

OUR FUTURE, TODAY.



BDO

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Corporate Information

Corporate Mission

To be the preferred bank in every market we serve.

Corporate Vision

To be the leading Philippine bank and financial services company that empowers customers to achieve their goals and aspirations, combining our entrepreneurial spirit, international perspective, and intense customer focus to deliver a personalized banking experience that is easy, straightforward, and convenient, while taking pride in building long-term relationships and finding better ways to deliver offerings of the highest standard.

Corporate Profile

BDO is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including Lending (corporate and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Corporate Cash Management, and Remittances in the Philippines. Through its local subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Rural Banking, Life Insurance, Insurance Brokerage, and Stock Brokerage services.

BDO is a member of the SM Group, one of the country's largest and most successful conglomerates with businesses spanning retail, mall operations, property development (residential, commercial, hotels and resorts), and financial services. Although part of a conglomerate, BDO's day-to-day operations are handled by a team of professional managers and bank officers. Further, the Bank has one of the industry's strongest Board of Directors, composed of professionals with extensive experience in various fields that include banking, accounting, finance, law, risk management, and retailing/marketing.

Core Values

Commitment to Customers

We are committed to delivering products and services that surpass customer expectations in value and every aspect of customer services, while remaining prudent and trustworthy stewards of their wealth.

Commitment to a Dynamic and Efficient Organization

We are committed to creating an organization that is flexible, responds to change, and encourages innovation and creativity. We are committed to the process of continuous improvement in everything we do.

Commitment to Employees

We are committed to our employees' growth and development and we will nurture them in an environment where excellence, integrity, teamwork, professionalism, and performance are valued above all else.

Commitment to Shareholders

We are committed to providing our shareholders with superior returns over the long term.

2017

AT A GLANCE

P 28.1 Billion

All-time-high net income

First green bond issued by a bank in the Philippines

IFC's first green bond investment in a financial institution in East Asia and the Pacific

US\$150,000,000

1,180
Branches

4,022
ATMs



76

Newly Opened
Branches



#1 Total
Deposits



#1 Gross
Customer Loans



#1 Assets Under
Management

We had a great year.

AWARDS & RECOGNITION

Best Bank in the Philippines

Euromoney Awards for Excellence 2017
FinanceAsia 2017 Country Awards
Global Finance Best Bank Awards

Best Retail Bank in the Philippines

The Asian Banker International Excellence
in Retail Financial Services Awards 2017

Best Corporate Institutional Bank in the Philippines

The Asset Triple A Country Awards 2017

Best Investment Bank in the Philippines

Global Finance
Best Investment Bank Awards 2017

Bank of the Year, Philippines

The Banker Awards 2017

Best Private Bank in the Philippines

Asian Private Banker
Awards for Distinction 2017
FinanceAsia 2017 Country Awards
Global Finance
Best Private Bank Awards 2017

Look at what we achieved, together.

Message from the Chairman Emeritus



Dear Shareholders,

2017 has been a remarkable year for BDO and its shareholders.

With another year of sustained growth, BDO further solidified its position as the leading bank in the Philippines. We have been the largest bank in terms of total resources, customer loans, deposits, and trust assets under management. We opened 76 new branches this year, making it the largest network at year-end with 1,180 in total.

I personally want to thank our Board of Directors and management team for their continued dedication. You have made BDO the country's leading bank. As we move further ahead, we will continue to transform banking in the Philippines.

Thank you again for your support.



Henry Sy, Sr.
Chairman Emeritus

Message from the Chairperson



Dear Fellow Shareholders,

On behalf of your Board of Directors, it is my pleasure to report that BDO experienced another record performance in 2017. BDO continues to be recognized as a preferred full-service bank and financial services company with market-leading positions in almost all business lines. We have further broadened our scope and nationwide network in both urban and provincial areas, and continued to evolve our capabilities for the digital era. As we continue to grow and lead the way to the future of Philippine banking, we have continued to cultivate trusting relationships with our customers.

We believe that BDO's reputation starts with the culture fostered at the Board level. Our Board of Directors is uniquely comprised of a highly-distinguished group of professionals with diverse backgrounds. Our non-executive directors and independent directors comprise a large majority of our Board.

We have adopted a Board Diversity Policy to encourage varying perspectives in discussion and collective decision. We re-evaluated the composition of our various Board committees to appoint independent directors to the committee chairperson positions, aligning their skills and experiences to bring new viewpoints to committee discussions.

Our Board of Directors firmly believes that effective corporate governance contributes to our continued delivery of long-term shareholder value and is committed to implementing the best practices in corporate governance.

The Board and the management were able to deliver a net income of P28.1 billion on strong growth across various business segments. BDO continues to lead the industry with P2.7 trillion in assets, P1.8 trillion in loans, P2.1 trillion in deposits, P298 billion in capital, and over P1.0 trillion in trust assets under management.

We recognize that our mission "to be the preferred bank in every market we serve" requires intense focus and hard work. It is with the utmost respect that I acknowledge and thank our management team and all of our employees for their dedication to BDO, its customers, and our shareholders.

Yours truly,



Teresita T. Sy
Chairperson

A New Frontier In Philippine Banking

Q&A with Nestor V. Tan,
President & Chief Executive Officer



Q: What were BDO's top priorities for 2017?

A: Our priority is always our customer. In 2017, we sought to further enhance our position as a leading full-service bank in the Philippines with capabilities to serve all Filipinos and cover every banking need. We focused on opening more branches, especially in provincial areas, for increased client coverage. We completed our integration and expansion of One Network Bank (ONB) to cater to the underserved and unserved portion of the population, which is estimated at 70%.

We also focused on broadening our products and services. We expanded BDO Life Assurance coverage by staffing Financial Advisors in nearly 90% of our branches. We introduced new offshore mutual funds to expand our investment offerings to clients. Our continuing investments in IT and digital banking allowed us to deliver financial services more quickly and conveniently.

I view 2017 as a pivotal year in terms of shifting our mindset beyond traditional markets. We are expanding into uncharted territories of microfinance and MSMEs, international investing, protection products, and digital integration. We are moving forward committed to innovate and grow with our customers to better serve their needs.

Q: Did 2017 performance meet your expectations?

A: From a financial standpoint, I would say yes. We met our income target and experienced broad-based growth across all market segments. These included an 18% year-over-year increase in total loans to an industry-leading P1.8 trillion, led by a balanced expansion in consumer, middle market and large corporate markets.

With respect to our branch coverage, we expanded our network with the opening of 76 new branches in 2017 and grew our CASA by 12%.

From a balance sheet perspective, we completed a P60 billion stock rights offer, the largest ever for a Philippine bank. We also issued the first green bond in December, fully subscribed to and underwritten by the International Finance Corporation (IFC).

Overall, we are pleased with the Bank's achievements in 2017. I commend our management team, as well as all of our employees for these strong results. We are well-positioned for the future in terms of financial strength and focus.

Q: How did market conditions influence performance?

A: Market conditions generally were more favorable in 2017 as compared to 2016. In addition to a strong GDP growth, economic expansion was more broad-based. We benefited from positive sentiment around President Duterte's economic agenda, focusing on accelerated infrastructure spending, rural development, and tax reform. Macroeconomic conditions supported robust loan growth, and interest rates and inflation for the most part remained stable.

The stock market index followed the lead of the economic growth with a record high index of over 8,500, a 25% increase for the year.

The expansion translated to more consumer spending, stronger business activity, and more optimism, which benefited most of our business units. The environment was conducive for BDO to sustain its growth strategy and embark on new strategic initiatives to serve a broader customer base.

"Our values essentially revolve around our people being committed to doing what's right as defined by our We Find Ways principles."

Q: What is BDO's strategy going forward?

A: Our 2018 priorities will be no different from what we have done in the past. It is a three-pronged approach: expanding our market coverage, enhancing our product and service capabilities and building enablers to support the digital and knowledge-worker economy.

We will continue to expand our footprint with more branches, marketing offices, ATMs and other digital outlets.

We are developing our capabilities around the underserved market and venturing deeper into the life insurance space.

We are investing heavily in technology, particularly around cloud computing, big data and analytics, agile development methodologies and cybersecurity.

Our staff education and training is focused on building "bench strength" to cope with our expansion.

Q: How are you envisioning the future banking experience?

A: I think the future banking experience will be described in three words – prompted, integrated and automatic.

Prompted, in the sense that banks will be able to anticipate your future moves and prepare it for you. For example, if your Time Deposit (TD) is maturing, banks will now offer you alternative investments that fit your historical risk profile before you can even think of re-investing.

Integrated, in the sense that banking applications will now be embedded in the application it supports. A peer-to-peer payment will now be a sub-routine within social media applications as convenient as clicking on the “pay” button, just like clicking a “like” button.

Finally, you can now customize instructions to fit your requirements. You can set up your service with instructions such as use my cash card for payments below P500, my debit card for transactions between P501 and P3,000, my installment card for any purchase in excess of P3,000.

There is no denying that we are now entering into a new frontier in Philippine banking. As online and mobile banking usage accelerates, the customer experience will focus on fast and effortless banking transactions. The best customer experience is the one that complements the lifestyle of our customers. More emphasis will be placed on data and analytics to gain insights on customers’ banking needs.

Q: How does a bank the size of BDO remain loyal to its customer service philosophy?

A: Our core values revolve around our commitments to our customers, our organization, our shareholders, and our employees.

It all starts with our commitment to our customers – to provide them with the highest level of customer service. This commitment is best summed up in our service philosophy of “We Find Ways”, our tagline. There are four tenets of “We Find Ways”.

First is customer-focus. Everything we do must have the customer’s objective in mind. It’s redefining our roles beyond just doing our job to fulfilling the customer’s objectives.

Second is out-of-the-box thinking. We are not constrained by traditional ways of doing things. We challenge conventions, beliefs and processes if we believe there is a better way.

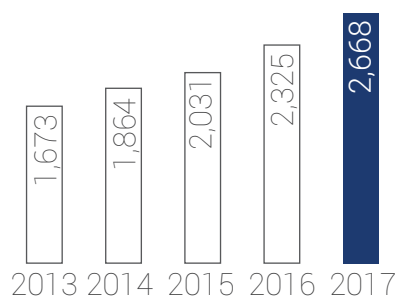
Third is maintaining the right attitude. We go the extra mile knowing that our job is not done until the client is satisfied. Small things like a sincere smile, an extra phone call, or an unexpected referral make for a pleasant customer experience.

The fourth is excellent execution. From beginning to end, the whole servicing process must work without a problem.

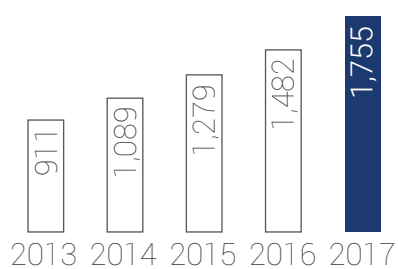
Our values essentially revolve around our people being committed to doing what’s right as defined by our “We Find Ways” principles. We encourage our staff to practice “We Find Ways” every day, and we celebrate success every time we have satisfied a customer. And we do it one transaction, one client, one product at a time.

Financial Highlights

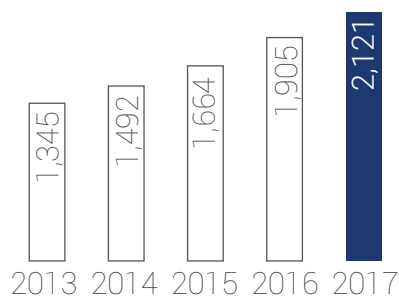
TOTAL ASSETS



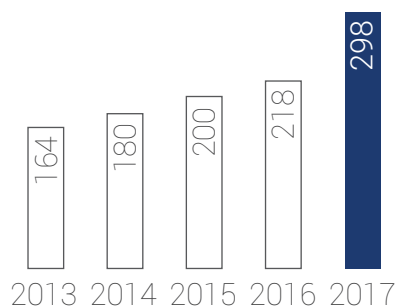
GROSS CUSTOMER LOANS



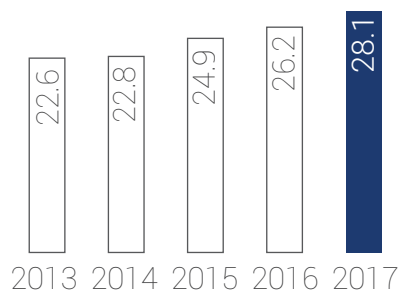
DEPOSIT LIABILITIES



CAPITAL FUNDS



NET INCOME*



*attributable to shareholders of the parent bank

(In billion Php)

Financial & Operating Highlights

	Consolidated			Parent Bank		
	2017	2016	Change	2017	2016	Change
BALANCE SHEET (in billion Php)						
Total Assets	2,668.1	2,325.0	15%	2,524.6	2,189.7	15%
Trading and Investment Securities	332.9	269.0	24%	258.2	207.9	24%
Liquid Assets	842.7	779.9	8%	736.4	689.2	7%
Gross Customer Loans	1,754.9	1,482.0	18%	1,700.9	1,426.4	19%
Deposits	2,121.0	1,905.2	11%	2,045.3	1,833.0	12%
Equity ^{1/}	298.3	217.6	37%	297.7	215.6	38%
INCOME STATEMENT (in billion Php)						
Net Interest Income	81.8	65.6	25%	77.4	61.7	25%
Non-Interest Income	47.2	41.6	13%	33.6	27.5	22%
Gross Operating Income	129.0	107.2	20%	111.0	89.2	24%
Operating Expenses	84.9	70.0	21%	68.9	56.4	22%
Pre-provision Profit	44.1	37.2	19%	42.1	32.8	28%
Allowance for Credit Losses	6.5	3.8	71%	5.8	3.0	93%
Net Profit ^{2/}	28.1	26.2	7%	28.0	24.1	16%
FINANCIAL PERFORMANCE INDICATORS						
Profitability						
Return on Average Common Equity	10.2%	12.7%		10.2%	11.7%	
Return on Average Equity	10.2%	12.5%		10.2%	11.5%	
Return on Average Assets	1.1%	1.2%		1.2%	1.2%	
Margins and Liquidity						
Net Interest Margin	3.5%	3.2%		3.5%	3.2%	
Gross Customer Loans to Deposit Ratio	82.7%	77.8%		83.2%	77.8%	
Liquid Assets to Total Assets	31.6%	33.5%		29.2%	31.5%	
Cost Efficiency						
Cost to Income Ratio	65.8%	65.3%		62.1%	63.2%	
Cost to Average Assets Ratio	3.4%	3.2%		2.9%	2.8%	
Asset Quality						
NPL to Gross Customer Loans	1.2%	1.3%		1.0%	1.2%	
NPL Cover	146.2%	139.4%		156.7%	148.6%	
Capital and Leverage						
CET 1 Ratio ^{3/}	12.9%	10.7%		12.2%	9.7%	
Tier 1 Ratio ^{3/}	13.1%	11.0%		12.4%	10.0%	
Capital Adequacy Ratio ^{3/}	14.5%	12.4%		13.8%	11.4%	
Assets to Equity	8.9x	10.7x		8.5x	10.2x	
DISTRIBUTION NETWORK AND MANPOWER						
Branches	1,180	1,104	7%	1,053	982	7%
ATMs	4,022	3,655	10%	3,788	3,435	10%
Employees	33,747	31,443	7%	29,567	27,429	8%
SHAREHOLDER INFORMATION						
Market Value						
Share Price (in Php)	164.00	112.10	46%	-	-	
Market Capitalization (in billion Php)	716.50	409.16	75%	-	-	
Valuation						
Basic Earnings per Share (in Php)	6.42	6.81	-6%	6.40	6.23	3%
Diluted Earnings per Share (in Php)	6.42	6.81	-6%	6.40	6.23	3%
Book Value per Share (in Php)	66.91	57.99	15%	66.95	57.65	16%
Price-Earnings Ratio	25.5x	16.5x		-	-	
Price to Book Value	2.5x	1.9x		-	-	
Dividends						
Cash Dividends Paid to Common Shareholders (in billion Php)	5.2	4.4		5.2	4.4	
Cash Dividends per Common Share (in Php)	1.20	1.20		1.20	1.20	
Dividend Payout Ratio ^{4/}	18.5%	16.8%		-	-	
Dividend Yield ^{5/}	0.9%	1.1%		-	-	

1/ Total capital accounts, inclusive of non-controlling interest and preferred shares

2/ Net Income attributable to shareholders of the parent bank

3/ Based on audited financial statements

4/ Cash dividends paid during the year divided by net profit for the year

5/ Cash dividends per share paid during the year divided by average daily closing price for the year

Market Overview

Growth in the Philippines remained robust in 2017, slightly exceeding average annual expansion since 2010, and conditions were generally more positive than in the prior year. Government expenditures increased as anticipated and inflation rose within the targeted range. Overall, favorable fiscal and monetary policies persisted and broad expansion in demand underpinned faster growth as the Philippines cemented its place as one of the fastest growing economies in the world.

Economic Environment

The Philippines solidified its position as one of Asia's fastest-growing economies with real GDP expanding by 6.7% in 2017, ranking third behind China (6.9%) and Vietnam (6.8%). The country's economic growth has been robust from 2010–2017, registering an average 6.4%, which is significantly higher than the average 4.5% annual growth in 2000–2009.

Economic expansion was broad-based, with all sectors turning in positive performances. Manufacturing and services led the growth with 8.6% and 6.7%, respectively, as these sectors capitalized on the global trade recovery and a resilient domestic consumer market. Meanwhile, government expenditures went up by 7.3% on the fast-tracked implementation of infrastructure projects, supported by the healthy rise in investments (9.0%) and exports (19.2%).

Inflation rose to 3.2% in 2017 from 1.8% in 2016 largely due to higher international crude oil prices, but within the Bangko Sentral ng Pilipinas' (BSP) 2%–4% target,

allowing the BSP to keep policy rates unchanged and supportive of growth. Meanwhile, the Philippine Peso averaged at P50.40 to a US Dollar, down 5.8% from P47.49 average for 2016, on downward pressures from increasing US Fed policy rates, the reversal of the country's current account to a deficit position and political noise. On a brighter note, the weaker peso translated to greater purchasing power for families of Overseas Filipino Workers (OFWs) and enhanced competitiveness for exporters and the Business Process Outsourcing (BPO) sector.

Before the year ended, Fitch Ratings upgraded the country's sovereign rating to BBB with a stable outlook, citing the country's "strong and consistent macroeconomic performance underpinned by sound policies that are supporting high and sustainable growth rates." This likewise aligned the country's ratings with Moody's (Baa2) and S&P's (BBB) at a notch above investment grade. In December, President Duterte signed into law Package One (1) of the Tax Reform for Acceleration and Inclusion (TRAIN), which supports the government's massive infrastructure program by increasing excise taxes on certain industries (e.g., petroleum products, coal, automobile, tobacco and sugar-sweetened beverages) while reducing personal income taxes.

Regulatory Environment

Banks faced additional regulatory measures in 2017 intended to further strengthen domestic banking and adapt to new accounting standards. Banks classified as Domestic Systemically Important Banks

(DSIBs) by the BSP faced further capital pressures with the phased-in imposition of an additional capital surcharge to enhance DSIBs' loss absorbency, given their impact on the banking system should these banks fail.

In view of additional Basel III guidelines, banks likewise calibrated their exposures ahead of the implementation in 2018 of the Leverage Ratio that requires them to put up at least 5% of Tier 1 capital against risk exposures. This effectively limits banks' maximum exposures to 20x its Tier 1 capital. Further, banks also prepared for the effectivity of the Liquidity Coverage Ratio (LCR) in 2018 which requires banks' high-quality assets to meet 90% of their obligations under normal and stressed conditions, with the LCR to be raised to 100% by January 2019.

Last year also saw banks setting aside higher provisions based on expected rather than incurred losses under BSP Circular 855. In addition, banks prepared for the implementation of IFRS9 in 2018 by enhancing their models and assumptions. IFRS9 requires banks to recognize and provide for expected losses over the next 12 months for performing assets as well as set aside provisions for lifetime expected losses for underperforming and non-performing assets.

Banks also have to be ready for the potential implementation by the BSP of the Net Stable Funding Ratio (NSFR), which requires that banks' assets and activities are structurally funded with long-term and more stable funding sources.

Outlook: Looking Forward to 2018

The Philippine economy is seen sustaining above-trend growth, driven by buoyant household consumption, bullish government infrastructure spending, and continued export recovery. Among the potential headwinds, however, are higher inflation and interest rates, weakening peso due to a growing current account deficit, and lower investments following the removal of preferential tax rates that potentially reduce the competitiveness of BPOs and multinational companies operating in the country.

The passage of the remaining packages under the government's comprehensive tax reform program (CTRP) also bear watching. The government is committed to have Package 2, which gradually lowers the corporate income tax rate to 25% from 30% and rationalizes fiscal incentives, legislated within the year. The other tax reform packages that the government hopes to implement involve tax amnesty (estate, general), as well as sin, property, passive income and financial, and luxury taxes. While ensuring fiscal sustainability, the passage of these tax reforms could adversely impact affected sectors (alcohol, tobacco, mining, and gaming).

Amid the generally positive backdrop setting the stage for a sustainable growth path, the Philippine banking sector, including BDO, is expected to benefit from growth opportunities in the consumer, middle-market and corporate segments on the back of the country's rising per capita income, expanding middle class, young demographics, low banking penetration, accelerating provincial growth, and the government's infrastructure build-up.

Our Strategy

We are driven to empower our customers to achieve their goals.

BDO's overall strategy focuses on further building its strong business franchise to consolidate its leadership position across business lines and strengthen its capabilities to support future growth, while nimbly responding to strategic opportunities and market challenges.

BDO's institutional strength and value-added products and services hold the key to its successful business relationships with customers. Its branches remain at the forefront of setting high standards as a sales- and service-oriented, customer-focused bank. BDO has the largest distribution network, with close to 1,200 consolidated operating branches and over 4,000 ATMs throughout the Philippines.

Through thoughtful acquisitions and sustained organic growth, BDO has positioned itself for increased balance sheet strength and continued expansion into new markets. As of December 31, 2017, BDO remains the country's largest bank in terms of total resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network nationwide.

The Bank believes that its diversified business model with products and services catering to the changing needs of Filipino customers has provided it with a sustainable and recurring earnings stream, mainly comprising core interest income from lending activities, as well as non-interest income from service-based businesses.

The Bank's strategy is focused on three (3) core areas, namely:

1. Building a diversified and sustainable earnings stream on client acquisition through branch expansion, provincial lending and deposit taking initiatives, and increased fee income via cross-selling
2. Creating operating leverage by building a platform that supports future growth, and an innovative digital strategy
3. Prudently managing its balance sheet by conservatively provisioning for risk, complementing current funding with long-term funding sources and ensuring sufficient capital to support growth

Strategic Initiatives

The Bank successfully implemented the following initiatives in 2017:

- One Network Bank (ONB) – Pilot tests on micro-SMEs (small- and medium-sized enterprises) lending model initially conducted in six (6) areas in Davao and Iloilo, with encouraging results. This is in line with the Bank's plan to launch ONB's MSME lending to further boost coverage of the underserved market and support the call of the BSP for improved financial inclusion.
- BDO Life – Raised Financial Advisor (FA) coverage of BDO branches to 89% as of end-2017 vs. 84% as of June 2016 when we acquired full control of BDO Life.

- BDO Nomura – Launched a comprehensive research coverage of over 40 Philippine stocks as well as a weekly report on stock market performance and analysis.
- Digital Initiatives – These include the introduction of biometrics (fingerprint authentication for mobile banking), an ongoing initiative to create a virtual bank to complement the physical branch, and continuing investments to build and complete new architecture and infrastructure to support a modern IT platform.
- Strengthening our online brokerage business through the introduction of a new and more robust retail online trading system and moving to the more aggressive “Customer Activation” stage for increased overall customer engagement as we grow the business in the medium-term.

Further, we will sustain our digital banking initiatives by: going into the next stage of digitization that focuses on cybersecurity; transferring various applications to the Private Cloud; and rolling out of biometrics data capture. These will allow us to nimbly deliver digitally-driven user experiences attuned to the needs of technologically-savvy clientele.

Looking Forward

We will continue to solidify our business franchise through increased market coverage and sustained branch expansion, with most branch openings in areas outside Metro Manila, as we target emerging businesses and the rising middle-class in fast-urbanizing secondary and tertiary cities.

Additionally, we will continue to reach the untapped and underserved markets through ongoing strategic initiatives that include, among others:

- Venturing into microfinance through ONB. Given encouraging results, our plan is to scale up the MSME platform nationwide.
- Building our life protection business by increasing Financial Advisor (FA) coverage across the country alongside our branch expansion and maximizing cross-selling, particularly to the broad-based middle-income market.

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.

Overall Risk Management Culture and Philosophy

The Bank believes that, as there are opportunities, there are associated risks. The objective is not to avoid risks totally, but to adequately and consistently evaluate, manage, control and monitor the risks, and ensure that the Bank is duly compensated for all 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.

Risk Appetite and Strategy

The BDO Unibank Group's goal is to remain a strong bank that is resilient to possible adverse events. Hence, the Bank ensures:

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

For credit risk, market risk, interest rate risk, and liquidity risk, the Bank ensures that these are within Board-approved operating limits. For operational risk, legal and regulatory 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 Bank's activities and transactions.



Bank-Wide Risk Governance Structure

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 (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.

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

The Bank operates an enterprise-wide risk management framework to address the risks it faces in its banking activities.

The Risk Management Group (RMG), which reports to the RMC, 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) to optimize the risk-reward balance and maximize return on capital, in line with the Bank’s risk management mission. RMG also has responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Bank is exposed.

Risk Management Process

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 Bank’s business. The goal of the risk management process is to ensure rigorous adherence to the Bank’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.



Performance

2017 was a milestone year for us. In addition to sustaining our market-leading positions in our major business lines, including Investment Banking, Private Banking, Rural Banking, and Insurance Brokerage, we marked the following achievements:

- In January we completed a Stock Rights Offer (SRO), which raised P60 billion in fresh equity, the largest capital raising transaction ever by a Philippine corporation.
- In August, we issued US\$700 million Fixed Rate Senior Notes under the Bank's Medium Term Note (MTN) Program, the largest ever by a Philippine bank.
- In September, we issued Long-Term Negotiable Certificate of Deposits (LTNCDs) of P11.8 billion, upsized to more than twice the original offer of P5 billion on strong demand from both retail and institutional investors, and representing the second largest LTNCD issue.

- In December, we issued the BDO Green Bond amounting to US\$150 million, the first green bond by a commercial bank in the Philippines with the International Finance Corporation (IFC) as the sole bond investor. This makes the BDO Green Bond the IFC's first green bond investment in a financial institution in East Asia and the Pacific.

We reported an all-time-high net income of P28.1 billion in 2017 on strong growth across all business segments, matching the Bank's earnings guidance and marking a 7% rise year-on-year. Excluding consolidation effects of the life insurance business, however, this represented a strong 15% jump in core earnings on the back of solid growth in loans, low-cost deposits and fee-income.

Customer loans rose by 18% to P1.8 trillion on broad-based increases across all loan segments, while total deposits went up by 11% to P2.1 trillion, led by the 12% growth in low-cost CASA deposits (comprising 73% of total deposits). As a result, net interest income rose by 25% to P81.8 billion.

2017 Record-Breaking Achievements

Increased Bank capital through a P60 billion Stock Rights Offering	Issuance of US\$700 million Fixed Rate Senior Notes	Issuance of US\$150 million First Green Bond by a Bank in the Philippines
Issuance of P11.8 billion Long-Term Negotiable Certificates of Deposits	Posted P28.1 billion Record-High Net Income	

Non-interest income contributed P47.2 billion, higher by 13%, with fee-based income accounting for P28.9 billion for a 30% expansion. In addition, insurance premiums went up by 23% to P9.9 billion. These compensated for the expected 20% decline in trading and forex gains to P3.9 billion given the challenging market conditions. Overall, gross operating income advanced by 20% to P129.0 billion.

Meanwhile, operating expenses rose by 21% to P84.9 billion. However, excluding extraordinary items, operating expenses would have increased by 15%, reflecting BDO's continuing investments in its branch network and strategic initiatives. BDO added 76 branches in 2017, bringing total consolidated branches (including its Hong Kong branch) to 1,180.

The Bank set aside higher provisions amounting to P6.5 billion to cover required provisioning associated with the change in loan loss methodology to Expected Credit Losses (ECL) related to BSP Circular 855 and IFRS9. Gross non-performing loan (NPL) ratio improved to 1.2% from 1.3%, while NPL cover rose to 146% from 139% in 2016.

The Bank's capital base stood at P298.3 billion, with Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) ratio at 14.5% and 12.9%, respectively, both well above regulatory levels. The Bank had raised P60 billion in fresh equity via a stock rights offer in January 2017.

For 2018, BDO believes that its focused growth strategy, robust business franchise and solid balance sheet and capital base place the Bank well-positioned to tap opportunities in growth sectors benefiting from the country's favorable demographics and the government's infrastructure build-up.

Commercial Banking

BDO provides a full range of banking products and services, including lending, deposit-taking, cash management and treasury, under the BDO Unibank brand and its subsidiaries.

Capitalizing on the country's growth momentum, the Institutional Banking Group (IBG) posted 19% year-over-year increase for loans, and 19% growth in commissions and fees. Upbeat sentiment locally translated to an increase in funding requirements for working capital, capacity expansion, acquisitions and re-levering. This increase was driven by clients in sectors typically associated with infrastructure spending and rural development, including the power, property development, mining, telecom, petroleum, cement, and transportation industries. IBG received a number of unsolicited proposals from the large corporate segment looking to capitalize on President Duterte's socio-economic agenda.

Economic expansion also translated to more business activity among SMEs (small, medium enterprises), and capacity expansion in the manufacturing and tourism areas.

IBG expanded its commercial banking group to address the growing number of new accounts by creating more teams and adding more people, as well as new locations to widen its market reach. IBG also tapped fast-rising regional economies to raise provincial lending by 55%.

Looking ahead, IBG intends to further expand its relationship franchise in provincial areas, and address SME opportunities through alternative channels. To capture opportunities expected under President Duterte’s BUILD, BUILD, BUILD program, IBG plans to likewise enhance its capabilities in corporate finance, project finance, capacity expansion and supply chain financing.

In 2017, BDO Leasing and Finance (BDOLF) continued to grow its loan and lease portfolio, as well as total assets, while also successfully managing asset quality. In addition to growing its portfolio by 15% year-over-year, BDOLF maintained a 1.35% NPL ratio, significantly below the industry average of approximately 4%.

Double-digit growth was achieved by leveraging on the Bank’s extensive network and availing of opportunities associated with the regional economic growth during the year. New accounts allowed BDOLF to meet its net income target of P570 million. However, higher funding and operating costs resulted in a flat income performance compared to the prior year.

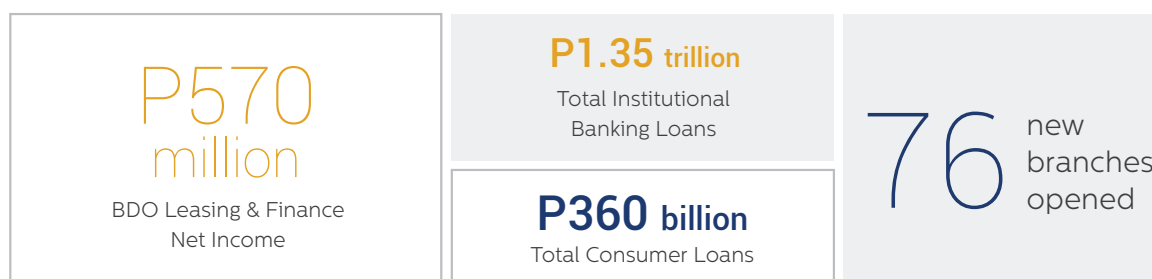
BDOLF was able to maintain its high issuer credit rating of “PRS Aa” from the Philippine Ratings Services Corporation, in recognition of its continuing financial strength and stability.

Moving forward, BDOLF will continue its expansion into provincial areas with emphasis on cross-selling against the IBG client base.

BDO’s retail lending business, operated through the Consumer Lending Group (CLG), increased total loans across all segments by 20% year-over-year. CLG effectively managed opportunities in high-growth areas, with provincial lending up 28% year-over-year, led by home and auto loans. Despite the highly competitive environment, home loans grew by offering competitive interest rates and promotions. Record-high vehicle sales and fast turn-around time contributed to the significant growth in auto loans.

CLG also saw growth in credit card fees, which increased 19%. BDO was first in the industry across topline credit card performance indicators: cards-in-force, card issuing billings, card receivables and merchant acquiring.

To maintain the strong momentum in 2018, CLG will continue to look for opportunities in the provincial areas, as well as leverage on the use of big data and strategic analytics to better understand and predict customer behavior.



BDO's vast network has been, and continues to be, strategically located to reach and address the needs of all Filipinos, from large institutions with diversified banking needs to individuals in remote areas seeking personal banking services. One of the Bank's achievements in 2017 was the opening of 76 new branches (including five new ONB branches) in urban vicinities and provincial areas, resulting in the consolidated branch network standing at 1,180 at year-end, the largest in the country.

The Branch Banking Group's (BBG) market coverage allows it to address the country's low banking penetration rate, where 70% of the population still do not have a bank account. Network expansion in 2017, combined with longer banking hours and continued improvements in customer service, allowed the group to meet its growth targets.

Increasing use of technology requires the Bank to incessantly improve ways to make banking convenient. BBG continues to increase its ATMs and Cash Accept Machines in branches, and enhance Online and Mobile banking services to sustain excellent service delivery. Branch employee training on new regulations, systems, policies and procedures, complemented by advances in technology, work together to deliver great customer experience.

Strategically, BBG will continue to expand BDO's reach into more provinces to cover untapped markets, and will offer a One BDO solution through the strategic cross-sell of other bank products and services.

Despite challenging market conditions, such as rising interest rates and volatile foreign exchange markets, the Treasury Group recorded strong net interest income growth in 2017. Total income, however, was lower versus 2016 as a result of the expected decline in trading and foreign exchange gains.

The Treasury Group was able to diversify the maturity of the Bank's funding sources and supported expansion plans by accessing the capital markets on favorable terms, including the issuance of P11.8 billion LTNCDs with a coupon of 3.625%, the lowest rate and largest single issuance at the time by a local bank. This was followed by an issuance of US\$700 million of Fixed Rate Senior Notes, with a coupon of 2.95%, the tightest spread over US Treasuries at the time of issue.

The Treasury Group's key thrusts for 2018 will be to continue the opportunistic build-up of BDO's securities portfolio and more aggressive marketing efforts in existing and growth markets.

Investment Banking

BDO's investment banking subsidiary, BDO Capital & Investment Corporation (BDO Capital), maintained its focus on successful transaction delivery for its clients, and once again led a number of high profile equity and debt capital market deals.

BDO Capital's strategy is to present options to access capital and liquidity that have proven effective through market cycles. BDO's significant reach and robust balance sheet support BDO Capital's innovative portfolio of products and prudent risk management, to make it the premier choice for clients seeking access to debt and capital markets.

BDO never rests on its laurels, and BDO Capital is no exception to this rule. BDO Capital leveraged on the Bank's market knowledge and experience across a broad range of industries to anticipate clients' capital and funding requirements, resulting in its participation in most of the deals that have come to market.

2017 was characterized by rising interest rates, widened credit spreads, and more deals in the equity and debt capital markets. However, intense competition

created a downward pressure on fees across the industry, tempering net income performance.

2017 was characterized by rising interest rates, widened credit spreads, and more deals in the equity and debt capital markets. However, intense competition created a downward pressure on fees across the industry, tempering net income performance. Against this backdrop, BDO Capital's dynamic team was able to sustain the company's leadership position while meeting the needs of borrowers and issuers.

Highlights from the year include BDO Capital's continued deal leadership, as it successfully closed 15 of 21 deals: 9 of 12 bond issuances, 2 of 3 preferred share issuances, 3 of 4 initial public offerings (IPOs) and 1 of 2 commercial paper issuances (CPs). Moreover, the Group's combined stockbrokerage businesses, which include BDO Securities, BDO Nomura and Armstrong Securities, ranked 2nd among local stock brokers in terms of value turnover in 2017, and BDO Nomura now has the second largest research coverage among all houses.

For 2018 and beyond, BDO Capital will pursue regional expansion with a particular focus on mergers and acquisitions (M&As) and IPO activity.

#2 in Research Coverage
in the Philippines

15/21

Deals Closed
by BDO Capital

BDO Capital's team will work to further strengthen institutional relationships with partners, private equity funds, foreign banks, local investors, and foreign investors to maximize deal opportunities. With regard to client coverage, BDO Nomura's innovative online platform will continue to be an attractive option for retail customers. BDO Capital will also leverage on the Bank's relationships to help nurture middle-market corporate accounts that could one day be ripe for an initial public offering.

By creating new products and remaining accessible to clients – BDO Capital is well-positioned to serve the Bank's growing corporate and individual client base.

Wealth Management and Advisory

BDO's trust and wealth management business posted modest performance in 2017, maintaining total assets held in trust above the P1 trillion mark. Of these assets, approximately 70% is managed by the Bank's Trust and Investments Group (TIG) and 30% is managed by BDO Private Bank's Wealth Advisory and Trust Group.

TIG recorded modest growth in trust fund levels and trust fees, each increasing 6% over 2016. In terms of market share in

the trust industry, BDO maintained its dominant position, accounting for 33% of the market.

TIG experienced limited growth opportunities in 2017 owing to various factors related to changes in the regulatory environment, as well as market conditions. In the Unit Investment Trust Funds (UITF) business, the Bank's fund level accounts for approximately 40% of the market. Accordingly, BDO experienced substantial declines in volume following the implementation of a new Bangko Sentral ng Pilipinas (BSP) rule discontinuing access to BSP deposit facilities for trust entities. New regulations also made it difficult for trust entities to offer certain services to clients.

To mitigate regulatory and market challenges, TIG sought alternative investments for clients to optimize their returns. In anticipation of a weaker peso, U.S. dollar denominated funds were offered as attractive investment outlets. The group is focused on propelling growth by further diversifying offshore investments, offering a variety of feeder UITFs to broaden foreign offerings and offer additional exposure to overseas capital markets.

In 2017, TIG enhanced its online investment platform, BDO Invest Online, to include feeder funds. TIG is the first accredited



and designated administrator of the Personal Equity and Retirement Account (PERA), also launched BDO PERA Online to allow prospective clients to accomplish onboarding requirements through the internet. TIG intends to extend the platform to enable clients to fully operate their accounts.

Expansion of investment opportunities in both the local market and via offshore products is a priority for 2018 and beyond. In addition to the globalization of investments, TIG intends to implement the advisory model for client relationships to offer a more complete investment experience. As the group transitions its systems to an integrated front, middle and back-office system, functionalities will be enhanced to further meet client needs.

BDO Private Bank (BDO PB) focuses on client asset management with personal service, and offers products and services customized to each client's unique needs. With emphasis on diversification, BDO PB was the first institution in the Philippines to adopt the open architecture approach, which provides clients with access to investment opportunities beyond BDO proprietary products.

In 2017, BDO PB continued to make progress on its multi-year refocusing strategy, which consists of the following three pillars: emphasis on trustee accounts, expansion of investment options to cater to clients' global aspirations and expansion of the family office function. In addition, BDO PB reset its baseline with a redefined AUM measurement to reflect the true source of value for the business.

In this context, BDO PB registered a solid 44% growth in trustee accounts, and a modest showing in overall AUM growth using the new benchmark. However, lower trading income negatively impacted net income. BDO PB intends to further reduce dependency on trading profits as strategic priorities focus on growing the share of trustee accounts to 50% of total.

BDO PB takes a balanced, thoughtful and integrated approach to serving its private banking clients. In addition to sophisticated advice, clients will continue to look for best-in-class investments and solutions in the years ahead. BDO PB will continue therefore to leverage its open architecture to grow the share of global non-traditional asset allocation.

Payments and Information Services

BDO's Transaction Banking Group (TBG) is in the business of banking and payments, thereby helping customers with their money everyday. It is at the heart of customers' financial lives in a way that few other businesses can be. As such, TBG understands the importance of its role in helping Filipinos make the best financial decisions, and the most of their money. TBG offers products, services and advice that help customers make the best choices, and in doing so, benefitting the Philippine economy.

While a strong branch network gives BDO an unrivalled presence in the Philippines, the Bank's investments in technology are a key growth driver that cultivates loyalty as customers are able to access BDO services from their computers, telephones and mobile devices anytime, and from anywhere. The online and mobile banking services offered allow customers to access our services more often. And as familiarity grows, so do trust and loyalty.

BDO's physical and virtual assets are supported by talented and well-trained employees, who are qualified to serve as financial problem-solvers for customers. This combination is unique in the Philippines, and drives client satisfaction which resulted in the strong growth in customer deposits.

Overall, TBG grew income by 19% when compared with 2016. Of particular note was a 23% year-on-year increase in Cash Management income, with continued strength across all four market segments: large corporations, middle market, international and SMEs. Moreover, BDO maintained its dominant 40% market share in the remittance category on the back of strong core dollar value and transactional numbers.

For 2018 and beyond, TBG will pursue expanded market coverage, investments in technology and simplified processes to

move closer to the heart of our customers' lives. More broadly, TBG will continue to engage with customers through "conversational banking" which offers a personalized banking experience, and digitize the payment chain from merchant to consumer.

Insurance Services

BDO Insurance Brokers (BDOL) helps the bank's clients achieve financial security and peace of mind by offering accessible insurance solutions to protect their assets and productive capacity. The services that BDOL offers are interrelated with the Bank's other complementary businesses, and align with BDO's broad portfolio of banking and financial products intended to improve financial inclusion and uplift the financial lives of Filipinos.

As regulations in the Philippines have opened up to alternative distribution channels, BDOL has seized the opportunity to capitalize on digital channels to reach the uninsured and under-insured, while micro-insurance options have made coverage accessible to the low-income community.

In 2017, BDOL also extended its reach beyond BDO's network of branches to find new and innovative ways to reach

40% Remittances
market share

23% Cash Management
Services Income
(YoY)

customers. In collaboration with Pioneer Insurance and The SM Store, “Insure ME@SM” was relaunched. This means that BDOI conveniently offers Dengue Insurance, CTPL Insurance for vehicles, and Travel Insurance to SM shoppers in 57 malls nationwide. Initiatives such as these make real BDOI’s vision to provide accessible insurance options to more Filipinos.

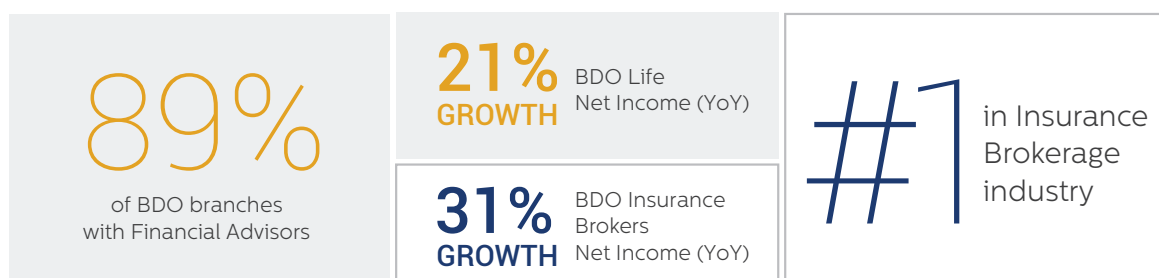
2017 was another strong year for BDOI, as both retail and corporate market segments delivered strong growth in commissions with an average of 22% growth. Overall, BDOI posted income growth of 31% when compared to 2016. Moreover, BDOI sustained its No. 1 position in the industry in terms of premiums and commissions, a performance made possible by strong synergies with the Bank’s lending and branch units.

For 2018, BDOI intends to grow its distribution through SM Stores, continue leveraging on BDO’s nationwide branch network and explore new digital channels to reach new markets and better serve existing customers. Equally important is the thrust to continue investing in employees – ambassadors of the BDO brand – to deliver top-notch service to customers across the Philippines.

BDO Life Assurance (BDO Life) has two enviable advantages: an exceptional team and a growing customer base. These competitive advantages are supported by a strong balance sheet, and being part of the largest financial services group.

BDO Life has grown to become one of the leading life insurance providers in the country, and focuses almost exclusively on recurring premium business. This simple but effective strategy has proven to be sustainable under varying market conditions, generating distinctive results over time. Moreover, as a subsidiary of the country’s largest bank, BDO Life benefits from access to customers across the Philippines through an unparalleled branch network, and offers a growing suite of digital services to complement strong customer relationships.

In 2017, improvements in disposable income, market liquidity and the upward trajectory of equities, buoyed insurance markets and boosted the top line growth to the industry. BDO Life’s talented and adept team seized the opportunity presented by these tailwinds and BDO’s extensive branch network to achieve scale and leverage, thereby attracting new clients to the Bank’s suite of life insurance products. At the end of the year, 89% of BDO’s branches hosted



a Life Financial Advisor ready to serve the insurance needs of BDO's clients. To further improve sales effectiveness, sales managers were empowered with greater latitude to cross-sell services across a smaller number of branches.

Approaching the Philippines' underserved life insurance market in this manner resulted in a successful year as BDO Life posted record income growth of 21% when compared with 2016. Premium growth that was more than double the industry underpinned BDO Life's topline strength.

2018 will see BDO Life continue to reinforce branch engagement to sustain referrals and solidify repeat sales. BDO Life will continue to invest in projects to automate underwriting and simplify the process for clients from application to claims. By helping the Filipino anticipate challenges and defy uncertainty, BDO Life empowers customers to look to the future with confidence.

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 supported 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.

2017 was a year of positive change and continual improvement in BDO's corporate governance practice. It has incorporated the recommendations of 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, where appropriate, 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, 2017.

Governance Structure

Board of Directors

Functions:

- Responsibility for good governance lies with the Board.
- It is responsible to provide effective leadership and overall direction to foster the long-term success of the Bank.

Board Snapshot

Diverse and Balanced Composition

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

Director Diversity



Director Age



Skills, Experience & Background



- It oversees the business affairs of the Bank, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices.
- It oversees management performance, enterprise risk management framework, internal control system, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and CEO. It considers sustainability issues related to the environment and social factors as part of its sustainable banking practices.

Composition

The Board is composed of 11 members and aided by 4 Advisers. The members of the Board are all professionals with expertise in banking, accounting and finance, law, merchandise marketing, strategy formulation, bank regulations and risk management. It is led by a Non-Executive Chairperson with 5 Independent Directors, 4 Non-Executive Directors and only one Executive Director who is the President and CEO. Independent Directors make up 45.45% of the members of the Board, which exceeds the requirement of SEC and BSP.

The Board is responsible for the selection of new directors thru the Nominations Committee. It leads the process of identifying and evaluating the nominees for directors. It evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Bank. The result of the evaluation determines the role and key attributes that an incoming director should have. The Nominations Committee receives recommendations of potential candidates and uses, to the extent possible, external search firms or external databases in selecting the pool of candidates for the new members of the Board. The Nominations Committee recommends the most suitable candidate to the Board for appointment or election as director.

For the reelection of incumbent directors, the Nominations Committee also considers the results of the most recent self-assessments of the Board and peer evaluation, attendance record in meetings, participation in Board activities and overall contributions to the functioning of the Board.

In evaluating the suitability of an individual board member and promoting diversity in the composition of the Board, the Nominations Committee takes into account the relevant qualifications of every candidate nominated for

Strong Independent Oversight

Non-Executive Directors including Independent Directors now comprise 90.91% 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.

Director Independence



Board of Directors Meetings 2017

	No. of Meetings Attended	Total No. of Meetings	% Rating
Teresita T. Sy	15	15	100.00%
Jesus A. Jacinto, Jr.	15	15	100.00%
Christopher A. Bell-Knight	15	15	100.00%
Jose F. Buenaventura	13	15	86.67%
Jones M. Castro, Jr.	15	15	100.00%
Antonio C. Pacis	14	15	93.33%
Dioscoro I. Ramos	13	15	86.67%
Josefina N. Tan	15	15	100.00%
Nestor V. Tan	15	15	100.00%
Jimmy T. Tang	15	15	100.00%
Gilberto C. Teodoro, Jr.	15	15	100.00%

election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without regard to race, gender, ethnic origin, religion, age or sexual orientation.

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

Each year, the composition of the Board and board committees including the skills and competencies of its members is reviewed to ensure appropriate balance of skills and experience, and alignment with the new regulations. As a result, 5 board committees namely Risk Management, Corporate Governance, Trust, Nominations and Related Party Transactions were reconstituted by primarily designating Independent Directors as majority members including Chairmanship of these committees.

During the year, the Board reviewed and approved the Bank's budget and business targets, quarterly declaration of dividends, conversion of unissued preferred shares to common shares and the corresponding amendment of the seventh article of its Articles of Incorporation to reflect the conversion, the hiring, resignation and promotions of senior officers, the successive versions of the Corporate Governance Manual of the Bank; and the issuance of up to US\$150 million in Green Bonds to be invested in by the International Finance Corporation via private placement at the tenor of 5 to 7 years. It approved the release of the 2016 audited financial statements within

60 days from year end. Its oversight functions include review of operational and financial performance of senior management and work of the various committees in accordance with their mandates.

Improving Board Effectiveness

Board Performance

A yearly self-assessment is conducted focusing on the performance of the Board, Directors, Committees and Senior Management, through the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaire to each director and adviser. Each of them is required to complete the questionnaire and return the same to the Corporate Governance Officer within the specified submission date. A cover letter is attached to the questionnaire explaining the rationale and objectives of the performance evaluation. Based on the returns from each respondent, the ratings and responses are tabulated and consolidated. The Corporate Governance Officer prepares the overall report and presents this to the Corporate Governance Committee for discussion and endorsement to the Board, including the recommended actions and focus areas to improve effectiveness.

For 2017, the results of the self-assessment were presented to the Board including directors' recommendations to improve effectiveness in its governance functions. The overall assessment showed that the Board continues to operate to 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 view and the relationships between Board and committee members remain strong.

Director Continuing Education

The continuing education program for Directors is an ongoing process to ensure the enhancement of their skills and knowledge. Yearly, 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 continuously possess the knowledge required for their positions. In 2017, the Directors attended the presentation on Peer Comparison for the year 2016 and the Industry Ranking and Peer Comparison for the first quarter of 2017. They were also updated on the latest rules and regulations issued by the SEC and BSP.

Succession Planning

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

Remuneration

Our Remuneration policy is geared towards attracting, retaining and motivating employees and members of the Board. The remuneration framework for senior management includes fixed pay, bonus and long-term is the Employee Stock Option Plan. It is linked to corporate and individual performance, based on an annual appraisal of senior management officers. The five (5) most highly compensated management officers are the President & CEO, three (3) Senior Executive Vice Presidents and one (1) Executive Vice President. For the Non-Executive Directors (NEDs), they receive per diems for attending board and committee meetings. There is no distinction on the fee for

a committee chairman or member. In addition, the Bank grants director fees other than per diems in accordance with law to ensure that the remuneration is commensurate with the effort, time spent and responsibilities of the NEDs.

Dividends

On the dividend policy, the Bank recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. The Bank has been paying a regular cash dividend of P0.30 per quarter, or an annual equivalent of P1.20 per share and will endeavor to do so while maintaining financial flexibility. The procedures in paying dividends entail prior board approval of the record and payment dates as recommended by Management based on BSP, PSE and SEC rules on declaration of cash dividends, and amount to be paid to eligible common shareholders. Upon Board approval, necessary disclosures are made in compliance with regulatory requirements. Upon disclosure of cash dividend declaration, the necessary trading blackout on BDO shares is imposed upon BDO Directors and Officers. Dividends are paid within 30 days from date of declaration. The full dividend policy statement is published in the corporate website.

Related Party Transactions

The Bank has established policies and procedures on related party transactions. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention of management potential or actual conflicts of interest which arise, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews and endorses to the Board for final approval all material RPTs. The Related Party Transactions policy applies to BDO Unibank, Inc., its subsidiaries and affiliates, as applicable and intended to ensure that every related party transaction is conducted in a manner that will protect the Bank from

conflict of interest which may arise between the Bank and its Related Parties; and proper review, approval, ratification and disclosure of transactions between the Bank and any of its related party/ies as required in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related party transaction and any member of the Board who has an interest in the transaction must abstain from the deliberation and approval of any related party transaction. The full version of the Related Party Transactions Policy is published in our corporate website at www.bdo.com.ph/corporate-governance/company-policies.

Chairperson of the Board

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

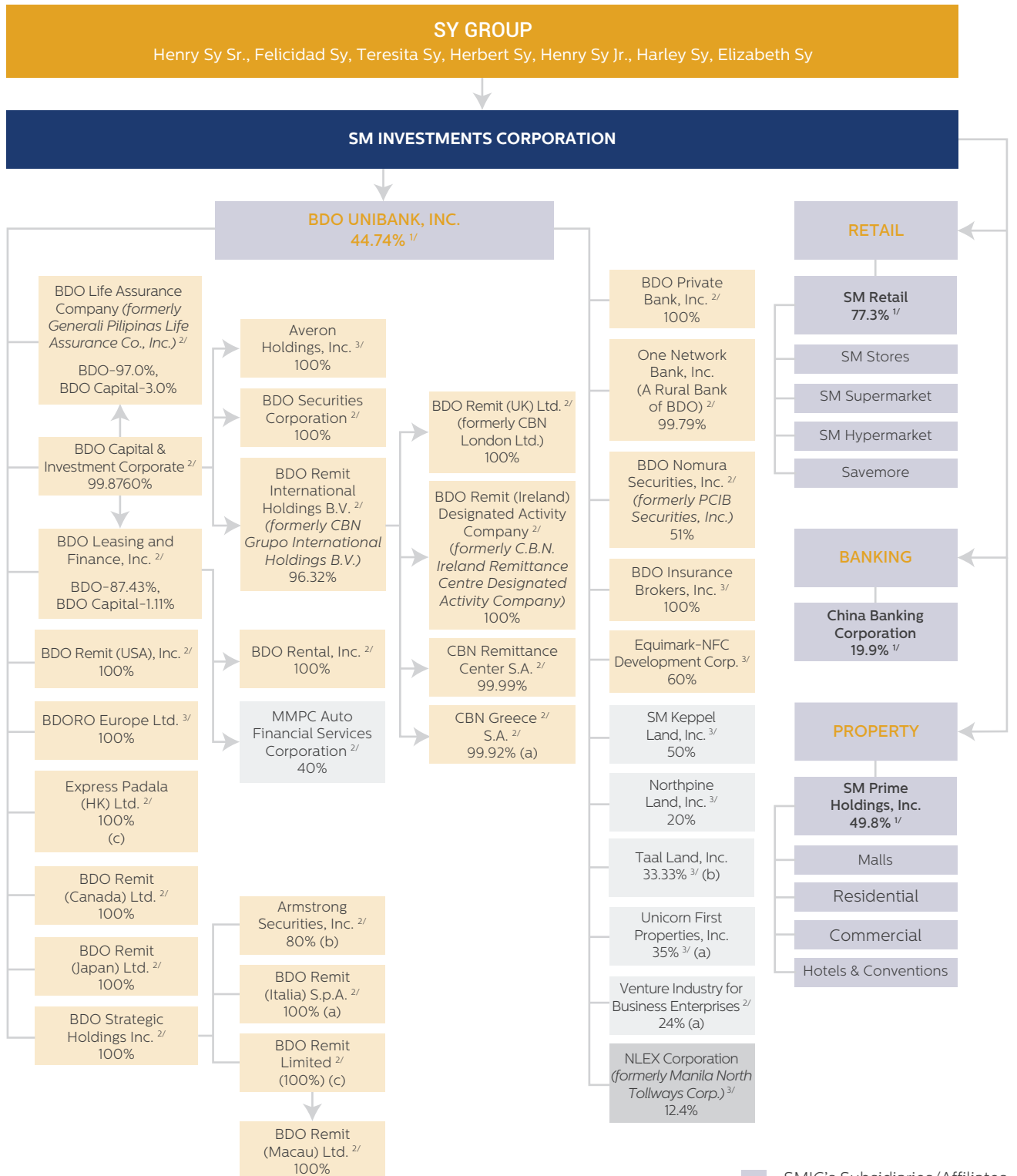
Security Ownership of Directors

As of December 31, 2017, the following are known to BDO to be directly the record and/or beneficial owners of BDO voting securities:

Name of Director	Position/ Type of Directorship/ Principal Stockholder Represented if Nominee	No. of Years as Director	Total No. of Direct (D) and Indirect (I) Shares as of December 31, 2017	Percent to Total Outstanding Shares
Teresita T. Sy	Chairperson/ Non-Executive Director/ SM Investments Corporation	1 st term: 28 2 nd term: 10	394,947 (D)	0.01%
Jesus A. Jacinto, Jr.	Vice Chairman/ Non-Executive Director	21	96,000 (D)	0.00%
Christopher A. Bell-Knight	Non-Executive Director	1 st term: 5 2 nd term: 4	123 (D)	0.00%
Jose F. Buenaventura	Independent Director	4	1 (D)	0.00%
Jones M. Castro, Jr.	Independent & Lead Director	5	1 (D)	0.00%
Antonio C. Pacis	Non-Executive Director	13	4,230 (D)	0.00%
Dioscoro I. Ramos	Independent Director	1	179,440 (D)	0.00%
Josefina N. Tan	Non-Executive Director	1 st term: 4 2 nd term – 10	496,458 (D)	0.01%
Nestor V. Tan	President & CEO/ Executive Director	19	11,019,440 (D)	0.25%
Jimmy T. Tang	Independent Director	33	17,605 (D)	0.00%
Gilberto C. Teodoro, Jr.	Independent Director	3	1 (D)	0.00%

BDO Conglomerate Structure

BDO UNIBANK, INC. GROUP MAP
AS OF DECEMBER 31, 2017



1/ SMIC Group's effective ownership interest (includes direct & indirect ownership)
2/ Financial entities
3/ Non-Financial entities

(a) For dissolution
(b) For sale
(c) For merger

■ - SMIC's Subsidiaries/Affiliates
■ - Stockholder of BDO
■ - Subsidiary
■ - Affiliate
■ - Other Related Party

Board of Directors

Teresita T. Sy

Chairperson

Non-Executive Director

Filipino, 67 years old



Teresita T. Sy has been a member of the Board of Directors of BDO Unibank, Inc. (BDO) (PLC) 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. (PLC), BDO Capital & Investment Corporation, BDO Foundation, Inc., and BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.). Ms. Sy also serves as Adviser to the Board of One Network Bank, Inc. (A Rural Bank of BDO).

Ms. Sy is the Vice Chairperson of SM Investments Corporation (PLC) and Adviser to the Board of SM Prime Holdings, Inc. (PLC). She also sits as Chairperson and/or Director of the following companies: Multi Realty Development Corporation, Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.), SM Mart, Inc., SM Retail, Inc., and First Asia Realty Development Corp. A graduate of Assumption College, 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

Non-Executive Director

Filipino, 70 years old

Jesus A. Jacinto, Jr. was elected to the Board of Directors of BDO Unibank, Inc. (PLC) 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, 59 years old



Nestor V. Tan is the President and CEO of BDO Unibank, Inc. (PLC). He was elected to the Board of Directors on June 27, 1998. Concurrently, he holds Vice Chairmanships and/or Directorships in the following subsidiaries of BDO Unibank, Inc.: BDO Leasing and Finance, Inc. (PLC), BDO Capital & Investment Corporation, BDO Insurance Brokers, Inc., BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.), BDO Private Bank, Inc., BDO Remit (USA), Inc., and SM Keppel Land, Inc. He also concurrently holds the Chairmanship of BDO Strategic Holdings Inc., One Network Bank, Inc. (A Rural Bank of BDO), BancNet, Philippine Dealings System Holdings Corp. and RBB Micro Finance Foundation. He is a Trustee of BDO Foundation, Inc. and the De La Salle University Board. He is also a Director of the Advisory Board of Mastercard Worldwide (Asia Pacific Board) and a Director of the Asian School of Business & Technology. He also serves as President and Director of the Bankers Association of the Philippines.

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



Christopher A. Bell-Knight

Non-Executive Director
Canadian, 73 years old

Christopher A. Bell-Knight was elected to the Board of Directors of BDO Unibank, Inc. (PLC) 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 Advisor to the Board. He was formerly a Director of Solidbank Corporation and Vice President and Country Head of The Bank of Nova Scotia. Mr. Bell-Knight has had over 40 years of banking experience in England, Canada, and Asia, 35 of which were spent in credit and marketing. He is an Associate of the Chartered Institute of Bankers – British; an Associate of the Institute of Canadian Bankers; and a Fellow of the Institute of Corporate Directors. He studied at Frome Grammar School in Somerset, England, and attended universities both in England and Canada.

Antonio C. Pacis

Non-Executive Director

Filipino, 77 years old



Antonio C. Pacis was elected to the Board of Directors of BDO Unibank, Inc. (PLC) on June 25, 2004. He currently serves both BDO and BDO Capital & Investment Corporation as a director. He has been in law practice since 1967, counseling bank and corporate clients in the areas of regulatory, business, corporate and trust law, and individuals in the areas of family law and estate planning. In the course of his practice, he has served in various capacities in companies upon the invitation of clients. He holds degrees from Ateneo de Manila University (AB), Ateneo School of Law (LLB), and Harvard Law School (LLM).



Josefina N. Tan

Non-Executive Director

Filipino, 72 years old

Josefina N. Tan was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) (PLC) 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 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 Communications Arts from Maryknoll College, and a Masters in Business Administration from Ateneo Graduate School of Business.

Dioscoro I. Ramos

Independent Director

Filipino, 59 years old



Dioscoro I. Ramos was elected to the Board of Directors of BDO Unibank, Inc. (PLC) 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.



Gilberto C. Teodoro, Jr.

Independent Director

Filipino, 53 years old

Gilberto C. Teodoro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. (PLC) 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. 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 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.

Jose F. Buenaventura

Independent Director

Filipino, 83 years old



Jose F. Buenaventura was elected to the Board of Directors of BDO Unibank, Inc. (PLC) on April 19, 2013. Since 1976, he has been a Senior Partner at Romulo Mabanta Sayoc & de los Angeles Law Offices. He is President and Director of Consolidated Coconut Corporation, 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*), Eximious Holdings, Inc., Cebu Air, Inc. (PLC), 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., The Country Club, Inc., Total Consolidated Asset Management, Inc., and Turner Entertainment Manila, 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.



Jimmy T. Tang

Independent Director

Filipino, 82 years old

Jimmy T. Tang was elected to the Board of Directors of BDO Unibank, Inc. (PLC) on July 27, 2002. He served as a regular director of BDO from 1984 until his election as independent director. He is President and Chairman of the Board of the Avesco Group of Companies. He currently serves as Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII); Honorary Adviser of the Federation of Electrical and Electronics Suppliers and Manufacturers of the Philippines, Inc. (PESA); and Chairman Emeritus of PESA Foundation. He also served two terms as the 11th President of FFCCCII. Mr. Tang was the ninth President of PESA and the first Chairman of the PESA Foundation, where he served for seven years. He holds a bachelor's degree in Electrical Engineering from the Mapua Institute of Technology and was awarded "Top Outstanding Mapuan for Entrepreneurship" in 1987.

Jones M. Castro, Jr.

Independent & Lead Director

Filipino and American, 68 years old



Jones M. Castro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. (PLC) on April 20, 2012. Mr. Castro has 44 years of banking expertise, with 38 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 managed 12 countries, 11 overseas offices, 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 managed 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, Director of AI Wave Computing, Inc., and is a Fellow at the Institute of Corporate Directors. Mr. Castro obtained his bachelor 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.



Edmundo L. Tan

Corporate Secretary

Filipino, 73 years old

Edmundo L. Tan serves as Corporate Secretary of BDO Unibank, Inc. (PLC) 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. (PLC) and now serves as Adviser of the Board. Atty. Tan is a Director and the Corporate Secretary of APC Group, Inc. from 2000 up to the present until his resignation as Corporate Secretary on May 31, 2017. He served as Director and Corporate Secretary of Philippine Global Communications, Inc. from 2000 until his resignation as Corporate Secretary in 2010 and Aragorn Power and Energy Corporation from 2005 until his resignation as Corporate Secretary in 2012. He is currently Director of PRC MAGMA Resources (2010 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 up to the present. Atty. Tan was a charter member and elected as Trustee of the Philippine Dispute Resolution Center, Inc. (PDRCI) on August 13, 2016 and became President 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.

Corazon S. de la Paz-Bernardo

Advisor



Vicente S. Pérez, Jr.

Independent Advisor

Jose T. Sio

Advisor



Washington Z. SyCip[†]

Advisor

Senior Management



Walter C. Wassmer
Head, Institutional Banking Group



Rolando C. Tanchanco
Head, Consumer Lending Group



Roberto E. Lapid
Vice Chairman and President,
BDO Leasing and Finance, Inc.



Jaime C. Yu
Head, Branch Banking Group



Eduardo V. Francisco
President, BDO Capital &
Investment Corporation



Pedro M. Florescio III
Treasurer



Ador A. Abrogena
Head, Trust & Investments Group



Albert S. Yeo
President, BDO Private Bank, Inc.



Maria Ophelia L. Camiña
Director and Treasurer,
BDO Nomura Securities, Inc.



Edwin Romualdo Reyes
Head, Transaction Banking Group



Lucy C. Dy
Comptroller



Renato A. Vergel de Dios
President and CEO,
BDO Life Assurance Company, Inc.



Jesus Antonio S. Itchon
President, One Network Bank, Inc.
(A Rural Bank of BDO)



Ma. Theresa L. Tan
General Manager,
BDO Insurance Brokers, Inc.



Maria Cecilia G. Fonacier
Head, Marketing
Communications Group



Myla R. Untalan
Head, Digital Infrastructure
Services Group



Ricardo V. Martin
Head, Information Technology
Group



Luis S. Reyes, Jr.
Head, Investor Relations and
Corporate Planning Group



Evelyn L. Villanueva
Head, Risk Management Group



Alvin C. Go
Head, Legal Services Group
and Assistant Corporate Secretary



Estrellita V. Ong
Chief Internal Auditor



Atty. Federico Tancoogco
Chief Compliance Officer

Senior Management

(continued)



Evelyn C. Salagubang
Human Resources Group
Head of Recruitment



Grace C. Palomar
Human Resources Group
Head of Training & Organization
Development



Jose Antonio Rogelio
P. Sta. Ana
Human Resources Group
Head of Workforce Management
& Services



Aurea Imelda S. Montejo
Central Operations Group
Head of Enterprise Support
Operations



Gregorio C. Severino
Central Operations Group
Head of Transaction Banking
and Support



Joseph Gerard D. Tiamson
Central Operations Group
Head of Transaction Processing
& Support Services

Board Committees

The Board is assisted by 9 committees to ensure the effective performance of its roles and functions. Each of the following board committees has its own Terms of Reference that clearly define the composition, duties and responsibilities which are approved by the Board and published in the Bank's website.

Executive Committee

Chairperson: Teresita T. Sy

Members:

Jesus A. Jacinto, Jr.

Nestor V. Tan

Josefina N. Tan

Antonio N. Cotoco

Guia C. Lim

Functions:

- Acts as the main approving body for Bank exposures, particularly approval and confirmation of credit proposals, investment and acquisitions as well as credit-related issues up to its delegated authority, property-related proposals, technology-related projects or such other initiatives to enhance the Bank's operating and service delivery capabilities, and operating policies and/or manuals including amendments thereto as may be recommended by management.
- Approved loans and credit facilities, leases and sale of acquired assets, credit policies, write-offs, resolutions of remedial/problem accounts, leases and acquisitions of branch sites within its Board-delegated authority. It also updated its Terms of Reference, which was approved by the Board accordingly.

Attendees:

The Committee held 55 meetings in 2017 with Ms. Teresita T. Sy attending 52 meetings; Mr. Jesus A. Jacinto; Jr. 53 meetings; Mr. Nestor V. Tan 48 meetings; Ms. Josefina N. Tan 48 meetings; Antonio N. Cotoco 49 meetings; and Ms. Guia C. Lim 50 meetings.

Audit Committee

Chairperson: Jose F. Buenaventura (Independent Director)

Members:

Jones M. Castro, Jr. (Independent and Lead Director)

Jimmy T. Tang (Independent Director)

Advisers:

Jesus A. Jacinto, Jr.

Christopher A. Bell-Knight

Corazon S. de la Paz-Bernardo

Functions:

- The Audit Committee is empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with governance policies, applicable laws and regulations.
- 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 reviews 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:

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 22, 2017, it endorsed for approval of the Board the audited financial statements as of December 31, 2016 including the Notes to the Financial Statements. This was approved by the Board and disclosed to the public on February 27, 2017, 58 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.

In overseeing the internal audit function, it reviewed and approved the Internal Audit Charter and annual 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 invited key officers to discuss high risk issues and action plans to resolve or mitigate the same and continued to keep track of the timely resolution of findings including updates on Information Technology's security controls and action plans to further strengthen IT risk management. It ensured the Internal Audit's independence and unfettered access to all records, properties and information to be able to fully carry out its function. It also assessed the performance of the Chief Internal Auditor and key audit officers. The Committee is satisfied that the internal audit function has adequate resources to perform its function effectively.

On external audit, it approved and endorsed to the Board the reappointment of Punongbayan and Araullo as the Bank's External Auditor including engagement fees after successfully reviewing its performance and independence. It reviewed and approved the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It reviewed the audit results and reports focusing on significant findings and matters with financial impact. It also reviewed the corrective actions taken by management on the External Auditor's findings to address the internal control and compliance issues in a timely manner.

On regulatory compliance, it reviewed and approved the annual plans and compliance roadmaps, enhanced manuals and independent testing frameworks of the Compliance and Anti-Money Laundering (AML) units. It monitored the progress and reviewed the results of the independent compliance and AML testing, timely submission of regulatory and prudential reports as well as continuous improvement of the compliance and AML systems. It discussed the BSP Report of Examination and reviewed the replies and actions taken by management on the findings, observations and recommendations making sure that committed actions are implemented. It also reviewed legislation and regulatory compliance reports from management to ensure that the Bank complies with the relevant regulatory requirements.

The Committee also provided its evaluation on the adequacy and effectiveness of risk management, controls and governance processes of the Bank, Trust and its subsidiaries based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management. It found that these are generally adequate across BDO.

Attendees:

The Committee held 12 meetings in 2017 with all the members in attendance.

Corporate Governance Committee

Chairperson: Gilberto C. Teodoro, Jr. (Independent Director)
(Commencing April 20, 2017)

Members:

Jones M. Castro, Jr. (Independent and Lead Director)
Jimmy T. Tang (Independent Director)
Christopher A. Bell-Knight (until March 25, 2017)
Jesus A. Jacinto, Jr. (until March 25, 2017)

Functions:

- 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.
- 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.
- Annually 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.
- Oversees the continuing education program for directors and key officers and proposes relevant trainings for them.

During the year, the Committee focused on the preparation and submission of a new Corporate Governance Manual aligned with the recommendations of the new SEC Code using the “Comply or Explain” approach. It further revised the Corporate Governance Manual to include in particular, Definition and Term Limit of Independent Directors and Related Party Transactions Policy to comply with the specific regulatory requirements enunciated in BSP Circular 969 and 895, respectively. It also spearheaded the adoption and approval of the Board Diversity Policy, and the revision and approval of the Terms of Reference of all board committees to comply with the new duties and responsibilities prescribed by the SEC and BSP. The committee conducted the corporate governance seminar for directors and key officers, annual evaluation of the Board, committees, executive management and directors including the self-evaluation of its performance. It monitored the submission of corporate governance regulatory reports, publications and continuous disclosures in the corporate website to promote transparency and timely reporting to shareholders and other stakeholders.

The Independent and Non-Executive Directors, chaired by Lead Independent Director Jones M. Castro, Jr. conducted 3 executive sessions with the External Auditor, Chief Risk Officer, Chief Compliance Officer and Internal Auditor without the presence of management to discuss various matters/issues outside of the regular committee meetings of the Audit and Risk Management Committees. The results of these sessions were discussed with the Bank’s Chairperson, President and CEO and Executive Directors.

Attendees:

The Committee held 6 meetings in 2017 with Jones M. Castro, Jr. attending all meetings, Jimmy T. Tang attending 5 meetings while Gilberto C. Teodoro, Jr. attending all 4 meetings since May 19, 2017, Christopher A. Bell-Knight and Jesus A. Jacinto, Jr. 2 meetings until March 25, 2017.

Trust Committee

Chairperson: Antonio C. Pacis

Members:

Nestor V. Tan

Ador A. Abrogena

Christopher A. Bell-Knight (Commencing April 20, 2017)

Dioscoro I. Ramos (Independent Director) (Commencing August 26, 2017)

Gilberto C. Teodoro, Jr. (until March 25, 2017)

Jose F. Buenaventura (Independent Director)

(Commencing April 20, 2017 until August 26, 2017)

Functions:

- Reviews and approves transactions between trust and/or fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property.
- Reviews the Trust and Investment Group's overall performance, profile of funds and accountabilities under its management, industry position, and the risk management reports.
- Evaluates trust and other fiduciary accounts at least once a year.
- Approves offering of new products and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties.

Significant matters taken up by the Committee include among others, the approval of 2017 budget of Trust and Investment Group, list of investment outlets, counterparties and trader limits for fixed income and equity issues, development of new products such as feeder funds, short term funds and investment trust funds with insurance protection feature, amendments to the various fund rules, Terms of Reference of the committee, and additional powers of Trust Officer to approve directed transactions. It also conducted annual issuer review and policy review on credit policies and procedures, counterparty accreditation, investment process, guidelines and procedures.

Attendees:

The Committee held 12 meetings in 2017 with Ador A. Abrogena and Nestor V. Tan attending all meetings, Antonio C. Pacis 11 meetings, Dioscoro I. Ramos 3 of 4 meetings from September 30, 2017 to December 7, 2017 (as member only), Christopher A. Bell-Knight 8 meetings from May 4, 2017 to December 7, 2017, Jose F. Buenaventura 4 meetings from May 4, 2017 to August 26, 2017 and Gilberto C. Teodoro, Jr. 4 meetings from January 7, 2017 to March 25, 2017.

Risk Management Committee

Chairperson: Jones M. Castro, Jr. (Independent and Lead Director)

Members:

Nestor V. Tan

Dioscoro I. Ramos (Independent Director) (Commencing April 20, 2017)

Josefina N. Tan (until March 27, 2017)

Adviser:

Christopher A. Bell-Knight

Functions:

- Responsible for the development of the Bank's risk policies, sets the risk appetite and defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur.
- Responsible to reassess the continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed.
- Oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached.
- Works with the Audit Committee in certifying in the Annual Report the adequacy of the Bank's internal control and risk management systems.

In accordance with its mandate, the Committee conducted regular discussions on the Bank's exposures to various risks including mitigation strategies, where necessary and applicable; large exposures and concentration, asset quality, results of credit stress tests and its impact on capital adequacy; liquidity gaps and results of liquidity stress tests; Value-at-Risk (VAR), Earnings-at-Risk (EAR), results of market risk stress tests and impact on capital adequacy; operational risk profile of the Bank, significant risk incidents, operational losses and impact on capital adequacy, results of Business Continuity Plan (BCP) testing, and any information security incidents; results of the BSP-mandated stress tests (i.e. BSP Uniform Stress Test and Real Estate Stress Test) for banks, and profile of client inquiries/requests/complaints and a general description of the resolutions/actions taken, in compliance with BSP Circular 857 on Consumer Protection.

It approved the Bank's Business Models and Expected Credit Loss (ECL) Methodologies for Loans and Receivables and Investments, in compliance with the mandatory implementation of PFRS9 by January 1, 2018; new Treasury products/activities and corresponding product limits; Revised Terms of Reference of the committee to incorporate the provisions of new regulations issued by the SEC and BSP on corporate governance; results of the annual review of the Bank's risk management policies and limits; newly developed or redeveloped risk management models; Framework and Policy on Social Media Risk Management in compliance with BSP Circular 949, and appointment of the Data Protection Officer (DPO) and BDO Enterprise Privacy Policy to incorporate the provisions of the Data Privacy Act (RA 10173).

Attendees:

The Committee held 12 meetings in 2017 with Nestor V. Tan, Jones M. Castro, Jr. and Christopher A. Bell-Knight attending 4 meetings as member until April 20, 2017 while Dioscoro I. Ramos attending 7 of 8 meetings from May 4, 2017 and Josefina N. Tan attending all 4 meetings until March 27, 2017.

Nominations Committee

Chairperson: Jimmy T. Tang (Independent Director)

Members:

Jose F. Buenaventura (Independent Director)

Gilberto C. Teodoro, Jr. (Independent Director)
(commencing April 20, 2017)

Josefina N. Tan (until March 25, 2017)

Functions:

- Leads the process for identifying and makes recommendations to the Board on candidates for appointment as Directors of the Bank as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and the leadership needs of the Group. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's directions to fill the gaps.
- Makes recommendations to the Board on the composition and chairmanship of the various committees.
- Keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes.

After reviewing the composition of the Board and Committees, it approved the nominations for the regular and independent directors including the Lead Independent Director of the Bank on March 13, 2017. After due deliberations, it recommended to the Board the appointment/election of nominees for the positions of Chairman Emeritus, Chairperson, Vice Chairperson, and Board Committees, and the Bank's corporate officers at the Bank's Organizational on April 20, 2017. It approved and endorsed to the Board for approval the reconstitution of membership of 5 committees namely: Risk Management, Corporate Governance, Trust, Nominations, Related Party Transactions and its Revised Terms of Reference to align with the requirements of SEC Memorandum Circular No. 19 and BSP Circular 969 on July 28 and September 27, 2017, respectively.

The Committee also recommended to the Board for approval the appointment of 3 SVPs and 1 EVP for various key positions in the Bank subject to the confirmation of the BSP. Likewise, it deliberated and recommended for approval the promotion of 4 FVPs to SVPs on June 24, 2017. It recommended the appointment of Director Dioscoro I. Ramos as regular member of the Trust Committee effective September 30, 2017.

Attendees:

The Committee held 7 meetings in 2017 with Jimmy T. Tang and Jose F. Buenaventura attending all meetings while Gilberto C. Teodoro, Jr. attending all 5 meetings from May 19, 2017 to October 24, 2017 and Josefina N. Tan attending 2 meetings on March 13, 2017 and March 25, 2017.

Compensation Committee

Chairperson: Jimmy T. Tang (Independent Director)

Members:

Teresita T. Sy
Josefina N. Tan
Jesus A. Jacinto, Jr.

Functions:

- Provides oversight on directors' compensation and remuneration of senior management and other key personnel, ensuring that compensation scheme is consistent with the Bank's culture and strategy, effectively aligned with prudent risk taking and commensurate with corporate and individual performance.
- Ensures consistency of the compensation policies and practices across the Group.

Matters taken up by the Committee during the year include the review and endorsement for approval by the Board the amendment to the Bank's Financial Assistance Program to reflect the change of interest rates on Employee Loan Facilities for Officers and Staff and its Revised Terms of Reference to comply with the new regulations.

Attendees:

The Committee held 3 meetings in 2017 with all the members in attendance.

Information Technology Steering Committee

Chairperson: Gilberto C. Teodoro, Jr. (Independent Director)

Members:

Nestor V. Tan

Ricardo V. Martin

Functions:

- Provides oversight and governance over the Bank's IT functions, including approvals of information technology-related policies and practices of the Bank and applicable guidelines.
- Approves and endorses to the Board IT-related best practices, strategic plans, policies and procedures.
- Informs the Board of both internal and external IT-related developments and activities, potential challenges and risks, progress vs. strategic objectives.
- Responsible for understanding, managing and mitigating technology risks that confront the Bank and its subsidiaries, ensuring that the risks are properly managed and mitigated, and monitoring of IT performance including status of major IT projects and issues.

In 2017, the committee approved the BDO ITG Strategic Plan, exercised oversight and provided guidance on IT Security to meet the challenges and defend the Bank against the ever evolving threats to information security with a comprehensive IT-security plan established to address new and existing threats; comprehensive review and assessment of BDO's cyber security position using a 3rd party expert to identify risks and design a roadmap to enable rapid security improvement; deployment of IT security solutions that include threat intelligence, Distributed Denial of Service (DDoS) protection, Vulnerability Management Integration, and Advanced Persistent Threat Protection, and desktop security management that includes monitoring and periodic reporting of compliance with security requirements involving Microsoft patching, system software upgrades, ATM critical system protection, and anti-virus signature updates including blocked malware and spam trends.

It also monitored the performance/major IT projects such as the compliance with Minimum Systems Availability Standards for the Bank's customer facing systems; conduct of Technical Contingency Plan (TCP) testing to validate existing recovery procedures and ensure readiness of secondary systems to assume production status in the event of primary system disruptions; BDO IT Enterprise Architecture 1 to establish a forward-looking enterprise IT architecture that will improve BDO's capability to innovate and deliver product and service development to improve the Bank's digital competitiveness; BDO IT Enterprise Architecture 2 to review and assess technology infrastructure, processes, people and capabilities, and to design and propose an infrastructure and organization roadmap, and BDO Private Cloud to deploy an on-premise private cloud infrastructure for cloud-computing, virtualization and development operations use cases.

As of year-end 2017, the BDO and One Network Bank Home pages, as well as BDO's mobile banking application currently reside on the private cloud. Other applications are in the pipeline for private cloud deployment.

Attendees:

The Committee held 10 meetings in 2017 with all the members in attendance.

Related Party Transactions Committee

Chairperson: Dioscoro I. Ramos (Independent Director)
(Commencing April 20, 2017)

Members:

Jones M. Castro, Jr. (Independent and Lead Director)
Jimmy T. Tang (Independent Director)
Jose F. Buenaventura (Independent Director) (until April 20, 2017)

Adviser:

Jesus A. Jacinto, Jr.

Functions:

- Assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Bank and its stakeholders.
- Ensures proper disclosure of all approved RPTs in accordance with applicable legal and regulatory requirements and confirmation by majority vote on the Annual Stockholders' meeting the Bank's significant transactions with related parties.

During the year, the Committee reviewed and endorsed for approval of the Board the Revised Related Party Transactions Policy and significant Related Party Transactions of DOSRI, subsidiaries and affiliates and other related parties. It also reviewed and revised its Terms of Reference to align with the provisions of BSP Circular 969 for approval of the Board.

Attendees:

The Committee held 12 meetings in 2017 with Jones M. Castro, Jr., and Jimmy T. Tang attending all meetings while Jose F. Buenaventura attending 5 meetings until April 20, 2017 and Dioscoro I. Ramos 6 of 7 meetings from May 26, 2017.

Independent Control Functions

Compliance

BDO's Compliance Office, thru the Chief Compliance Officer (CCO), oversees the design of the Bank's Compliance System, the overall compliance framework of the Bank executed thru a Compliance Program, and promotes their effective implementation. The Compliance Office reports to and is under the direct supervision of the Board Audit Committee.

BDO Compliance Office is responsible for overseeing, coordinating, monitoring and ensuring compliance of the Bank with existing laws, rules and regulations through the implementation of the overall compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training.

BDO's Compliance System forms the processes, people, policies and other components that, as an integral unit, ultimately drive the Bank's initiatives to conform to industry laws, regulations and standards. In line with the Bank's initiatives is its commitment to ensure that activities of the bank and its personnel are conducted in accordance with all applicable banking laws and regulations and industry standards, and this commitment to compliance serves to protect the Bank and its stakeholders.

The Anti-Money Laundering Unit (AMLU) under the Compliance Office, together with the Bank's Anti-Money

Laundering Committee (AMLC), focuses on the enforcement of the Anti-Money Laundering Act and its implementing rules and regulations, as well as the Terrorism Financing Prevention and Suppression Act of 2012; the monitoring and reporting of covered and suspicious transactions, and conduct of AML training, aimed towards mitigating the risk of the Bank being used for money-laundering and terrorist financing activities.

The Bank seeks to prevent money-laundering, combat terrorist financing and stop the flow of funds by detecting and reporting money-laundering and terrorist financing red flags, establishing policies and guidelines as articulated in a Board-approved Money Laundering and Terrorist Financing Prevention Program Manual (MLPP) aligned with AML laws and BSP regulations, for frontliners and responsible bank officers to comply with. The Bank's MLPP supports the conduct of proactive and targeted monitoring initiatives to identify suspected money-launderers and terrorists as well as terrorist-related transactional activities.

Internal Audit

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

It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance

processes. Upholding a commitment to integrity and accountability, Internal Audit provides value to senior management and governing bodies as objective source of independent advice.

Internal Audit reports directly to the Board Audit Committee through the Chief Internal Auditor, (parent bank and respective subsidiaries) seeking approval for the annual audit plan, providing updates on accomplishments, reporting results of audit conducted and tracking resolution of audit findings.

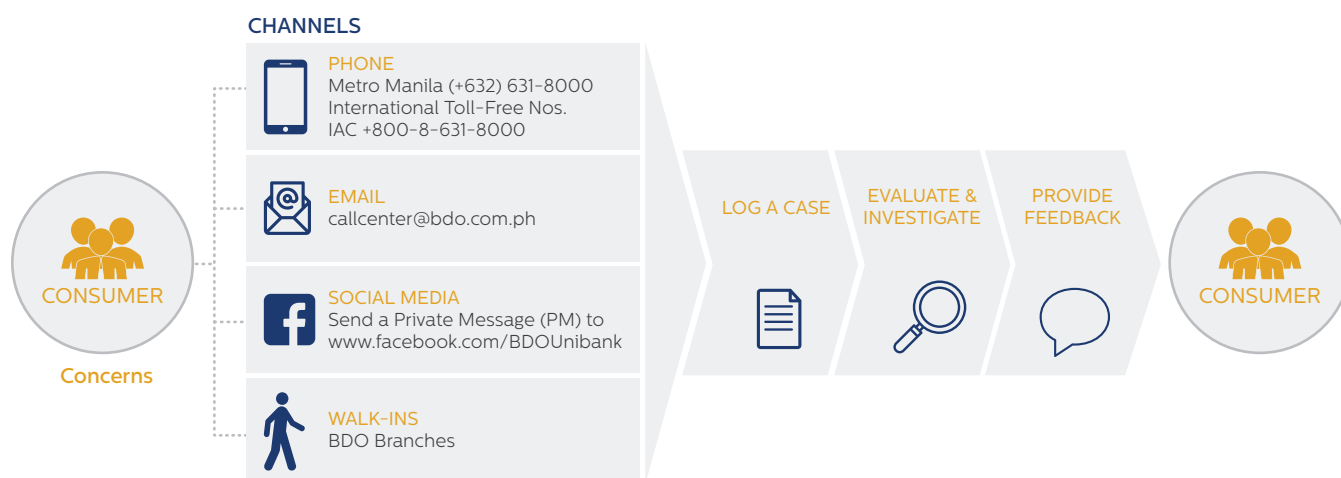
Consumer Protection Practices

The Board of Directors approved on August 29, 2015, the BDO Group's Guiding Principles on Consumer Protection which serves as BDO's framework for defining its Consumer Protection Risk Management System (CPRMS). As specified in the CPRMS, consumer protection practices are embedded in the banking operations, and considered in the development and implementation of products and services.

BDO's Code of Conduct reflects the Bank's commitment to ensuring that its customers are always treated fairly and professionally.

The Bank established in November 2015 a Consumer Assistance Management System (CAMS) to address consumer concerns. To ensure its effective implementation, the BDO Customer Contact Center was designated to serve as the bank's Consumer Assistance Management Unit to ensure customer inquiries, requests and complaints/problems follow standard handling procedures and service levels bankwide. It also monitors timely resolutions by various Business Units of the bank and reports the summary to Senior Management and to the Board's Risk Management Committee (RMC) on a periodic basis. Below is the illustration of the Bank's CAMS.

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. In 2017, CAMS logged over 7 million customer cases of which only 455,842 (6.42%) are problem related in nature and only 134,489



(1.9%) were valid complaints. A majority of the cases were inquiries (60%) and requests (34%).

Compliance with the SEC Code of Corporate Governance

Publicly-listed companies are required to disclose in their Annual Report the company's compliance with the Code of Corporate Governance and where there is non-compliance, to identify and explain reason for each such issue. We confirm that as of December 31, 2017, the Bank has substantially complied with the recommendations of the Code except for the following: 1) Policy on retirement age of directors; 2) Disclosure of board and executive remuneration on an individual basis, and 3) Adopt a globally recognized standard/framework in reporting sustainability and non-financial issues.

On the retirement age of directors, however, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging its duties and responsibilities. Rather, the Board will lose valuable wisdom from the senior directors. By law, once shareholders elect directors, they could not be removed because of age. Hence, the Board decided to hold in abeyance the implementation of the retirement age policy for directors.

On the disclosure of the remuneration on an individual basis for Board members and Executive Officers, the Board has serious reservations given the possible adverse security issues and poaching of talents by competitors in the industry. Hence, it has decided it will not be to the best interest of the Bank to do so at this time. It will disclose the remuneration figures on a consolidated basis only.

On the reporting of sustainability and non-financial issues, the Bank is part of the Sustainable Business Framework of the SM Investments Inc. (SMIC) in reporting of economic, environmental, social and governance issues of its business. SMIC's ESG Report is compliant with the globally recognized standard in reporting sustainability and non-financial issues.

Looking Ahead

The Bank is now entering the era of digital transformation and surely, we are looking at ways to optimize the use of the new technologies to strengthen further our corporate governance practices while remaining vigilant on the risks 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.

Corporate Social Responsibility

It was a productive and meaningful year for BDO Foundation.

The corporate social responsibility arm of the country's leading bank made significant strides as it persistently pursued its disaster response advocacy. Backed by the BDO Unibank community, the foundation found ways to touch the lives of people in places affected by natural or man-made disasters, even in the farthest corners of the country. Health centers were improved. Homes were built. School buildings were constructed. Relief operations were mounted. Relief goods were brought to evacuees from a war-torn city.

Helping Health Centers Deliver Better Services

In 2017, BDO Foundation continued to pursue one of its main programs: the rehabilitation of rural health units

all over the Philippines. By upgrading health centers, the foundation hoped to enable doctors, nurses and midwives to deliver primary healthcare services more effectively. Ultimately, the goal was to help improve the health and well-being of people especially in disadvantaged and disaster-stricken communities.

One such community is Tandag, the provincial capital of Surigao del Sur in Mindanao. The foundation rehabilitated Tandag City Health Office and Birthing Clinic, an initiative that was expected to help improve health services in a place where roughly 2,000 indigenous people such as the Mamanwa, Mandaya and Lumad live.

"Our indigenous folk here are thrilled to see the transformation of our health center," said Tandag City health officer Dr. Ruth Arraz. In fact, a group of five Lumad women trekked for at least three hours from their homes in mountainous Sitio Hitaub just to witness the inauguration of the health center.



Lumad women visit their newly rehabilitated health center.

50

cumulative total number of health centers upgraded since 2012 with 4,751,660 total population covered

18

health centers rehabilitated in 2017 with 1,110,223 total population covered

“All our health services are available to indigenous people. We prioritize them because they live quite far from the city health office. If they can’t come here, we visit them in their communities,” Dr. Arraz explained. “The constituents of Tandag City, including our indigenous communities, are delighted to have such a beautiful health office, birthing facility and workplace.”



By helping health centers in their capacity to deliver services, BDO Foundation contributes to the achievement of the United Nations’ Sustainable Development Goal for ensuring healthy lives, the United Nations’ Millennium Development Goal for the improvement of maternal healthcare and the Philippine Health Agenda’s target of improving the local health services delivery network.

BDO and ONB branch heads support the rehabilitation program by recommending health centers that need help and by coordinating with local government officials. Branch officers serve as BDO’s ambassadors of goodwill in their respective communities.

Covered in the foundation’s rehabilitation of health centers were the overall structures, lobbies and waiting areas, offices, clinics, treatment rooms and pharmacies, among others. Play areas for children, waiting lounges for senior citizens and breastfeeding stations were built. New furniture and fixtures were installed. The foundation also rehabilitated labor rooms and birthing clinics so that pregnant mothers can be given the best patient care possible. The successful improvement of these facilities was expected to help the health centers receive good assessment scores and accreditation from PhilHealth and the Department of Health.

BDO Foundation has upgraded and improved a total of 50 health centers since the rehabilitation program’s inception back in 2012. In 2017, the foundation turned over 18 rural health units in Luzon, the Visayas and Mindanao, reaching a total population of more than a million people. Set for completion in early 2018 is the turn over of 17 rehabilitated health centers in Antique, Capiz, Ilocos Norte, Iloilo, Isabela, Laguna, Negros Occidental, Negros Oriental, North Cotabato, Sorsogon, Surigao del Norte and Western Samar.



 Rehabilitated health centers	 Population covered
Allen Rural Health Unit, Northern Samar	25,469
Sorsogon West District Health Office, Sorsogon	168,110
Municipal Health Office Calabanga, Camarines Sur	83,033
Escalante City Health Office and Escalante City Maternity Clinic, Negros Occidental	94,070
Kabacan Rural Health Unit, North Cotabato	89,161
Oscar M. Lopez Birthing Home and Rural Health Unit of Valencia, Negros Oriental	34,852
Tandag City Health Office and Birthing Clinic, Surigao del Sur	56,364
Rural Health Unit and Reproductive Health Center of San Francisco, Agusan del Sur	74,542
Municipal Health Office LGU-Biliran, Biliran	16,882
Consolacion Health Center, Cebu	131,528
Libertad Main Health Center, Agusan del Norte	21,760
Gen. Tinio Rural Health Unit I, Nueva Ecija	47,865
Nabas Rural Health Unit, Aklan	36,435
Ibajay Rural Health Unit I and Birthing Center, Aklan	49,564
Batan Health Center, Aklan	32,032
Rural Health Unit Marcos, Ilocos Norte	17,777
Rural Health Unit I Hilongos, Leyte	63,431
Bugallon Rural Health Unit I, Pangasinan	67,348
Total	1,110,223

Constructing Classrooms for Calamity-Stricken Schools

As BDO Foundation intensified efforts to rehabilitate rural health units, it also extended a helping hand to schools, particularly those in underserved communities affected by typhoons.

In support of the Adopt-A-School program of the Department of Education, the foundation addressed the need for more classrooms in the country. This was accomplished in collaboration with donors who support the foundation's advocacy, ideals and aspirations. Fully furnished classrooms were built to provide students an environment conducive to learning.

BDO Foundation constructed a school building in San Jose Central School in Tacloban City, Leyte in partnership with private philanthropists. Yolanda battered the school's structures, leaving most of its 98 classrooms damaged. The new structure replaced the ones completely destroyed by the disaster.

In partnership with Consuelo Foundation, BDO Foundation also constructed school buildings for economically disadvantaged students. The partners built a school building for Lawaan National School of Craftsmanship and Home Industries in Eastern Samar and another for Mondragon Agro-Industrial High School in Northern Samar. The initiative is part of Consuelo's projects under its Haiyan Operations for Protection and Empowerment program. Consuelo Foundation is a U.S. non-profit,

private foundation that promotes the well-being of at-risk children and families, and prevents and treats their abuse, neglect and exploitation in the Philippines and Hawai'i.

A public technical-vocational school, Mondragon Agro-Industrial High School specializes in agricultural and industrial education. Also a tech-voc school, Lawaan National School of Craftsmanship and Home Industries is accredited by the Technical Education and Skills Development Authority.





According to Lawaan principal Bienvenido Siguan Jr., "Due to the devastation of Typhoon Yolanda, our school buildings were destroyed, and classes were suspended. This affected our students' education as some of them decided to drop out and leave town to work instead."

"We believe that education can help break the cycle of poverty and provide people opportunities to improve the quality of their lives. To BDO Foundation and Consuelo Foundation, we are truly grateful for building new classrooms. We will maximize

the property to enhance the knowledge and skills of our learners," the school administrator added.

With the school buildings completed, teachers and students no longer have to hold classes in makeshift classrooms, dilapidated rooms, cafeteria or gymnasium. The students now have a better environment more conducive to learning and classroom instruction. Through these school building projects, BDO Foundation gave the youth in calamity-stricken provinces greater opportunities to have good education. The joint projects will not only bring education closer to more children, it will also help rebuild the lives of their families.

There were other ways BDO Foundation supported underserved students. As part of BDO Unibank's contributions to the Department of Education's Brigada Eskwela and Oplan Balik Eskwela programs, the foundation donated personal computers to 45 schools all over the country through ONB, the rural bank subsidiary of BDO.

 School	 No. of students	 No. of classrooms built	 Partners
San Jose Central School, Leyte	2,616	8	University of Santo Tomas Medicine Class '79 and Soroptimist International Makati
Lawaan National School of Craftsmanship and Home Industries, Eastern Samar	850	4	Consuelo Foundation
Mondragon Agro-Industrial High School, Northern Samar	495	8	Consuelo Foundation



Computer sets were distributed to schools in Albay, Batangas, Cavite, Guimaras, Ilocos Sur, Iloilo, Isabela, Laguna, Metro Manila, Nueva Vizcaya, Quezon, Quirino and Tarlac.

ONB turned over PCs to schools in Agusan del Norte, Agusan del Sur, Bukidnon, Davao del Norte, Davao del Sur, Davao Oriental, Lanao del Norte, Maguindanao, Misamis Occidental, Misamis Oriental, Sarangani, South Cotabato, Surigao del Norte, Surigao del Sur, Zamboanga del Norte, Zamboanga del Sur and Zamboanga Sibugay.

In partnership with BDO Foundation, ONB also joined the Department of Education in the nationwide celebration of National Teachers' Month and World Teachers Day. This is in recognition of the significant contributions of educators to youth development and nation building. During the month-long celebration, the rural bank subsidiary of BDO Unibank participated in various activities honoring teachers and conducted trainings on financial literacy, reaching around 100,000 teachers and students from various parts of the country. ONB also handed out first aid kits to some 500 schools at the culminating event, which was attended by around 7,000 teachers from the Bicol region, as well as from Calabarzon and Mimaropa.

Like other sectors marginalized by disasters, the youth was front and center in BDO Foundation's corporate citizenship initiatives in the past year.

Building Homes for Families Hit by Haiyan

Some of the most vulnerable victims of Typhoon Yolanda, known internationally as Haiyan, were persons with disabilities or PWDs. Unlike other survivors, the disabled did not have immediate access to aid. Many were left homeless in the wake of the super typhoon. Due to their disability, their struggles on the road to recovery were more daunting.

In 2017, BDO Foundation reached out to the PWDs of Leyte who were hit by Haiyan. In partnership with local government and the Foundation for These-abled Persons Inc., a non-profit organization that helps PWDs achieve economic self-sufficiency, BDO Foundation financed the construction of 88 disaster-resilient housing resettlement units for disabled people and their families. The model community



PWD community in Sta. Fe, Leyte

located in Barangay San Isidro, Sta. Fe, Leyte is touted as the first of its kind in the country. Residents called their community Tierra Esperanza or land of hope.





One of these residents is Marta Villafaña, a PWD who has served as president of the Federation of Disabled Persons of Leyte. “I’m so happy to be one of the homeowners here,” said Marta as she sat on her wheelchair. “I dreamt that someday PWDs displaced by Typhoon Yolanda would have their own homes. Thanks to BDO, that dream is now a reality.”

In another community severely hit by Yolanda, BDO Foundation also built houses for displaced families. The foundation turned over 40 out of 100 resettlement homes in Barangay Cabalawan, Tacloban City in partnership with the United Nations Human Settlements Programme or UN-Habitat. The 100 single-detached permanent shelters will be completely built by 2018 and turned over to members of the Villa de Tacloban Homeowners Association. The initiative forms part of BDO Foundation’s contribution to UN-Habitat’s Post-Yolanda Support for Safer Homes and Settlements program and the achievement of adequate shelter for all.

The project is also in partnership with the local government of Tacloban, Department of Social Welfare and Development, Social Housing Finance Corporation, and Housing and Urban Development Coordinating Council. The United Architects of the Philippines helped design the housing units, making sure that they are resilient and can be expanded and improved incrementally by the homeowners.

Responding to Natural Disasters

The country was largely spared from devastating natural calamities on the scale of Typhoons Lando or Lawin. Nonetheless, in line with its disaster response advocacy, BDO Foundation conducted relief operations in communities affected by torrential rains, massive floods, landslides and earthquakes. The foundation provided aid to people in provinces placed under a state of calamity. This corporate citizenship initiative was made possible through the tireless support of volunteers from BDO branches and satellite head office units all over the country.

 Disaster	 Province	 No. of beneficiary families	 No. of volunteers
Typhoon Nina	Albay and Camarines Sur	9,200	109
Rains and floods due to low pressure area	Agusan del Norte	2,500	52
6.7-magnitude earthquake	Surigao del Norte	1,250	49
6.5-magnitude earthquake	Leyte	1,700	32
Typhoon Lannie and Tropical Depression Maring	Laguna	80	16
Typhoon Urduja	Biliran and Leyte	6,000	30



In response to the disasters, the foundation immediately mobilized employees from branches near affected areas. BDO officers and staff, ably led by their branch heads, visited evacuation centers to distribute relief packs containing food, rice and water to evacuees. Relief operations were conducted with the support of SM stores and in collaboration with local government officials as well as non-BDO volunteers.

BDO employees found ways to serve their community outside the confines of their offices. They went out of their way to help beneficiaries in their time of need. BDO volunteers found ways to serve less fortunate Filipinos affected by disasters.

Extending Aid to Marawi Evacuees

Even in a city under siege, BDO found ways to lend a helping hand to marginalized members of society.

In May 2017, fighting erupted in Marawi City in Lanao del Sur between government forces and members of a militant group. The crisis displaced thousands of families and forced residents, many of whom were women and children, to stay in evacuation centers or in the homes of their relatives outside the city. The armed conflict affected the lives of civilians as well as soldiers and police personnel.

BDO Foundation acted immediately to extend aid to the families affected by the humanitarian crisis. It exhausted efforts to bring relief goods to evacuees without compromising the safety of volunteers from BDO branches.

The foundation tapped Ako ang Saklay Inc., a non-profit, non-governmental organization that cares for the sick and offers aid to differently abled individuals, for the distribution of relief goods. Led by its director, Claretian missionary Fr. Arnold Abelardo, the Catholic organization conducts relief work for people affected by disasters and organizes outreach and medical missions in underprivileged communities.

Around 35 Ako ang Saklay volunteers distributed the relief goods containing food and water to families staying in evacuation centers in Lanao del Norte. The volunteers also reached out to soldiers and police personnel in camps in Marawi City. Food packs were handed out in Amai Pakpak Medical Center in Marawi, where wounded soldiers and civilians were confined for treatment. Around 3,000 families displaced by the crisis and around 300 soldiers injured by military operations received relief goods provided by BDO Foundation.

In support of the foundation's relief efforts in Mindanao, volunteers from the BDO branches in Butuan also distributed school supplies to an estimated 180 children from Marawi who transferred to schools in Butuan City.



3,000

families and

300

injured soldiers
received relief goods

BDO joined other companies in providing financial assistance to the families of at least 100 soldiers and police personnel killed in the Marawi siege. Facilitated by BDO Foundation, the Bank's P2-million donation was turned over to the families in an event in Malacañang Palace.

BDO Foundation also partnered with Makati Medical Center (MMC) Foundation to support a medical-surgical mission for injured soldiers. The foundation donated 200 hygiene and grooming kits to the Marawi Mercy Mission for military personnel confined at Camp Evangelista Station Hospital in Cagayan de Oro City. The mission was organized by MMC Foundation in partnership with the Philippine Disaster Resilience Foundation and the Adventist Medical Center in Iligan. In partnership with Good Neighbors International Philippines, BDO Foundation also facilitated the distribution of 2,000 hygiene kits to families affected by the Marawi crisis.

For an estimated 33,000 school children displaced by the fighting in Marawi, classes were inevitably disrupted. In response, BDO Foundation and ONB provided 238 teachers with educational kits to enable them to continue teaching students in temporary learning spaces in evacuation centers.

The five-month Marawi siege has ended, and the rehabilitation of the city has begun. The fighting may be over, but the people will continue to depend on the generosity of others to help them cope with the crisis. In response, BDO Foundation will find ways to support them. As the foundation alleviates the plight of people marginalized by natural calamities in the rest of the country, it will also find ways to pursue projects that benefit Mindanaoans affected by armed conflict.

Finding Ways in the Future

Indeed, it was a remarkable year for BDO Foundation, a year marked by significant achievements.

Such achievements were recognized by international award-giving institutions. In 2017, the foundation was honored in the Asia Responsible Entrepreneurship Awards in Thailand for its outstanding and exemplary achievements in social and responsible entrepreneurship. The foundation was also conferred the prestigious Corporate Social Responsibility Program of the Year Gold Award by international finance publication *Asian Banking & Finance* at the Retail Banking Awards 2017 in Singapore. BDO Foundation bested other entries from financial institutions in 30 countries.

These accolades further strengthen BDO Foundation's resolve to continue finding ways to address the needs of less fortunate Filipinos. Spurred by the success of its corporate citizenship initiatives, the foundation will continue its current programs and pursue new ones. Currently in the pipeline are more initiatives including a center for abused children; the completion of resettlement homes for Typhoon Yolanda victims; a financial literacy education program for public school students and teachers, and other underserved sectors; and a capability-building program for small entrepreneurs.

As it commemorates its 10th year in 2018, BDO Foundation looks forward to finding more ways to reach more underserved sectors of society in the future.

Financial Statements

Statement of Management's Responsibility for Financial Statements

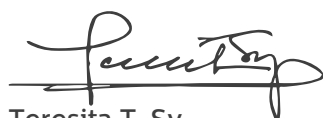
The management of **BDO Unibank, Inc. and Subsidiaries (the BDO Unibank Group)** and of **BDO Unibank, Inc. (the Parent Bank)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2017, 2016 and 2015, 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'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 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's and the Parent Bank's financial reporting process.

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

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



Teresita T. Sy
Chairman of the Board



Nestor V. Tan
President



Pedro M. Florescio III
Treasurer

Signed this 24th day of February 2018

SUBSCRIBED and SWORN to me before this 26th day of February, 2018 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

NAME	CEI Number	Date & Place Issued
1. Teresita T. Sy	CTC No. – 00052502	02.08.2018/Manila
2. Nestor V. Tan	CTC No. – 24536268	01.09.2018/Makati
3. Pedro M. Florescio III	CTC No. – 11984100	02.19.2018/Manila

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

Doc No. 284
Page No. 58
Book No. I
Series of 2018

Atty. JOANNE KAREN S. TATEL
Appointment No. M-289
Notary Public until 31 December 2018
14/F BDO North Tower, BDO Corporate Center
7899 Makati Avenue, Makati City
Roll No. 49198
IBP No. 022872, 03 January 2018, RSM
PTR No. 6619590, 05 January 2018, Makati City
MCLE Compliance No. V-0013001, 12/08/2015

Statements of Financial Position

BDO UNIBANK, INC. AND SUBSIDIARIES

DECEMBER 31, 2017 AND 2016

(With Comparative Figures as of January 1, 2016)

(Amounts in millions of Philippine Pesos)

			BDO Unibank Group			Parent Bank		
			December 31, 2017	December 31, 2016	January 1, 2016	December 31, 2017	December 31, 2016	January 1, 2016
Notes			(As Restated - see Note 2)	(As Restated - see Note 2)	(As Restated - see Note 2)	(As Restated - see Note 2)	(As Restated - see Note 2)	(As Restated - see Note 2)
RESOURCES								
CASH AND OTHER CASH ITEMS	7	P	45,006	P 40,909	P 42,729	P 43,882	P 39,813	P 41,767
DUE FROM BANGKO SENTRAL NG PILIPINAS	7		353,308	318,002	271,808	340,596	304,285	260,841
DUE FROM OTHER BANKS	8		51,479	41,794	24,837	41,088	33,463	20,944
TRADING AND INVESTMENT SECURITIES	9		332,927	269,042	225,759	258,214	207,886	196,500
LOANS AND OTHER RECEIVABLES - Net	10		1,791,786	1,573,965	1,382,752	1,730,732	1,511,981	1,323,311
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11		29,346	26,912	24,995	24,917	22,430	21,152
INVESTMENT PROPERTIES - Net	12		18,040	15,188	14,633	14,496	11,784	11,403
OTHER RESOURCES - Net	13		46,212	39,187	43,846	70,700	58,078	62,760
TOTAL RESOURCES		P	2,668,104	P 2,324,999	P 2,031,359	P 2,524,625	P 2,189,720	P 1,938,678
LIABILITIES AND EQUITY								
DEPOSIT LIABILITIES	15	P	2,121,012	P 1,905,204	P 1,663,853	P 2,045,321	P 1,833,013	P 1,603,047
BILLS PAYABLE	16		130,484	100,556	97,543	105,623	75,800	76,867
SUBORDINATED NOTES PAYABLE	17		10,030	10,030	10,030	10,030	10,030	10,030
INSURANCE CONTRACT LIABILITIES	18		25,986	20,565	-	-	-	-
OTHER LIABILITIES	19		82,252	71,085	60,215	65,990	55,320	49,371
Total Liabilities			2,369,764	2,107,440	1,831,641	2,226,964	1,974,163	1,739,315
EQUITY	20							
Attributable to:								
Shareholders of the Parent Bank			297,488	216,816	199,095	297,661	215,557	199,363
Non-controlling Interests			852	743	623	-	-	-
			298,340	217,559	199,718	297,661	215,557	199,363
TOTAL LIABILITIES AND EQUITY		P	2,668,104	P 2,324,999	P 2,031,359	P 2,524,625	P 2,189,720	P 1,938,678

See Notes to Financial Statements.

Statements of Income

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in millions of Philippine Pesos Except Per Share Data)

	Notes	BDO Unibank Group			Parent Bank		
		2017	2016 (As Restated - see Note 2)	2015 (As Restated - see Note 2)	2017	2016 (As Restated - see Note 2)	2015 (As Restated - see Note 2)
INTEREST INCOME	21	P 99,795	P 82,037	P 72,127	P 93,786	P 76,647	P 68,519
INTEREST EXPENSE	22	18,042	16,413	15,166	16,434	14,989	14,238
NET INTEREST INCOME		81,753	65,624	56,961	77,352	61,658	54,281
IMPAIRMENT LOSSES - Net	9, 13, 14	6,537	3,815	3,000	5,809	3,003	2,709
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		75,216	61,809	53,961	71,543	58,655	51,572
OTHER OPERATING INCOME	23	47,206	41,613	31,840	33,633	27,494	28,551
OTHER OPERATING EXPENSES	23	84,865	69,988	55,144	68,929	56,379	50,394
PROFIT BEFORE PRE-ACQUISITION INCOME		37,557	33,434	30,657	36,247	29,770	29,729
PRE-ACQUISITION INCOME	28	-	(391)	-	-	-	-
PROFIT BEFORE TAX		37,557	33,043	30,657	36,247	29,770	29,729
TAX EXPENSE	29	9,452	6,797	5,701	8,241	5,713	4,829
NET PROFIT		P 28,105	P 26,246	P 24,956	P 28,006	P 24,057	P 24,900
Attributable to:							
Shareholders of the Parent Bank		P 28,070	P 26,234	P 24,917			
Non-controlling Interests		35	12	39			
		P 28,105	P 26,246	P 24,956			
Earnings Per Share:	30						
Basic		P 6.42	P 6.81	P 6.52	P 6.40	P 6.23	P 6.52
Diluted		P 6.42	P 6.81	P 6.52	P 6.40	P 6.23	P 6.52

See Notes to Financial Statements.

Major Stockholders

As of December 31, 2017, the following are known to BDO Unibank, Inc. (BDO Unibank) to be directly or indirectly the record and/or beneficial owners of more than 5% of BDO Unibank's voting securities:

<u>Title of Class</u>	<u>Name</u>	<u>Citizenship</u>	<u>Percentage</u>
Common	SM Investments Corp.	Filipino	40.08%
Common	PCD Nominee Corp. (Non-Filipino)	Foreign	31.84%
Common	PCD Nominee Corp. (Filipino)	Filipino	11.19%**
Common	Multi-Realty Development Corporation	Filipino	6.67%*
Common	Sybase Equity Investments Corporation	Filipino	5.49%*
TOTAL (COMMON)			95.27%
Preferred	Sybase Equity Investments Corporation	Filipino	76.00%
Preferred	SM Investments Corp.	Filipino	24.00%
TOTAL (PREFERRED)			100.00%

* Inclusive of PCD-lodged shares

** Exclusive of PCD-lodged shares of Multi-Realty Development Corporation and Sybase Equity Investments Corporation

Every stockholder shall be entitled to one (1) vote for each share of stock standing in his name on the books of BDO Unibank, unless the law otherwise provides. Cumulative voting shall be used in the election of the members of the Board of Directors.

Products and Services

Personal Banking

BRANCH BANKING

Peso Deposits

- Peso Checking Account
- Peso Savings Account
- Peso Time Deposit

Foreign Currency

- US\$ Savings Account
- US\$ Time Deposit
- Third Currency Savings Account
- Third Currency Time Deposit

Other Services

- Telegraphic Transfer
- Safe Deposit Box
- Night Depository

CONSUMER LOANS

- Auto Loan
- Home Loan
- SME Loan
- Personal Loan
- Credit Cards
- Merchant Payment Services

Business Banking

BDO LEASING AND FINANCE

- Finance Lease
- Operating Lease
- Factoring of Receivables
- Amortized Commercial Loan
- Installment Paper Purchase
- Floor Stock Financing

CORPORATE LOANS AND SERVICES

- Revolving Credit Line
- Term Loan
- Discounting Facility
- Trade Finance
- Documentary Collection
- Project Finance

TRADE SERVICES

- Import and Domestic Letter of Credit
- Standby Letter of Credit
- Trust Receipts
- Export Financing

BDO CAPITAL & INVESTMENT CORPORATION

- Equity and Quasi-Equity Financing
- Fixed Income Financing
- Financial Advisory Services
- Stock Brokerage

Wealth Management

TRUST AND INVESTMENTS

- Unit Investment Trust Funds
- Customized Portfolio Management
- Corporate Trusts and Agencies
- Securities Services and Custodianship
- Personal Equity and Retirement Account (PERA)
- Investment Management Advisory Services
- Easy Investment Plan
- Easy Redemption Plan
- Online Investment Facility

BDO PRIVATE BANK

- Wealth Advisory
- Investment Advisory and Portfolio Management
- Estate and Succession Planning
- Trust Agency and Specialized Trust Services

Insurance

BDO INSURANCE BROKERS, INC.

- Property Insurance
- Motor Insurance
- Engineering Insurance
- Marine Hull Insurance
- Aviation Insurance
- Marine Cargo Insurance
- Liability Insurance Bonds
- Specialty Insurance
- Employee Benefits
- Risk Assessment/Management

BDO LIFE ASSURANCE COMPANY, INC.

- Individual Life Insurance Protection
- Education
- Savings and Retirement
- Group Life Insurance
- Employee Benefits
- Credit Life

Property Management

- Property Leasing
- Property Sales

Transaction Banking Services

- Cash Management Services
- Electronic Banking
- Remittances

Treasury Dealership and Brokering Services

- Fixed Income Brokering Services
- Foreign Exchange
- Derivatives

Awards and Recognition

Best Bank

BDO UNIBANK, INC.

Best Domestic Bank in the Philippines

(2006, 2011, 2014–2017)

Asiamoney's Best Brand in Finance

Best Banking Brand, Philippines

Asiamoney Awards 2017

Best Retail Bank in the Philippines

(2012–2013, 2016–2017)

The Asian Banker International Excellence in Retail Financial Services Awards 2017

Best Domestic Bank, Philippines

(2005, 2011, 2013–2017)

The Asset Triple A Country Awards 2017

Best Corporate Institutional Bank in the Philippines

(2015–2017)

The Asset Triple A Country Awards 2017

Bank of the Year, Philippines

(2013, 2017)

The Banker Awards 2017

Best Bank in the Philippines

(2007–2008, 2013–2015, 2017)

Euromoney Awards for Excellence 2017

Best Bank in the Philippines

(2010–2017)

FinanceAsia 2017 Country Awards

Best Bank in the Philippines

(2014–2017)

Global Finance Best Bank Awards

Best Rights Issue, Philippines

(BDO Unibank US\$1.2 billion rights offering in which BDO Capital & Investment Corporation has acted as joint global coordinator, joint bookrunner, issue manager and domestic underwriter, and BDO as a client)

The Asset Triple A Country Awards 2017 and The Asset Triple A Regional Awards 2017

Best FIG Bond, Philippines

(BDO Unibank US\$700 million bonds)

The Asset Triple A Country Awards 2017

Recipient of Asian Excellence Award

(2011–2017)

Corporate Governance Asia's 7th Asian Excellence Award 2017

Best Investment Bank

BDO CAPITAL
& INVESTMENT
CORPORATION

Best Investment Bank in the Philippines

(2013–2014, 2017)

Global Finance Best Investment Bank Awards 2017

Best Bond House

(2007–2010, 2012–2013, 2016–2017)

Alpha Southeast Asia's 11th Annual Best Financial Institution Awards

Best Equity House

(2008, 2010, 2013, 2016–2017)

Alpha Southeast Asia's 11th Annual Best Financial Institutions Awards

Best Equity Deal of the Year 2016 in Southeast Asia

(Cemex Holdings Philippines P25.1 billion/US\$502 million IPO)

Alpha Southeast Asia's 10th Annual Best Deal & Solution Awards

Best Loan House, Philippines

(2015–2017)

The Asset Triple A Country Awards 2017

Best Loan Adviser, Philippines

The Asset Triple A Country Awards 2017

Best Equity Adviser, Philippines

The Asset Triple A Country Awards 2017

Best Securities House, Philippines

Asiamoney's Best Securities Houses for Southeast Asia 2017

Best Country Deal in the Philippines 2016

(Cemex Holdings Philippines P25.1 billion/US\$502 million IPO)

Asiamoney's Best Brands in Finance Awards 2017

Deal of the Year

(Cemex Holdings Philippines P25 billion IPO Deal)

IFRAsia Asia Award for Philippine Capital Markets

Best Mid-Cap Equity in the Region

(Cemex Philippines
US\$540 million Offering)
The Asset Triple A Regional
Awards 2016

**Power Deal of the Year,
Philippines**

(GNPower Dinginin Limited
Company US\$670 million/
P7.5 billion Project
Financing Facilities)
The Asset Triple A Asia
Infrastructure Awards 2017

**Best M&A/Best Acquisition
Financing**

(Indonesia for Star Energy
Consortium's acquisition of
Chevron's geothermal and
power business in Indonesia and
the Philippines)
The Asset Triple A Country
Awards 2017

Best IPO, Philippines

(Wilcon Depot P7 billion IPO)
The Asset Triple A Country
Awards 2017

Best Follow-On, Philippines

(Del Monte Pacific US\$200 million
preferred shares)
The Asset Triple A Country
Awards 2017

Best Rights Issue, Philippines

(BDO Unibank US\$1.2 billion rights
offering in which BDO Capital &
Investment Corporation has acted
as joint global coordinator, joint
bookrunner, issue manager and
domestic underwriter, and BDO
as a client)
The Asset Triple A Country
Awards 2017 and The Asset Triple
A Regional Awards 2017

**Best DCM (Debt Capital Markets)
House in the Philippines**

(2015, 2017)
FinanceAsia 2017 Country Awards

**Best ECM (Equity Capital
Markets) House in the Philippines**

(2006–2007, 2009–2010,
2013, 2017)
FinanceAsia 2017 Country Awards

**Best Private Bank
BDO PRIVATE BANK****Best Private Wealth
Management Bank
in the Philippines**

(2008–2017)
Alpha Southeast Asia's 11th
Financial Institution Awards 2017

Best Private Bank – Philippines

(2015–2017)
Asian Private Banker
Awards for Distinction 2017

**Best Private Banking
Services Overall – Philippines**

(2011, 2013–2014, 2016–2017)
Euromoney Private Banking &
Wealth Management Survey 2017

**Best Private Bank for Asset
Management in the Philippines**

(2015, 2017)
Euromoney Private Banking &
Wealth Management Survey 2017

**Best Private Bank
in the Philippines**

(2008–2017)
FinanceAsia 2017 Country Awards

**Best Private Bank
in the Philippines**

(2015–2017)
Global Finance Best Private Bank
Awards 2017

**Best Private Bank
in the Philippines**

(2010–2017)
The Asset Triple A Private
Banking, Wealth Management,
Investment and ETF Awards 2017

Best Wealth Manager, Philippines

The Asset Triple A Private
Banking, Wealth Management,
Investment and ETF Awards 2017

**Corporate Social
Responsibility****Corporate Social Responsibility
Program of the Year Gold Award**

Asian Banking & Finance
Retail Banking Awards 2017

**Best Bank for Corporate Social
Responsibility**

Asiamoney Banking Awards

**BDO Foundation: Improving the
Delivery of Healthcare Services
in the Philippines (Health
Promotion Category)**

Enterprise Asia's Asia
Responsible Entrepreneurship
Awards (AREA) 2017

Individual Recognition

Asian Corporate Director Recognition: Teresita Sy-Coson, Chairperson

(2010–2017)

Corporate Governance Asia's 7th
Asian Excellence Award 2017

Asia's Best CEO, Investor Relations: Teresita Sy-Coson, Chairperson

(2013–2017)

Corporate Governance Asia's 7th
Asian Excellence Award 2017

Asia's Best CEO, Investor Relations: Nestor V. Tan, President & CEO

(2011–2012, 2016–2017)

Corporate Governance Asia's 7th
Asian Excellence Award 2017

Asia's Best CFO, Investor

Relations: Pedro M. Florescio III
(2013–2017)

Corporate Governance Asia's 7th
Asian Excellence Award 2017

Best Investor Relations Professional (Philippines):

Luis S. Reyes, Jr.

(2011–2017)

Corporate Governance Asia's 7th
Asian Excellence Award 2017

Most Astute Investor in Asian G3 Bonds, Philippines, Rank #1: Nadine Alapan

(2015–2017)

The Asset Triple A Benchmark
Research Awards 2017: G3 Bonds
Most Astute Individual

Most Astute Investor in Asian Local Currency Bonds, Philippines, Rank #7:

Tiffany Grace Lim

(2015–2017)

The Asset Triple A Benchmark
Research Awards 2017: House
and Astute investor Awards

Most Astute Investor in Asian Local Currency Bonds, Philippines, Highly Commended:

Ryanna Berza-Talan

(2015–2017)

The Asset Triple A Benchmark
Research Awards 2017: House
and Astute investor Awards

Other Awards

Platinum Award

(2010–2017)

The Asset Corporate Awards 2017

Best Cash Management Bank

(2015–2017)

Alpha Southeast Asia 11th Annual
Best Financial Institution Awards

Best Cash Management Bank in the Philippines

(2011, 2014–2017)

The Asian Banker Transaction
Banking Awards 2017

Best Bank in the Philippines

Asiamoney's Cash Management
Customer Satisfaction
Awards 2017

Best Transaction Bank in the Philippines

(2016–2017)

The Asian Banker Transaction
Banking Awards 2017

Online Banking Initiative of the Year – Philippines

(2014–2017)

Asian Banking & Finance Retail
Banking Awards 2017

Mobile Banking Initiative of the Year – Philippines

Asian Banking & Finance Retail
Banking Awards 2017

Fund House of the Year, Philippines

(2016–2017)

Asian Investor Asset
Management Awards

Mortgage Business of the Year

The Asian Banker Philippine
Country Awards

BDO Unibank, Top Investment House in Asian Local Currency Bonds, Philippines (Rank #3)

(2016–2017)

The Asset Triple A Benchmark
Research Awards 2017: House
and Astute Investor Awards

Best in Treasury and Working Capital – SMEs, Philippines

The Asset Triple A Treasury,
Trade, Supply Chain & Risk
Management Awards 2017

Best Service Provider – Cash Management, Philippines

The Asset Triple A Treasury,
Trade, Supply Chain & Risk
Management Awards 2017

**Editor's Triple Star for
E-Cash Agad**

The Asset Triple A Treasury,
Trade, Supply Chain & Risk
Management Awards 2017

**Asset Management Company
of the Year – Highly
Commended, Philippines
(2016 –2017)**

The Asset Triple A Servicing,
Fund Management and Investors
Awards

**Impact Investor of the Year,
Philippines
(2016–2017)**

The Asset Triple A Servicing,
Fund Management and Investors
Awards

**Best Investment Management
Company, Philippines
(2016–2017)**

World Finance's Investment
Management Awards 2017

**Best Foreign Exchange Provider
in the Philippines
(2011, 2016, 2017)**

Global Finance The World's Best
Foreign Exchange Providers 2017

**Philippine Domestic Trade
Finance Bank of the Year
(2015, 2017)**

Asian Banking & Finance
Wholesale Banking Awards 2017

**Rank 1 in Loan Finance
(2015, 2017)**

Euromoney Real Estate
Survey 2017

**Rank 1 in Debt Capital Markets
Euromoney Real Estate
Survey 2017**

**Asia's Best Borrowers
Most Impressive Issuers by
Country – Philippines
FinanceAsia Fixed Income
Poll 2016**

**BDO ranked 6th in Best at
Investor Relations
FinanceAsia's Best
Companies Poll**

**Best IR Company (Philippines)
(2011–2017)
Corporate Governance Asia's 7th
Asian Excellence Award 2017**

**Best Corporate Communications
(2014–2015, 2017)
Corporate Governance Asia's 7th
Asian Excellence Award 2017**

**Social Media Initiative of the
Year – Philippines
Asian Banking & Finance Retail
Banking Awards 2017**

**Best Retail Social Media Banking
Experience, Philippines
(2016–2017)
The Asset Triple Digital Awards**

**One of the Philippines' Most
Trusted Brands
Reader's Digest Trusted
Brands 2017**

BDO Group of Companies

Philippine Subsidiaries and Affiliates

Armstrong Securities, Inc.

BDO Corporate Center
7899 Makati Avenue
Makati City 0726
+63 (2) 840-7000 (locals
32457, 32447)

Averon Holdings Corporation

6780 Ayala Avenue
San Lorenzo Village
Makati City
+63 (2) 840-7000 local 33069

BDO Capital & Investment Corporation

BDO Corporate Center
7899 Makati Avenue
Makati City 0726
+63 (2) 840-7000, 878-4549,
878-4564

BDO Insurance Brokers, Inc.

45/F BDO Corporate Center Ortigas
12 ADB Avenue
Mandaluyong City 1554
+63 (2) 702-6000

BDO Leasing and Finance, Inc.

39/F BDO Corporate Center Ortigas
12 ADB Avenue
Ortigas Center
Mandaluyong City 1554
+63 (2) 688-1288

BDO Life Assurance Company, Inc.

(formerly Generali Pilipinas Life Assurance Company, Inc.)
BDO Corporate Center
7899 Makati Avenue
Makati City 0726
+63 (2) 885-4100, 885-4200

BDO Nomura Securities, Inc.

(formerly PCIB Securities, Inc.)
BDO Equitable Tower
8751 Paseo De Roxas
Makati City 1226
+63 (2) 702-7878

BDO Private Bank, Inc.

BDO Equitable Tower
8751 Paseo De Roxas
Makati City 1226
+63 (2) 848-6300

BDO Rental, Inc.

BDO Corporate Center Ortigas
12 ADB Avenue
Mandaluyong City 1554
+63 (2) 688-1288, 840-7000

BDO Securities Corporation

BDO Corporate Center
7899 Makati Avenue
Makati City 0726
+63 (2) 840-7000, 878-4070,
840-7080, 878-4564

BDO Strategic Holdings Inc.

(formerly EBC Investments, Inc. or EBCII)
BDO Building
Paseo De Roxas corner
Sen. Gil Puyat Avenue
Makati City
+63 (2) 840-7000

Equimark-NFC

Development Corp.

Room 603, EBC Building
262 Juan Luna Street
Binondo, Manila
+63 (2) 840-7000

MMPC Auto Financial Services Corporation

38/F Robinsons Equitable Tower
ADB Avenue corner Poveda Street
Ortigas Center, Pasig City
+63 (2) 688-1253

NLEX Corporation

(formerly Manila North Tollways Corp.)
NLEX Compound
Balintawak, Caloocan City
+63 (2) 479-3000

NorthPine Land, Inc.

Units 1505-1508
15/F The Taipan Place
F. Ortigas Jr. Road
Ortigas Center, Pasig City
+63 (2) 637-1531

One Network Bank, Inc. (A Rural Bank of BDO)

ONB Center, Km. 9
Sasa, Davao City
+63 (82) 233-7727

SM Keppel Land, Inc.

12 ADB Avenue
Ortigas Center
Mandaluyong City 1554
(temporarily at Units 2203-2204 Raffles Corporate Center
F. Ortigas Road, Ortigas Center Pasig City)
+63 (2) 570-9832

Taal Land, Inc.

12/F PSBank Center
777 Paseo De Roxas
Makati City
+63 (2) 898-8890

Foreign Subsidiary/ Affiliate

BDORO Europe Ltd.

5/F 6 St. Andrew Street
London, EC4A 3AE
United Kingdom
+44 (020) 7495-2434

Remittance Subsidiaries/Affiliates

ASIA

BDO Remit Limited

Shops 231-234 and 237
Worldwide House
19 Des Voeux Road
Central, Hong Kong
+852 253-77148, 2525-5629,
2234-9588
Philippines: +63 (2) 840-7000
local 31030

Shop 159, G/F Lik Sang Plaza
269 Castle Peak Road
Tsuen Wan, New Territories,
Hong Kong
+852 2412-0399

Express Padala HK Ltd.

Shops 231-234 and 237
Worldwide House
19 Des Voeux Road
Central, Hong Kong
+852 253-77148, 2525-5629,
2234-9588
Philippines: +63 (2) 840-7000
local 31030

Shop 159, G/F Lik Sang Plaza
269 Castle Peak Road
Tsuen Wan, New Territories,
Hong Kong
+852 2412-0399

BDO Remit (Macau) Ltd.

Avenida de D. Joao IV
No. 2 6B Edificio China Plaza
R/C (U) Macau, SAR
+853 2837-4385, 2837-3324
Philippines: +63 (2) 840-7000
local 31031

Avenida de D. Joao IV
No. 2 6A Edificio China Plaza
R/C (V) Macau, SAR
+853 2871-4039

432 Avenida Dr. Sun Yat
Sen Edificio Wa Fong Kok,
Unit E R/C Taipa, Macau
+853 2885-5389
Philippines: +63 (2) 840-7000
local 31032

BDO Remit (Japan) Ltd.

Zenken Plaza II, 1F & 2F 3-13
Nishi-Shinjuku 1-chome
Shinjuku-ku, Tokyo
Japan 160-0023
+81 (3) 5909-0601, 5909-0602
Philippines: +63 (2) 840-7000
local 33391 and 33392

EUROPE

BDO Remit (Ireland)

**Designated Activity Company
(Formerly C.B.N. Ireland
Remittance Centre Designated
Activity Company)**

1/F 16 Suffolk Street
Dublin 2, Ireland
+353 (1) 672-9216

BDO Remit (UK) Ltd. (Formerly CBN London Ltd.) London

Part Lower Ground Floor,
Strand Bridge House,
138-142 Strand, London,
WC2R 1HH
+44 (20) 7462-3000

Belfast

3/F Middleton Bldg.
10 High Street
Belfast BT1 2BA
Northern Ireland
+44 (28) 9043-6580

Milan

Piazza del Duomo 17,
20121 Milan, Italy
+39 (02) 3944-0029

Rome-Ottaviano

Via Germanico 50
Rome, Italy 00192
+39 (06) 9357-0123

Rome-Termini

Via Dei Mille 30
Rome, Italy 00185
+39 (06) 4470-2878

Firenze

Via Spartaco Lavagnini 28,
50129 Firenze, Italy
+39 (055) 461-373

Paris

76/78 Avenue des Champs-Elysees
Paris, France 75008
+33 (1) 5659-7650

Hamburg

Gerhofstrasse 40, 2nd floor
20354 Hamburg
+49 (40) 55444-7300

CBN Remittance Center S.A.**Barcelona**

Calle Pelayo 56 4-1 08001
Barcelona, Spain
+34 (93) 412-3653

Madrid

Sor Angela de la Cruz,
36 Planta Baja,
Madrid, Spain 28020
+34 (91) 567-1533

USA**BDO Remit (USA), Inc.****Daly City**

350 Gellert Boulevard
Daly City, California 94015
+1 (650) 994-1625,
+1 (800) 472-3252
Philippines: +63 (2) 840-7000
local 31033

Los Angeles

215 South Vermont Avenue
Los Angeles, California 90004
+1 (213) 386-5069

CANADA**BDO Remit (Canada) Ltd.**

2004 Yonge Street
Toronto, Ontario M4S 1Z7
Canada
+1 (647) 350-1236,
+1 (647) 350-0236
Philippines: +63 (2) 840-7000
local 33212

Representative Offices**ASIA****BDO Unibank, Inc.****Singapore Representative Office**

20 Cecil Street
#02-06/07/08 & 10 GSH Plaza
Singapore 049705
+65 6493-6236;
facsimile: +65 6493 6237
Philippines: +63 (2) 840-7000
locals 31021 and 43553

BDO Unibank, Inc.**Taipei Representative Office**

Unit D, 3/F No. 132
Cathay Cosmos Building
Sec 03, Minsheng East Road
Songhan District
Taipei, Taiwan
+886 (2) 2545-6887
Philippines: +63 (2) 840-7000
local 31020

BDO Unibank, Inc.**Seoul Representative Office**

23/F Seoul Finance Center
136 Sejongdaero, Jung-Gu
Seoul, South Korea 04520
+82 (2) 3783-0801, 3783-0800
Philippines: +63 (2) 840-7000
local 31900

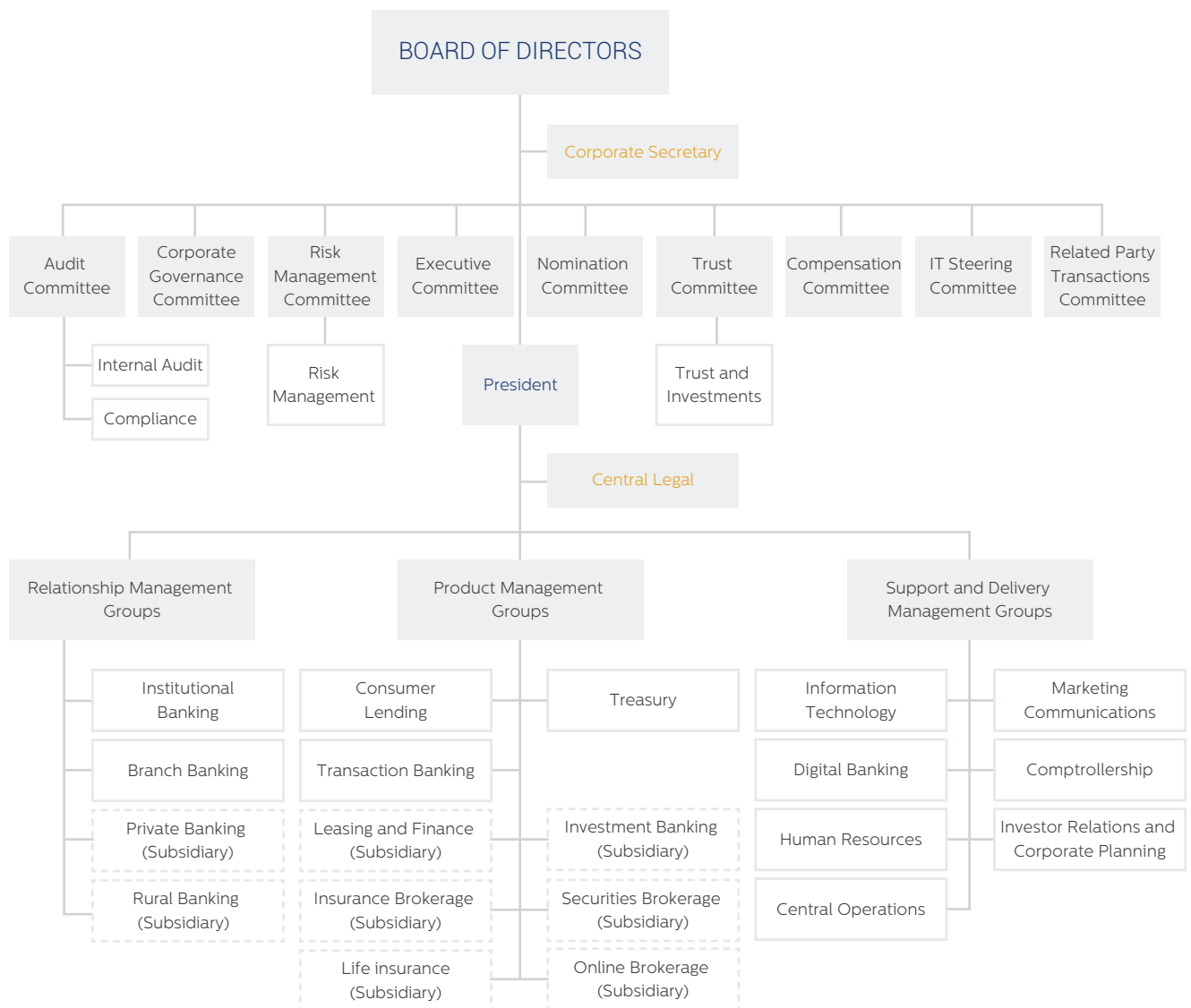
BDO Unibank, Inc.**Beijing Representative Office**

Units 09-10, Level 24
China World Office 1
1 Jianguomenwai Avenue
Beijing, China 100004
+86 (10) 6505-7083,
6505-2713, 6505-3793

MIDDLE EAST**BDO Unibank, Inc.****DIFC Representative Office**

Unit 1303-B Level 13,
North Tower
Emirates Financial Towers
DIFC, PO Box 644347
Dubai
+971 (4) 279-0733

Organizational Structure



Management Directory

BOARD OF DIRECTORS

Chairman Emeritus

Henry Sy, Sr.

Chairperson

Teresita T. Sy

Vice Chairman

Jesus A. Jacinto, Jr.

Directors

Christopher A. Bell-Knight

Jose F. Buenaventura

Jones M. Castro, Jr.

Antonio C. Pacis

Dioscoro I. Ramos

Josefina N. Tan

Nestor V. Tan

Jimmy T. Tang

Gilberto C. Teodoro, Jr.

Advisors

Corazon S. de la Paz-Bernardo

Vicente S. Pérez, Jr.

Jose T. Sio

Washington Z. SyCip

Corporate Secretary

Edmundo L. Tan

Assistant Corporate Secretaries

Sabino E. Acut, Jr.

Alvin C. Go

PRINCIPAL OFFICERS

President & CEO

Nestor V. Tan

Senior Executive

Vice Presidents

Antonio N. Cotoco

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Corporate Information

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STOCKHOLDER INQUIRIES

BDO Unibank, Inc.'s common stock is listed and traded in the Philippine Stock Exchange under the symbol "BDO".

Inquiries regarding dividend payments, account status, address change, stock certificates, and other pertinent matters should be addressed to the company's transfer agent:

Stock Transfer Service, Inc.

34/F Unit D Rufino Pacific Tower
6784 Ayala Avenue
Makati City 1200
Philippines
Telephone: +63 (2) 403-2410 to 12
Facsimile: +63 (2) 403-2414

The Bank will provide, without charge, a copy of the 2017 Annual Report Financial Statements to its stockholders upon receipt of a written request addressed to the Corporate Secretary.

BDO Corporate Secretary

14/F North Tower
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Makati City 0726
Philippines

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BRANCHES AND ATMS

For the complete list of BDO branches and ATM locations, please refer to the Bank's official website at www.bdo.com.ph.



In Memoriam

Washington Z. SyCip

Advisor to the BDO Board of Directors
2008 – 2017

