
<u>Associates</u>					
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
MMP Auto-Financial Services Corporation (MAFSC)	-	-	300	-	-
Others	*	5	5	5	5
		3,470	3,770	3,470	3,470
<u>Accumulated equity in total comprehensive income:</u>					
Balance at beginning of year		1,311	1,182	8,670	9,397
Equity in net profit		696	631	6,046	2,740
Equity in other comprehensive income (loss)		15	(17)	(721)	(92)
Dividends		(550)	(485)	(2,035)	(3,458)
Disposal		106	-	-	-
Change in percentage ownership in subsidiaries		-	-	733	83
Liquidation		-	-	18	-
Balance at end of year		1,578	1,311	12,711	8,670
Net investments in associates/subsidiaries		5,048	5,081	40,398	36,919
Allowance for impairment		(158)	(155)	(158)	(155)
		P 4,890	P 4,926	P 40,240	P 36,764

* This consists of various insignificant investments in associates; thus, percentage held is no longer disclosed.

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2019 and 2018, except for BDO Life and BDO Leasing which is at 100% and 88.54% for BDO Unibank Group, respectively (see Note 2.3) and 97% and 87.43% in the Parent Bank, respectively, as shown above, in both years.

The fair value of BDO Leasing amounts to P3,581 and P4,193 as of December 31, 2019 and 2018, respectively, which had been determined directly by reference to published prices quoted in an active market. The fair value of the remaining equity investments is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows.

BDO Unibank Group's subsidiaries as of December 31, 2019 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 (Ireland) Designated Activity Company**	Ireland
BDO Remit (Spain), S.A**	
(formerly CBN Remittance Centre S.A.)	Spain
CBN Greece S.A. **	Greece
BDO Remit (Italia) S.p.A*	Italy
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 8th floor, 20 Farringdon, Street, London. BDORO will provide commercial banking services in UK and Europe, and subject to certain conditions, was approved by the BSP on October 13, 2011. In 2012, BDORO applied for a banking license in the UK. However, due to the ongoing political and economic developments in the UK and Europe on account of the ongoing Brexit negotiation, the Parent Bank has decided to put BDORO's application for a banking license on hold. The Parent Bank will re-evaluate the business model for BDORO when the terms of the Brexit become clearer and evaluate how any agreement ultimately impacts the BDO Unibank Group's ability to provide cross border services to Europe. In 2012, the Parent Bank has an outstanding investment in BDORO amounting to P133 (absolute amount) representing the minimal capitalization of 2 GBP as an initial contribution to incorporate BDORO. Starting in 2013, the Parent Bank's outstanding investment in BDORO increased to P169.

On March 23, 2013, the Parent Bank's BOD approved the establishment of a wholly-owned remittance subsidiary, BDO Remit (Canada) Ltd., in Vancouver, Canada. BDO Remit (Canada) Ltd. will operate as a remittance business and function as a marketing office of the Parent Bank. This was approved by the BSP on November 28, 2013 and was incorporated on June 23, 2014. In 2015, the Parent Bank paid CND500,000 for the subscribed shares. On October 29, 2016, the Parent Bank's BOD approved an increase in the capitalization of BDO Remit (Canada) Ltd. by an amount of CND600,000, which was later approved by the BSP on December 23, 2016. On February 22, 2017, the Parent Bank paid CND600,000 for the subscribed shares.

In May 2013, BDO Capital obtained control over CBN Grupo International Holdings B.V. (CBN Grupo) (now BDO RIH) 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 29.1). On August 30, 2013, BDO Capital acquired 100% of the total issued and outstanding capital stock of Averon, a company engaged primarily in the leasing business.

On January 18, 2018, the Parent Bank subscribed to an additional 32,386,356 of new BDO Network shares thereby increasing its shareholdings in BDO Network to 99.81%. On May 15, 2019, January 23, 2018 and December 27, 2018, the Parent Bank subscribed to an additional 18,758, 124,275 and 14,276 shares, respectively, from BDO Network's total issued and outstanding capital stock thereby increasing its shareholdings in BDO Network to 99.86%. On October 1, 2018, the Parent Bank, together with BDO Network, has entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore), whereby the latter will acquire a 15% ownership interest in BDO Network via the purchase of 17,341,475 shares held by the Parent Bank and the subscription of 34,682,949 unissued common shares of BDO Network at a price of P31.77 per share. The transaction was completed on May 16, 2019. This results to decrease in shareholdings in BDO Network to 84.87%.

On July 4, 2019, BDO Leasing sold to JACCS Co. Ltd. (JACCS), a corporation duly organized and existing under the laws of Japan, its 3,000,000 common shares representing 40% ownership interest in MAFSC for P166 (see Note 29.5). The principal place of business of MAFSC is 38th Floor, Robinsons Equitable Tower, ADB Avenue cor. Poveda St., Ortigas Center, Pasig City.

On September 4, 2019, Express Padala (Hongkong), Ltd. had been dissolved and remaining cash had been repatriated to the Parent Bank.

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
BDO Leasing	11.46%	11.46%	P 5	P 38	P	643	P 612	
BDO Network	15.13%	0.15%	26	(1)		914	7	

The registered office and principal place of business of BDO Leasing is located at 39th 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 BDO Network Bank Corporate Center, Km. 9, Sasa, Davao City.

Dividends paid to NCI were nil and P25 in 2019 and 2018, respectively (see Note 21.4).

Summarized consolidated financial information of BDO Leasing and BDO Network, before intragroup eliminations, follows:

	BDO Leasing				
	2019		2018		
<i>Statements of financial position:</i>					
Total resources	P 30,954	P	41,549		
Total liabilities	25,340		36,206		
Equity attributable to owners of the parent	4,971		4,731		
Non-controlling interest	643		612		
<i>Statements of comprehensive income:</i>					
Total interest income	1,976		1,960		
Total other operating income	1,054		1,254		
Profit attributable to owners of the parent	42		293		
Profit attributable to NCI	5		38		
Profit	47		331		
Total comprehensive income attributable to owners of the parent	241		31		
Total comprehensive income attributable to NCI	31		4		
Total comprehensive income	<u>P 272</u>	P	<u>35</u>		
<i>Statements of cash flows:</i>					
Net cash from operating activities	P 7,956	P	1,401		
Net cash from investing activities	631		133		
Net cash used in financing activities	(8,732)	(	1,717)		
Net cash outflow	<u>(P 145)</u>	(P	<u>183)</u>		
BDO Network					
	2019		2018		
<i>Statements of financial position:</i>					
Total resources	P 32,535	P	27,250		
Total liabilities	26,494		22,555		
Equity attributable to owners of the parent	5,127		4,688		
Non-controlling interest	914		7		
<i>Statements of comprehensive income:</i>					
Total interest income	2,613		1,822		
Total other operating income	1,540		879		
Profit attributable to owners of the parent	144	(	403)		
Profit attributable to NCI	26	(	1)		
Profit	170	(	404)		
Total comprehensive income attributable to owners of the parent	207	(	496)		
Total comprehensive income attributable to NCI	37	(	1)		
Total comprehensive income	<u>P 244</u>	(P	<u>497)</u>		

		<u>BDO Network</u>	
		<u>2019</u>	<u>2018</u>
<i>Statements of cash flows:</i>			
Net cash from (used in) operating activities	(P	684)	P 945
Net cash used in investing activities	(	498)	(564)
Net cash from financing activities		<u>1,102</u>	<u>1,000</u>
Net cash inflow (outflow)	(P	80)	P 1,381

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2019, 2018 and 2017:

	NLEX Corporation		SM Keppel		Others		Total	
<u>December 31, 2019</u>								
<u>(Unaudited)</u>								
Assets	P	53,658	P	11,813	P	3,789	P	69,260
Liabilities		31,736		9,717		1,489		42,942
Equity		21,922		2,096		2,300		26,318
Revenues		13,988		458		1,195		15,641
Net profit (loss)		5,865	(	128)		1,021		6,758
<u>December 31, 2018</u>								
<u>(Audited)</u>								
Assets	P	49,401	P	10,600	P	2,846	P	62,847
Liabilities		30,840		8,375		752		39,967
Equity		18,561		2,225		2,094		22,880
Revenues		13,393		328		1,236		14,957
Net profit (loss)		5,756	(	105)		207		5,858
<u>December 31, 2017</u>								
<u>(Audited)</u>								
Assets	P	40,146	P	9,270	P	2,506	P	51,922
Liabilities		29,490		6,941		564		36,995
Equity		10,656		2,329		1,942		14,927
Revenues		11,880		191		1,099		13,170
Net profit		4,644		32		153		4,829

14.3 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, BDO Network and Rural Bank of Pandi, Inc., which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2014, 2015, 2016 and 2019, respectively (see Note 29).

The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of BDO Unibank Group is as follows:

	<u>2019</u>	<u>2018</u>
Balance at beginning of year	P 3,044	P 3,044
Acquisition	100	-
Impairment	(69)	-
Balance at end of year	<u>P 3,075</u>	<u>P 3,044</u>

In 2019 and 2018, there were 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 Group pertains to the goodwill from acquisition of BDO Network amounting to P2,907.

The BDO Unibank Group recognized goodwill in 2019 amounting to P100 arising from asset sale and purchase agreement with Rural Bank of Pandi, Inc. (RBPI) through BDO Network (see Note 29.7).

The BDO Unibank Group recognized impairment loss on goodwill of P69 in 2019. The Parent Bank also recognized impairment loss of nil in 2019 and 2018 and P2 in 2017, to write-down the value of the goodwill to their recoverable amount (see Note 15). 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 five-year cash flow projection ranges from 16% to 35% at a discount rate of 7.02%. 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.

14.4 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. [TRB] and BDO Savings in addition to the current branches of the acquired banks. In 2019 and 2018, allowance on impairment loss was recognized on branch licenses at the BDO Unibank Group's financial statements amounting to nil and P80, respectively, for unutilized branch licenses upon the expiry of the term given by the BSP to the Parent Bank in establishing certain number of branches.

14.5 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 2017 to 2019 in both BDO Unibank Group and Parent Bank's financial statements.

14.6 Trademark

Amortization expense on trademark arising from acquisition of Diners Club International credit card portfolio (see Note 29.2) amounted to P33 per year from 2017 to 2019. This is recorded under Miscellaneous under Other Operating Expenses account in the statements of income (see Note 24).

14.7 Others

Amortization expense on computer software licenses amounted to P546, P516 and P528 in 2019, 2018, and 2017, respectively, in the BDO Unibank Group's financial statements and P502, P480 and P477 in 2019, 2018, and 2017, 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 24).

Depreciation expense on certain assets amounting to P21, P4 and P2 in 2019, 2018 and 2017, 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 24).

No impairment loss was recognized by the Parent Bank from 2017 to 2019 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 (see Note 29.8).

15. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year:					
Investment securities at					
amortized cost	9.3	P 1,581	P 730	P 1,569	P 356
Loans and other receivables	10	29,045	26,248	26,197	23,961
Bank premises	11	515	515	496	496
Investment properties	13	1,887	1,643	1,536	1,564
Other resources	14	2,321	2,662	2,084	2,139
		<u>35,349</u>	<u>31,798</u>	<u>31,882</u>	<u>28,516</u>
Impairment losses - net		6,208	6,243	5,749	5,670
Write-offs		(2,273)	(2,325)	(1,992)	(2,320)
Foreign currency revaluation		(180)	244	(180)	243
Reclassification		18	(226)	18	(226)
Adjustments		(9)	(6)	1	(1)
Reversals		(1)	(379)	-	-
		<u>P 39,112</u>	<u>P 35,349</u>	<u>P 35,478</u>	<u>P 31,882</u>
Balance at end of year:					
Investment securities at					
amortized cost	9.3	P 1,553	P 1,581	P 1,543	P 1,569
Loans and other receivables	10	32,666	29,045	29,833	26,197
Bank premises	11	645	515	496	496
Investment properties	13	1,875	1,887	1,525	1,536
Other resources	14	2,373	2,321	2,081	2,084
		<u>P 39,112</u>	<u>P 35,349</u>	<u>P 35,478</u>	<u>P 31,882</u>

The BDO Unibank Group and the Parent Bank provide impairment loss on debt securities measured as FVOCI amounting to P13 and P5, respectively, in 2019 and P18 and P5, respectively, in 2018. 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 9.2). Moreover, the BDO Unibank Group and the Parent Bank provide impairment loss (recovery) on loan commitments and other contingent accounts amounting to (P67) and P25 in 2019 and 2018, respectively, which is recognized as Provision – Others under Other Liabilities in the statements of financial position (see Note 20).

The BDO Unibank Group and the Parent Bank also provide impairment loss related to provision for damage suits amounting to P12 in 2019 (nil in 2018) which is recognized as part of Others under Other Liabilities in the 2019 statement of financial position (see Note 20).

Total impairment losses on certain financial assets amounted to P6,008, P6,141, and P6,531 in 2019, 2018, and 2017, respectively, in the BDO Unibank Group's financial statements and P5,749, P5,569 and P5,807 in 2019, 2018, and 2017, respectively, in the Parent Bank's financial statements.

Total impairment losses on non-financial assets amounted to P200, P102, and P6 in 2019, 2018, and 2017, respectively, in the BDO Unibank Group's financial statements and nil, P101, and P2 in 2019, 2018, and 2017, respectively, in the Parent Bank's financial statements.

16. DEPOSIT LIABILITIES

The breakdown of this account follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Demand	P 232,995	P 179,944	P 217,527	P 151,492
Savings	1,589,639	1,505,680	1,571,333	1,490,664
Time	<u>662,594</u>	<u>734,341</u>	<u>649,877</u>	<u>720,146</u>
	<u>P2,485,228</u>	<u>P 2,419,965</u>	<u>P2,438,737</u>	<u>P 2,362,302</u>

This account is composed of the following (by counterparties):

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Due to other banks:				
Demand	P 2,106	P 2,282	P 2,091	P 2,271
Savings	3,970	7,647	3,970	7,636
Time	<u>5,694</u>	<u>2,159</u>	<u>5,594</u>	<u>2,154</u>
<i>Carried forward</i>	<u>P 11,770</u>	<u>P 12,088</u>	<u>P 11,655</u>	<u>P 12,061</u>

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
<i>Brought forward</i>	P 11,770	P 12,088	P 11,655	P 12,061
Due to customers:				
Demand	230,889	177,662	215,436	149,221
Savings	1,585,669	1,498,033	1,567,363	1,483,028
Time	656,900	732,182	644,283	717,992
	2,473,458	2,407,877	2,427,082	2,350,241
	<u>P2,485,228</u>	<u>P 2,419,965</u>	<u>P2,438,737</u>	<u>P 2,362,302</u>

The breakdown of deposit liabilities as to currency is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Philippine pesos	P 2,111,999	P 2,003,582	P 2,081,964	P 1,963,461
Foreign currencies	373,229	416,383	356,773	398,841
	<u>P2,485,228</u>	<u>P 2,419,965</u>	<u>P2,438,737</u>	<u>P 2,362,302</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Less than one year	P 2,374,819	P 2,279,536	P 2,329,093	P 2,223,549
One to five years	32,470	45,420	31,705	43,744
Beyond five years	77,939	95,009	77,939	95,009
	<u>P2,485,228</u>	<u>P 2,419,965</u>	<u>P2,438,737</u>	<u>P 2,362,302</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 2019, from 0.0% to 6.75% in 2018, and 0.0% to 5.25% in 2017. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 23).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's LTNCD as of December 31, 2019 and 2018 as follows:

<u>BSP Approval</u>	<u>Effective Rate</u>	<u>Outstanding Balance</u>		<u>Issue Date</u>	<u>Maturity Date</u>
		<u>2019</u>	<u>2018</u>		
August 15, 2019	4.000%	P 6,500	P -	September 27, 2019	March 27, 2025
May 11, 2018	5.375%	7,320	-	April 12, 2019	October 12, 2024
June 23, 2017	4.375%	8,200	8,200	May 7, 2018	November 7, 2023
June 23, 2017	3.625%	11,800	11,800	August 18, 2017	February 18, 2023
July 10, 2014	3.750%	7,500	7,500	April 6, 2015	October 6, 2020
October 25, 2013	3.125%	-	5,000	December 11, 2013	June 11, 2019
July 4, 2013	3.500%	5,000	5,000	September 12, 2013	September 12, 2020
May 3, 2012	5.250%	-	5,000	October 15, 2012	October 15, 2019
		<u>P 46,320</u>	<u>P 42,500</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.

Effective December 6, 2019, Philippine Peso deposit liabilities, LTNCD under Circular No. 824 and LTNCD under Circular No. 304 of BDO Unibank Group are subject to a reserve requirement of 14%, 4% and 3%, respectively, in compliance with the BSP Circular No. 1063 issued on December 3, 2019 (see Note 7).

17. BILLS PAYABLE

This account is composed of the following borrowings from:

	Note	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Senior notes	17.1	P 57,298	P 59,437	P 57,298	P 59,437
Foreign banks		54,916	55,406	54,882	55,312
Fixed rate bonds	17.2	35,141	-	35,141	-
Local banks		13,427	22,443	-	-
Others		<u>6,742</u>	<u>6,337</u>	<u>-</u>	<u>2,944</u>
		<u>P 167,524</u>	<u>P 143,623</u>	<u>P 147,321</u>	<u>P 117,693</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Foreign currencies	P 112,719	P 117,787	P 112,180	P 117,693
Philippine pesos	<u>54,805</u>	<u>25,836</u>	<u>35,141</u>	<u>-</u>
	<u>P 167,524</u>	<u>P 143,623</u>	<u>P 147,321</u>	<u>P 117,693</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
One to three months	P 44,454	P 33,898	P 26,891	P 13,697
More than three months to one year	43,374	11,683	40,767	7,854
More than one to three years	38,090	54,882	38,064	53,005
More than three years	<u>41,606</u>	<u>43,160</u>	<u>41,599</u>	<u>43,137</u>
	<u>P 167,524</u>	<u>P 143,623</u>	<u>P 147,321</u>	<u>P 117,693</u>

Bills payable bear annual interest rates of 0.33% to 6.42% in 2019, 1.00% to 7.20% in 2018, and 0.60% to 3.50% in 2017 (see Note 23). Certain bills payable to local banks and the BSP are collateralized by certain receivables from customers and investment securities (see Notes 9.2, 10 and 32).

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 23):

	<u>2019</u>	<u>2018</u>	<u>2017</u>
BDO Unibank Group			
Fixed rate peso bonds	P 1,997	P -	P -
Foreign banks	1,873	1,566	814
Senior notes	1,772	1,778	823
Local banks	901	698	339
Deposit substitutes	-	-	91
BSP	1	-	-
Others	471	374	503
	<u>P 7,015</u>	<u>P 4,416</u>	<u>P 2,570</u>
Parent Bank			
Fixed rate peso bonds	P 1,997	P -	P -
Foreign banks	1,859	1,564	814
Senior notes	1,772	1,778	823
Local banks	-	2	3
Deposit substitutes	-	-	91
Others	42	59	146
	<u>P 5,670</u>	<u>P 3,403</u>	<u>P 1,877</u>

17.1 Senior Notes

The Parent Bank issued senior notes as follows:

<u>Issue Date</u>	<u>Maturity Date</u>	<u>Coupon Interest</u>	<u>Principal Amount</u>	<u>Outstanding Balance</u>	
				<u>2019</u>	<u>2018</u>
February 20, 2018	February 20, 2025	4.16%	150	7,660	7,945
September 6, 2017	March 6, 2023	2.95%	676	34,376	35,646
October 24, 2016	October 24, 2021	2.63%	300	15,262	15,846
				<u>P 57,298</u>	<u>P 59,437</u>

The issuance of senior notes in 2019, 2018 and 2017 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.

17.2 Issuance of Fixed Rate Peso Bonds

On February 11, 2019, the Parent Bank issued P35,000 fixed rate peso bonds. The bonds have a tenor of 1.5 years and bear a coupon rate of 6.42%. Interest will be paid quarterly, calculated on a 30/360 count basis. This represents the initial issuance from P100 billion peso bond program approved by the BOD in August 31, 2018. The issue aims to further diversify the Parent Bank's funding sources and support business expansion.

17.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities both in 2019 and 2018, which includes both cash and non-cash changes.

BDO Unibank Group

	Foreign Banks	Senior Notes	Fixed Rate Peso Bonds	Local Banks	Deposit Substitutes	BSP	Others	Total
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)
Balance as of December 31, 2019	P 54,916	P 57,298	P 35,141	P 13,427	P -	P -	P 6,742	P 167,524
Balance as of January 1, 2018	P 48,499	P 50,093	P -	P 15,658	P 907	P -	P 15,327	P 130,484
Cash flows from financing activities								
Additional borrowings	109,470	7,694	-	121,358	907	-	58,046	297,475
Repayment of borrowings	(105,101)	(1,308)	-	(114,677)	1,812	-	(67,027)	(289,925)
Non-cash financing activities								
Interest amortization	261	73	-	72	(2)	-	(9)	395
Revaluation	2,277	2,885	-	32	-	-	-	5,194
Balance as of December 31, 2018	P 55,406	P 59,437	P -	P 22,443	P -	P -	P 6,337	P 143,623
Parent Bank								
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)
Balance as of December 31, 2019	P 54,882	P 57,298	P 35,141	P -	P -	P -	P -	P 147,321
Balance as of January 1, 2018	P 48,430	P 50,093	P -	P 1,500	P 907	P -	P 4,693	P 105,623
Cash flows from financing activities								
Additional borrowings	105,207	7,694	-	-	907	-	2,936	116,744
Repayment of borrowings	(100,872)	(1,308)	-	(1,498)	(1,812)	-	(4,676)	(110,166)
Non-cash financing activities								
Interest amortization	261	73	-	(2)	(2)	-	(9)	321
Revaluation	2,286	2,885	-	-	-	-	-	5,171
Balance as of December 31, 2018	P 55,312	P 59,437	P -	P -	P -	P -	P 2,944	P 117,693

18. 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 shall not be used as collateral for any loan made by the Parent Bank or any of its subsidiaries or affiliates. 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 Notes were used further to expand the Parent Bank's consumer loan portfolio and to refinance an existing issue of Lower Tier 2 debt. The Notes also increased and strengthened the Parent Bank's capital base, in anticipation of continued growth in the coming years.

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 has a principal amount of P10,000 and will mature on March 10, 2025. As of December 31, 2019 and 2018, the outstanding balance of the Notes including accrued interest amounted to P10,030.

Total interest expense on subordinated notes payable included as part of Interest expense on bills payable and other liabilities under the Interest Expense account in the statements of income amounted to P519 in 2019, 2018 and 2017 both in BDO Unibank Group and Parent Bank's statements of income (see Note 23).

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. The noteholders have been informed of the early redemption by registered mail and through advertisements which appeared in newspapers of general circulation on January 8 and 15, 2020. The Notes will be redeemed on March 10, 2020 and noteholders will be 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 will be considered redeemed and cancelled.

19. INSURANCE CONTRACT LIABILITIES

This account consists of:

	<u>2019</u>	<u>2018</u>
Legal policy reserves	P 40,232	P 26,514
Policy and contract claims payable	1,606	1,524
Policyholders' dividends	<u>635</u>	<u>468</u>
	<u>P 42,473</u>	<u>P 28,506</u>

The maturity profile of this account is presented below.

	<u>2019</u>	<u>2018</u>
Within one year	(P 1,103)	(P 952)
More than one year	<u>43,576</u>	<u>29,458</u>
	<u>P 42,473</u>	<u>P 28,506</u>

Insurance contract liabilities maturing within one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

Insurance contract liabilities may be analyzed as follows:

	<u>Insurance Contract Liabilities</u>		<u>Reinsurer's Share of Liabilities</u>		<u>Net</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Aggregate reserves for:						
Ordinary life policies	P 26,221	P 17,718	P -	P -	P 26,221	P 17,718
Variable unit-linked (VUL) contracts	13,759	8,535	-	-	13,759	8,535
Group life insurance policies	277	248	54	44	223	204
Accident and health policies	(25)	13	-	-	(25)	13
Policy and contract claims	1,606	1,524	19	17	1,587	1,507
Policyholders' dividends	<u>635</u>	<u>468</u>	<u>-</u>	<u>-</u>	<u>635</u>	<u>468</u>
	<u>P 42,473</u>	<u>P 28,506</u>	<u>P 73</u>	<u>P 61</u>	<u>P 42,400</u>	<u>P 28,445</u>

The movements in legal policy reserves are as follows:

	Legal Policy Reserves		Reinsurer's Share of Liabilities		Net	
	2019	2018	2019	2018	2019	2018
Balance at the beginning of the year	P 26,514	P 24,602	P 44	P 27	P 26,470	P 24,575
Premiums received	14,977	11,968	101	99	14,876	11,869
Liability released for payments of death, maturity and surrender benefits and claims	(7,685)	(7,033)	(91)	(82)	(7,594)	(6,951)
Accretion of investment income or change in unit prices	1,644	286	-	-	1,644	286
Changes in valuation of interest rate	5,046	(3,656)	-	-	5,046	(3,656)
Foreign exchange adjustments	(264)	347	-	-	(264)	347
Balance at end of year	<u>P 40,232</u>	<u>P 26,514</u>	<u>P 54</u>	<u>P 44</u>	<u>P 40,178</u>	<u>P 26,470</u>

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 14).

The movement in Legal policy reserves for the years ended December 31, 2019 and 2018 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 24).

20. OTHER LIABILITIES

Other liabilities consist of the following:

	Notes	BDO Unibank Group		Parent Bank	
		2019	2018	2019	2018
Accounts payable		P 24,568	P 20,688	P 22,072	P 18,572
Manager's checks		17,382	14,447	17,255	14,379
Accrued expenses		14,396	11,151	13,445	10,181
Bills purchased – contra		12,483	10,774	12,483	10,774
Lease liabilities	12.2	12,043	-	11,961	-
Lease deposits		4,868	6,760	122	115
Premium on deposit fund		3,735	3,605	-	-
Outstanding acceptances payable		3,597	3,591	3,597	3,591
Retirement benefit obligation	25.2	3,305	4,537	3,203	4,379
Derivatives with negative fair values	9.1, 26(d)	3,172	4,497	1,734	1,680
Withholding taxes payable		1,761	1,342	1,594	1,204
Due to BSP and Treasurer of the Philippines		526	100	522	96
Capitalized interest and other charges		486	411	430	362
Due to principal		351	451	-	-
Others	15, 34.1.2	10,343	9,620	9,384	8,833
		<u>P 113,016</u>	<u>P 91,974</u>	<u>P 97,802</u>	<u>P 74,166</u>

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Within one year	P 87,791	P 79,776	P 79,736	P 70,626
More than one year	25,225	12,198	18,066	3,540
	<u>P 113,016</u>	<u>P 91,974</u>	<u>P 97,802</u>	<u>P 74,166</u>

Accounts payable in 2018 includes the amount pertaining to BDO Unibank Group's ESOP which is equivalent to the cumulative amount of amortized awarded share options and the amounts paid by the eligible senior officers who exercised their options (see Notes 21.5.1 and 25.3).

The liability for unredeemed reward points amounting to P3,985 and P3,377 as of December 31, 2019 and 2018, 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 2.19).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense in relation to lease liabilities amounted to P827 and P822 for the BDO Unibank Group and the Parent Bank, which are presented as part of Interest expense on finance lease liabilities under Interest expense account in the 2019 statement of income (see Note 23).

Interest expense on certain liabilities amounting to P117, P101 and P85 in 2019, 2018, and 2017, respectively, in the BDO Unibank Group's financial statements and P28, P19 and P12 in 2019, 2018, and 2017, respectively, in Parent Bank's financial statements are presented as part of Interest expense on bills payable and other borrowings under Interest Expense account in the statements of income (see Note 23).

Impairment losses (recoveries) recognized for off-books account amounted to (P67) and P25 for both the BDO Unibank Group and the Parent Bank in 2019 and 2018, respectively. The accumulated impairment losses as of December 31, 2019 and 2018 amounting to P114 and P206, 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 15).

21. EQUITY

21.1 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 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 2010 to January 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 CET1 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.

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.

Under BSP Circular 781, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2019 and 2018, the Parent Bank has complied with the above capitalization requirement.

The BSP issued Circular 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 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 last 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, 2019 and 2018 follows:

	BDO	
	<u>Unibank Group</u>	<u>Parent Bank</u>
<u>December 31, 2019</u>		
Tier 1 Capital		
CET 1	P 349,780	P 350,362
Additional Tier 1	<u>5,150</u>	<u>5,150</u>
	354,930	355,512
Tier 2 Capital	<u>33,399</u>	<u>32,632</u>
Total Regulatory Capital	388,329	388,144
Deductions	(<u>34,013</u>)	(<u>59,216</u>)
Total Qualifying Capital	<u>P 354,316</u>	<u>P 328,928</u>
Total Risk-Weighted Assets	<u>P 2,492,890</u>	<u>P 2,395,545</u>
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	14.2%	13.7%
Tier 1 Capital Ratio	12.9%	12.4%
Total CET 1 Ratio	12.7%	12.2%

	BDO			
	<u>Unibank Group</u>		<u>Parent Bank</u>	
<u>December 31, 2018</u>				
Tier 1 Capital				
CET 1	P	309,694	P	310,281
Additional Tier 1		<u>5,150</u>		<u>5,150</u>
		314,844		315,431
Tier 2 Capital		<u>31,799</u>		<u>30,925</u>
Total Regulatory Capital		346,643		346,356
Deductions	(	<u>32,872)</u>	(	<u>56,908)</u>
Total Qualifying Capital	P	<u>313,771</u>	P	<u>289,448</u>
Total Risk-Weighted Assets	P	<u>2,279,864</u>	P	<u>2,171,899</u>
Capital ratios:				
Total qualifying capital expressed as a percentage of total risk weighted assets		13.8%		13.3%
Tier 1 Capital Ratio		12.4%		11.9%
Total CET 1 Ratio		12.1%		11.7%

21.2 Capital Stock

Capital stock consists of the following:

	Number of Shares		Amount	
	2019	2018	2019	2018
<u>Preferred shares – P10 par value</u>				
Authorized				
Balance at beginning of year	1,000,000,000	2,000,000,000	P 10,000	P 20,000
Reclassification to common shares (see Note 21.2.1)	<u>-</u>	<u>(1,000,000,000)</u>	<u>-</u>	<u>(10,000)</u>
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 beginning of year	5,500,000,000	4,500,000,000	P 55,000	P 45,000
Reclassification from preferred shares (see Note 21.2.1)	<u>-</u>	<u>1,000,000,000</u>	<u>-</u>	<u>10,000</u>
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	4,374,048,064	4,368,974,554	P 43,740	P 43,690
Issued during the year	<u>7,322,270</u>	<u>5,073,510</u>	<u>74</u>	<u>50</u>
Balance at end of year	<u>4,381,370,334</u>	<u>4,374,048,064</u>	<u>P 43,814</u>	<u>P 43,740</u>

21.2.1 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.

On January 7, 2017, the Parent Bank's BOD authorized the conversion of 1,000,000,000 unissued shares of the Parent Bank, consisting of 500,000,000 unissued Series A Preferred Shares and 500,000,000 unissued ordinary Preferred Shares, each with a par value of P10 per share, into 1,000,000,000 common shares with par value of P10 per share. This will provide BDO with the flexibility to issue common shares should the need arise in the future. The BSP approved the transaction on December 22, 2017 and endorsed it to the SEC. The SEC approved the conversion of the unissued preferred shares into common shares, and the corresponding amendment of the Parent Bank's articles of incorporation to reflect said conversion on March 9, 2018.

21.2.2 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:

Transaction	Subscriber	Issue Date	Number of Shares Issued
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
			<u>4,381,370,334</u>

As of December 31, 2019 and 2018, there are 12,470 and 12,583, respectively, holders of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P158.00 and P130.80 per share as of December 27, 2019 and December 28, 2018, respectively, (the last trading day in 2019 and 2018).

21.3 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.

Given its sponsored Level 1 ADR Program, 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.

As of December 31, 2019 and 2018, 669,676 and 581,041 ADRs valued at US\$21,483,206 and US\$14,711,958 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$32.08/share and US\$25.32/share, respectively).

21.4 Surplus Free

On December 7, 2019, the Parent Bank's BOD approved the declaration of cash dividends on common shares at the rate of P0.30 per share or a total of P1,314. The dividends were declared to stockholders of record as of December 23, 2019 and paid on December 27, 2019.

On August 31, 2019, the Parent Bank's BOD approved the declaration of cash dividends on common shares at the rate of P0.30 per share or a total of P1,314. The dividends were declared to stockholders of record as of September 17, 2019 and paid on September 30, 2019.

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.

On May 25, 2019, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,313. The dividends were declared to stockholders of record as of June 11, 2019 and paid on June 24, 2019.

On February 23, 2019, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,313. The dividends were declared to stockholders of record as of March 12, 2019 and paid on March 25, 2019.

On January 26, 2019, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.50% per annum for a total dividend amount of P339. The dividends were paid on March 8, 2019.

On December 8, 2018, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,312. The dividends were declared to stockholders of record as of December 21, 2018 and paid on December 28, 2018.

On November 21, 2018, the BOD of BDO Capital approved the declaration of cash dividends in the amount of P70.00 per share or a total of P700. The dividends were declared to stockholders as of November 30, 2018 and paid on December 5, 2018, of which, total dividends paid to non-controlling interest amounted to P0.8.

On August 31, 2018, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,312. The dividends were declared to stockholders of record as of September 14, 2018 and paid on September 28, 2018.

On May 26, 2018, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of June 13, 2018 and paid on June 29, 2018.

On March 2, 2018, the BOD of BDO Capital approved the declaration of cash dividends in the amount of P80.00 per share or a total of P800. The dividends were declared to stockholders of record as of February 28, 2018 and paid on March 23, 2018, of which, total dividends paid to non-controlling interest amounted to P1.

On February 24, 2018, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of March 13, 2018 and paid on March 28, 2018.

On February 21, 2018, the BOD of BDO Leasing approved the declaration of cash dividends at P0.10 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P216. The dividends were declared to stockholders of record as of March 9, 2018 and paid on March 27, 2018, of which, total dividends paid to non-controlling interest amounted to P25.

On January 27, 2018, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.50% per annum for a total dividend amount of P339. The dividends were paid on March 2, 2018.

On December 2, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of December 19, 2017 and paid on December 29, 2017.

On August 26, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of September 13, 2017 and paid on September 29, 2017.

On May 26, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,310. The dividends were declared to stockholders of record as of June 15, 2017 and paid on June 30, 2017.

On February 24, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,310. The dividends were declared to stockholders of record as of March 14, 2017 and paid on March 31, 2017.

On February 22, 2017, the BOD of BDO Leasing approved the declaration of cash dividends at P0.20 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P433. The dividends were declared to stockholders of record as of March 10, 2017 and paid on March 29, 2017, of which, total dividends paid to non-controlling interest amounted to P50.

On January 27, 2017, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.50% per annum for a total dividend amount of P340. The dividends were paid on February 17, 2017.

21.5 Surplus Reserves

The Parent Bank appropriated its Surplus Free amounting to nil in 2019 and 2018 and P96 in 2017, 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 P5, nil and P25 in 2019, 2018 and 2017, 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 P1,543 and P1,563, respectively, in 2019 and P1,860 and P1,824, respectively, in 2018. The accumulated amount of appropriation to surplus reserves for general loan loss portfolio as of December 31, 2019 and 2018 amounted to P12,923 and P11,380, respectively, for BDO Unibank Group and P12,743 and P11,180, respectively, for the Parent Bank, respectively. 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 P272, P251 and P256 in 2019, 2018 and 2017 respectively, and P189, P181 and P190 in 2019, 2018 and 2017 respectively, is appropriated to surplus reserves (see Note 27).

On April 19, 2018, the BOD of BDO Insurance approved the reversal of the previously approved appropriation for branches/satellite office expansion amounting to P7.

On February 12, 2018, the BOD of BDO Securities approved the reversal of the previously approved appropriation for proprietary trading amounting to P200.

Also, included in the 2019, 2018 and 2017 surplus reserve are the appropriations made by BDO Securities and Armstrong Securities, Inc. totaling P4, P10 and P5, 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*.

21.5.1 ESOP

For options that were vested in 2019 and 2018, BDO Unibank Group issued new common shares of 7,322,270 and 5,073,510, respectively, from its authorized capital stock (see Note 21).

Set out below are summaries of number of options vested under the plan:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Balance at beginning of year	7,260,696	5,177,283	5,538,989	3,727,213
Vested during the year	14,504,751	9,455,129	13,145,911	8,189,694
Exercised during the year	(9,225,770)	(7,371,716)	(8,278,920)	(6,377,918)
Balance at end of year	<u>12,539,677</u>	<u>7,260,696</u>	<u>10,405,980</u>	<u>5,538,989</u>

In prior years, the Parent Bank settles the stock options being exercised by the employees through acquisition of the BDO Unibank shares in the secondary market. Accordingly, the Parent Bank recognizes liability in accounting for the ESOP, wherein a liability account is recognized for the monthly amortization of the expense related to the share option and was presented as part of Accounts payable under Other Liabilities account in the 2018 statement of financial position. 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 in 2019 amounted to P890.

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 133.70
Average exercise price at grant date	P 119.01
Average fair value of options at grant date	P 48.76
Average standard deviation of share price returns	28.70%
Average dividend yield	0.93%
Average risk-free investment rate	5.13%

The underlying expected volatility was determined by reference to historical prices of the Parent Bank's shares over a period of one year.

22. INTEREST INCOME

Interest income consists of the following:

	Notes	BDO Unibank Group		
		2019	2018	2017
Loans and other receivables	10, 26	P 142,908	P 115,384	P 88,178
Trading and investment securities:				
At amortized cost	9.3	10,415	7,812	-
At FVOCI	9.2	5,607	3,982	-
At FVTPL	9.1	197	72	162
AFS securities	9.2	-	-	3,468
Held-to-maturity (HTM) investments	9.3	-	-	6,061
Due from BSP and other banks	7, 8	1,381	1,733	1,742
Others		64	57	184
		<u>P 160,572</u>	<u>P 129,040</u>	<u>P 99,795</u>

	Notes	Parent Bank		
		2019	2018	2017
Loans and other receivables	10, 26	P 138,521	P 111,685	P 84,431
Trading and investment securities at:				
At amortized cost	9.3	9,642	6,995	-
At FVOCI	9.2	3,550	2,391	-
At FVTPL	9.1	87	51	116
AFS securities	9.2	-	-	2,032
HTM investments	9.3	-	-	5,634
Due from BSP and other banks	7, 8	1,234	1,446	1,399
Others		47	47	174
		<u>P 153,081</u>	<u>P 122,615</u>	<u>P 93,786</u>

23. INTEREST EXPENSE

Interest expense is composed of the following:

	Notes	BDO Unibank Group		
		2019	2018	2017
Deposit liabilities	16, 26	P 32,047	P 25,595	P 14,919
Bills payable and other borrowings	17, 18, 20, 25.2	7,807	5,153	3,123
Finance lease liabilities	12.2, 20	827	-	-
		<u>P 40,681</u>	<u>P 30,748</u>	<u>P 18,042</u>

	Notes	Parent Bank		
		2019	2018	2017
Deposit liabilities	16, 26	P 31,384	P 24,671	P 14,076
Bills payable and other borrowings	17, 18, 20, 25.2	6,375	4,049	2,358
Finance lease liabilities	12.2, 20	822	-	-
		<u>P 38,581</u>	<u>P 28,720</u>	<u>P 16,434</u>

24. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	BDO Unibank Group		
		2019	2018	2017
Service charges, fees and commissions	26	P 31,722	P 27,372	P 25,701
Insurance premiums		14,764	11,799	9,871
Foreign exchange gains	9.1	3,821	3,789	3,412
Trust fees	27	3,532	3,314	3,246
Trading gains (loss) - net	9.1	1,867	(1,619)	450
Rental	13	1,526	1,653	1,588
Income from assets sold or exchanged	13	1,131	1,057	798
Dividends	9.1	560	630	551
Miscellaneous - net		1,698	1,679	1,589
		P 60,621	P 49,674	P 47,206
	Notes	Parent Bank		
		2019	2018	2017
Service charges, fees and commissions	26	P 27,707	P 24,372	P 21,755
Share in net income of subsidiaries and associates	14.2	6,046	2,740	4,312
Foreign exchange gains		3,715	3,412	3,072
Trust fees	27	2,727	2,593	2,647
Income from assets sold or exchanged	13	1,047	943	751
Rental	13	523	583	534
Trading gains (losses) - net	9.1	290	130	(405)
Dividends		180	188	184
Miscellaneous - net		910	862	783
		P 43,145	P 35,823	P 33,633

Other operating expenses consist of the following:

	Notes	BDO Unibank Group		
		2019	2018	2017
Compensation and benefits	25.1	P 35,385	P 30,449	P 27,405
Fees and commissions		18,826	13,807	12,095
Taxes and licenses	13	14,106	11,639	8,270
Policy reserves, insurance benefits and claims	19	11,285	7,494	7,463
Occupancy	14.7, 12, 26, 34.2	9,680	9,509	8,412
Insurance		5,255	4,805	4,144
Advertising		4,260	4,301	3,431
Security, clerical, messengerial and janitorial		3,993	3,723	3,276
Representation and entertainment		2,163	2,313	1,861
Repairs and maintenance		1,437	1,463	1,316
Travelling		1,344	1,369	1,308
Power, light and water		1,206	1,214	1,058
Supplies		1,001	1,062	943
Information technology		869	647	538
Telecommunication		661	667	557
Litigation on assets acquired		548	542	473
Amortization of computer software	14.7	546	516	528
Freight		402	331	307
Miscellaneous	14.6	2,192	2,183	1,480
		P 115,159	P 98,034	P 84,865

	Notes	Parent Bank		
		2019	2018	2017
Compensation and benefits	25.1	P 30,777	P 26,538	P 23,909
Fees and commissions		18,305	13,190	11,372
Taxes and licenses	13	12,904	10,476	7,222
Occupancy	14.7, 12, 26, 34.2	8,278	8,129	7,046
Insurance		5,158	4,661	3,911
Advertising		4,199	4,208	3,319
Security, clerical, messengerial and janitorial		3,723	3,484	3,054
Representation and entertainment		1,913	2,063	1,623
Repairs and maintenance		1,296	1,351	1,218
Power, light and water		1,108	1,112	953
Travelling		1,060	1,128	1,089
Supplies		883	971	827
Information technology		836	615	510
Telecommunication		552	573	465
Litigation on assets acquired		535	527	431
Amortization of computer software	14.7	502	480	477
Freight		375	312	285
Miscellaneous	14.6	1,933	1,976	1,218
		P 94,337	P 81,794	P 68,929

25. COMPENSATION AND BENEFITS

25.1 Compensation and Benefits

Expenses recognized for compensation and benefits (see Note 24) are presented below.

		BDO Unibank Group		
	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and wages		P 21,065	P 18,550	P 16,732
Bonuses		6,712	5,870	5,255
Retirement – defined benefit plan	25.2	1,819	1,558	1,432
Employee stock option plan	25.3	994	649	518
Social security costs		884	716	629
Other benefits		3,911	3,106	2,839
	24	P 35,385	P 30,449	P 27,405

		Parent Bank		
	<u>Notes</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Salaries and wages		P 18,097	P 16,001	P 14,432
Bonuses		5,988	5,253	4,696
Retirement – defined benefit plan	25.2	1,585	1,340	1,248
Employee stock option plan	25.3	890	582	464
Social security costs		752	603	539
Other benefits		3,465	2,759	2,530
	24	P 30,777	P 26,538	P 23,909

25.2 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, both subject to the approval of Parent Bank's BOD. 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 2019 and 2018.

The amounts of Retirement benefit obligation recognized under Other Liabilities accounts (see Note 20) in the statements of financial position are determined as follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Present value of the DBO	P 33,937	P 28,599	P 31,189	P 26,331
Fair value of plan assets	(30,633)	(24,070)	(27,986)	(21,952)
Deficiency of plan assets	3,304	4,529	3,203	4,379
Effect of asset ceiling	1	8	-	-
	P 3,305	P 4,537	P 3,203	P 4,379

The movements in the present value of the DBO are as follows:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Balance at beginning of year	P 28,599	P 25,347	P 26,331	P 23,171
Current service cost	1,819	1,535	1,585	1,340
Interest expense	2,153	1,445	1,983	1,321
Benefits paid by the plan	(1,632)	(1,405)	(1,541)	(1,247)
Past service cost	-	23	-	-
Remeasurements:				
Actuarial losses (gains)				
arising from changes in:				
- experience adjustments	1,114	5,645	826	5,156
- demographic assumptions	(554)	(1,951)	-	(2,195)
- financial assumption	2,438	(2,040)	2,005	(1,215)
Balance at end of year	P 33,937	P 28,599	P 31,189	P 26,331

The movements in the fair value of plan assets are presented below.

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Balance at beginning of year	P 24,070	P 22,575	P 21,952	P 20,629
Contributions paid into the plan	6,572	2,899	6,119	2,542
Interest income	1,998	1,329	1,825	1,213
Benefits paid by the plan	(1,632)	(1,405)	(1,541)	(1,247)
Remeasurement loss - return				
on plan assets (excluding				
amounts included in net				
interest)	(375)	(1,328)	(369)	(1,185)
Balance at end of year	P 30,633	P 24,070	P 27,986	P 21,952

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.

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Placements in debt instruments:				
Government bonds	P 11,665	P 2,552	P 10,774	P 2,182
Corporate bonds	9,868	12,970	9,090	12,100
UITFs	7,756	5,088	7,307	4,715
Equity instruments	1,001	777	490	433
Cash and cash equivalents	32	1,002	31	933
Loans and other receivables	12	1,425	11	1,339
Other properties	299	256	283	250
	P 30,633	P 24,070	P 27,986	P 21,952

Actual returns on plan assets were P1,624 and P1,456 in 2019 and nil and P27 in 2018 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 26(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 of the defined benefit plan as follows:

		BDO Unibank Group		
		2019	2018	2017
<i>Recognized in profit or loss:</i>				
Current service costs	P	1,819	P 1,535	P 1,432
Past service costs		-	23	-
Interest expense (income)		<u>156</u>	<u>117</u>	(<u>51</u>)
	P	<u>1,975</u>	<u>1,675</u>	<u>1,381</u>
<i>Recognized in other comprehensive income, net of tax (see Note 30.1):</i>				
Actuarial losses (gains) arising from change in:				
- experience adjustments	P	780	P 3,951	P 9,702
- demographic assumptions	(	388)	(1,365)	(6,790)
- financial assumptions		1,706	(1,428)	(857)
Remeasurement losses (gains) arising from:				
- return on plan assets (excluding amounts included in net interest expense)		262	930	536
- changes in the effect of the asset ceiling	(	5)	-	(41)
	P	<u>2,355</u>	<u>2,088</u>	<u>2,550</u>
		Parent Bank		
		2019	2018	2017
<i>Recognized in profit or loss:</i>				
Current service costs	P	1,585	P 1,340	P 1,248
Interest expense		<u>158</u>	<u>108</u>	(<u>50</u>)
	P	<u>1,743</u>	<u>1,448</u>	<u>1,198</u>

	Parent Bank		
	2019	2018	2017
<i>Recognized in other comprehensive income, net of tax (see Note 30.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	P 578	P 3,609	P 9,290
- demographic assumptions	-	(1537)	(6,466)
- financial assumptions	1,403	(850)	(851)
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	259	830	504
- changes in the effect of the asset ceiling	-	-	(32)
	2,240	2,052	2,445
Share in actuarial losses (gains) of subsidiaries and associates	88	36	(92)
	P 2,328	P 2,088	P 2,353

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses account (see Note 24) while interest expense or income are presented or netted against Interest Expense account (see Note 23) 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:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Discount rates	5.22%	7.52%	5.23%	7.53%
Expected rate of salary increases	2.00 - 11.00%	2.00 - 11.00%	6.50 - 11.00%	7.00 - 8.00%

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 24 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, 2019 and 2018:

<u>Impact on Retirement Benefit Obligation</u>				
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>BDO Unibank Group</u>				
<u>December 31, 2019</u>				
Discount rate	+/-1%	(P	1,058)	P 1,150
Salary increase rate	+/-1%		1,106	(1,039)
<u>December 31, 2018</u>				
Discount rate	+/-1%	(P	845)	P 924
Salary increase rate	+/-1%		910	(849)

<u>Impact on Retirement Benefit Obligation</u>				
	<u>Change in</u>		<u>Increase in</u>	<u>Decrease in</u>
	<u>Assumption</u>		<u>Assumption</u>	<u>Assumption</u>
<u>Parent Bank</u>				
<u>December 31, 2019</u>				
Discount rate	+/-1%	(P	840) P	890
Salary increase rate	+/-1%		857 (	825)
<u>December 31, 2018</u>				
Discount rate	+/-1%	(P	639) P	675
Salary increase rate	+/-1%		666 (	643)

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, 2019 and 2018 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 Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2019, the plan of the BDO Unibank Group and the Parent Bank is underfunded by P3,305 and P3,203, 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 P5,731 and P5,294, respectively, as contributions to retirement benefit plans in 2020.

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:

	BDO Unibank		Parent Bank	
	<u>Group</u>		<u>Parent Bank</u>	
Between one to five years	P	37,443	P	35,582
Between six to ten years		<u>13,603</u>		<u>12,078</u>
	P	<u>51,046</u>	P	<u>47,660</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 2.8 to 14.6 years for the BDO Unibank Group and 2.8 years for the Parent Bank.

25.3 ESOP

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2019 and 2018, vested shares totaled 14,504,751 shares and 9,455,129 shares, respectively, for BDO Unibank Group, and 13,145,911 shares and 8,189,694 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 P994, P649 and P518 in 2019, 2018, and 2017, respectively, and in the Parent Bank's statements of income, amounted to P890, P582 and P464, respectively (see Note 25.1).

26. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transaction Committee composed of all independent directors and non-executive directors. 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, 2019 and 2018 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2019	2018	2017	2019	2018
DOSRI Loans	26(a)					
Stockholders		P 23,713	P 35,813	P 78,597	P 27,765	P 51,131
Related Parties Under Common Ownership		75	476	3,314	623	1,032
Officers and Employees		1,802	1,601	1,504	2,167	2,019
Deposit Liabilities	26(b)					
Stockholders		576,553	638,830	554,530	23,191	46,873
Related Parties Under Common Ownership		6,568	12,638	80,630	437	3,765
Officers and Employees		433	620	349	12	21
Other Transactions with Associates	26(d)					
Loans and Advances		2,820	1,800	2,700	7,784	6,936
Interest Income		509	370	254	6	96
Related Parties Under Common Ownership						
Right-of-use Asset	26(d)	833	-	-	1,951	-
Lease Liabilities	26(d)	200	-	-	2,145	-
Depreciation Expense	26(d)	655	-	-	-	-
Interest Expense	26(d)	142	-	-	-	-
Rent Expense	26(d)	-	1,157	1,031	-	92
Key Management Personnel Compensation	26(d)	1,653	1,574	1,413	-	-
Retirement Plan	26(c)	72	(135)	64	6,654	5,188

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2019 and 2018 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2019	2018	2017	2019	2018
DOSRI Loans	26(a)					
Stockholders		P 23,713	P 35,813	P 78,597	P 27,765	P 51,131
Related Parties Under Common Ownership		75	476	3,314	623	1,032
Officers and Employees		1,798	1,600	1,500	2,161	2,014
Deposit Liabilities	26(b)					
Stockholders		576,553	638,830	554,530	23,191	46,873
Related Parties Under Common Ownership		6,039	12,405	80,630	329	3,703
Officers and Employees		433	621	349	12	21
Other Transactions with Subsidiaries	26(d)					
Loans and Advances		48,034	69,388	69,613	3,659	5,887
Derivative Assets		-	-	100	-	-
Derivative Liabilities		1,033	538	1,276	11	5
Deposit Liabilities		1,257	423	697	6,078	4,821
Interest Income		231	247	232	12	46
Rent Income		124	120	115	-	-
Service Fees		792	637	539	-	-
Interest Expense		83	41	23	4	5
Right-of-use Asset		-	-	-	117	-
Lease Liabilities	(	10)	-	-	129	-
Amortization Expense		13	-	-	-	-
Interest Expense		8	-	-	-	-
Rent Expense		-	14	9	-	-
Other Transactions with Associates	26(d)					
Loans and Advances		2,820	1,800	2,700	7,600	6,750
Interest Income		494	342	197	5	95

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2019	2018	2017	2019	2018
Related Parties Under Common Ownership	26(d)					
Right-of-use Asset		P 833	P -	P -	P 1,951	P -
Lease Liabilities		200	-	-	2,145	-
Amortization Expense		655	-	-	-	-
Interest Expense		142	-	-	-	-
Rent Expense		-	1,009	912	-	92
Key Management Personnel	26(d)					
Compensation		1,107	1,060	985	-	-
Retirement Plan	26(c)	72	(135)	64	6,653	5,187

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 2.5% to 6% per annum in 2019, 2.5% to 6.5% per annum in 2018 and 2.0% to 3.5% per annum in 2017, 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.

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. As of December 31, 2019 and 2018, the BDO Unibank Group and the Parent Bank are in compliance with these regulatory requirements.

The following additional information relates to the DOSRI loans:

	BDO Unibank Group		Parent Bank	
	2019	2018	2019	2018
Total DOSRI loans	P 30,555	P 54,182	P 30,549	P 54,177
Unsecured DOSRI loans	1,867	1,726	1,867	1,726
Past due DOSRI loans	9	7	9	7
Non-performing DOSRI loans	24	15	24	15
% of DOSRI loans to total loan portfolio	1.38%	2.68%	1.42%	2.75%
% of unsecured DOSRI loans to total DOSRI loans	6.11%	3.19%	6.11%	3.19%
% of past due DOSRI loans to total DOSRI loans	0.03%	0.01%	0.03%	0.01%
% of non-performing DOSRI loans to total DOSRI loans	0.08%	0.03%	0.08%	0.03%

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 0.00% to 9.00% in 2019 and 2018 and 0.00% to 10.60% in 2017 (except for credit card receivables which bear a monthly interest rate of 0.0% to 3.6%).

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 one month to 20 years.

Total loan releases and collections 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. Total loan releases and collections in 2018 amounted to P37,890 and P39,548 for the BDO Unibank Group and P37,889 and P39,544 for the Parent Bank, respectively. Total loan releases and collections in 2017, on the other hand, amounted to P83,415 and P50,813 for the BDO Unibank Group and P83,411 and P50,805 for the Parent Bank, respectively.

(b) *Deposits from Related Parties*

Total deposits made by the related parties amounted to P583,554, P652,088 and P635,509 in 2019, 2018 and 2017 for the BDO Unibank Group, and P583,025, P651,856 and P635,509 in 2019, 2018 and 2017 for the Parent Bank, respectively, and bearing interest rates range of 0% to 4.53% in 2019, 0.00% to 5.50% in 2018 and 0.00% to 4.32% in 2017. The related interest expense from deposits amounted to P1,611, P1,873 and P2,181 in 2019, 2018 and 2017, respectively (see Note 23).

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group as of December 31, 2019 and 2018 and for each of the three years ended are as follows:

Related Party Category	Amounts of Transaction			Outstanding Balance	
	2019	2018	2017	2019	2018
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 13	P 18
BDO Leasing	-	-	-	-	-
Investment in shares of -					
BDO Unibank, Inc.	-	-	-	25	20
BDO Leasing	-	-	-	1	1
Deposit liabilities (including LTNCDs)					
BDO Unibank, Inc.	-	-	-	6,615	5,149
Trading gain					
BDO Unibank, Inc.	65	(159)	59	-	-
Interest expense					
BDO Unibank, Inc.	7	24	5	-	-

The BDO Unibank Group's retirement fund has transactions directly and indirectly with the Parent Bank as of December 31, 2019 and 2018 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2019</u>	<u>2018</u>
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 13	P 18
Investment in shares of -					
BDO Unibank, Inc.	-	-	-	25	20
Deposit liabilities					
(including LTNCDs)					
BDO Unibank, Inc.	-	-	-	6,615	5,149
Trading gain					
BDO Unibank, Inc.	65	(159)	59	-	-
Interest expense					
BDO Unibank, Inc.	7	24	5	-	-

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 25.

(d) *Other Transactions with Related Parties*

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties is 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. Total advances granted and collected amounted to P25 and P79, P79 and P85 and P85 and P29, in 2019, 2018 and 2017, 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 P25 and P79 as of December 31, 2019 and 2018, respectively (see Note 10).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P3,634 and P5,808 as of December 31, 2019 and 2018, 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 10). Total loans granted amounted to P48,009, P69,309 and P69,528 while total loans collected amounted to P50,183, P71,955 and P67,005 for 2019, 2018 and 2017, 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 22). Interest rate on these loans ranges from 2.5% to 6.0%, 2.5% to 6.5% and 2.0% to 3.5% per annum in 2019, 2018, and 2017, 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. 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 24). There are no outstanding balance arising from these transactions as of December 31, 2019 and 2018. Total service fees amounted to P792, P637 and P539 in 2019, 2018 and 2017, 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. Total service fees is presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 24). Outstanding balances arising from this as of December 31, 2019 and 2018 is included as part of Accounts receivable under Loans and Other Receivables (see Note 10).

Certain subsidiaries lease office space from the Parent Bank. 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 24). The term of the lease is five years and is payable in cash. There are no outstanding receivable from subsidiaries as of December 31, 2019 and 2018. Total rent income amounted to P124, P120 and P115 in 2019, 2018 and 2017, respectively.

BDO Capital, BDO Securities and BDOI, have reimbursed the Parent Bank in cash on the actual costs and expenditures in relation to its services amounting to nil in both 2019 and 2018 and P67 in 2017. There are no outstanding receivable from subsidiaries as of December 31, 2019 and 2018.

(3) Expenses of the Parent Bank

Under PFRS 16, 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 P117, as of December 31, 2019, which is presented as part of Premises, Furniture, Fixtures and Equipment (see Note 11). Depreciation expense and amortization of the right-of-use assets arising from this transaction, amounting to P13 is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's 2019 statement of income (see Note 24). 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 2019 statement of income which amounted to P8 (see Note 23). Outstanding balance arising from these transactions amounted to P129 as of December 31, 2019 and is included as part of Lease liabilities under Other Liabilities (see Note 20).

Under PAS 17, the Parent Bank leases space from BDO Network, BDOSHI and Averon for its branch operations. Total rent paid is included as part of Occupancy account under Other Operating Expenses account in the Parent Bank statements of income (see Note 24). The lease term is between 10 to 30 years and is payable in cash. There are no outstanding payable to the subsidiary as of December 31, 2018. Total rent expense amounted to P14 and P9 in 2018 and 2017, respectively.

(4) Derivatives

In 2019 and 2018, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards, interest rate swap and cross currency swaps. As of December 31, 2019 and 2018, 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 9.1) and Derivatives with negative fair values under Other Liabilities account in the statements of financial position (see Note 20).

(5) Deposit Liabilities

Total deposits made by the subsidiaries to the Parent Bank bear interest rates of 0.00% to 6.65% in 2019, 0.00% to 6.75% in 2018 and 0.00% to 2.50% in 2017. These related interest expense from these deposits are included as part of Interest Expense account on deposit liabilities in the statements of financial position (see Note 23).

(ii) Other transactions with associates are shown below.

Loans and Advances to Associates

As of December 31, 2019 and 2018, there is an outstanding secured and unsecured interest-bearing loans and advances to associates amounting to P7,784 and P6,936 for the BDO Unibank Group and P7,600 and P6,750 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 10). These loans are payable in cash between one year to twelve years. Total collections on loans and advances amounted to P1,987, P1,736 and P8 for BDO Unibank Group and P1,970, P1,200 and nil for the Parent Bank in 2019, 2018 and 2017, respectively.

Annual interest rate on these loans ranges from 5.00% to 7.70%, 6.37% to 7.70%, and 3.81% to 7.70% for the years 2019, 2018 and 2017, 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 22). As of December 31, 2019, 2018 and 2017, 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.

Under PFRS 16, 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 P1,951, as of December 31, 2019, which is presented as part of Premises, Furniture, Fixtures and Equipment (see Note 11). Amortization expense on right-of-use assets arising from this transaction, amounting to P655 is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's 2019 statement of income (see Note 24).

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 P142 in the Parent Bank's 2019 statement of income (see Note 23). Outstanding balances arising from this transaction amounted to P2,145 as of December 31, 2019 and is included as part of Lease liabilities under Other Liabilities (see Note 20).

Under PAS 17, for the years ended December 31, 2018 and 2017, total rent paid to related parties amounted to P1,009 and P912, respectively, and is included as part of Occupancy account under Other Operating Expenses (see Note 24). Outstanding balances arising from this transaction amounted to P92 as of December 31, 2018 and is included as part of Accounts payable under Other Liabilities (see Note 20).

The terms of the lease are from two to five 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 25.1):

	BDO Unibank Group		
	2019	2018	2017
Salaries and other benefits	P 1,445	P 1,374	P 1,267
Retirement expense	208	200	146
	<u>P 1,653</u>	<u>P 1,574</u>	<u>P 1,413</u>
	Parent Bank		
	2019	2018	2017
Salaries and other benefits	P 957	P 931	P 886
Retirement expense	150	129	99
	<u>P 1,107</u>	<u>P 1,060</u>	<u>P 985</u>

27. 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 34.4).

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Investments	P 1,325,160	P 1,150,783	P 970,499	P 841,019
Others	<u>11,208</u>	<u>10,934</u>	<u>8,546</u>	<u>8,665</u>
	<u>P 1,336,368</u>	<u>P 1,161,717</u>	<u>P 979,045</u>	<u>P 849,684</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 P14,869 and P13,136 as of December 31, 2019 and 2018 (see Note 9.3), respectively, in BDO Unibank Group and, P9,861 and P8,628 as of December 31, 2019 and 2018, 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, 2019 and 2018, the additional reserve for trust functions amounted to P272 and P251, respectively, for BDO Unibank Group and P189 and P181, respectively, for the Parent Bank, and is included as part of Surplus Reserves account in statements of changes in equity (see Note 21.5).

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P3,532, P3,314 and P3,246 for the years ended December 31, 2019, 2018 and 2017, respectively, in BDO Unibank Group statements of income and P2,727, P2,593, and P2,647 for the years ended December 31, 2019, 2018 and 2017, respectively, in the Parent Bank statements of income (see Note 24).

28. UNIT-LINKED FUNDS

VUL life 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 (NAV) 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 mainly managed by the Trust and Investment Group of the Parent Bank.

As of December 31, 2019 and 2018, 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>2019</u>	<u>2018</u>
Assets:		
Cash and cash equivalents	P 52	P 73
Financial assets at FVTPL	13,696	8,514
Other receivables	<u>38</u>	<u>13</u>
	<u>P 13,786</u>	<u>P 8,600</u>
Liabilities and Equity:		
Other liabilities	P 77	P 45
Net assets attributable to unitholders	<u>13,709</u>	<u>8,555</u>
	<u>P 13,786</u>	<u>P 8,600</u>

29. MERGERS AND ACQUISITIONS

29.1 Subscription of Additional Shares in CBN Grupo

On June 27, 2015, the Parent Bank's BOD authorized the investment by BDO Capital of 3,273,000 shares in CBN Grupo for €3. The BSP approved the investment in March 2016. On October 21, 2016, CBN Grupo issued the shares to BDO Capital, making BDO Capital the owner of approximately 96% of the outstanding capital stock of CBN Grupo (see Note 14.2). CBN Grupo was renamed BDO Remit International Holdings B.V. and was registered, thereafter, with The Netherlands Chamber of Commerce on October 24, 2016. 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 14.2 and 14.3).

29.2 Acquisition of Credit Card Portfolio

On June 14, 2016, the Parent Bank signed an agreement with SB Cards Corporation (SB Cards) to be the exclusive issuer and acquirer of Diners Club credit cards in the Philippines. The acquisition includes SB Cards' existing Diners Club portfolio and its cardholder base. The agreement took effect on September 30, 2016.

The Parent Bank recognized the acquisition-date fair value of the existing credit card receivables and liabilities assumed and compared the net assets acquired with the cash consideration given up resulting in the recognition of Trademark for the excess relating to the use of Diners Club trade name by the Parent Bank for a period of five years. Presented below is the analysis of the transaction.

Credit card receivables	P 586
Liabilities	(<u>18</u>)
Net asset acquired	568
Cash consideration	(<u>733</u>)
Trademark (see Note 14.6)	<u>P 165</u>

29.3 Acquisition of BDO Life

In their respective meetings held on April 24, 2015 and on May 30, 2015, the Parent Bank's BOD and BDO Capital's BOD authorized the termination of the insurance joint venture and bancassurance partnership with the Generali Group.

Pursuant thereto, on June 8, 2015, BDO Unibank Group concluded a Share Purchase Agreement (SPA) with the Generali Group. The SPA provides that upon closing of the transaction, BDO Unibank Group will take full control of BDO Life, a life insurance company, and the Generali Group will take full control of Generali Pilipinas Insurance Company (GPIC), a non-life insurance company that is also owned by GPHCI. As of December 31, 2015, BDO Unibank Group owns 40%, and the Generali Group owns 60%, of the issued and outstanding capital stock of BDO Life.

On June 30, 2016, BDO Unibank Group acquired the remaining 60% of the issued and outstanding capital stock of BDO Life from the Generali Group for a cash consideration and other charges amounting to P2,236, making the latter a wholly-owned subsidiary of the former. Although the acquisition was consummated in 2016, the consideration was agreed by the parties in 2014. During 2015, BDO Life's net asset substantially increased as a result of the improvement in the latter's insurance operations. Accordingly, the fair value of the net assets exceeded the amount of consideration received by the BDO Unibank Group resulting in the recognition of a gain on fair valuation of previously-held interest and gain on bargain purchase (negative goodwill) amounting to P628 and P1,586, respectively, or a total gain on acquisition of subsidiary amounting to P2,214.

BDO Unibank Group is re-focusing its insurance strategy to align with its thrust to solidify its presence in the broad-based middle income market. By assuming full control of BDO Life Assurance's operations, BDO Unibank Group will be able to adapt more readily to the demands of its target markets.

On the date of acquisition, the equity share in BDO Life was remeasured at fair value, as follows:

Fair value	P 2,549
Book value	(<u>1,921</u>)
Gain on fair valuation of previously-held interest	<u>P 628</u>

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments follows:

Cash and cash equivalents	P	851
Trading and investment securities		25,882
Loans and other receivables		563
Bank premises, furniture, fixtures and equipment		54
Other resources		<u>104</u>
Total resources		<u>27,454</u>
Insurance contract liabilities		17,910
Other liabilities		<u>3,173</u>
Total liabilities		<u>21,083</u>
Net assets acquired		6,371
Fair value of the investment for the previously held interest in BDO Life	(	2,549)
Consideration transferred (for the 60% ownership interest)	(	<u>2,236</u>)
Gain on bargain purchase	P	<u>1,586</u>

Pre-acquisition income arising from the step-up acquisition amounted to P391. Subsequently, GPHCI was renamed to BDO Life Holdings (see Notes 2.3 and 14.2).

On November 24, 2016, the BOD of BDO Life Holdings and BDO Life, at their respective meetings, approved the merger of the two companies, with BDO Life as the surviving entity, and the Plan of Merger. The same were likewise approved by the respective stockholders of the companies on December 3, 2016. The merger was approved by the SEC on September 4, 2017 and was implemented on the same date.

Under the Articles of Merger, the capital stock owned by the Parent Bank and BDO Capital in BDO Life Holdings shall be exchanged for shares in the capital stock of BDO Life on the basis of the net asset value of BDO Life Holdings. BDO Life issued a total of 15,931,324 shares with a par value of P100 per share to the shareholders of BDO Life Holdings in exchange for the net asset of BDO Life Holdings, composed of 15,150,505 shares reacquired by BDO Life as a consequence of the merger, since it was previously wholly-owned by BDO Life Holdings, and 780,819 shares from the unissued authorized capital stock of BDO Life. The shareholdings of the Parent Bank and BDO Capital after the merger is 97.0% and 3.0%, respectively.

29.4 Investment Agreement with Nomura

On June 24, 2015, the BOD of PCIB Securities authorized PCIB Securities to enter in an Investment Agreement (the Agreement) with the Parent Bank and Nomura Holdings, Inc. (Nomura). Pursuant to the Agreement, PCIB Securities shall execute a subscription agreement with Nomura whereby PCIB Securities shall issue 336,274 common shares at a subscription price of P370.34 per share. Such that Nomura shall own 49.0% of the total issued and outstanding capital stock of PCIB Securities. Relative to the Agreement, PCIB Securities shall carry out retail online securities trading, institutional and retail cross-border trading and other securities business.

On January 27, 2016, PCIB Securities executed the subscription agreement with Nomura Asia Investment (Singapore) Pte. Ltd. (a wholly owned subsidiary of Nomura), thereby issuing 336,274 new common shares of PCIB Securities at P370.34 per share, resulting to new percentage of ownership of the Parent Bank to 51.0% and Nomura having 49.0% over PCIB Securities. Subsequently, PCIB Securities was renamed as BDO Nomura.

On July 20, 2017, BDO Nomura's BOD and stockholders approved the increase in its authorized capital stock from P100, divided into 1,000,000 shares with P100 par value per share to P1,000, divided into 10,000,000 shares with P100 par value per share. In relation to the increase in authorized capital stock, BDO Nomura received a cash infusion from the Parent Bank and Nomura Asia Investment (Singapore) Pte. Ltd. amounting to P153 and P147, respectively, for future subscription of additional shares of stock of BDO Nomura with a total par value of P300. The deposit for future stock subscription were recorded as part of Equity investments under Other Resources account in the Parent Bank's 2017 statement of financial position (see Note 14.2). On February 5, 2018, the application for the increase in authorized capital stock of BDO Nomura was approved by the SEC. Accordingly, such deposit was applied against subscription of additional shares of stock of BDO Nomura in 2018.

On November 27, 2018 additional cash infusion was received from the Parent Bank and Nomura Asia Investment (Singapore) Pte. Ltd. amounting to P51 and P49, respectively, with a total par value of P100.

29.5 Joint Venture Investment Agreement with Mitsubishi Motors Philippines Corp. (MMPC), Sojitz Corporation (SJC) and JACCS Co. Ltd.

On January 28, 2016, BDO Leasing entered into a joint venture investment agreement with MMPC, SJC and JACCS to provide financing services to individual and corporate buyers of Mitsubishi Motors vehicles in the Philippines. The joint venture, incorporated and named MAFSC, is seen harnessing the complementary strengths of the partners of the joint venture to take advantage of the sustained growth in vehicle sales on the back of increasing consumer affluence and a growing population. Upon the incorporation of MAFSC on May 31, 2016, BDO Leasing contributed P300 for 3,000,000 common shares, thereby owning 40% of the company while MMPC, SJC and JACCS jointly hold the remaining 60% stake (see Note 14.2).

On July 4, 2019, BDO Leasing sold to JACCS Co. Ltd., a corporation duly organized and existing under the laws of Japan, its 3,000,000 common shares representing 40% ownership interest in MMPC Auto Financial Services Corporation for P166.

29.6 Acquisition of One Network Bank, Inc. (A Rural Bank)

On October 25, 2014, the Parent Bank's BOD authorized the purchase of all of the outstanding capital stock of ONB subject to the necessary regulatory approval. The BSP accordingly approved the transfer of up to 100% of the outstanding common stock of ONB to the Parent Bank on March 16, 2015.

Thereafter, on July 20, 2015, the Parent Bank acquired 99.59% of the total issued and outstanding capital stock of ONB in exchange for 64,499,890 common shares of the Parent Bank through a share swap transaction (i.e., BDO crossed in favor of the selling shareholders of ONB and issued an equal number of new shares from its unissued capital stock with a substantial BDO shareholder). Equity investment amounted to P6,685, inclusive of the payment of documentary stamp tax amounting to P9 for the transfer of ONB shares. The acquisition resulted in recognition of Additional Paid-in Capital amounting to P6,028, net of related transaction costs amounting to P3. Subsequently, on November 23, 2015, the Parent Bank acquired an additional 81,134 ONB shares, for cash of P2, thereby increasing its shareholdings in ONB to 99.63%. The total goodwill recognized in 2015 amounting to P2,903 is presented as part of Goodwill under Other Resources on BDO Unibank Group's statements of financial position (see Note 14.3).

As of December 31, 2016, the Parent Bank acquired additional 324,012 ONB common shares from its total issued and outstanding capital stock for cash of P9. These additional purchases of ONB common shares by the Parent Bank increased its total shareholdings in ONB to 99.76%. Total additional goodwill recognized in 2016 amounted to P4.

The acquisition of ONB expands the regional presence of BDO Unibank Group in the countryside, particularly in the Southern Philippines. This also opens up new business opportunities for the BDO Unibank Group in terms of tapping underserved market segments.

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments follows:

Cash and cash equivalents	P	3,294
Trading and investment securities		2,457
Loans and other receivables		20,532
Bank premises, furniture, fixtures and equipment		1,510
Other resources		<u>403</u>
Total resources		<u>28,196</u>
Deposit liabilities		20,920
Other liabilities		<u>3,478</u>
Total liabilities		<u>24,398</u>
Net asset position		3,798
Non-controlling share in equity	(	14)
Cost of investment	(	<u>6,687</u>)
Goodwill (see Note 14.3)	P	<u>2,903</u>

On December 3, 2016, the Parent Bank's BOD authorized a P1,000 capital infusion into ONB to allow the subsidiary to provide for its ongoing expansion plans and to comply with BSP regulations. The BSP approved the additional equity investment into ONB on August 10, 2017. On September 13, 2017, the Parent Bank subscribed to an additional 32,386,356 of new ONB shares thereby increasing its shareholdings in ONB to 99.79%.

On September 30, 2017, the Parent Bank's BOD authorized an additional P1,000 capital infusion into ONB to support its MSME initiatives and give it additional leeway in its expansion plans. The BSP approved the additional equity investments into ONB on December 13, 2017. Moreover, on January 18, 2018, the Parent Bank subscribed to an additional 32,386,356 of new ONB shares thereby increasing its shareholdings in ONB to 99.81%. On May 15, 2019, January 23, 2018 and December 27, 2018, the Parent Bank subscribed to an additional 18,758, 124,275 and 14,276 shares, respectively, from ONB's total issued and outstanding capital stock thereby increasing its shareholdings in ONB to 99.86% resulting to increase in Surplus Free amounting to P763.

On October 1, 2018, the Parent Bank has entered into an agreement with Osmanthus Investment Holdings Pte. Ltd. (Singapore), whereby the latter will acquire a 15% ownership interest in ONB. The transaction was completed on May 16, 2019. The Parent Bank's shareholdings after the transaction amounted to 84.87%. The change in ownership interest resulted in a decrease in Surplus Free amounting to P30.

On July 31, 2019, the SEC approved the resolution changing the corporate name of ONB to BDO Network Bank, Inc. doing business under the names and styles of BDO Network Bank, BDO Network Bank, a Rural Bank, or BDO Network, a Rural Bank.

29.7 Purchase of Loans and Deposits of Rural Bank of Pandi by BDO Network

On February 4, 2019, BDO Network, entered into an asset sale and purchase agreement with RBPI to purchase RBPI's gross loan receivables and assume its recorded deposit liabilities. The transaction was entered into to provide BDO Network with a stronger presence in Bulacan and fast track its expansion in Central Luzon.

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 in 2019, representing cash premium, amounted to P100 and is presented as part of Goodwill under Other Resources account on BDO Unibank Group's statements of financial position (see Note 14.3).

29.8 Acquisition of Trust Business

In 2014, the Parent Bank entered into a definitive agreement for the acquisition of the trust business of Deutsche Bank AG's Manila branch (Deutsche) comprising of trust, other fiduciary and investment management activities amounting to P35,751 and presented as part of contingent accounts under Trust department accounts (see Note 34.4). The transaction resulted in the recognition of an intangible asset with indefinite useful life and is presented as Customer lists under Other Resources account in the statements of financial position (see Note 14.7).

30. TAXES

30.1 Current and Deferred Taxes

The components of tax expense for the years ended December 31 follow:

	BDO Unibank Group		
	2019	2018	2017
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 12,310	P 9,305	P 8,031
Minimum corporate income tax (MCIT) at 2%	7	23	14
Final taxes at 20%, 15%, 10% and 7.5%	<u>2,248</u>	<u>1,685</u>	<u>1,371</u>
	14,565	11,013	9,416
Deferred tax expense (income) relating to origination and reversal of temporary differences	<u>454</u>	(<u>6</u>)	<u>36</u>
	<u>P 15,019</u>	<u>P 11,007</u>	<u>P 9,452</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 1,016)	(P 859)	(P 1,125)
Fair value of financial assets at FVOCI	(30)	(44)	-
Revaluation increment	(23)	-	-
Fair value of AFS securities	<u>-</u>	<u>-</u>	<u>20</u>
	<u>(P 1,069)</u>	<u>(P 903)</u>	<u>(P 1,105)</u>
	Parent Bank		
	2019	2018	2017
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 30%	P 11,219	P 8,080	P 7,045
Final taxes at 20%, 15%, 10% and 7.5%	<u>1,745</u>	<u>1,234</u>	<u>978</u>
	12,964	9,314	8,023
Deferred tax expense relating to origination and reversal of temporary differences	<u>412</u>	<u>198</u>	<u>218</u>
	<u>P 13,376</u>	<u>P 9,512</u>	<u>P 8,241</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 960)	(P 879)	(P 1,048)
Revaluation increment	(<u>23</u>)	-	-
	<u>(P 983)</u>	<u>(P 879)</u>	<u>(P 1,048)</u>

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

BDO Unibank Group					
	2019		2018		2017
Tax on pretax profit at 30%	P 17,756	P	13,094	P	11,267
Adjustment for income subjected to lower income tax rates	(1,072)	(	617)	(	379)
Tax effects of:					
Income exempt from tax	(4,325)	(	3,494)	(	2,552)
Non-deductible expenses	3,557		2,278		2,545
Deductible temporary differences not recognized	(551)	(	659)	(	908)
Net operating loss carryover (NOLCO) not recognized	(89)		127		17
Utilization of previously unrecognized NOLCO	(25)		-		-
Application of previously unrecognized MCIT	(15)		-	(	4)
Others	(217)		278	(	534)
Tax expense reported in profit or loss	P 15,019	P	11,007	P	9,452

Parent Bank					
	2019		2018		2017
Tax on pretax profit at 30%	P 17,283	P	12,667	P	10,874
Adjustment for income subjected to lower income tax rates	(872)	(	621)	(	484)
Tax effects of:					
Income exempt from tax	(5,729)	(	3,882)	(	3,492)
Non-deductible expenses	3,305		1,998		2,259
Deductible temporary differences not recognized	(611)	(	650)	(	916)
Tax expense reported in profit or loss	P 13,376	P	9,512	P	8,241

Components of the net deferred tax assets (see Note 14) as of December 31 follow:

Statements of Financial Position							
BDO Unibank Group				Parent Bank			
	2019		2018		2019		2018
Deferred tax assets:							
Allowance for impairment	P 6,536	P	6,560	P 5,858	P	5,858	
Unamortized past service costs	2,185		1,219	2,156		1,182	
Retirement obligation	792		863	548		901	
Recognition of right-of-use assets and lease liabilities	70		-	70		-	
Lease income differential	-		146	-		146	
Others	33		217	-		-	
	9,616		9,005	8,632		8,087	
Deferred tax liabilities:							
Revaluation increment	409		432	408		431	
Capitalized interest	45		48	45		48	
Retirement asset	17		-	-		-	
Changes in fair values of financial assets at FVOCI	6		36	-		-	
Lease income differential	2		2	-		-	
Others	210		175	-		-	
	689		693	453		479	
Net deferred tax assets	P 8,927	P	8,312	P 8,179	P	7,608	

Movements in net deferred tax assets for the years ended December 31 follow:

BDO Unibank Group

	Statements of Income		
	2019	2018	2017
Retirement obligation	P 1,292	P 332	P 23
Unamortized past service costs	(966)	(103)	222
Lease income differential	146	(25)	(51)
Recognition of right-of-use assets and lease liabilities	(70)	-	-
Allowance for impairment	24	(175)	(115)
Capitalized interest	(3)	(3)	(3)
NOLCO	-	-	(2)
Others	31	(32)	(38)
Deferred tax expense (income)	<u>P 454</u>	<u>(P 6)</u>	<u>P 36</u>

Parent Bank

	Statements of Income		
	2019	2018	2017
Retirement obligation	P 1,313	P 328	P 46
Unamortized past service costs	(974)	(110)	183
Lease income differential	146	(17)	(8)
Recognition of right-of-use assets and lease liabilities	(70)	-	-
Capitalized interest	(3)	(3)	(3)
Deferred tax expense	<u>P 412</u>	<u>P 198</u>	<u>P 218</u>

	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2019	2018	2017	2019	2018	2017
Movements in actuarial losses	(P 1,016)	(P 859)	(P 1,125)	(P 960)	(P 879)	(P 1,048)
Movements in fair value of financial assets at FVOCI	(30)	(44)	-	-	-	-
Movements in revaluation increment	(23)	-	-	(23)	-	-
Movements in fair value of AFS securities	-	-	20	-	-	-
Deferred tax income	<u>(P 1,069)</u>	<u>(P 903)</u>	<u>(P 1,105)</u>	<u>(P 983)</u>	<u>(P 879)</u>	<u>(P 1,048)</u>

The BDO Unibank Group is subject to MCIT, which is computed at 2% of gross income, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO and MCIT with the corresponding validity periods follows for the BDO Unibank Group (nil for the Parent Bank):

<u>Year</u>	<u>NOLCO</u>	<u>MCIT</u>	<u>Valid Until</u>
2019	P 136	P -	2022
2018	199	1	2021
2017	<u>56</u>	<u>-</u>	2020
	<u>P 391</u>	<u>P 1</u>	

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2019 and 2018 are as follows:

		BDO Unibank Group			
		2019		2018	
		<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	P	16,694	P 5,008	P 13,247	P 3,974
NOLCO		391	117	299	90
MCIT		1	-	31	31
Others		<u>1,205</u>	<u>362</u>	<u>1,206</u>	<u>362</u>
		<u>P 18,291</u>	<u>P 5,487</u>	<u>P 14,783</u>	<u>P 4,457</u>
		Parent Bank			
		2019		2018	
		<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	P	15,954	P 4,786	P 12,357	P 3,707
Others		<u>1,088</u>	<u>326</u>	<u>1,214</u>	<u>364</u>
		<u>P 17,042</u>	<u>P 5,112</u>	<u>P 13,571</u>	<u>P 4,071</u>

The BDO Unibank Group and the Parent Bank continue claiming itemized deduction for income tax purposes.

30.2 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).

30.3 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 not payable on sight or 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.

30.4 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.

31. EARNINGS PER SHARE

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit attributable to shareholders of the Parent Bank	P 44,194	P 32,708	P 28,070
Dividends on preferred shares	<u>(339)</u>	<u>(339)</u>	<u>(340)</u>
Net profit available to common shares	43,855	32,369	27,730
Divided by the weighted average number of outstanding common shares (in millions)	<u>4,378</u>	<u>4,372</u>	<u>4,322</u>
Basic earnings per share	<u>P 10.02</u>	<u>P 7.40</u>	<u>P 6.42</u>

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Net profit attributable to shareholders of the Parent Bank	P 43,855*	P 32,369*	P 27,730*
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	4,378	4,372	4,322
Potential common shares from assumed conversion of preferred shares	*	*	*
Potential common shares from assumed conversion of stock option plan	<u>**</u>	<u>**</u>	<u>**</u>
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<u>4,378</u>	<u>4,372</u>	<u>4,322</u>
Diluted earnings per share	<u>P 10.02</u>	<u>P 7.40</u>	<u>P 6.42</u>

* *Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares 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.*

32. SELECTED FINANCIAL PERFORMANCE INDICATORS

The following are some measures of BDO Unibank Group and Parent Bank's financial performance:

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>BDO Unibank Group</u>			
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	12.6%	10.6%	10.2%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.4%	1.1%	1.1%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	4.2%	3.6%	3.5%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	12.8%	10.7%	10.2%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	27.8%	30.4%	31.6%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	760.5%	821.0%	794.3%
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	860.5%	921.0%	894.3%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	245.5%	241.9%	308.2%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	20.0%	18.3%	19.1%
Capital to risk resources ratio*:			
Combined credit, market and operational risk	14.2%	13.8%	14.5%

* Computed using balances prepared under PFRS

	2019	2018	2017
<u>BDO Unibank Group</u>			
Basel III Leverage Ratio:			
$\frac{\text{Capital Measure}}{\text{Exposure Measure}}$	10.0%	9.3%	**
Liquidity Coverage Ratio:			
$\frac{\text{Total Stock of High – Quality Liquid Assets}}{\text{Total Net Cash Outflows}}$	108.4%	**	**
Net Stable Funding Ratio:			
$\frac{\text{Available Stable Funding}}{\text{Required Stable Funding}}$	116.7%	**	N/A

*** Public disclosure is not required by the BSP during this period.*

Parent Bank

Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	12.7%	10.6%	10.2%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.5%	1.2%	1.2%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	4.1%	3.7%	3.5%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	12.8%	10.7%	10.2%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	25.8%	28.6%	29.2%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	729.6%	782.7%	748.2%

	2019	2018	2017
<u>Parent Bank</u>			
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	829.6%	882.7%	848.2%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	249.3%	247.0%	320.6%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	22.5%	20.6%	22.0%
Capital to risk resources ratio*:			
Combined credit, market and operational risk	13.7%	13.3%	13.8%
Basel III Leverage Ratio:			
$\frac{\text{Capital Measure}}{\text{Exposure Measure}}$	9.6%	8.9%	**
Liquidity Coverage Ratio:			
$\frac{\text{Total Stock of High – Quality Liquid Assets}}{\text{Total Net Cash Outflows}}$	109.2%	**	**
Net Stable Funding Ratio:			
$\frac{\text{Available Stable Funding}}{\text{Required Stable Funding}}$	117.4%	**	N/A

* Computed using balances prepared under PFRS

** Public disclosure is not required by the BSP during this period.

Secured liabilities and resources pledged as security are shown below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Aggregate amount of secured liabilities	<u>P -</u>	<u>P 226</u>	<u>P -</u>	<u>P -</u>
Aggregate amount of resources pledged as security	<u>P 597</u>	<u>P 1,501</u>	<u>P -</u>	<u>P -</u>

33. EVENTS AFTER THE END OF THE REPORTING PERIOD

33.1 Dividends

On February 1, 2020, 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 Sale of BDO Leasing

On January 24, 2020, the Parent Bank and BDO Capital entered into an agreement to sell their entire controlling stake in BDO Leasing to a third party as part of the Parent Bank's restructuring of its leasing business. The completion of the transaction is still subject to regulatory approvals and the fulfilment of other closing conditions.

33.3 Issuance of Fixed Rate Peso Bonds

On February 3, 2020, the Parent Bank issued P40,100 fixed rate peso bonds. The bonds have a tenor of 2.5 years and bear a coupon rate of 4.408%. Interest will be paid and calculated on a quarterly basis. This follows the P35,000 fixed rate peso bond issuance in February 11, 2019 and is a component of the P100,000 peso bond program approved by the BOD on August 31, 2018 (see Note 17.2). The issuance is part of the Parent Bank's continuing efforts to diversify its funding sources and support its lending activities.

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, 2019, 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 RR No. 4-2011 regarding the alleged violation relating to the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes.

RR No. 4-2011 essentially prescribed the method of allocation of cost and expenses 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 FCDU/expanded FCDU or offshore banking unit.

On April 6, 2015, 19 banks (Petitioners) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Preliminary Injunction, with the Regional Trial Court of Makati. The Parent Bank and BDO Private are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR No. 4-2011. In the Petition, the Petitioners claimed that there is no provision in the National Internal Revenue Code which justifies the issuance of RR No. 4-2011 and that the scope of RR No. 4-2011 unduly expands the power of the BIR to allocate a taxpayer's costs and expenses. The Petitioners also claimed that RR No. 4-2011 limits their rights to claim ordinary and necessary expenses as deductions.

On April 8, 2015, the Regional Trial Court of Makati issued a temporary restraining order, enjoining the BIR from enforcing RR No. 4-2011. Also, on April 27, 2015, the Regional Trial Court of Makati issued a Writ of Preliminary Injunction also enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR No. 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"). The Supreme Court granted the Motion for Extension.

On August 9, 2018, Petitioners filed a Petition for Review on Certiorari dated August 1, 2018 ("Petition") to assail the RTC decision based on the following grounds: (i) the RTC had no jurisdiction over petitions assailing the constitutionality and validity of tax laws, rules and regulation, and other administrative issuance of the BIR. Allegedly, it is the Court of Tax Appeals that has exclusive jurisdiction to determine the constitutionality or validity of Tax Laws, Rules and Regulations issued by the Commissioner of Internal Revenue; and (ii) 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 Respondents filed its Comment on/Opposition to the Petition for Review on Certiorari.

All other Respondents have their respective Comments and/or Oppositions to the Petition.

The case remains pending as of December 31, 2019.

34.1.2 First e-Bank

In 2002, First e-Bank (“FeB”) experienced liquidity problems prompting Philippine Deposit Insurance Corporation (“PDIC”) to invite several banks to propose a solution for FeB’s bailout. PDIC entered into contract with the Parent Bank wherein consideration of the assumption by the Parent Bank of FeB’s liabilities in the maximum amount of P10,000, PDIC will provide the Parent Bank 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 the Parent Bank and the remaining P5,000 was deposited in escrow with BDO Trust and Investments Group (“BDO-TIG”) in accordance with the escrow agreement dated October 23, 2002 entered into by the Parent Bank, 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 the Parent Bank 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 the Parent Bank, which case was raffled to RTC Makati City Branch 60. On October 14, 2016, the Parent Bank 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.

On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. As of December 31, 2019, the difference between the amount received and the balance of the amount in escrow is presented as part of Others under Other Liabilities account, pending the resolution of the Appeal filed by the counterparty (see Note 20).

The case is still pending before the Court of Appeals as of December 31, 2019.

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, 2019, 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 Lessee (2018)

BDO Unibank Group, as a lessee, 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. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the BDO Unibank Group's statements of income, amounted to P3,597 and P3,220 in 2018 and 2017, respectively, for the BDO Unibank Group and P3,385 and P3,012 in 2018 and 2017, respectively, in the Parent Bank (see Note 24).

As of December 31, 2018, the estimated minimum future annual receivables of the BDO Unibank Group and the Parent Bank follow:

	BDO		Parent Bank	
	<u>Unibank Group</u>		<u>Parent Bank</u>	
Within one year	P	3,466	P	3,457
After one year but not more				
five years		8,618		8,591
More than five years		<u>4,890</u>		<u>4,927</u>
	P	<u>16,974</u>	P	<u>16,975</u>

34.3 Lease Commitments – as Lessor

34.3.1 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 five. 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:

	<u>2019</u>		<u>2018</u>	
	<u>Future MLPR</u>	<u>PV of NMLPR</u>	<u>Future MLPR</u>	<u>PV of NMLPR</u>
Within one year	P 5,377	P 5,311	P 7,868	P 7,793
After one year but not more than two years	4,183	4,013	5,700	5,555
After two years but not more than three years	3,006	2,609	4,357	3,913
After three years but not more than five years	<u>2,458</u>	<u>1,838</u>	<u>4,009</u>	<u>3,054</u>
Total MLPR	15,024	13,771	21,934	20,315
Unearned lease income	(<u>1,253</u>)	-	(<u>1,619</u>)	-
Present value of MLPR	<u>P 13,771</u>	<u>P 13,771</u>	<u>P 20,315</u>	<u>P 20,315</u>

34.3.2 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 1 to 10 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, 2019, 2018 and 2017, amounted to P1,526, P1,653 and P1,588, respectively, for the BDO Unibank Group and P523, P583 and P534, respectively, for the Parent Bank (see Note 24).

Future minimum rental receivables as of December 31, 2019 under operating leases follow:

	BDO	
	<u>Unibank Group</u>	<u>Parent Bank</u>
Within one year	P 1,464	P 566
More than one year to two years	959	401
More than two years to three years	499	227
More than three years to four years	237	132
More than four years to five years	147	73
More than five years	<u>228</u>	<u>10</u>
	<u>P 3,534</u>	<u>P 1,409</u>

34.4 Others

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, 2019 and 2018, 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 in the succeeding page.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trust department accounts	27	P 1,336,368	P 1,161,717	P 979,045	P 849,684
Committed credit lines	4.3.2	404,078	349,732	404,078	349,732
Forward exchange sold		140,128	132,422	126,189	118,276
Forward exchange bought		141,969	122,948	126,377	105,811
Unused commercial letters of credit	4.3.2	53,703	48,950	53,703	48,950
Interest rate swap receivable		15,446	19,201	4,319	5,978
Interest rate swap payable		15,446	19,201	4,319	5,978
Spot exchange sold		20,148	10,818	19,287	10,290
Bills for collection		10,846	10,716	10,846	10,716
ROP warrants		8,475	8,475	8,475	8,475
Spot exchange bought		9,764	7,273	8,902	6,745
Export letters of credit confirmed		7,868	6,180	7,868	6,180
Other contingent accounts		3,038	3,038	3,038	3,038
Late deposits/payments received		3,174	2,674	3,150	2,654
Outstanding guarantees issued		2,942	1,715	2,942	1,715

BDO Unibank, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2019

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*Note: * Not applicable*



Supplemental Statement of Independent Auditors

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

Tel: 532 988 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, 2019, on which we have rendered the attached report dated February 27, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Bank has 10,819 stockholders owning 100 or more shares each of the Bank's capital stock as of December 31, 2019.

PUNONGBAYAN & ARAULLO


By: **Leonardo D. Cuaresma, Jr.**
Partner

CPA Reg. No. 0058847
TIN 109-227-862
PTR No. 8116542, January 2, 2020, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-5 (until July 9, 2021)
Firm - No. 0002-FR-5 (until March 26, 2021)
BIR AN 08-002511-7-2017 (until June 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until July 24, 2021)

February 27, 2020

ANNEX 68-D

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As of December 31, 2019
(Amounts in Millions)

BDO Unibank, Inc.
BDO Corporate Center, 7899 Makati Avenue, Makati City

Unappropriated Retained Earnings at Beginning of Year	P 154,727
Prior Year's Outstanding Reconciling Items, net of tax	
Effect of Restatement	856
Deferred tax income	(<u>8,087</u>)
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year	<u>P 147,496</u>
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	<u>44,233</u>
Less: Non-actual/unrealized income net of tax:	
Equity in net income of associates/joint venture	(P 6,046)
Unrealized foreign exchange gains - net	(1,413)
Deferred tax income	(<u>1,047</u>)
Sub-total	(<u>8,506</u>)
Net income actually earned during the period	<u>P 35,727</u>
Other Transactions During the Year	
Dividend declarations during the period	(5,593)
Appropriations of Retained Earnings during the period	(<u>1,752</u>)
Sub-total	(<u>P 7,345</u>)
TOTAL RETAINED EARNINGS, END OF THE YEAR AVAILABLE FOR DIVIDEND	<u><u>P 175,878</u></u>

Annex 68-E

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

BDO UNIBANK, INC. AND SUBSIDIARIES

As of December 31, 2019

Ratio	Formula	Current Year	Prior Year
Current ratio	$\frac{\text{Current resources}}{\text{Current liabilities}}$	45.5%	50.9%
Acid test ratio	$\frac{\text{Cash \& Cash equivalents + Marketable securities} + \text{Current receivables}}{\text{Current liabilities}}$	45.4%	50.7%
Solvency ratio	$\frac{\text{Total liabilities}}{\text{Total resources}}$	88.4%	89.1%
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total equity}}$	760.5%	821.0%
Asset-to-equity ratio	$\frac{\text{Total resources}}{\text{Total equity}}$	860.5%	921.0%
Interest rate coverage ratio	$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	245.5%	241.9%
Return on equity	$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	12.6%	10.6%
Return on assets	$\frac{\text{Net profit}}{\text{Average total resources}}$	1.4%	1.1%
Net profit margin	$\frac{\text{Net profit}}{\text{Revenues}}$	20.0%	18.3%
Other ratios:			
Net Interest Margin	$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	4.2%	3.6%
Return on Common Equity	$\frac{\text{Net profit}}{\text{Average common equity}}$	12.8%	10.7%
Liquidity ratio	$\frac{\text{Total liquid resources}}{\text{Total resources}}$	27.8%	30.4%
Capital to risk Assets ratio	Combined credit, market and operational risk	14.2%	13.8%
Basel III Leverage ratio	$\frac{\text{Capital Measure}}{\text{Exposure Measure}}$	10.0%	9.3%
Liquidity Coverage ratio	$\frac{\text{Total Stock of High Quality Liquid Assets}}{\text{Total Net Cash Outflows}}$	108.4%	*
Net Stable Funding ratio	$\frac{\text{Available Stable Funding}}{\text{Required Stable Funding}}$	116.7%	*
* Public disclosure is not required by the BSP during this period.			

Annex 68-I

SCHEDULE FOR LISTED COMPANIES WITH A RECENT OFFERING OF SECURITIES TO THE PUBLIC

BDO Unibank, Inc.
For the period ended December 31, 2019
(In millions)

	Fixed Rate Peso Bonds	LTNCD
1. Gross and net proceeds as disclosed in the final prospectus	35,000	13,820
2. Actual gross and net proceeds		
Gross	35,000	13,820
Net	34,733	13,704
3. Each expenditure item where the proceeds were used		
Reserves	1,050	553
Loans	33,683	13,151
4. Balance of the proceeds as of the end of reporting period	34,890	13,714

BDO Unibank, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2019
(In Millions)

Type of Securities	Number of Shares or Principal Amount of Bonds and Notes	Amount shown in the Statement of Financial Position	Valued based on Market Quotation at End of Reporting Period	Income Received and Accrued
<u>Financial assets at fair value through profit or loss</u>				
Derivatives	135,035	P 3,562	P 3,562	P 465
Government bonds	12,925	5,178	5,178	68
Other debt securities	1,778	3,426	3,426	16
Equity securities	847	14,915	14,915	9
		27,081	27,081	558
<u>Fair value through other comprehensive income</u>				
Government debt	73,516	81,514	81,514	900
Other debt securities	50,561	52,609	52,609	528
Equity securities	2,880	11,116	11,116	2
		145,239	145,239	1,430
<u>At amortized cost</u>				
Government debt securities	203,686	213,257	220,998	2,828
Other debt securities	49,450	50,328	49,969	595
		263,585	270,967	3,423
		P 435,905	P 443,287	P 5,411

BDO Unibank, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2019
(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**							
Amounts Due from Related Parties under Common Ownership:														
Sysmart Corporation	P	624	P	10	P	15	P	-	P	619	P	-	P	619
Syntrix Holdings, Inc		201		2		203		-		-		-		-
Sy, Henry Sr.		151		-		151		-		-		-		-
Nelson C Licup		48		49		97		-		-		-		-
Others***		8		14		18		-		4		-		4
		1,032		75		484		-		623		-		623
Loans to Officers and Employees:														
Salary Loans		1,522		1,191		1,038		-		199		1,476		1,675
Credit Card Loans		145		435		427		-		149		4		153
Auto Loans		129		51		56		-		6		118		124
Home Loans		115		16		20		-		1		110		111
Nestor V Tan		103		105		111		-		-		97		97
Others***		5		4		2		-		7		-		7
		2,019		1,802		1,654		-		362		1,805		2,167
Loans to Stockholders:														
Carmen Copper Corporation		17,539		1,328		2,405		-		-		16,462		16,462
SM Investments Corporation		4,520		520		521		-		-		4,519		4,519
Romer Mercantile Inc		15,748		14,274		26,071		-		1,688		2,263		3,951
Sybase Equity Investments Corporation		11,869		7,490		17,941		-		1,418		-		1,418
Costa Del Hamilo Inc.		418		36		36		-		-		418		418
SM Lifestyle Entertainment inc		390		20		20		-		390		-		390
Highlands Prime Inc		291		27		27		-		-		291		291
Omni Digital Media Ventures Inc		291		15		55		-		-		251		251
Intercontinental Devt Corp		65		3		3		-		-		65		65
		51,131		23,713		47,079		-		3,496		24,269		27,765
Total	P	54,182	P	25,590	P	49,217	P	-	P	4,481	P	26,074	P	30,555

*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, 2019
(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	1,901	P	478	P	563	P	-	P	-	P	1,816	P	1,816
BDO Capital & Investment Corporation		1,393		16,668		16,843		-		1,218		-		1,218
BDO Leasing & Finance, Inc.		2,149		14,738		16,658		-		229		-		229
BDO Nomura Securities		152		201		152		-		-		201		201
BDO Remit (USA), Inc.		105		5,509		5,487		-		103		24		127
BDO Strategic Holdings, Inc.		98		7,980		8,040		-		12		26		38
BDO Life Assurance Holdings Corp.		48		26		48		-		26		-		26
BDO Remit (Japan) Ltd.		8		1,504		1,508		-		4		-		4
BDO Remit Canada Ltd.		1		330		331		-		-		-		-
Equimark-NFC Development Corp.		2		-		2		-		-		-		-
BDO Insurance Brokers Inc,		30		-		30		-		-		-		-
BDO Private		-		600		600		-		-		-		-
	P	5,887	P	48,034	P	50,262	P	-	P	1,592	P	2,067	P	3,659

**Due within one year*

***Due beyond one year*

BDO Unibank, Inc. and Subsidiaries
Schedule D - Long-Term Debt
December 31, 2019
(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
Bills Payable					
MUFG Bank Ltd, Singapore	P 5,100	P 5,100	P -	3.04%	January 3, 2020
Wells Fargo Bank, National Association, London Branch	2,546	2,546	-	2.75%	January 17, 2020
Standard Chartered Bank, Hong Kong Branch	17,804	86	17,718	2.83%	January 31, 2021
Mizuho Bank Singapore	<u>5,073</u>	<u>-</u>	<u>5,073</u>	2.83%	January 29, 2021
	<u>30,523</u>	<u>7,732</u>	<u>22,791</u>		
Senior Notes					
Senior Notes 1	15,262	75	15,187	2.63%	October 24, 2021
Senior Notes 2	34,376	322	34,054	2.95%	March 6, 2023
Senior Notes 3	<u>7,660</u>	<u>115</u>	<u>7,545</u>	4.16%	February 20, 2025
	<u>57,298</u>	<u>512</u>	<u>56,786</u>		
Fixed Rate Peso Bonds	<u>35,141</u>	<u>35,141</u>	<u>-</u>	6.42%	August 11, 2020
Unsecured Subordinated Debt	<u>10,030</u>	<u>10,030</u>	<u>-</u>	5.19%	March 10, 2020
	<u>P 132,992</u>	<u>P 53,415</u>	<u>P 79,577</u>		

BDO Unibank, Inc. and Subsidiaries
Schedule E - Indebtedness to Related Parties (Long-Term Loans from Related Companies)
December 31, 2019

Name of related party	Balance at Beginning of Period	Balance at End of Period

Nothing to Report

BDO Unibank, Inc. and Subsidiaries
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2019

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, 2019

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	4,381,370,334	-	2,420,465,971	24,888,880	1,936,015,483
Preferred Shares - P10 par value	1,000,000,000	515,000,000	-	515,000,000	-	-

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULES 17 (2) (b) THEREUNDER1. For the quarter ended March 31, 2020.2. Commission Identification number 34001.3. BIR Tax Identification No. 000-708-174-000.BDO UNIBANK, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

5. Province, county or other jurisdiction of incorporation or organization

6. Industry Classification Code (For SEC Use Only)

BDO Corporate Center, 7899 Makati Avenue, Makati City

7. Address of issuer's principal office

Postal Code

856-7434/840-7000 LOC 4575

8. Issuer's Telephone number, including area code

NA

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the Code of Section 4 and 8
of the RSA

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
Common stock	4,382,603,513	

11. Are any or all of the securities listed on a stock exchange?

Yes ☒ No ☐If yes, state the name of such stock exchange and the class/es of securities listed
therein. Philippine Stock Exchange - Common Stock

12. Indicate by check mark whether the registrant:

a. has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17
thereunder or Section 11 of the RSA and RSA 11 (a) 1 thereunder, and Section 26
and 141 of the Corporations Code of the Philippines, during the preceding twelve (12)
months or such shorter period the registrant was required to file such reportsYes ☒ No ☐

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

Yes ☒ No ☐

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer.....

BDO UNIBANK, INC.

Signature and Title.....


LUCY CO DY
EVP/COMPTROLLER
RC *ag*

Date.....

April 27, 2020

Principal Financial/Accounting
Officer/Comptroller.....

LUCY CO DY

Signature and Title.....


EVP/COMPTROLLER

Date.....

April 27, 2020

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CONDENSED STATEMENTS OF FINANCIAL POSITION
(Amounts in Millions of Pesos)

	As of March 31, 2020	Audited As of December 31, 2019
RESOURCES		
CASH AND OTHER CASH ITEMS	P 51,079	P 64,140
DUE FROM BANGKO SENTRAL NG PILIPINAS	362,653	309,040
DUE FROM OTHER BANKS	43,363	38,966
TRADING AND INVESTMENT SECURITIES		
Financial Assets at FVTPL	23,861	27,081
Financial Assets at FVOCI	153,499	145,239
Investment Securities at Amortized Cost - Net	269,001	263,686
LOANS AND OTHER RECEIVABLES - Net	2,274,905	2,226,777
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	45,811	46,551
INVESTMENT PROPERTIES	13,915	16,911
EQUITY INVESTMENTS - Net	4,825	4,890
DEFERRED TAX ASSETS	9,844	8,927
OTHER RESOURCES - Net	31,854	37,761
TOTAL RESOURCES	P 5,285,810	P 5,188,858
LIABILITIES AND CAPITAL FUNDS		
DEPOSIT LIABILITIES	P	P
Demand	290,385	232,006
Savings	1,070,494	1,530,639
Time	605,348	662,594
Total Deposit Liabilities	2,575,237	2,485,226
BILLS PAYABLE	108,637	167,524
SUBORDINATED NOTES PAYABLE	0	10,030
INSURANCE CONTRACT LIABILITIES	41,702	42,473
OTHER LIABILITIES	90,018	113,016
Total Liabilities	2,914,594	2,818,271
EQUITY		
Attributable to Shareholders of the Parent Company	370,582	368,932
Non-Controlling Interest	1,634	1,655
Total Equity	372,216	370,587
TOTAL LIABILITIES AND EQUITY	P 3,286,810	P 3,188,858
CONTINGENT		
Trust department accounts	P 1,291,653	P 1,336,368
Unused commercial letters of credit	54,553	53,703
Outstanding guarantees issued	2,756	2,942
Export L/Cs Confirmed	7,294	7,868
Bills for collection	8,553	10,846
Letter deposits/payment received	103	3,174
Spot Exchange Bought	9,803	9,764
Spot Exchange Sold	5,445	20,149
Forward Exchange Bought	157,159	141,969
Forward Exchange Sold	169,500	140,128
Interest Rate Swap Receivable	14,239	15,446
Interest Rate Swap Payable	14,239	15,446
Other Contingent Accounts	439,415	415,591
TOTAL CONTINGENT ACCOUNTS	P 2,174,712	P 2,173,393

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards (PFRS)

CONDENSED STATEMENTS OF INCOME
(Amounts in Millions of Pesos Except Per Share Data)

	For the three-month Period ended March 31, 2020	For the three-month Period ended March 31, 2019
INTEREST INCOME ON		
Loans and Other Receivables	P 35,070	P 34,717
Trading and Investment Securities	4,105	3,001
Due from BSP and Other Banks	525	274
Others	12	19
Total Interest Income	40,712	38,811
INTEREST EXPENSE ON		
Deposit Liabilities	5,595	9,220
Bills Payable and Other Borrowings	1,942	1,851
Finance Lease Liabilities	237	0
Total Interest Expense	7,774	11,071
NET INTEREST INCOME	32,937	27,740
IMPAIRMENT LOSSES	2,260	1,236
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	30,677	26,504
OTHER OPERATING INCOME		
Service Charges, Fees and Commissions	7,157	7,330
Trading Gain/(Loss) - Net	(4,662)	1,325
Trust Fees	922	849
Foreign Exchange Gain	291	897
Insurance Premiums	3,075	3,239
Miscellaneous - net	1,336	1,235
Total Other Operating Income	9,019	14,675
OTHER OPERATING EXPENSES		
Compensation and Benefits	7,501	6,890
Occupancy	2,219	2,534
Taxes and Licenses	3,623	3,669
Security, Clerical, Messengeria and Janitoria	1,033	943
Insurance	1,335	1,301
Advertising	1,166	1,215
Litigation on Assets Acquired	185	161
Policy Reserves	(1,482)	2,315
Insurance Benefits and Claims	790	527
Miscellaneous	10,418	8,760
Total Other Operating Expenses	26,782	28,329
NET INCOME BEFORE INCOME TAX	12,904	12,907
TAX EXPENSE	4,200	3,210
NET INCOME AFTER TAX	P 8,704	P 9,747
ATTRIBUTABLE TO:		
Equity holders of the parent	P 8,706	P 9,750
Non-Controlling Interest:	(12)	(16)
	P 8,754	P 9,747
EARNINGS PER SHARE		
Basic	1.32	2.15
Diluted	1.32	2.15

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards (PFRS)

BDO UNIBANK, INC. & SUBSIDIARIES
BDO Corporate Center, 7899 Makati Avenue, Makati City

STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions of Pesos)

	For the three-month period ending March 31, 2020	For the three-month period ending March 31, 2019
NET PROFIT	P 8,754	P 9,747
OTHER COMPREHENSIVE INCOME(LOSS)		
Items that are or will be reclassified subsequently to profit or loss:		
Net unrealized gains (losses) on debt investments at FVOCI, net of tax	(3,460)	3,804
Transfer of realized gains on disposed debt investments at FVOCI to statements of income, net of tax	103	40
Impairment losses on debt investments at FVOCI	0	8
Total gains (losses) on FVOCI securities, net of tax	(3,357)	3,852
Translation adjustment related to foreign operations	(31)	13
	(3,380)	3,865
Items that will not be reclassified to profit or loss:		
Remeasurement on life insurance reserves	(513)	(2,327)
Unrealized gains (losses) on equity investments at FVOCI, net of tax	(1,753)	504
	(2,266)	(1,823)
Share in other comprehensive income (loss) of associates accounted for under equity method	(8)	1
Other Comprehensive Income (Loss), net of tax	(5,634)	2,043
TOTAL COMPREHENSIVE INCOME	P 3,120	P 11,790
Attributable To:		
Shareholders of the Parent Bank	3,141	11,793
Non-controlling Interest	(21)	(3)
	P 3,120	P 11,790

STATEMENTS OF CHANGES IN EQUITY
COMPARATIVE PERIODS ENDING MARCH 13, 2020 AND 2019
(AMOUNTS IN MILLIONS OF POUNDS)

Common Stock	Preferred Stock	Additional Paid-in Capital	Other Reserves	Surplus Fund	Net Unaudited Fair Value Carrying Amount FVOCI	Accumulated Other Comprehensive Income (Loss)	Revaluation Increment	Revaluation on Life Insurance Reserve	Accumulated Other Comprehensive Income (Loss) of Associates	Total Attributable Shareholders' Equity
43,014 P	5,150 P	124,060 P	13,302 P	12 P	182,000 P	7,441 P	11,224 P	322 P	368,522 P	1,055 P 379,507 P
12		110								
12	C	118	33	0	11,550	0	0	11	0	131 (125) 158 (1,540) (1,482) 0 (1,431)
					8,765	15,101		43,331	(3)	3,143 (81) 3,320
11	C	0	40	0	140	0	0	0	0	0 0 0 0 0
					185,402	8,837	11,224 P	955 P	8 P	379,507 P 379,507 P
43,760 P	5,150 P	123,377 P	14,268 P	9 P	183,377 P	8,830 P	11,224 P	1,008 P	14 P	387,572 P 777 P 388,349
11		82								
11	0	82	C	0	11,628	0	0	0	3	103 (1,820) 1,717 (1,540) 0 (1,540)
					8,702	15,344		42,827	1	11,789 (21) 11,768
C	0	0	106	0	113	0	0	0	0	0 0 0 0 0
					185,282	8,830	11,224 P	1,008 P	25 P	387,572 P 777 P 388,349
49,751 P	5,150 P	123,460 P	14,084 P	0 P	183,444 P	8,830 P	11,224 P	1,008 P	10 P	397,608 P 777 P 398,385

Disposals of Equity Securities Classified as FVOCI

Balance at January 1, 2019

Disposals of Equity Securities Classified as FVOCI

Balance at March 31, 2019

BDO UNIBANK, INC. & SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2020 AND 2019
(Amounts in Millions of Pesos)

Page 5

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	12,984	12,587
Adjustments for:		
Interest income	(40,712)	(38,811)
Interest received	39,884	39,116
Interest expense	7,735	11,084
Interest paid	(7,018)	(12,137)
Impairment losses	2,260	1,286
Depreciation and amortization	2,039	1,564
Share in (profit)/loss of associates	(305)	(159)
Fair value loss (gain)	4,904	260
Operating profit before changes in operating resources and liabilities	20,751	15,100
Decrease (increase) in financial assets at FVTPL	(4,536)	(3,943)
Decrease (increase) in loans and other receivables	(21,804)	12,253
Decrease (increase) in investment properties	(240)	(618)
Decrease (increase) in other resources	2,410	(2,953)
Increase (decrease) in deposit liabilities	90,405	(58,507)
Increase (decrease) in insurance contract liabilities	(1,254)	2,050
Increase (decrease) in other liabilities	(13,237)	3,353
Cash generated from (used in) operations	72,435	(32,836)
Cash paid for income tax	(656)	(555)
Net Cash From (Used in) Operating Activities	71,779	(33,381)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of premises, furniture, fixture and equipment	(1,322)	(747)
Proceeds from disposals of premises, furniture, fixture and equipment	415	15
Acquisition of investment securities at amortized cost	(36,545)	(36,139)
Maturities of investment securities at amortized cost	29,425	4,474
Proceeds from disposal of financial assets at FVOCI	20,438	7,970
Acquisition of financial assets at FVOCI	(30,957)	(27,720)
Net Cash From (Used in) Investing Activities	(17,546)	(52,247)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock	130	133
Proceeds from bills payable	115,540	94,154
Payments of bills payable	(84,620)	(80,970)
Redemption of subordinated notes payable	(10,000)	0
Payments of lease liabilities	(815)	(5)
Dividends paid	(1,054)	(1,652)
Net Cash From (Used in) Financing Activities	18,578	31,632
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	72,779	(53,996)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	64,110	53,719
Due from Bangko Sentral ng Pilipinas	309,040	354,132
Due from other banks	38,956	55,252
Investment Securities at Amortized Cost	300	9,108
SPIURRA	0	22,009
Interbank Loans Receivable	31,277	42,214
FCNC	5,345	4,828
	448,068	541,362
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and other cash items	51,079	42,534
Due from Bangko Sentral ng Pilipinas	362,653	349,068
Due from other banks	43,383	41,090
Investment Securities at Amortized Cost	713	848
SPIURRA	13,560	10,003
Interbank Loans Receivable	42,276	39,719
FCNC	5,181	3,634
	521,345	487,396

CHECKLIST OF REQUIRED DISCLOSURES
BANCO DE ORO UNIBANK, INC.
For the three months ended: March 31, 2020

FINANCIAL INFORMATION

6. Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles.

The Bank's interim financial statements are in compliance with Philippine Financial Reporting Standards.

- 7.a A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.

The Bank's interim financial statements have been prepared consistent with its most recent annual financial statements as of December 31, 2019.

- 7.b Explanatory comments about the seasonality or cyclical nature of interim operations.

Remarks: There is no seasonality or cyclical nature in the Bank's operations.

- 7.c The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

Remarks: NONE

- 7.d The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

Remarks: NONE

- 7.e Issuances, repurchases, and repayments of debt and equity securities.

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

On March 10, 2020, the Bank redeemed its P10.0 billion Unsecured Subordinated Notes in accordance with the instrument's optional redemption date.

- 7.f Dividends paid (aggregate or per share) separately for ordinary shares and other shares

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.

On February 27, 2020, the Board of Directors approved the declaration of cash dividends for the first quarter of 2020, in the amount of P0.30 per common share for a total of P1.3 billion. The dividends were paid on March 27, 2020.

- 7.g Segment revenue and segment result for business segments or geographical segments whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements)

The Bank's comparative revenues and expenses by business segment are included as an attachment to this report.

- 7.h Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

Remarks: NONE

- 7.i The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Remarks: NONE

- 7.j Changes in contingent liabilities or contingent assets from December 31, 2019.

- Total Contingent Accounts was steady at P2.2 trillion with material movements from the following accounts:
 - Outstanding Guarantees Issued and Export LCs Confirmed decreased 6% and 7% to P2.8 billion and P7.3 billion, respectively, owing to lower volume of trade transactions and other guarantees issued as of the quarter-end.
 - Likewise, Bills for Collection and Late Deposits and Payments Received dropped 21% and 97% to P8.8 billion and P103 million, as of the cut-off date.
 - Treasury activities yielded the following:
 - Spot Exchange Sold declined 73% to P5.4 billion.
 - Forward Exchange Bought and Sold increased 11% and 21% to P157.2 billion and P169.5 billion, respectively.
 - Interest Rate Swap Receivable and Payable both went down 8% to P14.2 billion.
 - Other Contingent Accounts grew 6% to P439.4 billion due to expansion in Committed Credit Lines.

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	Commercial Banking	Investment Banking	Private Banking	Leasing & Financing	Insurance	Others	Total
Revenues							
From external customer							
Interest income	39,507	4	318	437	445	1	40,712
Interest expense	(7,430)	0	(79)	(203)	(23)	0	(7,735)
Net interest income	32,077	4	239	234	422	1	32,977
Intersegment revenue							
Interest income	40	5	0	0	6	1	50
Interest expense	(15)	(19)	(2)	(3)	(1)	(23)	(66)
Net interest income	35	(14)	(2)	(3)	5	(22)	(6)
Other operating income							
Investment banking fees	0	121	0	3	0	0	121
Others	8,224	26	316	259	(934)	162	8,053
	8,224	147	316	259	(934)	162	8,154
Total net revenues	40,314	137	553	487	(507)	141	41,125
Expenses							
Other operating expenses							
Depreciation and amortization	1,800	27	17	185	26	21	2,076
Impairment losses	2,230	0	1	23	(1)	1	2,260
Others	24,156	20	313	147	37	83	24,967
	28,186	228	331	361	121	105	29,332
Segment operating income	12,128	(6)	222	125	(636)	36	11,793
Tax expense	3,322	9	70	43	631	5	4,900
Segment net income	8,796	(100)	152	82	(1,300)	31	7,383
Statement of Financial Position							
Total resources							
Segment assets	3,176,750	6,723	37,653	26,849	55,273	5,160	3,310,430
Deferred tax assets (liabilities) - net	8,750	(154)	23	134	48	0	8,844
Intangible assets	5,332	137	13	1	53	1	5,542
	3,190,852	6,716	37,693	26,984	55,374	5,161	3,321,816
Total liabilities	2,914,032	2,746	32,203	23,336	49,041	1,996	2,922,353
Other Segment Information							
Capital expenditures	1,150	4	2	73	0	1	1,240
Investment in associates under equity method	0	0	0	0	0	4,952	4,952
Share in the profit of associates	0	0	0	0	0	305	305

	Commercial Banking	Investment Banking	Private Banking	Leasing & Financing	Insurance	Others	Total
Revenues							
From external customer							
Interest income	37,639	5	376	55	373	3	38,811
Interest expense	(10,465)	0	(309)	(389)	(21)	0	(11,084)
Net interest income	27,074	5	167	126	352	3	27,727
Intersegment revenue							
Interest income	80	10	0	1	11	0	111
Interest expense	(24)	(16)	(11)	(47)	(1)	(18)	(113)
Net interest income	56	(6)	(11)	(46)	10	(9)	(2)
Other operating income							
Investment banking fees	0	204	0	0	0	0	204
Others	10,908	115	480	279	4,378	155	16,815
	10,908	319	480	279	4,378	155	16,819
Total net revenues	38,241	319	636	359	5,040	149	44,544
Expenses							
Other operating expenses							
Depreciation and amortization	1,303	22	16	207	15	21	1,584
Impairment losses	1,287	(2)	0	0	1	0	1,286
Others	22,874	189	318	172	3,801	93	26,887
	25,204	209	334	379	3,817	114	29,657
Segment operating income	12,837	110	302	(20)	1,423	35	14,687
Tax expense	3,007	34	49	4	103	13	3,240
Segment net income	9,830	76	253	(24)	1,250	22	11,447
Statement of Financial Position							
Total resources							
Segment assets	2,900,514	5,487	45,485	37,599	49,233	5,718	3,041,139
Deferred tax assets (Liabilities) - net	8,277	(185)	28	123	34	(116)	8,265
Intangible assets	5,176	267	21	12	52	0	5,468
	2,913,767	5,469	45,534	39,662	49,319	5,702	3,057,873
Total liabilities	2,571,088	1,659	39,835	30,634	39,773	2,587	2,687,645
Other Segment Information							
Capital expenditures	1,560	11	11	88	8	4	1,691
Investment in associates under equity method	0	0	0	220	0	4,716	4,936
Share in the profit of associates	0	0	0	(15)	0	174	159

BDO Unibank, Inc. and Subsidiaries
Reconciliation
As of March 31, 2020 and 2019
(Amounts in Millions of Pesos)

	<u>2020</u>	<u>2019</u>
Revenue		
Total segment net revenues	41,125	44,544
Elimination of intersegment revenues	<u>871</u>	<u>(1,942)</u>
Net revenues as reported in profit or loss	<u>41,996</u>	<u>42,602</u>
Profit or loss		
Total segment net income	7,593	11,447
Elimination of intersegment profit	<u>1,161</u>	<u>(1,700)</u>
Net profit as reported in profit or loss	<u>8,754</u>	<u>9,747</u>
Resources		
Total segment resources	3,324,816	3,057,873
Elimination of intersegment assets	<u>(38,006)</u>	<u>(43,767)</u>
Total resources	<u>3,286,810</u>	<u>3,014,106</u>
Liabilities		
Total segment liabilities	2,923,359	2,687,645
Elimination of intersegment liabilities	<u>(8,765)</u>	<u>(11,939)</u>
Total Liabilities	<u>2,914,594</u>	<u>2,675,706</u>

MANAGEMENT'S DISCUSSION & ANALYSIS

1. Comparable discussion that will enable the reader to assess material changes in financial condition results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.

1.a. Balance Sheet – March 2020 vs. December 2019

- Cash and Other Cash Items decreased 20% to P51.1 billion, from a high year-end 2019 level owing to deposits generated during the Christmas season.
- Due from BSP went up 17% to P352.7 bill on mainly from deposit growth.
- Due from Other Banks increased 11% to P43.4 billion due to higher placements and working balances with correspondent banks.
- Net Loans and Other Receivables inched up 2% to P2.3 trillion coming from increases in Customer Loans, Interbank Loans and Securities Purchased Under Reverse Repurchase Agreements (SPURRA). Other Receivables, on the other hand, went down 25% partially offsetting the growth.
- Other Resources declined 16% to P31.9 billion due to lower volumes of outstanding credit card transactions as of the cut-off date.
- Total Deposits grew 4% to P2.5 trillion as Demand and Savings deposits hiked 26% and 5%, respectively. Time deposits, on the other hand, went down 9%.
- Bills Payable grew 19% to P198.6 billion following the issuance of the P40.1 billion fixed rate bonds in February 2020.
- The Bank redeemed its P10.0 billion Subordinated Notes Payable in March 2020.
- Other Liabilities went down 12% to P99.0 billion mainly due to mainly to lower levels of accounts payable and bills purchased contra-account.

1.b. Balance Sheet – March 2020 vs. March 2019

- Total Resources expanded 9% year-on-year period to P3.3 trillion as Customer Loans increased 11% funded by deposits, the bond issuance and re-invested profits.
- Cash and Other Cash Items rose 20%, year-on-year, mainly from deposit growth.
- Net Loans and Other Receivables rose 11% owing to an increase in Customer Loans to P2.2 trillion. Likewise, Interbank Loans, SPURRA and Other Receivables went up 11%, 66% and 9%, respectively.
- Bank Premises and Net Finance Lease inflated 37% to P45.5 billion due to reclassifications from Investment Properties as well as the full implementation of the new PFRS 16 lease accounting standard. The Bank only adopted partial modified retrospective application of the standard to selected subsidiaries in the first quarter of 2019.
- Consequently, Investment Properties dropped 15% to P16.9 billion.
- Deferred Tax Assets rose 7% to P8.8 billion resulting from the Bank's retirement obligation.
- Other Resources declined 8% mainly due to lower outstanding credit card transactions as of the cut-off date.
- Deposit Liabilities grew 9% year-on-year, as Demand and Savings deposits expanded 62% and 12%, respectively. Time deposits, on the other hand, dropped by 12%, partially offsetting the growth.

- Bills Payable rose 13% to P198.6 billion from the issuance of the P40.1 billion fixed rate bonds in February 2020.
- The Bank redeemed its P10.0 billion Subordinated Notes Payable in March 2020.
- Insurance Contract Liabilities surged 26% to P41.7 billion on higher BDO Life business volumes.
- Total Equity grew 10% to P372.2 billion from continued profitable operations.

1.c Income Statement – March 2020 vs. March 2019

- The Bank reported a Net Income attributable to Equity holders of the Parent Company of P8.6 billion, a 10% decline from the P9.8 billion for the same period last year.
- Net Interest Income expanded 19% to P33.0 billion owing to higher margins and an increase in the Bank's interest-earning assets.
- The Bank set aside P2.3 billion as Provision for Impairment Losses, 76% higher than the previous year's P1.3 billion.
- Other income slid 39% to P9.0 billion from the following:
 - Trading Loss of P4.6 billion compared to a Trading Gain of P1.3 billion for the same period last year primarily attributed to BDO Life's unit-linked portfolio as affected by over 30% decline in the equity markets. However, this has a corresponding decline in insurance policy reserves.
 - Trust Fees grew 9% to P922 million on higher level of funds managed.
 - Foreign Exchange (FX) Gain dropped 68% to P291 million on adverse market movements owing to the pandemic.
 - Insurance Premiums hiked 20% to P3.9 billion owing to higher BDO Life business volumes.
 - Other Income went up 8% to P1.3 billion mainly from higher income from associates.
- Operating Expenses dropped 5% to P26.8 billion on account of the following:
 - Employee Benefits rose 9% due to salary increases as well as a higher manpower count from business expansion.
 - Occupancy expenses slid 12% following the newly implemented lease accounting standard.
 - Litigation/Assets Acquired expenses went up 15% from higher costs relating to litigation and maintenance of acquired assets.
 - Policy Reserves were reversed by P1.5 billion on BDO Life's unit-linked funds following adverse market movements.
 - Insurance Benefits and Claims jumped 51% from higher BDO Life business volumes.
 - Security, Clerical and Janitorial expenses as well as Other Operating Expenses grew 9% and 19%, respectively owing to an expanded distribution network and increased business volumes.
- Tax Expense climbed 30% to P4.2 billion on a higher taxable income base.

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1.d Comprehensive Income – March 2020 vs. March 2019

- From a Net Income of P8.8 billion, Total Comprehensive Income for the first quarter of 2020 registered at P3.1 billion, comprised of a P3.4 billion decline in gains on FVOCI Securities, a negative P3 million translation adjustment related to foreign operations, a negative P513 million remeasurement on life insurance reserves, a P1.8 billion drop in unrealized gain on equity investments at FVOCI as well as a negative P8 million share in Other Comprehensive Income (OCI) of subsidiaries and affiliates.
- This represents a 74% decline from the Total Comprehensive Income of P11.8 billion for the same period last year, inclusive of a P9.7 billion Net Income, a P3.9 billion increase in gains on FVOCI Securities, a P13 million translation adjustment, a negative P2.5 billion remeasurement on life insurance reserves, a P504 million increase in unrealized gain on equity investments at FVOCI and a P1 million share in OCI of subsidiaries and affiliates.

2. Discussion of the company's key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.

Indicator	3M 2020	3M 2019	12M 2019
Return on Average Common Equity (%)	9.52% ✓	11.83% ✓	12.75%
Return on Average Assets (%)	1.08% ✓	1.29% ✓	1.44%
Net Interest Margin	4.36% ✓	3.91% ✓	4.15%
Liquidity Ratio	29.51% ✓	30.69% ✓	27.80%
Debt to Equity	783.04% ✓	790.69% ✓	760.49%
Asset to Equity	883.04% ✓	890.69% ✓	860.49%
Interest Rate Coverage	267.47% ✓	217.17% ✓	245.49%
Profit Margin	17.60% ✓	18.16% ✓	19.97%
Capital Adequacy Ratio	13.82% ✓	13.98% ✓	14.26% ✓
Basic Earnings per Share	1.92 ✓	2.15 ✓	10.02

- Return on Average Common Equity and Return on Average Assets declined to 9.52% and 1.08%, respectively, on lower bottomline profits.
- Net Interest Margin improved to 4.36% from growth in interest-earning assets as well as an improvement in funding mix.
- Liquidity Ratio went down, year-on-year, to 29.51% owing to customer loan growth.
- Debt to Equity and Assets to Equity declined to 783.04% and 883.04%, respectively, as both total equity and total asset growth outpaced the increase in liabilities.
- Interest Rate Coverage rose to 267.47% on the improvement in funding cost.
- Profit Margin dropped to 17.60% owing to lower non-interest income.
- Capital Adequacy Ratio, covering credit, market and operations risk, went down to 13.82% as growth in risk weighted assets outpaced the increase in total qualified capital.
- Basic earnings per share went down by P0.23 year-on-year to P1.92 for the first quarter on lower Net Income.

3. Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations of the following:

- 3.a Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.

Remarks: NONE

- 3.b Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Remarks: NONE

- 3.c Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

Remarks: NONE

- 3.d Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

Remarks: NONE

- 3.e Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations.

The Bank is expecting scaled down business operations due to the Enhanced Community Quarantine brought about by the COVID-19 pandemic.

- 3.f Any significant elements of income or loss that did not arise from the issuer's continuing operations.

Remarks: NONE

- 3.g The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item.

The term "material" in this section shall refer to changes of items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Vertical Analysis-Material Changes

I. Balance Sheet – March 2020 vs. December 2019

Remarks: NONE

II. Balance Sheet – March 2020 vs. March 2019

Remarks: NONE

III. Income Statement – March 2020 vs. March 2019

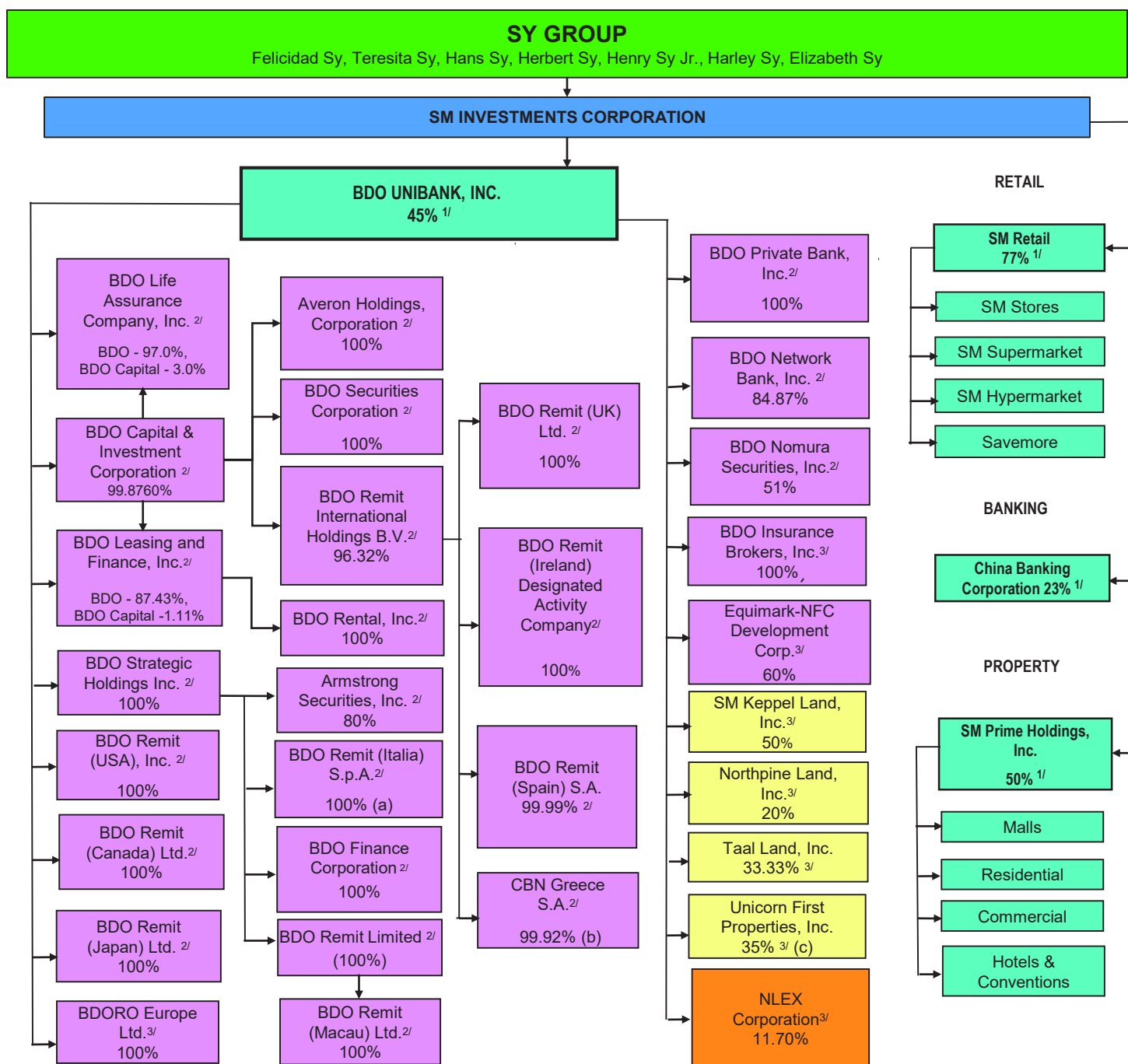
- Interest Expense on Deposit Liabilities as a percentage of Total Interest Expense went down 11.0% to 72.2%, due to lower levels of high-cost Time deposits.
- Interest Expense on Bills Payable increased 8.3% to 25.1% of Total Interest Expense as a result of the bond issuance.
- Trading Loss accounted for -50.5% of Other Operating Income compared to a year-ago level of 8.9%, due to adverse market conditions.
- Accordingly, Service Charges and Fees, Insurance Premiums and Other Income rose to 78.4%, 43.0% and 14.8% of Other Operating Income, respectively.
- Policy Reserves represented -5.6% of Operating Expenses vis-à-vis 8.2% for the same period last year, primarily from revaluation of BDC Life's unit-linked funds.
- Income Tax as a percentage of Pre-tax Income increased 7.5% to 32.4%, on higher taxable income base.

3.h Any seasonal aspects that had a material effect on the financial condition or results of operations.

Remarks: NONE



BDO Unibank, Inc. Group Map
As of December 31, 2019



^{1/} SMIC Group's effective ownership interest as of September 30, 2019 (includes direct & indirect ownership)

^{2/} Financial entities

^{3/} Non-Financial entities

- (a) Dissolved
- (b) Under liquidation
- (c) For dissolution

- SMIC's Subsidiaries/Affiliates
- Stockholder of BDO
- Subsidiary
- Affiliate
- Other Related Party

BDO UNIBANK, INC.
Financial Soundness Indicator
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	14.3%	13.8%	0.5%
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%	18.3%	1.7%