

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended: 31 December 2017
2. SEC Identification Number: 34001 3. BIR Tax Identification No. 000-708-174-000
4. Exact name of registrant as specified in its charter: BDO UNIBANK, INC.
5. Metro Manila, Philippines 6. (SEC Use Only)
Province, Country or other jurisdiction of Industry Classification Code:
incorporation or organization
7. BDO Corporate Center, 7899 Makati Avenue, Makati City 0726
Address of principal office Postal Code
8. (632) 840-7000
Issuer's telephone number, including area code
9. N.A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Stock, ₱10.00 par value	4,369,454,734 (as of April 5, 2018)
Preferred Stock, ₱10.00 par value	515,000,000

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

Yes [X] No []

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

Philippine Stock Exchange 4,369,450,614 Common Shares
(as of March 28, 2018)

12. Check whether the issuer:

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

Yes [X]

No []

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

Yes [X]

No []

13. Aggregate market value of the voting stock held by non-affiliates: ₱322,157,134,936.00
(₱164.00 BDO share price as of December 29, 2017)

TABLE OF CONTENTS

Page No.

PART I - BUSINESS AND GENERAL INFORMATION

Item 1	Business	4
Item 2	Properties	16
Item 3	Legal Proceedings	73
Item 4	Submission of Matters to a Vote of Security Holders	74

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5	Market for Issuers Common Equity and Related Stockholders Matters	75
Item 6	Management's Discussion and Analysis or Plan of Operations	78
Item 7	Financial Statements	86
Item 8	Changes in and Disagreements with Accountants on Accounting and Financial Disclosures	86

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9	Directors and Executive Officers of the Issuer	88
Item 10	Executive Compensation	107
Item 11	Security Ownership of Certain Beneficial Owners and Management	109
Item 12	Certain Relationships and Related Transactions	116

PART IV - CORPORATE GOVERNANCE

Item 13	Corporate Governance	118
---------	----------------------	-----

PART V - EXHIBITS AND SCHEDULES

Item 14	List of Branches, Reports on SEC Form 17-C	137
---------	--	-----

SIGNATURES	146
-------------------	------------

EXHIBITS & ANNEXES

Audited Financial Statements and Independent Auditors' Report (December 31, 2017, 2016 and 2015)	
Supplementary Schedules	

PART I – BUSINESS AND GENERAL INFORMATION

Item 1. Business

1) Business Development

(a) Form and Year of Organization

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

BDO is now the market leader in most of its core business lines following its merger with Equitable PCI Bank (EPCI) in May 2007. The Bank offers a complete array of products and services, i.e. Retail Banking, Lending (Corporate, Commercial, Consumer, and SME), Treasury, Trust, Credit Cards, Corporate Cash Management and Remittances. Through its subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Bancassurance, Insurance Brokerage and Stock Brokerage services. It has one of the largest branch networks, with 1,179 operating domestic branches, 1 Hongkong branch and 4,022 ATMs and 428 Cash Accept Machines as of 31 December 2017.

Over the past several years, the Bank has experienced significant growth. This resulted from organic growth arising from a wider array of products and services, as well as through mergers and acquisitions of banks. Sustaining earlier gains, the Bank is currently the largest bank in the Philippines in terms of assets, loans, deposits and trust assets as of the end of the fourth quarter of 2017. BDO's market shares of the commercial banking sector are as follows:

- Assets - 18%
- Assets Under Management (Trust) - 34%
- Customer Loans - 22% and
- Deposits - 19%

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

Philippine Subsidiaries	% Interest Held
One Network Bank, Inc. (A Rural Bank)	99.76%
BDO Private Bank, Inc.	100%
BDO Strategic Holdings, Inc.	100%
BDO Leasing and Finance, Inc.	88.54%
BDO Rental, Inc.	88.54%
Averon Holdings Corp.	99.88%
BDO Capital & Investment Corporation	99.88%
Equimark – NFC Development Corp.	60%
BDO Nomura Securities, Inc.	51%
Armstrong Securities, Inc.	80%
PCI Realty Corporation	100%
BDO Insurance Brokers, Inc.	100%
BDO Life Assurance Holdings Corp.	100%
BDO Life Assurance Co., Inc.	100%
BDORO Europe. Ltd	100%
Foreign Subsidiaries	% Interest Held
Express Padala HK Ltd.	100%
BDO Remit (USA), Inc.	100%
BDO Remit (Japan), Ltd.	100%
PCIB Europe, S.p.A	100%
Express Padala Frankfurt GmbH	100%
BDORO Europe Ltd.	100%
BDO Remit (Canada), Ltd.	100%
Associates	% Interest Held
Manila North Tollways Corporation (MNTC)	12.40%
SM Keppel Land, Inc.	50%
Northpine Land Incorporated	20%

Taal Land, Inc.	33.33%
MMPC Auto-Financial Services Corporation	34.97%

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

2) Business of Issuer

(i) Principal Products and Services

Deposits

BDO offers a wide array of Peso, Dollar, and Third Currency deposit products and services catering to a broad and diversified client base. These products cut across all age groups and customer profiles (such as kids, young professionals, entrepreneurs, OFWs and their beneficiaries and retirees). Further details on the Bank's various deposit products can be accessed at its website www.bdo.com.ph.

Remittance

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

Trust Services

BDO has created and grown its trust services and investment product offerings to provide solutions for every kind of client or investor need under a trust or an agency agreement. It is currently the dominant player in the local trust industry with around 39.47% market share and is the first local financial institution to breach the PhP 1 trillion assets under management (AUM) threshold as of end-2016. In the Unit Investment Trust Fund business, BDO also has a lion's share of 40%, a testament to its investment expertise.

Treasury

The Bank provides treasury products and services to clients ranging from retail, middle market and large corporates, both onshore and offshore. These services include

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

Transaction Banking

BDO's transaction-based services provide high value-added cash management government entities, and small- and medium-enterprises (SMEs). The Bank's electronic banking services, which include the Bank's over 4,022 ATMs nationwide, as well as browser-based, mobile app, and landline banking facilities, allow customers to access their accounts and perform an extensive range of banking transactions at their convenience anytime and anywhere. Meanwhile, the Bank's debit card facility lets customers enjoy the convenience of hassle-free cashless payment and easy cash access using either pre-loaded or account-funded cards.

Credit Cards

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

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

Investment Banking

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

Insurance

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

nationwide network of more than 981 branches, permitting customers access to a wide array of insurance products.

Trade Services

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

Given BDO's leading standing in the industry and broad client coverage, BDO is able to capture a significant market share of customers' trade finance transactions. BDO processed over 5.9 billion trade transactions in 2017, accounting for about 25% of the industry's trade business.

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

Trade transactions are being serviced in 5 Trade Processing Centers geographically located across the country with 3 centers in Metro Manila and one each in Cebu and Davao. These centers are manned by around 100 employees who are trained in all aspects of international trade processing. Moreover, each center has a dedicated Customer Service team who are equipped to provide prompt response to clients' inquiries and concerns. We have also implemented groundbreaking services in the Philippines which include weekend banking and extended banking hours for our domestic branch network.

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

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

International Desks

The International Desks (IDesks) of BDO's Institutional Banking Group comprise teams of relationship managers with international and local banking experience, dedicated to address the financial needs of foreign companies and nationals conducting business and/or with business interests, or residing in the Philippines, as well as embassies, diplomats, multilateral organisations, foreign chambers of commerce and international

schools. IDesks' teams have been organized along geographic lines: ASEAN, China, EU, Japan, South Korea, North America/Australia and New Zealand, and Taiwan. Furthermore, several IDesks team members speak Japanese, Korean and the Chinese dialects of Mandarin and Fookien. In addition, IDesks' Multilateral and ECA (Export Credit Agency) Desk manage and facilitate specialized guarantee facilities and wholesale long term loan facilities for eligible clients and projects sourced from multilateral organizations such as the Asian Development Bank and the World Bank's International Finance Corporation; international export credit agencies such as the Japan Bank of International Cooperation and the Korea Export Import Bank; and domestically from the specialized lending facilities of the Development Bank of the Philippines, Land Bank, and the Social Security System.

Leasing

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

(ii) Distribution Methods of Products or Services

The Bank's products and services are available mainly through the branches, but select services are also accessible through other channels such as call centers, mobile and landline telephones, internet, and point-of-sale terminals. The Bank's extensive distribution network provides it good market coverage that is superior to many of its competitors. Aside from a branch in Hong Kong and a consolidated domestic network of 1,179 operating domestic branches, the Bank has 4,022 ATMs and 428 Cash Accept Machines as of 31 December 2017.

The Bank's foreign operations comprises a banking branch in Hong Kong and various remittance subsidiaries operating in Asia, Europe and the United States accounted for 1.2%, 1.1% and 1.1%, of the Group's total revenues in 2017, 2016 and 2015, respectively.

(iii) Status of Publicly Announced New Products or Service

None

(iv) Competition

The Philippine universal and commercial banking sector consists of 21 universal and 22 commercial banks. Of the 21 universal banks, 12 are private universal domestic banks, 6 are branches of foreign universal banks and 3 are government-controlled universal banks. Of the 22 commercial banks, 5 are private commercial domestic banks, 15 are branches of foreign banks and 2 are subsidiaries of foreign banks.

Based on consolidated published statements of condition, the total assets of the commercial banking system as of 31 December 2017 reached P14.8 trillion. The five largest banks, namely, BDO, Metropolitan Bank and Trust Company, Bank of the Philippine Islands, Land Bank of the Philippines, and Philippine National Bank, accounted for 61% of total assets.

As of 31 December 2017, the loans and receivables (net) of the commercial banking system amounted to P8.1 trillion, while total deposits was at P11.4 trillion. The total capital accounts of the commercial banking system amounted to P1.5 trillion as of December 2017.

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

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

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

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

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

	Trademarks	Duration
1	Banco De Oro	May 12, 2011 to May 12, 2021
2	BDO Kabayan Auto Loan	September 13, 2013 to September 13, 2023
3	BDO Kabayan Home Loan	September 13, 2013 to September 13, 2023
4	BDO Kabayan Loans	September 13, 2013 to September 13, 2023
5	BDO Remit Cash Cards	September 13, 2013 to September 13, 2023
6	BDO Remit & Device	September 13, 2013 to September 13, 2023
7	BDO Kabayan Personal Loan	September 13, 2013 to September 13, 2023
8	BDO Cash Management	September 13, 2013 to September 13, 2023
9	BDO Asenso Kabayan and Logo	September 13, 2013 to September 13, 2023
10	BDO Kabayan Savings	September 13, 2013 to September 13, 2023

11	BDO Asenso Kabayan & Device	September 13, 2013 to September 13, 2023
12	BDO Kabayan Bills Bayad	September 13, 2013 to September 13, 2023
13	BDO Remit	September 13, 2013 to September 13, 2023
14	BDO Banco De Oro Kabayan Home Loan & Device	September 13, 2013 to September 13, 2023
15	BDO (Stylized and In Color)	September 13, 2013 to September 13, 2023
16	BDO On Site & Device	September 13, 2013 to September 13, 2023
17	BDO Banco De Oro Kabayan Loan & Device	September 13, 2013 to September 13, 2023
18	BDO Banco De Oro Personal Loan & Device	September 13, 2013 to September 13, 2023
19	BDO Banco De Oro Auto Loan & Device	September 13, 2013 to September 13, 2023
20	BDO Remit & Device	September 13, 2013 to September 13, 2023
21	BDO Banco De Oro in class 36	September 13, 2013 to September 13, 2023
22	BDO Unibank (wordmark)	September 13, 2013 to September 13, 2023
23	BDO Unibank (Stylized And In Color)	September 13, 2013 to September 13, 2023
24	BDO Unibank (Stylized And In Color) in class 16	September 13, 2013 to September 13, 2023
25	BDO (Stylized And In Color) in class 16	May 9, 2014 to May 9, 2024
26	BDO Banco De Oro device in class 16	May 4, 2014 to May 4, 2024
27	BDO Securities Corporation	April 29, 2014 to April 29, 2024
28	BDO Capital & Investment Corporation	May 4, 2014 to May 4, 2024
29	BDO Foundation, Inc.	May 2, 2014 to May 2, 2024
30	BDO Private Bank in class 16 & 36	May 4, 2014 to May 4, 2024
31	BDO Leasing	May 4, 2014 to May 4, 2024
32	BDO Insurance Brokers, Inc.	May 4, 2014 to May 4, 2024
33	bdo.com.ph	May 4, 2014 to May 4, 2024
34	BDORO Europe Ltd. (blue) in class 16 & 36	April 3, 2014 to April 3, 2024
35	BDORO Europe Ltd. (blue & yellow) in class 16 & 36	April 3, 2014 to April 3, 2024
36	BDORO (color) in class 16 & 36	May 8, 2014 to May 8, 2024
37	BDORO (monochrome) in class 16 & 36	May 8, 2014 to May 8, 2024
38	Kabayan College Secure	June 30, 2008 to June 30, 2018
39	Kabayan College Secure & Device	June 30, 2008 to June 30, 2018

40	Kabayan Home Loan	June 23, 2008 to June 23, 2018
41	Kabayan Auto Loan	June 23, 2008 to June 23, 2018
42	Kabayan Personal Loan	June 30, 2008 to June 30, 2018
43	We find ways	November 20, 2014 to November 20, 2014
44	BDO Banco De Oro (Stylized) in class 36	May 7, 2015 to May 7, 2025
45	#bdobancodeoro	July 23, 2015 to July 23, 2025
46	#bdounibank	July 23, 2015 to July 23, 2025
47	BDO Padala & Device	February 11, 2016 to February 11, 2026
48	#bdowefindways	December 17, 2015 to December 17, 2025
49	#wefindways	April 7, 2016 to April 7, 2026
50	#bdoremit	December 17, 2015 to December 17, 2025
51	#bdo	December 17, 2015 to December 17, 2025
52	One Network A Rural Bank of BDO (horizontal)	June 2, 2016 to June 2, 2026
53	One Network A Rural Bank of BDO (vertical)	June 2, 2016 to June 2, 2026
54	One Network A Savings Bank of BDO (horizontal)	June 2, 2016 to June 2, 2026
55	One Network A Savings Bank of BDO (vertical)	June 2, 2016 to June 2, 2026
56	One Network A Rural Bank of BDO Unibank (horizontal)	June 23, 2016 to June 23, 2026
57	One Network A Rural Bank of BDO Unibank (vertical)	June 2, 2016 to June 2, 2026
58	One Network A Savings Bank of BDO Unibank (horizontal)	June 23, 2016 to June 23, 2026
59	One Network A Savings Bank of BDO Unibank (vertical)	June 2, 2016 to June 2, 2016
60	One Network A Rural Bank of BDO (in series horizontal)	June 2, 2016 to June 2, 2026
61	One Network A Rural Bank of BDO (in series vertical)	June 2, 2016 to June 2, 2026
62	One Network A Savings Bank of BDO (in series horizontal)	June 2, 2016 to June 2, 2016
63	One Network A Savings Bank of BDO (in series vertical)	July 14, 2016 to July 14, 2026

64	One Network A Rural Bank of BDO Unibank (in series horizontal)	July 14, 2016 to July 14, 2026
65	One Network A Rural Bank of BDO Unibank (in series vertical)	July 14, 2016 to July 14, 2026
66	One Network A Savings Bank of BDO Unibank (in series horizontal)	July 7, 2016 to July 7, 2026
67	One Network A Savings Bank of BDO Unibank (in series vertical)	July 7, 2016 to July 7, 2026
68	ONB	July 7, 2016 to July 7, 2026
69	One Network	July 28, 2016 to July 28, 2026
70	BDO Life (wordmark)	August 4, 2016 to August 4, 2026
71	BDO Life (monochrome black)	September 8, 2016 to September 8, 2026
72	BDO Life (monochrome blue)	September 8, 2016 to September 8, 2026
73	BDO Life (reverse black)	October 6, 2016 to October 6, 2026
74	BDO Life (reverse blue)	October 6, 2016 to October 6, 2026
75	We Protect (monochrome black)	September 1, 2016 to September 1, 2026
76	We Protect (in color)	September 1, 2016 to September 2, 2026
77	We Protect (reverse)	September 8, 2016 to September 8, 2026
78	We Protect (word)	September 8, 2016 to September 8, 2026
79	BDO Life (in color)	September 8, 2016 to September 8, 2026
80	BDO Life (reverse in color)	September 8, 2016 to September 8, 2026
81	BDO Invest Online	December 8, 2016 to December 8, 2026
82	Master the Art of Trading	December 8, 2016 to December 8, 2026
83	Diamond Rewards	November 5, 2015 to November 5, 2025
84	Sapphire Rewards	20 February 2015 to 20 February 2025
85	BDO Rewards (vertical)	November 10, 2014 to November 10, 2024
86	BDO Rewards (horizontal)	November 10, 2014 to November 10, 2024
87	Emerald Rewards	November 10, 2014 to November 10, 2024
88	Cash Agad (device)	August 4, 2016 to August 4, 2026
89	Cash Agad in Partnership with BDO	October 27, 2016 to October 27 2026
90	www.e-onb.com.ph	March 29, 2012 to March 29, 2022
91	www.onenetworkbank.com.ph	March 29, 2012 to March 29, 2022
92	my life my bdo vertical	April 27,2017 to April 27, 2027

93	my life my bdo horizontal	April 27,2017 to April 27, 2027
94	just debit with bdo horizontal	May 11,2017 to May 11,2027
95	just debit with bdo vertical	May 11,2017 to May 11,2027

(vii) Governmental Approval of Principal Products or Services

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

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

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

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

This is not applicable to the Bank.

(x) Total Number of Employees

The Bank has a total of 33,747 employees as of 31 December 2017 broken down as follows:

	Non-Officers	Officers	TOTAL
Total for Parent Company	16,597	13,021	29,618
Head Office	2,888	7,293	10,181
Branches	13,709	5,728	19,437
Total for Subsidiaries	1,716	2,413	4,129
TOTAL EMPLOYEES	18,313	15,434	33,747

The Bank's Collective Bargaining Agreement (CBA) with Banco De Oro Employees Association (BDOEA) covers staff level employees, except those as expressly excluded in the Agreement. The Agreement is effective for a period of five (5) years from 1 November 2015 to 31 October 2020. BDOEA is affiliated with Associated Labor Unions (ALU).

The Bank has not suffered any labor strikes in the past 28 years, and considers the

maintenance of harmonious relations with its employees and the Union as one of its key human capital agenda.

The Bank anticipates having approximately 36,000 total employees (in all levels; including those not included in the CBA) by 31 December 2018.

(xi) Risk Management

Risk management at BDO begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors who is responsible for establishing and maintaining a sound risk management system. The Board of Directors assumes oversight over the entire risk management process.

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

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

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity, and operational risks. The Bank's Risk Management Committee has overall responsibility for the Bank's risk management system and sets risk management policies across the full range of risks to which the Bank is exposed. It is responsible for approving the risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of the Bank. It oversees the system of limits of discretionary authority that the Board of Directors delegates to management under its purview, ensures that the system of

limits of discretionary authority remains effective, that the limits are observed, and immediate corrective actions are taken whenever limits are breached. It is also responsible for evaluating the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness.

The Risk Management Committee is a Board-Level Committee composed of four (4) members of the Board of Directors, with Jones M. Castro, Jr. (Independent) as Chairman, and Nestor V. Tan, Josefina N. Tan and Christopher A. Bell-Knight as members.

Item 2 – Properties

Description of Property

1) Principal Properties Owned

- A. Presented below is a list of the Bank's principal properties as of 31 December 2017 owned by the Bank and utilized as Head Offices:

No.	NAME	ADDRESS
1	BDO Corporate Center – North & South Tower	BDO Corporate Tower, 7899 Makati Avenue cor. H.V. Dela Costa St., Makati City
2	BDO Corporate Center – Ortigas	12 ADB Avenue Ortigas Center Mandaluyong City
3	Equitable Bank Tower	Equitable Bank Tower, 8751 Paseo de Roxas, Makati City
4	Pacific Star	Pacific Star Building, Makati Avenue, Makati City
5	Radio Marine - MTech	EBC Bldg., Paseo de Roxas cor. Gil Puyat Avenue, Makati City
6	Robinsons Tower	Robinsons PCIBank Tower, ADB Avenue, Ortigas Center, Pasig City

- B. Presented below is a list of the Bank's real properties as of 31 December 2017 owned by the Bank and utilized as BDO branches:

(a) Metro Manila Branches

No.	BRANCH	ADDRESS
1	A. Santos - St. James	8406 A. Santos Ave., Sucat, Parañaque City
2	ADB Avenue Ortigas	Robinson's PCIBank Tower, ADB Avenue, Ortigas Center, Pasig City
3	Airport Road	Airport Road corner Quirino Avenue, Baclaran, Parañaque City

No.	BRANCH	ADDRESS
4	Alfaro - Salcedo Village	GF PCCI Bldg. , 118 Leviste Street (Formerly Alfaro St.), Salcedo Village, Makati City
5	Arranque - T. Alonzo	733 T. Alonzo St., Manila
6	Asia Tower - Paseo	G/F Asia Tower corner Paseo De Roxas & Benavides St., 1229 Makati City
7	Aurora Blvd - Notre Dame	0137 Aurora Blvd. corner Notre Dame St. Cubao, 1110 Quezon City
8	Aurora Blvd - Yale	Aurora Blvd. corner Yale St. Cubao, Quezon City
9	Baclaran - Redemptorist Road	Redemptorist Road, Baclaran, Parañaque City, MM
10	Bagtikan - Chino Roces Avenue	Unit 102 G/F Pryce Center Condominium, 1179 Chino Roces Avenue corner Bagtikan St., San Antonio Village, Makati City
11	BDO Corporate Center	BDO Corporate Center, 7899 Makati Avenue, Makati City
12	Bel Air - Gil Puyat	Country Space 1 Condominium Bldg., Sen. Gil Puyat Avenue, Bel-Air Village, 1209 Makati City
13	Binondo	411 Quintin Paredes St., Binondo, Manila
14	Blumentritt	2325 Rizal Avenue corner Antipolo St. Sta. Cruz Manila
15	Blumentritt - San Juan	Lot 11-B, Blk. 127 Blumentritt corner Sto. Toribio St., San Juan, Metro Manila
16	Boni - Maysilo	74 Maysilo Circle corner Boni Avenue, Mandaluyong City
17	C. M. Recto	CM Recto Avenue corner Nicanor Reyes St. Manila
18	C. M. Recto - San Sebastian	2070 C.M. Recto St., 1008 Sampaloc, Manila
19	C. Palanca - Quiapo	132 Carlos Palanca St., Quiapo, Manila
20	Caloocan - Sangandaan	No. 628 A. Mabini St., 1408 Sangandaan, Caloocan City
21	Capitol - Pasig B	2/F 125 Shaw Blvd. corner Danny Floro St. Pasig City
22	Corinthian Gardens	BDO Leasing Center, Ortigas Avenue, Quezon City
23	Dasmariñas St. - Binondo	BDO Bldg., Dasmariñas St., Binondo, 1006 Manila
24	Dian - Gil Puyat	G/F EPCIB Bldg., Sen. Gil Puyat Avenue corner Dian St., Makati City
25	E. Rodriguez	1162 E. Rodriguez Sr. Avenue, New Manila, Quezon City
26	Edsa - Reliance St.	G/F Paragon Plaza, corner Reliance St., Mandaluyong City
27	Fairview	Don Mariano Marcos Avenue, Fairview, Quezon City
28	Grace Park - 10 th Avenue	359 Rizal Avenue Extension, Brgy. 62, Grace Park, Caloocan City

No.	BRANCH	ADDRESS
29	Grace Park - 8th Avenue	259 Rizal Avenue Extension, Grace Park, Caloocan City
30	Grace Park - 9th Avenue	414 Rizal Avenue Extension, Grace Park, 1400 Caloocan City
31	Greenhills - Roosevelt	EBC Bldg. Ortigas Avenue corner Roosevelt Avenue, Greenhills, San Juan, MM
32	Greenhills North	Unit 102-103 Sunrise Condominium, Ortigas Avenue, 1500 San Juan, MM
33	Ilaya - M. De Santos	632 M. De Santos St., Manila
34	Kalentong	MRDC Bldg. Shaw Blvd. corner Gen. Kalentong St. Mandaluyong City
35	Las Piñas - Pamplona	Alabang-Zapote Road, Pamplona, Las Piñas
36	Las Piñas - Philamlife Avenue	Alabang-Zapote Road, Pamplona Tres, 1740 Las Pinas, MM
37	Leveriza - Libertad	212 Libertad St., Pasay City, Metro Manila
38	Luneta - T.M. Kalaw	707 T.M. Kalaw St. corner Churruca St. Ermita, Manila
39	Makati - Pasay Road	845 Corporate Plaza Bldg. Pasay Road, Makati City
40	Makati Avenue - Ayala	L.V. Locsin Bldg. Ayala Avenue corner Makati Avenue, 1228 Makati City
41	Makati Cinema Square	Makati Cinema Square, Pasong Tamo, 1229 Makati City
42	Malabon	725 Rizal Avenue, San Agustin, Malabon City
43	Malabon - Rizal Avenue	694 Rizal Avenue, 1470 Malabon, Metro Manila
44	Marikina - Bayanbayanan	No. 48 Bayanbayanan Avenue, Brgy. Concepcion Uno, Marikina City
45	Marikina - Concepcion	17 Bayan-bayanan Avenue Concepcion, Marikina City
46	Marikina - Sumulong Highway	Corner E. Dela Paz St. Amang Rodriguez Avenue, Sto. Nino, Marikina City
47	Marulas – MacArthur Highway	Lot 16 & 17 McArthur Highway Valenzuela, Metro Manila
48	Medical Plaza - Legaspi Village	Unit 101, G/F Medical Plaza Makati, Amorsolo St. corner Dela Rosa St. Legaspi Village, Makati City
49	Muntinlupa - National Highway	No. 8 National Highway cor. Aguila St., Brgy. Putatan, Muntinlupa
50	N. Domingo - Araneta Avenue	No. 71 N. Domingo St. corner Katubusan St., Brgy. Rivera, San Juan City
51	Novaliches - Forest Hills	Lot 2 D 1 Quirino Avenue, Novaliches, Quezon City
52	Ortigas - Exchange Road	G/F, PSE Center, Exchange Road, Ortigas Commercial Complex, Pasig City
53	Ortigas Avenue	209 Ortigas Avenue Greenhills, San Juan, MM

No.	BRANCH	ADDRESS
54	Paco - A. Linao	1635-1641 A. Linao St., Paco, Manila
55	Padre Faura - A. Mabini	A .Mabini corner Padre Faura St., 1000 Ermita, Manila
56	Pasay	Libertad corner Colayco St., Pasay City
57	Paseo - Gil Puyat	BDO Building, 379-381 Sen. Gil Puyat Avenue corner Paseo de Roxas, Brgy. Bel-Air, Makati City
58	Paseo Tower - Makati	Equitable Bank Tower, 8751 Paseo de Roxas, Makati City
59	Pasig - Danny Floro	125 Shaw Blvd. corner Danny Floro St. Pasig City
60	Pasig - Manggahan	Amang Rodriguez Avenue, Manggahan, Pasig City
61	Pasig - Sixto Antonio Ave. Pilapil	Lot 2 B, Sixto Antonio Ave., Brgy. Kapasigan, Pasig City
62	Pasig – Market Avenue	No. 8 Market Avenue, Brgy. Palatiw, Pasig City
63	Perea – Paseo	G/F Universal Re Bldg. 106 Paseo de Roxas 1228 Makati City
64	Pitimini - Roosevelt	EBC Bldg. Roosevelt Avenue corner Pitimini St., SFDM, Quezon City
65	Plaza Sta. Cruz - Dasmariñas St.	377 Plaza Sta. Cruz, Sta. Cruz, Manila 1003
66	Potrero	110 MacArthur Highway corner Riverside St. Potrero, Malabon
67	President's Avenue - BF Parañaque	President's Ave. corner J. Elizalde St., BF Homes Parañaque, Metro Manila
68	Quezon Avenue - Heroes Hill	1052 Quezon Avenue, 1103 Quezon City
69	Quezon Avenue - West Triangle	Lot 3-B, Quezon Ave. Extension, Brgy. West Triangle, Quezon City
70	Quiapo - Quinta Market	Quezon Blvd. corner C. Palanca St., Quiapo, Manila
71	Reposo - Makati	EBC Bldg., JP Rizal corner N. Garcia (Formerly Reposo), Makati City
72	Rizal Avenue	2502-2504 Rizal Avenue corner Cavite St. Sta. Cruz, Manila
73	Rockwell Center - Makati	Lot 3 Block 7, Rockwell Drive, Rockwell Center, Poblacion, Makati City
74	Shaw Blvd. - Stanford	EBC Bldg., Shaw Blvd. corner Stanford St., Mandaluyong City
75	St. Ignatius - Katipunan	BDO Bldg., 137 Katipunan Avenue, St. Ignatius, Quezon City
76	Strata 100 - Ortigas	G/F Strata 100 Bldg., Don Francisco Ortigas Jr., Pasig City
77	Taft - Vito Cruz	Bankard Bldg. 2422 Taft Avenue, 1004 Malate, Manila

No.	BRANCH	ADDRESS
78	Timog – South Triangle	G/F President Tower, 81 Timog Ave. corner Scout Ybardolaza St., Brgy. South Triangle, Diliman, Quezon City
79	Tomas Morato - Kamuning	Corner Kamuning & Tomas Morato, Quezon City
80	U.N. Avenue - J. Bocobo	EBC Bldg., UN Avenue corner J. Bocobo St., Ermita, Manila
81	V.A. Rufino – Valero	G/F Chattam House, Herrera St. corner Valero & San Agustin St., Salcedo Village, Makati City
82	Valenzuela – Malanday MacArthur Highway	#656 MacArthur Highway, Brgy. Malanday, Valenzuela City 1444
83	West Trade Center - West Avenue	Unit #1, G/F West Trade Center, West Avenue, Quezon City
84	Yakal - Chino Roces Avenue	Units 2 & 3, G/F Tower 2 Bldg. Avida Towers Makati West Condominium cor. Yakal, Lumbayao and Malugay Sts., San Antonio Village, Makati City

(b) Provincial Branches

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

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

No.	BRANCH	ADDRESS
42	Davao - Tagum	577 Rizal St., 8100 Tagum, Davao Del Norte
43	Davao - Toril	Agton St., Toril, Davao City
44	Davao JP Laurel	Landco-PDCP Corporate Center, JP Laurel Avenue, Bajada, Davao City
45	Dipolog - Quezon Ave.	Quezon Avenue, 7100 Dipolog City, Zamboanga Del Norte
46	Dumaguete - Colon	Colon St. fronting Bldg. V of City Public Market, Poblacion 003, Dumaguete City
47	General Santos - Makar	Hadano Avenue (Makar Wharf), Purok Bagong Silang, Brgy. Labangal, General Santos City, South Cotabato 9500
48	General Santos - Pioneer	Pioneer Avenue, General Santos City, 9500
49	General Santos - Quezon Avenue	Lot 4670. Ts-217, Quezon Avenue, Brgy. Dadiangas West, General Santos City, South Cotabato
50	General Santos - Santiago St.	ireneo Santiago Blvd., 9500 General Santos St., South Cotabato
51	Iligan - Del Pilar	BC Labao corner Del Pilar St., Iligan City
52	Iloilo - Iznart	Iznart St., 5000 Iloilo City, Iloilo
53	Iloilo - Valeria	Valeria St., Iloilo City
54	Isabela - Roxas	#23 Osmeña Road., Bantug, Mallig Plain, 3320 Roxas, Isabela
55	Isabela - Santiago Centro	BDO Bldg. City Rd. cor. Guzman St., Calao West, Santiago City, Isabela
56	Isabela Santiago - Maharlika Highway	BDO Bldg., No. 57 Maharlika Highway cor. Quezon Ave. St., Santiago City, Isabela
57	Koronadal - Gensan Drive	NE of Gensan Drive, Zone 1, Koronadal City, South Cotabato
58	Koronadal - R. Alunan Avenue	R. Alunan Avenue corner Osmeña St., 9506 Koronadal, South Cotabato
59	La Union San Fernando – Quezon Avenue	Quezon Avenue, 2500 San Fernando, La Union
60	Laoag - Balintawak	Corner Rizal & Balintawak St., 2900 Laoag City, Ilocos Norte
61	Leyte - Maasin	Juan Luna St. cor. Enage St., Brgy. Tunga-tunga, Maasin, Southern Leyte
62	Leyte - Ormoc	Corner Burgos & Rizal St., 6541 Ormoc City, Leyte
63	Lipa - CM Recto	131 C. M. Recto St., 4217 Lipa City, Batangas
64	Lucena - Merchan	Lot 2903 Merchan St. cor. C.M. Recto St. cor. Cabana St., Brgy. IV, Lucena City
65	Malolos - Congreso	Paseo Del Congreso, San Agustin 3000 Malolos, Bulacan
66	Meycauayan - Zamora	Zamora St., Barrio Calvario, Meycauayan, Bulacan
67	Naga - Plaza Rizal	Gen. Luna St., 4400 Naga City, Camarines Sur

No.	BRANCH	ADDRESS
68	Negros Occ - Cadiz	Cabahug St., 6121 Cadiz, Negros Occidental
69	Negros Occ - Escalante	National Highway, Escalante City, 6124 Negros Occidental
70	Negros Occ - Kabankalan	Guanzon St., Kabankalan, 6111 Negros Occidental
71	Negros Occ – Silay	Figueroa corner Rizal St., Silay City, 6116 Negros Occidental
72	Nueva Ecija - Gapan	Tinio St., 3105 Gapan, Nueva Ecija
73	Nueva Ecija - Guimba	Afan Salvador St., 3115 Guimba, Nueva Ecija
74	Nueva Ecija - Muñoz	T. delos Santos St., Science City of Munoz, Nueva Ecija
75	Ozamiz	Cebedo St. corner Gallardo St. Centro, Ozamiz City, Misamis Occidental
76	Pagadian	F.S. Pajares Avenue, Pagadian City, 7016 Zamboanga Del Sur
77	Pampanga - Apalit	MacArthur Highway, Brgy. San Vicente, Apalit, Pampanga
78	Pampanga - Guagua	Lot 4876 Plaza Burgos St., Guagua, Pampanga
79	Puerto Princesa - Rizal	261 Rizal Avenue, 5300 Puerto Princesa City, Palawan
80	Quezon - Candelaria	Rizal corner Valle St., Candelaria, Quezon 4323
81	Roxas - Roxas Avenue	Roxas Avenue, Roxas City, Capiz
82	San Pablo - Rizal St	2F Equitable PCI Bldg., Rizal St. corner P. Alcantara, San Pablo City, Laguna
83	Sta. Rosa - South Expressway	National Road Pulong Sta. Cruz, 4026 Sta Rosa, Laguna
84	Sultan Kudarat - Isulan	#075 National Highway, Kalawag 2, Isulan, Sultan Kudarat
85	Sultan Kudarat - Tacurong	Alunan Highway, 9800 Tacurong, Sultan Kudarat
86	Tarlac - J. Luna	J. Luna St. near corner MacArthur Highway, Brgy. Sto. Cristo, Tarlac City
87	Tarlac - Luisita	MacArthur Highway, Barangay San Miguel, Tarlac City
88	Tuguegarao - Bonifacio St.	Bonifacio St., Tuguegarao, Cagayan
89	Urdaneta - Alexander	Alexander St., Urdaneta City, Pangasinan
90	Vigan - Quezon Avenue	Corner Bonifacio St. & Quezon Avenue, 2900 Vigan, Ilocos Sur
91	Zamboanga - Rizal St.	Rizal St., Zamboanga City, 7000, Zamboanga Del Sur

- C. Presented below is a list of the Bank's real properties as of 31 December 2017 owned by the Bank and utilized as Warehouses and Staffhouses:

No.	NAME	ADDRESS
1	Baguio Staffhouse	Poblete Ext. South Drive, Baguio Country Club, Baguio City
2	Howmart Warehouse	63 & 65 Howmart St., Brgy. Apolonio Samson, Quezon City
3	Nuvali Sta. Rosa	Lot 6 Block 9, Nuvali, Sta. Rosa, Laguna
4	Presidents Tower (Unit G3)	Ground Floor of Presidents Tower Timog Ave. Q.C.
5	Taguig Warehouse	Arthuro cor. Franco Drive, Sta. Maria Industrial Estate, Barrio Bagumbayan, Taguig, Metro Manila

- D. Presented below is a list of the Bank's real properties (vacant lots and buildings) as of 31 December 2017 owned by the Bank reserved for future Branch or Regional use:

No.	NAME	ADDRESS
1	Cebu – J. Mall	National Highway, 6014 Mandaue City, Cebu
2	Juan Luna Binondo	J. Luna/Quintin Paredes & Hormiga Sts., Binondo, Manila
3	Malabon General Luna	Gen. Luna St., Barangay San Agustin, Malabon City
4	Malungon Gensan	Brgy. Upper Balulang, Cagayan de Oro City
5	Office Head – Region 1 – Northern Luzon	Vicar Hotel Bldg. along A.B. Fernandez Ave. Brgy. Herrero Perez Dagupan City, Pangasinan
6	Office Head – Region 5 – Metro Manila	Lot 3 Blk 1 Doña Soledad Avenue, Better Living Subdivision Brgy. Don Bosco, Parañaque City
7	Office Head – Region 6 – Southern Luzon	No. 8 Makati Avenue Brgy. Palatiw Pasig City
8	Premises Management Division (Lipa Rotonda)	CM Recto Avenue, Lipa City
9	RBSJ Tarlac Building (Monarch)	Lot 3-H & 3-I-2 Sto. Cristo, J.P. Rizal Extension, Tarlac City
10	Tarlac (UOB)	27 F. Tanedo St., Tarlac City

- E. Presented below is a list of the Bank's real properties (lot and building) as of 31 December 2017 owned by the Bank which are currently tenanted:

No.	NAME	ADDRESS
-----	------	---------

1	Citibank Centers	8741 Paseo de Roxas Cor. Villar St. Salcedo Village Makati City
2	Gercon Plaza	Lot 5 & 6 Gercon Plaza along Makati Ave., Brgy. Bel Air, Makati City
3	Shell House	156 Valero St. Salcedo Village Makati City

F. Presented below is a list of the Bank's owned building on a leased lot as of 31 December 2017 which are currently tenanted:

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

(2) Leased Properties

BDO Unibank Group leases the premises of its head office and most of its branch offices for periods ranging from one to 30 years from the date of the contracts; terms are renewable upon the mutual agreement of the parties. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the statements of income, amounted to P2,846, P2,569 and P2,199 (amounts in million) in 2016, 2015 and 2014 in BDO Unibank Group's financial statements and P2,670, P2,415 and P2,131 (amounts in million) in 2016, 2015 and 2014 in the Parent Bank's financial statements.

A list of these leased properties is as follows:

(a) Utilized as head office as of 31 December 2017:

No.	NAME	ADDRESS
1	Cash Hub - Baguio	4th Floor, National Life Bldg., Session Road Baguio City
2	Cash Hub – Cavite Carmona	Governor's Drive, Maduya, Carmona, Cavite
3	Cash Hub – FCIE	Governor's Drive, Brgy. Langkaan, Dasmariñas, Cavite
4	Ebanking Center	3rd Level Tower 1, The Enterprise Center, 6766 Ayala Avenue Makati City
5	SM Keppel Podium	ADB Avenue, Ortigas Center, Mandaluyong City

(b) Utilized as representative offices located abroad as of 31 December 2017:

No.	NAME	ADDRESS
1	China Representative Office	Level 24, China World Office 1, Beijing, China

2	Korea Representative Office	23 rd Floor Seoul Finance Center, 136 Sejongdaero Jung-gu, Seoul 100-768 Korea
3	Singapore Representative Office	27-63 One Raffles Place, Singapore
4	Taipei Representative Office	132 3 rd Floor Unit D Section 3 Misheng East Road, Songshan District, Taipei, Taiwan

(c) Utilized as regional offices as of 31 December 2017:

No.	NAME	ADDRESS
1	Dagupan - CLG Office	3F & 4F Rudel Building, PerezBlvd. Cor. Guilig St, Dagupan City
2	Laoag - CLG Office	3rd Floor SM Hypermarket Laoag Ilocano Heroes Hall Brgy. No.10 San Jose Laoag City
3	Tuguegarao - CLG Office	2F Sychangco Bldg. Bonifacio Street, Tuguegarao City Cagayan
4	Legaspi City - CLG Office	2/F City Enterprise Building Landco Business Park F. Imperial St., Bgy. Capantawan, Legazpi City, Albay

(d) Metro Manila Branches

1. Lot leased

No.	BRANCH	ADDRESS
1	Better Living	Doña Soledad Avenue corner France St., Better Living, Parañaque City
2	Congressional - Mindanao Avenue	Congressional Avenue Extension corner Mindanao Avenue, Quezon City
3	EDSA - Pasay	507 EDSA corner B. Garcia St., 1300 Pasay City
4	Isidora Hills	BDO Bldg., Pook Ligaya Riding Ground, Interneighborhood Road, Isidora Hills Subdivision, Barangay Holy Spirit, Quezon City
5	JAS – Recto	1174 J. Abad Santos Avenue Tondo, Manila
6	Las Piñas - BF Resort	BDO Bldg., Blk 4 Lot 9 BF Resort Drive Phase 4, BF Resort Village, Las Piñas
7	Makati - P. Ocampo Sr.Ext.	243 P. Ocampo Sr. corner Flor de Lis St., Brgy La Paz, Makati City
8	Makati – J.P. Rizal	872 JP Rizal St. Barangay Poblacion, Makati City

No.	BRANCH	ADDRESS
9	Marikina - Tañong	223 A. Bonifacio Avenue, Brgy. Tañong, Marikina City
10	Mayon	No 166 Mayon St., Brgy. Maharlika, Sta. Mesa Heights, Quezon City
11	Monumento	MacArthur Highway corner Calle Uno, Caloocan City
12	Novaliches	1016 Quirino Highway Town Proper, Barangay Monica, Novaliches, Quezon City
13	Novaliches - Lagro	Lot 2-B-6 (LRC) PSD 341349, Quirino Highway, Lagro, Novaliches, Quezon City
14	Paso De Blas - North Expressway	97 Paso De Blas, 1442 Valenzuela, Metro Manila
15	Project 8 - Shorthorn	BDO Bldg., No. 41 Shorthorn St., Barangay Toro, Project 8, Quezon City
16	Visayas Avenue - Project 6	57 Visayas Avenue (Near Sanville Subdivision), Quezon City

2. Building leased

No.	BRANCH	ADDRESS
1	A Place - Coral Way	G/F A Place, Coral Way Drive, MOA Complex, Central Business Park 1, Island A, Pasay City
2	A. Arnaiz - San Lorenzo Village	L & R Bldg., 1018 A. Arnaiz Avenue, Makati City
3	A. Bonifacio Ave. - Balintawak	960 A. Bonifacio Avenue, Balintawak, Quezon City
4	A. Mabini – Gen. Malvar	Unit R1 G/F, Hollywood Garden Square Bldg., 1709 A. Mabini St. corner Gen. Malvar St. Brgy. 699, Zone 076, Malate, Manila
5	A.Arnaiz - Paseo	G/F Joni's Bldg., 832 Arnaiz Ave. Corner Edades St., Makati City
6	ABS CBN - Mother Ignacia St.	Stall No. 25 South Wing, G/F ELJCC Bldg., Sgt. E.A. Esguerra Avenue corner Mother Ignacia St., Quezon City
7	Acropolis - E. Rodriguez Jr.	G/F The SPA Bldg., E. Rodriguez Jr. Ave., Bagumbayan, Quezon City
8	ADB Avenue – Opal	G/F Malayan Plaza ADB Ave. corner Opal Rd., Ortigas Center, Pasig City

No.	BRANCH	ADDRESS
9	Adriatico – Sta. Monica	1347 Adriatico near cor. Sta. Monica across Robinson's Place Manila, Ermita, Manila
10	Alabang - Madrigal Avenue	Units 1, 2 & 3, Molito Commercial Complex, Madrigal Business Park, Madrigal Avenue, Alabang, Muntinlupa City
11	Alabang - Muntinlupa	Yellow 1 Bldg., South Station Bargain Center, Filinvest Corporate City, Alabang-Zapote Road, Alabang, Muntinlupa
12	Alabang Hills	Unit G02 UGF Madison Galleries, No. 398 Don Jesus Blvd., Brgy. Cupang, Alabang Hills, Muntinlupa City
13	Anonas - Kamias	Anonas St. corner K-6 St., East Kamias, 1102 Quezon City
14	Araneta Center – Ali Mall II	Level 2, #s A202019-202020R, Ali Mall II, P. Tuason Avenue, Araneta Center, Brgy. Socorro, Cubao, Quezon City
15	Araneta Center – Gateway Mall	00016 Gateway Mall, Gen. Malvar Avenue, Brgy. Socorro, Cubao, Quezon City
16	Arranque	1359-1361 Soler St., Sta. Cruz, Manila
17	Arranque - Severino Reyes	1451-1457 C.M. Recto corner Severino Reyes St., Sta. Cruz, Manila
18	Aurora Blvd - Broadway Centrum	Broadway Centrum Condominium., Aurora Blvd. Corner Dona Juan Rodriguez St., 1112 Valencia, Quezon City
19	Aurora Blvd - Hemady	708 Aurora Blvd. corner Hemady St., New Manila, 1110 Quezon City
20	Aurora Blvd. - Anonas	Manahan Bldg. Aurora Blvd. corner Anonas Avenue, Quezon City
21	Aurora Blvd. - New Manila	669 Aurora Blvd. Broadway Heights Bldg., Brgy. Mariana, New Manila, Quezon City
22	Aurora Blvd. - Princeton Residences	SMDC Princeton Residences (LC 102a-103d), Aurora Blvd., Brgy. Valencia, Quezon City
23	Ayala - Rufino	G/F Rufino Bldg., Ayala Avenue corner Herrera St., 1226 Makati City
24	Ayala Alabang	G/F Condominium C Unioil Center Bldg. Acacia Avenue corner Commerce Avenue, Ayala Alabang, Muntinlupa
25	Ayala Alabang - Richville Center	Richville Center, 1314 Commerce Avenue Extension, Madrigal Business Park, Ayala Alabang, Muntinlupa
26	Ayala Avenue	6805 Multinational Bancorporation Bldg., Ayala, Makati

No.	BRANCH	ADDRESS
		City
27	Ayala Avenue - SGV 1 Bldg.	G/F SGV 1 Building, 6760 Ayala Avenue, Makati City
28	Ayala Avenue – People Support	G/F People Support Center Amorsolo St. corner Ayala Avenue, Makati City
29	Ayala Avenue Extension – Alphaland Makati Place	Unit G10-G11, The Shops at Alphaland Makati Place, 7232 Ayala Avenue Ext. cor. Malugay St., Brgy. Bel-Air, Makati City
30	Ayala Triangle 1	GM-B G/F Tower 1, Ayala Triangle, Ayala Avenue, Makati City
31	Baclaran	2987 Taft Avenue Extension Pasay City
32	Balubaran – MacArthur Highway	G/F Bldg. 1, Arca Strip Commercial Center, 32 MacArthur Highway, Brgy. Dalandanan, Valenzuela City 1443
33	Banawe - Agno	202-204 Banawe corner Agno St., 1103 Quezon City
34	Banawe - Amoranto	650 N. S. Amoranto Avenue corner Banawe St., Quezon City
35	Banawe - Kitanlad	23-25 Banawe corner Kitanlad, Quezon City
36	Banawe - N. Roxas	71 Nicanor Roxas St. corner Banawe St., Quezon City
37	BDO Corporate Center Ortigas	G/F The Podium, ADB Avenue, Brgy. Wack-Wack, Mandaluyong City
38	Bel-Air – SM Cyberzone 1	G/F SM Makati Cyberzone 1, along Sen. Gil Puyat Avenue, Makati City
39	Better Living - Bicutan	43 Doña Soledad Avenue, Better Living Subdivision, Don Bosco, Parañaque, MM
40	BF Homes - Aguirre	RGM Bldg., 326 Aguirre Avenue, BF Homes, Parañaque
41	BF Homes - Puregold Southpark	Units 4 & 5, G/F Puregold Avelino, President's Avenue, BF Homes, Parañaque City
42	BF Homes – Teoville	G/F Aurora Comm Bldg., President's Ave., Teoville Subd., Brgy. BF Homes, Paranaque City
43	Bicutan - West Service Road	HRDC Bldg., KM. 16 South Super Highway cor. Acsie Road, Severina Industrial Estate, Brgy. Marcelo Green, Parañaque
44	Bicutan – Sun Valley	RA024-RA026, Aria A Amaia Steps Bicutan, Sun Valley Drive, Brgy. Sun Valley, Parañaque City

No.	BRANCH	ADDRESS
45	Binondo – Rosario	483 – 485 G/F Quintin Paredes St., Binondo, Manila
46	Bocobo - Pedro Gil	G/F Altra Center, 1663 Bocobo St., Brgy 698, Malate, Manila
47	Boni - Ligaya	654 Boni Avenue, 1550 Mandaluyong City
48	Boni – Dansalan	G/F Exbonytz, Inc. Bldg. Boni Avenue corner M. Vicenter St., (formerly Dansalan St), Mandaluyong City
49	Bonifacio Global City - 9 th Avenue	Active Fun Bldg., 9 th Avenue corner 28 th St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig City
50	Bonifacio Global City - Burgos Circle	Unit 1-F & 1-E G/F, Crescent Park Residences, 2nd Avenue corner Burgos Circle, Bonifacio Global City, Taguig City
51	Bonifacio Global City - Fort Legends	G/F Fort Legends Tower corner 31st St. & 3rd Avenue, Bonifacio Global City, Taguig City
52	Bonifacio Global City - Grand Hamptons Tower	Grand Hamptons Tower, 1st Avenue corner 31st St., Bonifacio Global City, Taguig City
53	Bonifacio Global City - J.Y. Campos Center	G/F J.Y. Campos Center, 30th St. corner 9th Avenue, Bonifacio Global City, Taguig City
54	Bonifacio Global City - Market Market	Space No. 101, Market Market, Bonifacio Global City, Fort Bonifacio, Taguig, MM
55	Bonifacio Global City - MC Home Depot	G/F MC Home Depot, 32nd St. corner Bonifacio Avenue, Bonifacio Global City, Taguig
56	Bonifacio Global City - One Mckinley Place	G/F One McKinley Place, 4th Avenue corner 25th St., Bonifacio Global City, Taguig
57	Bonifacio Global City - Picadilly Star	G/F Picadilly Star Corporate Center, 4th Avenue corner 27th St., Bonifacio Global City, Taguig
58	Bonifacio Global City - St. Luke's	St. Luke's Medical Center, Rizal Drive corner 5th Avenue & 32nd St., Fort Bonifacio Global City, Taguig
59	Bonifacio Global City - The Infinity Tower	Unit 103 The Infinity Tower, 26th St., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig
60	Bonifacio Global City - University Parkway	G/F Avecshares Center, 1132 University Parkway, Bonifacio North Triangle, Bonifacio Global City, Taguig
61	Bonifacio Global City – Ecotower	G/F Ecotower, 32nd St., corner 9th Avenue, Bonifacio Global City, Taguig City
62	Bonifacio Global City – Shangri-La	Unit GF 22, G/F Shangri-La at the Fort Manila, 30 th St. cor. 5 th Ave., Brgy. Fort Bonifacio, Bonifacio Global City, Taguig

No.	BRANCH	ADDRESS
63	Bonny Serrano Avenue	Unit 11 & 12, Aguinaldo Corporate Centre 125 Col. Bonny S. Serrano Avenue Brgy. Socorro, Quezon City
64	Buendia - Taft	No. 401 Sen. Gil Puyat Ave. cor. Dominga St., Brgy. 48, Pasay City
65	C. M. Recto - Reina Regente	1059 CM Recto Avenue corner Reina Regente St., Binondo, Manila
66	Cainta – Sumulong Highway	Along Sumulong Highway, Brgy. Balanti, Cainta, Rizal
67	Calle Industria – Circulo Verde	G/F Unit I-102, Industria, Circulo Verde, No. 70 Calle Industria, Brgy. Bagumbayan, Quezon City
68	Caloocan	Rizal Avenue Extension near corner 11th Avenue, Grace Park, Caloocan City
69	Caloocan - A. Mabini	G/F Corazon Bldg., 432 A. Mabini St., Poblacion, Caloocan City
70	Caloocan 7th Ave.	Rizal Avenue Extension corner 7th Avenue, Caloocan City
71	Carmen Planas	Nos. 822, 824 & 826 Carmen Planas St., Brgy. 269, Zone 25, District 3, Manila
72	Carmen Planas - Zaragosa	921 Carmen Planas St. corner Zaragosa St., Tondo, Manila
73	Carmen Planas – P. Rada	1033-1035 C. Planas St., 1012 Tondo, Manila
74	Cash & Carry	G/F Unit No. G01A, Cash & Carry Mall, South Super Highway & Filmore St., Makati City
75	Central Market - V. Fugoso	1724 V. Fugoso St., Brgy. 311 Zone 31, District 3 Sta. Cruz, Manila
76	Chino Roces Avenue	Units 3 & 4 La Fuerza Plaza, Chino Roces, Makati City
77	Chino Roces Avenue – V.A. Rufino	G/F Pacifica One Center, 2178 Don Chino Roces Avenue, Brgy. Pio Del Pilar (North Arnaiz), Makati City
78	Chino Roces Extension – Lumbang	G/F Dacon Bldg., 2281 Chino Roces Ave., Ext., Brgy. Magallanes, Makati City
79	City of Dreams Manila	2nd Level, City of Dreams Manila, Aseana cor. Roxas Blvd., Brgy. Tambo, Parañaque City
80	Commonwealth	G/F Teresita Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City
81	Commonwealth - Don Antonio	Don Antonio Sports Center, Don Antonio (former Holy Spirit Drive), Don Antonio Heights Subdivision, Quezon City

No.	BRANCH	ADDRESS
82	Congressional Ave. Ext. – T.M. Kalaw	Blk. 3 Lot 6 Mira Nila Homes, Congressional Ave. Ext., Brgy. Pasong Tamo, Quezon City
83	Congressional Avenue	The Excelland System I Congressional Avenue, Quezon City
84	Congressional Avenue – Project 8	149 Congressional Ave., Brgy. Bahay Toro, Project 8, Quezon City
85	Cubao - P. Tuazon	MEC Tower, P. Tuazon Ave. cor. 21st St., Cubao, Quezon City
86	Dapitan St. - A. H. Lacson Ave.	Dioresa Plaza, Dapitan St. corner A.H. Lacson Avenue, Sampaloc, Manila
87	Del Monte - Araneta Avenue	641 Del Monte Avenue, San Francisco Del Monte, Quezon City
88	Del Monte - Sienna	409 Del Monte Avenue, Quezon City 1105
89	Del Monte Avenue	63 Del Monte Avenue, Barangay Manresa, Quezon City
90	Dela Rosa - Rada	Ace Bldg., corner Dela Rosa & Rada St., Legaspi Village, 1229 Makati City
91	Dela Rosa – Gallardo	G/F Unit 15 Tropical Palms Condominium, 103 Dela Rosa St. cor. Gallardo St. cor. Perea St., Brgy. San Lorenzo, Legaspi Village, Makati City
92	Diliman - Matalino	G/F Suntrust Capitol Plaza, Matalino St. cor. City Hall Drive cor. Makatarungan St., Brgy. Central, Diliman, Quezon City
93	Diliman – Capitol Hills	16 Capitol Hills Drive, Old Balara, Diliman, Quezon City
94	Divisoria	744 - 746 Ilaya St. Tondo, Manila
95	Divisoria - Sta. Elena	668 Sta. Elena St., Binondo, Manila
96	Dr. A. Santos Ave.	LT Bldg. Dr. A. Santos Avenue, Paranaque City
97	Dr. A. Santos Avenue – Amaia Steps	Units R108-R112, Amaia Steps Sucat, Dr. A. Santos Ave., Brgy. San Antonio, Parañaque City
98	Dr. A. Santos Avenue – Puregold Evacom	Commercial Units No. 8-10, Puregold San Dionisio, Dr. A. Santos Avenue, Brgy. San Dionisio, Parañaque City
99	Dr. A. Santos Avenue – UPS 5	GF Omniworx Business Center, 0060 Dr. A. Santos Avenue, Brgy. San Isidro, Parañaque City
100	E. Rodriguez - Welcome Rotonda	G/F AEK Bldg., 40 E. Rodriguez Sr. Avenue, Don Manuel, Quezon City

No.	BRANCH	ADDRESS
101	E. Rodriguez Jr. Ave. - Bridgetowne	Shop 2-6 Tera Tower at Bridgetowne, E. Rodriguez Jr. Ave., Libis, Quezon City
102	E. Rodriguez Sr. - Hillcrest	G/F Rhodium Square Bldg., 1659 E. Rodriguez Sr. Avenue, Brgy. Pinagkaisahan, Quezon City
103	Eastwood City - E. Rodriguez Jr. Avenue	Magnitude Commercial Arcade E. Rodriguez Jr. Avenue Bagumbayan, Quezon City
104	Eastwood City - IBM Plaza	G/F IBM Plaza, Eastwood City, E. Rodriguez Jr., Avenue, Bagumbayan, Quezon City
105	Eastwood City - Olympic Heights	G/F Olympic Heights, Eastwood City Cyberpark, Bagumbayan, Quezon City
106	Echague	No. 116-120 C. Palanca St. Quiapo, Manila
107	EDSA - A. de Jesus	474 EDSA corner B. Serrano & A. De Jesus St, 1403 Caloocan City
108	EDSA - Balintawak	G/F, 1310 Edsa, Brgy Apolonio Samson, Balintawak, Quezon City
109	EDSA - Bangkal	No. 3 EDSA, Barangay Bangkal, Makati City
110	EDSA - East Avenue	G/F Macdouton Building, 768 Edsa near cor. East Avenue, Brgy. Pinyahan, Cubao, Quezon City
111	EDSA - New Farmers Plaza	Unit 1-B, G/F New Farmers Plaza, General Roxas Avenue, Araneta Center, Cubao, Quezon City
112	EDSA - New York	EDSA corner New York St., Cubao 1111 Quezon City
113	EDSA – Ortigas	Maranaw Plaza, 187 Edsa, Brgy. Wack-Wack, Greenhills East, Mandaluyong City
114	Edsa Cubao	596 Simeon Medalla Bldg., corner Gen. McArthur Avenue, EDSA, Quezon City
115	EDSA East - Caloocan	L & E Bldg. EDSA corner Gen. Concepcion St, Caloocan City
116	EDSA POEA	POEA Bldg., EDSA corner Ortigas Avenue, Mandaluyong City
117	Elcano	SHC Tower 619 Elcano St. San Nicolas, Manila
118	Emerald Avenue	G/F Unit 101 Taipan Place, Don Francisco Ortigas Jr. Road, Pasig
119	Escolta	303 Escolta St., Brgy. 291, Binondo, Manila
120	España	Carmen Bldg. Espana corner G. Tolentino St. Sampaloc,

No.	BRANCH	ADDRESS
		Manila
121	España - M. Dela Fuente	Esperanza Place, España Blvd. corner M. Dela Fuente St., Sampaloc, Manila
122	España – Basilio	España St. corner Basilio St. corner Intruccion St., Brgy 512, Manila
123	España – Blumentritt	2101-2103 España Avenue corner Blumentritt St. 1008 Sampaloc, Manila
124	España – Grand Residences 2	C1-C2, Grand Residences España Tower 2, 958 A.H. Lacson St., Brgy. 479, Zone 47, Sampaloc, Manila
125	Evangelista - Makati	1695 Evangelista St corner Gen. Lacuna St. Bangkal, Makati City 1233
126	F. Ortigas Jr. Road	G/F Ortigas Center Association, Inc. Bldg., F. Ortigas Jr. Road, Brgy. Oranbo, Ortigas Center, Pasig City
127	Fairview – Doña Carmen	Shopking Doña Carmen Commercial Center, Commonwealth Avenue, Brgy. North Fairview, Quezon City
128	Fairview – Fairmont	Regalado Avenue, Brgy. North Fairview, Novaliches, Quezon City
129	Fairview – Regalado	G/F Regalado Hive, Regalado Ave., Brgy Fairview, Quezon City
130	Filinvest - Alabang	G/F Tower 1, Insular Life Corporate Center, Insular Life Drive, Filinvest Corporate City, Alabang, Muntinlupa City
131	Filinvest – Civic Drive	Units 7 & 8, AA Corporate Plaza, Civic Drive, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
132	Filinvest – Northgate Aeon Center	Space 2, Aeon Center, Alabang Zapote Road corner North Bridgeway, Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
133	Filinvest – Spectrum Midway	Space 3 & 4, Polaris Bldg., Spectrum Midway St., Filinvest Corporate City, Brgy. Alabang, Muntinlupa City
134	Filinvest Avenue	G/F BC Group Bldg., Filinvest Ave. corner Commerce Ave. Brgy. Ayala Alabang, Filinvest Corporate City, Alabang, Muntinlupa
135	FiveE-comCenter	G/F Five E-com Center, Pacific Drive cor. Bayshore Ave., Brgy. 76, Zone 10, Mall of Asia Complex, Pasay City
136	Fort Bonifacio - Bayani Road	Bayani Road corner M. Roxas St., Fort Bonifacio, Taguig
137	Fort Bonifacio - Mckinley Hill	G/F Three World Square, McKinley Hill, Fort Bonifacio, Taguig

No.	BRANCH	ADDRESS
138	G. Araneta - Brixton Hill	G/F ILO Bldg., 195 G. Araneta Avenue, Quezon City
139	Gandara	811-813 Sabino Padilla St. (formerly Gandara St.) Sta. Cruz , Manila
140	Gandara - Soler	1268 Soler St. corner S. Padilla St., 1006 Binondo, Manila
141	GC Corporate Plaza - Legaspi St.	150 GC Corporate Plaza, Legaspi St., Legaspi Village, Makati City
142	General Luis	297 Gen. Luis St. Barrio Kaybiga, Caloocan City
143	Gil Puyat - Metro House	Metro House Building, 345 Sen. Gil J. Puyat Avenue, Brgy. Bel-Air, Makati City
144	Gil Puyat – Filmore	1320 Filmore St., Brgy. Palanan, Makati City
145	Gil Puyat – Harrison	Unit IC, ID & IE, No. 53 Gil Puyat Avenue, Brgy. San Rafael, Pasay City
146	Gil Puyat – TechZone	G/F TechZone Philippines Bldg., 213 Sen. Gil Puyat Ave., Brgy. San Antonio , Makati City
147	Grace Park	G/F A & R Bldg., 213 Rizal Avenue Extension Grace Park, Caloocan City
148	Grace Park - 11th Avenue	1619 Rizal Avenue, Extension corner 11th Avenue, 1400 Caloocan City
149	Greenbelt – Legazpi St.	G/F 108 Legapi St. corner Paseo de Roxas, Pioneer House Bldg., Legazpi Village, Makati City
150	Greenhills - Annapolis	Unit 101, G/F Vasquez-Madrigal Plaza Annapolis, Greenhills, San Juan
151	Greenhills - West	101 Limketkai Bldg., Ortigas Avenue, San Juan, MM
152	Greenhills - Wilson	227 Wilson St., corner Don Miguel St., San Juan, MM
153	Greenhills – Connecticut	G/F Belomed Bldg., No. 49 Connecticut St., Brgy. Greenhills, San Juan City
154	Greenhills – Missouri	12 Missouri St., Northeast Greenhills, Brgy. Greenhills, San Juan City
155	Greenhills – O Square	G/F Unit OS-105, O Square Greenhills Shopping Center, Ortigas Avenue, Brgy. Greenhills, San Juan City
156	Greenhills Shopping Center	G/F Jewellery Center, Greenhills Shopping Center, Ortigas Avenue, San Juan, Metro Manila
157	H.V. Dela Costa	120 Westgate Plaza Condominium, Salcedo Village, Makati City

No.	BRANCH	ADDRESS
158	Harrison Plaza	Unit R-5 URDI Bldg., Harrison Plaza Shopping Complex F. B. Harrison Malate, Manila
159	Ilaya	1049-1051 Ilaya St. Divisoria, Manila
160	Ilaya - Padre Herrera	1089 Ilaya St., Brgy.3, Zone 01, Tondo, Manila
161	Intramuros	G/F Chamber of Commerce Bldg., #3 Magallanes Drive, Intramuros, Manila
162	J. Abad Santos	G/F Ching Leong Temple, J. Abad Santos Avenue, Tondo, Manila
163	JAS - Antipolo	G/F Intercast Corporate Tower 2230 J. Abad Santos Avenue, Tondo, Manila
164	Juan Luna	262 Juan Luna Street, Binondo, Manila
165	Julia Vargas	IBP Bldg., Julia Vargas Avenue, Ortigas, Pasig City
166	Julia Vargas – Ortigas Technopoint One	Unit Nos. G04-07, OTP Bldg. 1, No. 01, Julia Vargas Avenue, Ugong, Pasig City
167	Julia Vargas – Valle Verde	Units L1-01 & L1-02, Silver City, Frontera Verde, Brgy Ugong, Pasig City
168	Jupiter - Reposo	G/F CEI Headquarters, 158 Jupiter St. corner N. Garcia St., Bel-Air Village, Makati City
169	Kamagong	2567 P. Ocampo (Vito Cruz Extension) corner Madre Perla St. Manila
170	Kamias Road	Trinidad Bldg., Kamias Road corner K- J St., Quezon City
171	Karrivin Plaza - Chino Roces Avenue Ext.	G/F Building A, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City
172	Karuhatan - MacArthur Highway	KM. 13 MacArthur Highway, 1441 Karuhatan, Valenzuela, Metro Manila
173	Katipunan	Regis Center, No. 327 Katipunan Avenue corner F. dela Rosa St., Loyola Heights, Quezon City
174	Katipunan – Loyola Heights	De Borja Commercial Bldg., 299 Katipunan Avenue, Brgy Loyola Heights, Quezon City
175	Katipunan – Xavierville	GF Xavierville Square Condominium, 38 Xavierville Avenue, Loyola Heights, Quezon City
176	Katipunan Avenue – Blue Residences	Strip at Blue, Blue Residences (LC 104-107A), Katipunan Ave. corner Aurora Blvd., Brgy. Loyola Heights, Quezon City

No.	BRANCH	ADDRESS
177	Las Piñas - Almanza	Alabang-Zapote Road, Almanza Uno, Las Piñas, Metro Manila
178	Las Piñas - Marcos Alvarez Avenue	B-2 L-19 Kimberkay Bldg., Marcos Alvarez Ave., Brgy. Talon Cinco, Las Piñas City
179	Las Piñas - Naga Road	Near corner Naga Road and Main Access Road, E.T. Homes 2, Pulanglupa 2, Las Piñas City
180	Las Piñas - Talon	G/F Motiontrade Bldg, Alabang-Zapote Road, Talon, Las Piñas City
181	Las Piñas – Evia Daang Hari	Evia Lifestyle Center, Daang Hari Road, Tindig na Mangga, Brgy. Almanza Dos, Las Piñas City
182	Las Piñas – J. Aguilar Avenue Casimiro	Blk. 1 Lot 9 J. Aguilar Avenue, Casimiro Village 3, Brgy BF International, Las Piñas City
183	Lavezares	321-325 Garden City Condominium corner Lavezares & Camba St. San Nicolas, Manila
184	Legaspi Village - C. Palanca	G/F Colonade Residences, No. 132 Legaspi Village, Makati City
185	Legaspi Village - Salcedo St.	Maxicare Tower, 203 Salcedo St., Legaspi Village, Makati City
186	Legaspi Village – Gamboa	KL Tower 117 Gamboa Street, Legaspi Village, Brgy. San Lorenzo, Makati City
187	Leon Guinto – Gen. Malvar	Wynn Plaza Commercial Unit 2, 1674 Leon Guinto cor. Gen. Malvar & Agoncillo Sts., Brgy. 694, Zone 075, Malate, Manila
188	Loyola Heights - Berkeley Residences	G/F Berkeley Residences, Katipunan Ave. corner Escaler St., Loyola Heights, Quezon City
189	Macapagal Blvd. - Pearl Drive	Unit Nos. 105 & 106, Scape Bldg., Diosdado Macapagal Avenue corner Pearl Drive, Brgy. 76, San Rafael, Mall of Asia Complex, Pasay City
190	Magallanes Village	Unit 104 The Gate Way Center, Paseo de Magallanes, Magallanes Village, Makati City
191	Makati - Esteban	G/F A & V Crystal Tower, 105 Esteban St., Legaspi Village, Makati
192	Makati – Gramercy Residences	G/F Gramercy Residences, The Century City, Salamanca St., Brgy. Poblacion, Makati
193	Makati – Jazz Residences	G/F Jazz Residences, Jupiter St. corner N. Garcia St., Brgy. Bel-Air, Makati City
194	Makati – Metropolitan	G/F Metropolitan Terraces, Metropolitan Avenue corner

No.	BRANCH	ADDRESS
	Avenue	Sacred Heart St., (formerly Dao St), Makati City
195	Makati Avenue - Zuellig	G/F Zuellig Building, Paseo de Roxas corner Makati Avenue, Makati City
196	Makati Medical Center	G/F Makati Medical Center Bldg., Salcedo St. corner Dela Rosa St., Legaspi Village, Makati City
197	Makati Shangrila Hotel	Unit 191 Shangrila Hotel Manila, Ayala Center, Makati City
198	Malabon - Gov. Pascual	GF MGC Veranda Bldg., 31 Gov. Pascual Avenue, Tenejeros, Malabon City
199	Malanday - McArthur Highway	G/F & 2/F, 584 MacArthur Highway, Brgy. Malanday, 1405 Valenzuela City
200	Malate - Adriatico	Adriatico Executive Center, Adriatico St., Ermita, Manila
201	Mall of Asia – S Maison	G/F S Maison, Marina Way, Mall of Asia Complex, Brgy. 76, Zone 10, Pasay City
202	Mall of Asia – Shell Residences	SMDC Shell Residences (LC 123), EDSA corner Road 11, Brgy. 76, SM Mall of Asia Complex, Pasay City
203	Mandaluyong - Calbayog	DMG Center, Libertad St. corner M. Cruz, Mandaluyong City
204	Mandaluyong - Libertad	Sierra Madre St. corner Libertad St., Mandaluyong City
205	Mandaluyong - Light Mall	G/F Light Mall, Light Residences, Edsa corner Madison St., Brgy. Barangka Ilaya, Mandaluyong City
206	Mandaluyong – Reliance	G/F, Units 3 & 4 Launch Pad Bldg., Reliance corner Sheridan Sts., Brgy. Highway Hills, Mandaluyong City
207	Manila - Otis	1763 Paz Mendoza Guanzon St., Paco, Manila
208	Marikina - Calumpang	Florida 1 Bldg., JP Rizal corner M. A. Roxas St., Calumpang, Marikina City
209	Marikina - Gil Fernando Ave.	Gil Fernando Avenue corner Dragon St., Marikina City
210	Marikina - Katipunan	G/F 107 Guerdon Commercial Center, Katipunan Avenue cor. Rainbow St., Brgy. Concepcion Dos, Marikina City
211	Marikina - Lamuan	J. P. Rizal St. near corner Malaya St., Barangay Lamuan, Marikina City
212	Marikina - Nangka	Unit 1A G/F Bldg 2 Citi Centre Nangka, J.P.Rizal Avenue corner Puerto Rico Avenue, Nangka, Marikina City
213	Marikina - Parang	No. 105 Gen. B. G. Molina St., Brgy. Parang, Marikina City

No.	BRANCH	ADDRESS
214	Marikina – JP Rizal	265 Jose Rizal St., Sta. Elena 1800, Marikina City
215	Marikina Heights	G/F Commercial Unit No. 108-110, Puregold & Ayala Malls Marikina, Liwasang Kalayaan, Brgy. Marikina Heights, Marikina City
216	Masangkay	Lung Hong Townmates Association Bldg., 1226 Masangkay Sta. Cruz, Manila
217	Masangkay - CM Recto	1029-1031 JP. Bldg., Masangkay corner Tronqued St., Sta. Cruz, Manila
218	Masangkay - Luzon St.	907 Luzon St. corner Masangkay St., Tondo, Manila
219	Mascardo - Chino Roces Avenue	1101 Chino Roces corner Mascardo St., Brgy Sta. Cruz, Makati City
220	Mayon - Amoranto	489 Units A & B Mayon St., Sta. Mesa Heights, Quezon City
221	Mayon - N. Roxas	No. 241 Mayon Avenue corner Nicanor Roxas St., 1161 Quezon City
222	Maysilo Circle – F. Martinez Avenue	No. 315 Maysilo Circle, Brgy. Plainview, Mandaluyong Cty
223	Meralco - Ortigas	Meralco Compound, Ortigas Avenue, 1604 Pasig City
224	Mezza Residences	G/F Mezza Residences, Aurora Blvd. corner Araneta Avenue, Guirayan St., Barangay Doña Imelda, Quezon City
225	Mindanao Avenue – Tandang Sora	G/F & 2/F, No.18 Mindanao Avenue, Brgy. Tandang Sora, Quezon City
226	Mother Ignacia – M Place	SMDC M Place South Triangle (LC 106-107), Mother Ignacia corner Panay Avenue, Brgy. South Triangle, Quezon City
227	Muñoz - Roosevelt	328 Mesa Holding Bldg., San Francisco Del Monte, Quezon City
228	Muntinlupa - Poblacion	G/F Elizabeth Center Bldg., National Road Poblacion, Muntinlupa City
229	N. Domingo - M. Paterno	G/F Maxsteel Bldg., No. 266 N. Domingo St., Brgy. Pasadena, San Juan City
230	NAIA 1	Arrival Area, Ninoy Aquino International Airport, Ninoy Aquino Avenue, 1705 NAIA, Parañaque City
231	NAIA 3	Stall No.13, Arrival Lobby of Terminal 3, Ninoy Aquino International Airport, Andrews Avenue, Brgy. Villamor,

No.	BRANCH	ADDRESS
		Pasay City
232	Navotas	Seafront Commercial Bldg. North Bay Blvd., Navotas
233	Neptune - Makati Avenue	101 Neptune St. corner Makati Avenue 1209 Makati City
234	New Manila - E. Rodriguez Sr.	Unit 1G & 2E, 284 Dona Anita Bldg., E. Rodriguez Sr. Avenue, Quezon City
235	Newport City	G/F Newport Office Building 1, Newport City, Pasay City
236	Newport City – Plaza 66	Unit Retail 13a, Plaza 66, Newport City, Manlunas St., Brgy. 183, Villamor Airbase, Pasay City
237	Northbay - Virgo Drive	Melandrea V Bldg., Honorio Lopez Blvd. near corner Virgo, North Bay, Navotas City
238	Novaliches - Zabarte	G/F C.I. Plaza, 1151 Quirino Highway corner Zabarte Road, Barangay Kaligayahan, Novaliches, Quezon City
239	Old Sta. Mesa - Albina	Newton Plaza, Old Sta. Mesa corner Albina St., Sampaloc, Manila
240	OneE-comCenter	G/F One E-com Center, Palm Coast Avenue, Mall of Asia Complex, Pasay City
241	Ongpin	Unit ABC Imperial Sky Garden, Ongpin St. corner T. Pinpin St., Binondo, Manila
242	Ongpin - T. Alonzo	G/F Anchor Skysuites, No. 827 Ongpin St., Brgy.300, Zone 29, Sta. Cruz, Manila
243	Ongpin-Tomas Mapua	1004-1006 Ongpin St., Sta. Cruz, Manila
244	Ortigas - Octagon Centre	G/F Octagon Centre, San Miguel Avenue, Ortigas Center, Pasig City
245	Ortigas – Garnet Road	Unit 1 G/F Cyberscape Alpha Bldg., Garnet & Sapphire Rds., Ortigas Central Business District, San Antonio, Pasig City
246	Ortigas Avenue Ext. - St. Joseph	15 A, Ortigas Avenue Extension corner Monaco St., Pasig City
247	Ortigas Avenue Ext.-Pasig	Along Ortigas Avenue Extension, Rosario, Pasig City
248	Pablo Ocampo Sr. St. - Arellano Avenue	Barko Bldg., P. Ocampo Sr. St. corner Arellano Avenue & Enrique St., Malate, Manila
249	Pacific Star - Makati	G/F Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City
250	Paco	1054-1060 Pedro Gil St., Paco, Manila

No.	BRANCH	ADDRESS
251	Padre Rada	Gosiupo Bldg. 480-482 Padre Rada Corner Elcano St. Tondo, Manila
252	Parañaque - La Huerta	0422 Quirino Avenue corner J. Ferrer St., La Huerta, Parañaque City
253	Parañaque - Moonwalk	G/F Seal I Bldg., Armstrong Avenue corner Yosemite St., Moonwalk Subdivision, Parañaque City
254	Parañaque - N. Aquino Avenue	JJM Bldg., 2 N. Aquino Avenue, Sto. Niño, Parañaque, MM
255	Parañaque - Pascor Drive	Sky Freight Bldg., Ninoy Aquino Avenue near corner Pascor Drive, St. Niño, Parañaque City
256	Parañaque - San Antonio Valley 1	San Antonio Plaza, Blk 6 Lot 20 & 21, San Antonio Ave., Brgy. San Antonio Valley 1, Sucat, Parañaque
257	Parañaque – Moonwalk E. Rodriguez Ave.	15413 A&M Bldg., E. Rodriguez Ave. cor. Daang Batang St., Brgy. Moonwalk, Parañaque City
258	Parañaque – NAIA Road	G/F Park N' Fly Carpark Bldg. 2, NAIA (MIA) Road cor. Mayuga St., Brgy. Tambo, Parañaque City
259	Pasay - Domestic Road	Caltex Compound (PDSC/Park 'N Fly Bldg.), NAIA corner Domestic Road, 1300, Pasay City
260	Pasay - Two Shopping Center	2nd Level. Retail Shops Area, Two Shopping Center, Taft Avenue, Pasay City
261	Paseo de Roxas 2	G/F BDO Plaza, 8737 Paseo de Roxas St. Makati City
262	Pasig - C. Raymundo Ave.	JEMCO Bldg., Raymundo Ave. cor. Bernal St., Rosario, Pasig City
263	Pasig - Capitol Commons Estancia	Estancia Mall, Capitol Commons, Pasig City
264	Pasig - Caruncho	SG Bldg. Caruncho Avenue corner Market Avenue, Pasig City
265	Pasig - E. Rodriguez Jr. Ave.	G/F P & J Bldg., Pasig Blvd corner E. Rodriguez Jr. Ave., Brgy Ilog, Pasig City
266	Pasig - Kapasigan	Mariposa Arcade, A. Mabini corner Dr. Pilapil St. Pasig City
267	Pasig - Meralco Avenue	G/F One Corporate Bldg., Julia Vargas Avenue corner Meralco Avenue, Pasig City
268	Pasig - Mercedes Avenue	No. 628 MK Building, Mercedes Avenue, Brgy. San Miguel, Pasig City
269	Pasig - Oranbo Drive	G/F A.B. Sandoval Bldg., Shaw Blvd. corner Oranbo Drive, Pasig City

No.	BRANCH	ADDRESS
270	Pasig - Pioneer	Pioneer Centre, Pioneer St. corner United & Brixton St., Kapitolyo, Pasig City
271	Pasig - Sixto Antonio Ave. Bedaña	Sixto Antonio Avenue corner R. Bedaña St., Pasig City
272	Pasig - The Grove Rockwell	G/F The Grove by Rockwell, 117 E. Rodriguez Jr. Avenue, Brgy. Ugong, Pasig City
273	Pasig - Valle Verde	G/F Reliance Center, 99 E. Rodriguez Jr. Avenue, Barrio Ugong, Pasig City
274	Pasig – A. Sandoval Ave.	G/F Isagabanna Bldg., A. Sandoval Ave. corner Col. R. Fernandez St., Villa Alegre Subd., Brgy. Pinagbuhatan, Pasig City
275	Pasig – Calle Industria	Retail 1, Acacia Escalades, Calle Industria, Brgy. Manggahan, Pasig City
276	Pasig – Maybunga	G/F Armal Bldg. 3, Blk 1 Lot 1-3, C. Raymundo Avenue, Maybunga, Pasig City
277	Pasig – Meralco Ave. Gen. Segundo	Iriz One Corporate Center, No. 35 Meralco Ave. cor. Gen. Segundo St., Brgy. San Antonio, Ortigas Center, Pasig
278	Pasig – Pioneer Shaw Blvd.	CVFC Corporate Centre, Pioneer St. corner San Rafael St., Brgy. Kapitolto, Pasig City
279	Pasig – Puregold San Joaquin	G/F Puregold, 165 M. Concepcion St., Brgy. Buting, Pasig City
280	Pasong Tamo Ext.	G/F Allegro Center, Pasong Tamo Extension, Makati City
281	Pateros - Poblacion	No. 77 M. Almeda St., Brgy. San Roque, Pateros
282	Pedro Gil - A. Mabini	1567-1571 Salud Bldg. Pedro Gil corner A. Mabini St. Ermita, Manila
283	Pedro Gil - Adriatico	Adriatico St., near corner Pedro Gil St., Malate, Manila
284	Philam Tower – Valero	G/F Philamlife Tower, 8767 Paseo de Roxas, Brgy. Bel-Air, Makati City
285	Pioneer Highlands - Madison	Unit 01 (facing Madison St.) LG/F Globe Telecom Plaza 1 Bldg., Pioneer St. Corner Madison St., Mandaluyong City
286	Plaza Calderon - Pedro Gil	G/F Unit C, Harmonic Seven Bldg., 2332- 2334 Pedro Gil corner Vesta St., Sta. Ana, Manila
287	Port Area - South Harbor	G/F Velco Center, RS Oca Corner A. C. Delgado St., Port Area, Manila

No.	BRANCH	ADDRESS
288	Q. I. - E. Rodriguez Sr.	G/F Ablaza Bldg., 117 E. Rodriguez Avenue, Quezon City
289	Quezon Avenue - Araneta	G/F CSP Bldg., 815 Quezon Avenue, Quezon City
290	Quezon Avenue - Cordillera	No. 37 Quezon Avenue corner Cordillera St., Quezon City
291	Quezon Avenue – D. Tuazon	Unit 101 & 103, Bernmann Centre, No. 28 Quezon Ave., Brgy. Doña Josefa, Quezon City
292	Quezon Avenue – Examiner	G/F maxmor Bldg., Examiner St. corner Quezon Ave. Brgy. West Triangle, Quezon City
293	Quezon Avenue – Fisher Mall	UB-Bank 1, Fisher Mall, Quezon Ave. corner Roosevelt Ave., Brgy Sta. Cruz, Quezon City
294	Quezon Avenue – Prima Residences	G/F Prima Residences, 243 Quezon Avenue, Brgy. Tatalon, Quezon City
295	Quiapo - Quezon Blvd.	Quezon Blvd., 1001 Quiapo, Manila
296	Quintin Paredes	524 Enterprise Bldg., Quintin Paredes St. corner Carvajal St., Binondo, Manila
297	Quirino Paco	CRS Tower corner Perdigon St. Pres. Quirino Avenue, Paco, Manila
298	Rada – Legaspi Village	GF One Legaspi Place, Rada St. Legaspi Village, Makati City
299	Resorts World Manila	Newport Blvd., Newport City, Pasay City
300	Rizal Avenue - Bambang	1607 Alvarez St. corner Rizal Avenue, Sta. Cruz, 1003 Manila
301	Rizal Avenue - Batangas St.	2200 Rizal Avenue corner Batangas St., Sta. Cruz, Manila
302	Robinsons - Metro East	Level 1 (L1 160 & 162), Robinsons Metro East Mall, Brgy. Dela Paz Marcos Highway, Pasig City 1611
303	Robinsons Galleria - Ortigas	LG/F Basement Westwing, Robinsons Galleria Mall, Brgy. Ugong Norte Ortigas Avenue, 1602 Quezon City
304	Robinsons Place - Manila	G/F Robinsons Mall corner Pedro Gil, Maria Orosa Sts., Ermita, 072 Brgy. 669, Manila
305	Roces Avenue	No. 57 (Don A.) Roces Avenue, Brgy. Laging Handa, Quezon City
306	Rockwell - Ortigas	Level 1, Tower 3 (South), The Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City

No.	BRANCH	ADDRESS
307	Rockwell – Power Plant	G/F Power Plant Mall, Rockwell Center , Amapola corner Estrella St., Makati City
308	Roxas Blvd. - Admiral Baysuites	G/F Admiral Baysuites, 2138 Aldecoa St. corner M.H. Del Pilar St., Brgy. 701, Malate, Manila
309	Roxas Blvd. - R. Salas	S & L Bldg., Roxas Blvd. St. corner Romero Salas St., Ermita, Manila
310	Salcedo - Gamboa	Optima Building along Salcedo St. near corner Gamboa St., Legaspi Village, Makati City
311	Salcedo – Dela Rosa	Golden Rock Bldg. 168 Salcedo St. Legaspi Village, Makati City
312	Sales St. - Raon	545 Sales St. corner G. Puyat St. (Raon) 1016 Sta. Cruz, Manila
313	Sampaloc – Legarda	G/F Legarda Place Bldg., 2327 Legarda St., Sampaloc 042, Brgy. 416, Manila
314	Samson Road	G/F Ma. Cristina Bldg. Samson Road corner UE Tech. Caloocan City
315	San Andres	San Andres corner A. Linao St., Malate, Manila
316	San Juan – N. Domingo	88 N. Domingo St. San Juan, MM
317	Savemore - Amang Rodriguez	G/F Savemore Amang Rodriguez, GBU Bldg. Amang Rodriguez Avenue corner Evangelista St., Barangay Santolan, Pasig City
318	Savemore – Marulas	NF-5 & NF-6, G/F Savemore Marulas Valenzuela, 40 Pio Valenzuela St., Brgy. Marulas, Valenzuela City 1440
319	Savemore – Nagtahan	G/F Savemore Nagtahan, Magsaysay Blvd. corner Nagtahan Road, Sampaloc, Manila
320	Savemore – Project 8	Savemore Project 8, Benefit St. corner Redemption and Grant St., Brgy. Sangandaan, Project 8, Quezon City
321	Savemore Novaliches	Savemore Novaliches, General Luis St., Novaliches, Quezon City
322	Scout Albano - Quezon Avenue	1488 Quezon Avenue, 1103 South Triangle, Quezon City
323	Scout Limbaga - T. Morato	102 & 103 The Forum, Tomas Morato Avenue corner Scout Limbaga St., 1103, Quezon City
324	Shangri-La Plaza Mall - EDSA	Unit 516-517, Level 5 Shangri-La Plaza Mall, EDSA cor. Shaw Blvd., Brgy Wack-wack, Mandaluyong City
325	Shaw - Pasig Blvd.	145 Shaw Boulevard, Pasig City

No.	BRANCH	ADDRESS
326	Shaw Blvd. - Beacon Plaza	UG 105-UG 106 Beacon Plaza, Shaw Blvd. corner Ideal St., Mandaluyong City
327	Shaw Blvd. - Mandala Park	G/F Units 1 & 2, Bldg. B, Shaw Blvd, Mandala Park, Brgy. Pleasant Hills, Mandaluyong City
328	Shaw Blvd.- High Pointe Center	G/F Units 125 -128 High Pointe Center, Shaw Boulevard corner M. Yulo St., Brgy. Bagong Silang, Mandaluyong City
329	Shaw Blvd.-Wack-Wack	Unit A, BCC Showroom, 545 Shaw Blvd., Brgy Wack-Wack, Mandaluyong City
330	Silver City - Pasig	G/F Silver City Building 3, Frontera Verde, Ortigas Center, Pasig City
331	SM Aura Premier	LG/F SM Aura Premier, Bonifacio Global City, Brgy Fort Bonifacio, Taguig City
332	SM Center Las Piñas	LGF SM Center Las Piñas, Alabang-Zapote Road, Barangay Pamplona Dos, Las Piñas City
333	SM Center Muntinlupa	UG/F SM Center Muntinlupa, Brgy. Tunasan, National Road, Muntinlupa City
334	SM Center Sangandaan	G/F SM Center Sangandaan, Marcelo H. Del Pilar St. corner Samson Road, Brgy. 003, 1408 Caloocan City
335	SM Center Valenzuela	Unit 126 G/F SM Center Valenzuela, McArthur Highway, Karuhatan Valenzuela City
336	SM Cherry Congressional	LC 004-006 & 111-113, SM Cherry Congressional, Congressional Ave., Brgy. Bahay Toro, Quezon City
337	SM Cherry Shaw	SM Cherry Foodarama Shaw Blvd. (LC CS 1-09), Shaw Blvd. corner Old Wack-Wack Rd., Brgy. Pleasant Hills, Mandaluyong City
338	SM City BF Parañaque	G/F SM City BF Parañaque, Dr. A. Santos Avenue, Brgy. BF Homes, Sucat, Parañaque City
339	SM City Bicutan	LG/F SM City Bicutan, Dona Soledad Avenue corner West Service Road, Paranaque City
340	SM City East Ortigas	SM City East Ortigas (LC180-183) , Ortigas Avenue Extension, Brgy. Sta. Lucia, Pasig City
341	SM City Fairview A	Quirino Highway corner Regalado St. Fairview, Quezon City
342	SM City Fairview B	SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City
343	SM City Fairview C	LGF, Annex 2, SM City Fairview, Quirino Highway corner

No.	BRANCH	ADDRESS
		Regalado Avenue, Fairview, Quezon City
344	SM City Manila	LG/F SM City Manila Concepcion corner Arroceros and San Marcelino St. Manila
345	SM City Marikina	G/F SM City Marikina, Barangay Calumpang, Marikina City
346	SM City North EDSA A	G/F The Block SM City North EDSA corner North Avenue, Quezon City
347	SM City North EDSA B	SM City North EDSA Annex I Bldg., North Avenue corner EDSA, Quezon City
348	SM City North EDSA C	SM Center Complex North EDSA, 1105 Quezon City
349	SM City Novaliches	G/F SM City Novaliches, Quirino Highway, Novaliches, Quezon City
350	SM City San Lazaro	Felix Huertas corner A.H. Lacson St. Sta. Cruz, Manila
351	SM City Sta. Mesa	SM City Sta. Mesa Annex Bldg. Aurora Blvd. Quezon City
352	SM City Sucat A	G/F SM Supercenter Sucat, Parangue City
353	SM City Sucat B	GF Annex Bldg. B SM City Sucat, Dr. A Santos Avenue, Parangue City
354	SM Corporate Offices	Bldg. D. 104 J.W. Diokno Blvd., Mall of Asia Complex, Pasay City
355	SM Cubao	G/F SM Cubao, Cubao, Quezon City
356	SM Hypermarket Adriatico	G/F SM Hypermarket Adriatico, M. Adriatico St., Manila
357	SM Hypermarket Cubao	EDSA corner Main Street, Cubao, Quezon City
358	SM Hypermarket FTI Taguig	G/F SM Hypermarket FTI Taguig, Lot 85 A & B, DBP Avenue, FTI Complex, Brgy. Western Bicutan, Taguig City
359	SM Hypermarket Makati	SM Hypermarket Makati, 5560 Osmeña Highway corner Finlandia St, San Isidro, Makati City
360	SM Hypermarket Pasig	G/F SM Supercenter Pasig, Frontera Verde, Ortigas Center, Pasig City
361	SM Hypermarket Sucat – Lopez	SM Hypermarket Sucat-Lopez (LC102-103), Dr. A. Santos Ave., Brgy. San Isidro, Sucat, Paranaque City
362	SM Makati	G/F (GF05) Shoemart Bldg., Ayala Center, Brgy. San Lorenzo, Makati City
363	SM Mall of Asia A	G/F Main Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall

No.	BRANCH	ADDRESS
		of Asia Complex, Pasay City
364	SM Mall of Asia B	G/F Entertainment Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall of Asia Complex, Brgy. 76, Pasay City
365	SM Megamall A	UG/F SM Megamall Bldg. A (LC121a-1 & 121a-2), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City
366	SM Megamall B	Upper & Lower Ground Floors, SM Megamall Bldg. B Julia Vargas corner EDSA Ortigas Center, Mandaluyong City
367	SM Megamall C	UG/F SM Megamall Bldg. A (LC 115A), Brgy. Wack-Wack, Greenhills West, Ortigas Center, Mandaluyong City
368	SM Southmall A	UG/F SM Southmall, Alabang - Zapote Road Las Piñas City
369	SM Southmall B	UG/F SM Southmall, Alabang - Zapote Road, Las Piñas City
370	Solaire - Manila Resort	Solaire Manila, Bagong Nayong Pilipino Entertainment City, Parañaque City
371	Solaire - The Shoppes	Solaire Resorts and Casino Manila, Ang Bagong Nayong Pilipino Entertainment City, Brgy. Tambo, Parañaque City
372	Soler	U-1118 & 1120 Gracetown Bldg. corner Soler & Alvarado St. Binondo, Manila
373	Soler - Reina Regente	1087 Soler St., Binondo, Manila
374	Southgate Mall - EDSA	G/F Southgate Mall, EDSA corner Pasong Tamo Ext., Makati City
375	Sta. Ana – Xentro Mall	Space No. LS-02, Xentro Mall Sta. Ana City Market, Pedro Gil St., Brgy 876, Zone 96, Sta. Ana, Manila
376	Starmall - Alabang	Unit G33 Manuela Metropolis, South Superhighway, Alabang Interchange, Muntinlupa City
377	Sto. Cristo	475-477 Kim Siu Ching Foundation Bldg., Sto. Cristo St., Binondo, Manila
378	Sto. Cristo - Commercio	No. 686 Sto Cristo St., Binondo, Manila
379	Sto. Domingo	6 Sto. Domingo Avenue, Quezon City
380	Sto. Niño St. - Roosevelt	284 Roosevelt Avenue, San Francisco Del Monte, 1105 San Antonio, Quezon City
381	Sucat	Parañaque Cable TV Bldg., 8210 Dr. A Santos Avenue,

No.	BRANCH	ADDRESS
		Parañaque
382	Sucat - Villa Mendoza	Dr. A. Santos Avenue corner Villa Mendoza Subdivision Sucat Road, Parañaque City 1700
383	Sun Residences	G/F Sun Residences, España Blvd. corner Mayon St., Brgy. Sta. Teresita, Quezon City
384	Tabora	859-861 L & J Bldg. Tabora St. Divisoria, Manila
385	Taft - Libertad	2250 MCF Bldg. Taft Avenue corner College Road, Pasay City
386	Taft - Pedro Gil	1430 Taft Avenue, Manila
387	Taft Avenue - J. Nakpil	1747 Taft Avenue Corner J. Nakpil St. Manila
388	Taft Avenue - Pres. Quirino	G/F FFW Bldg., 1943 Taft Avenue, Malate, Manila
389	Taguig - Levi Mariano Avenue	No. 160 Levi Mariano Avenue, Brgy Ususan, Taguig City
390	Taguig – Grace Residences	Grace Residences (Location Code 131-132), Levi B. Mariano Avenue, Brgy. Ususan, Taguig City
391	Taguig – Vista Mall	GF-108A Vista Mall Taguig, Camella Road, Brgy. Tuktukan (formerly Brgy. Sta. Ana), Taguig City
392	Tandang Sora	Tandang Sora Avenue corner Marcel Road, Quezon City
393	Tandang Sora - Tagumpay	M & J Bldg., 578 Tandang Sora Avenue corner Tagumpay St., Barangay New Era, Quezon City
394	Tandang Sora – Commonwealth	Tierra Commercial Center Bldg., Commonwealth Ave. corner Tandang Sora Ave., Quezon City
395	Tayuman	G/F Delton Bldg., 1808 Rizal Avenue Sta. Cruz, Manila
396	Teacher's Village	No. 115 Maginhawa St., Brgy Teacher's Village, Quezon City
397	Tierra Nueva - Alabang	Sycamore Arcade, Alabang-Zapote National Road, 1702 Alabang, Muntinlupa City
398	Timog	26 Cedar Executive Building, Timog Avenue corner Scout Tobias St., Quezon City
399	Timog - Rotonda	GF Imperial Palace Suites, Tomas Morato corner Timog Avenue, South Triangle, Quezon City
400	Timog - Scout Torillo	Unit 11& 12, Timog Arcade, Timog Avenue corner Scout Torillo, Brgy. South Triangle, Quezon City
401	Timog - Victoria Towers	Unit F-2 & F-3 Victoria Towers, Timog Avenue corner Panay Avenue, Quezon City

No.	BRANCH	ADDRESS
402	Timog – EDSA	G/F GEMPC Bldg., 132 Timog Avenue, Brgy. Sacred Heart, 1103 Quezon City
403	Tomas Morato - Scout Gandia	No. 190 Tomas Morato Ave., Scout Gandia St., Quezon City
404	Tondo - Gagalangin	2459 Juan Luna St. corner Paez St., Gagalangin, Tondo, Manila
405	Tondo - Pritil	1815 N. Zamora St., 1012 Tondo, Manila
406	Tordesillas - The Orient Mansion	G/F The Orient Mansion Condominium, 118 Tordesillas St. near corner H.V. dela Costa, Brgy. Bel-Air, Salcedo Village, Makati City
407	Tordesillas – Gallardo	G/F Cambridge Centre, 108 Tordesillas corner Gallardo St. Salcedo Village, Makati City
408	Trident - Gil Puyat	G/F Trident Tower Bldg., 312 Sen. Gil. Puyat Avenue, Makati City
409	Tutuban	DS 17-18 Tutuban Primeblock, Tutuban Center, CM Recto, Manila
410	UN Avenue	Puso ng Maynila Bldg., UN Avenue corner A. Mabini St. Ermita, Manila
411	UN Avenue – Times Plaza	Units 16 & 17 G/F, Units SC-3A & SC-8B 2F, Times Plaza Bldg., U.N. Avenue corner Taft Ave., Brgy. 666, Ermita, Manila
412	V - Mall	G/F New V- Mall, Greenhills Shopping Center, San Juan, MM
413	V. A. Rufino – Sotto	V.A. Rufino corner Sotto St. Legaspi Village, Makati City
414	V.A. Rufino - Tuscan	G/F Tuscan Condominium, 114 V. A Rufino St., Legaspi Village, Makati City
415	V.A. Rufino – Dela Rosa	GF Unit 103 Plaza 100 Building, Rufino St. cor. Dela Rosa St. Brgy. San Lorenzo, Makati City
416	Valenzuela	Km. 15 MacArthur Highway, Dalandanan Valenzuela
417	Valenzuela - Gen. T. De Leon	Gen. T. De Leon St., Valenzuela City
418	Valero - Salcedo Village	G/F Pearlbank Center 146 Valero S. Salcedo Village, Makati City
419	Villar - Salcedo Village	Eurovilla III Condominium 154 Villar St. corner L.P. Leviste St., Salcedo Village, Makati City
420	Visayas Avenue	No. 30 Visayas Ave. near corner Congressional Ave., Brgy. Bahay Toro, Quezon City

No.	BRANCH	ADDRESS
421	Walter Mart - North EDSA	G/F Walter Mart Center - North EDSA, Dangay St., Veterans Village, Quezon City
422	Waltermart - Bicutan	G/F Waltermart Bicutan, Km 16 East Service Road corner Mañalac Avenue, Brgy San Martin de Porres, Bicutan, Parañaque
423	Waltermart - Sucat	G/F Waltermart Sucat, Dr. A Santos Ave, Paranaque City
424	Washington - Gil Puyat	G/F Keystone Bldg., 220 Gil Puyat Avenue, Makati City
425	West Avenue - Baler	G/F 118 Jafer Bldg. West Avenue, Quezon City
426	West Avenue - Del Monte	No. 40 West Avenue, 1104 West Triangle, Q.C
427	West Avenue-East Maya	160 Ground floor Columbian Bldg. Near corner EDSA, West Avenue corner East- Maya Drive, Philam, Quezon City
428	Zurbaran	Rizal Avenue corner Fugoso Street, Sta. Cruz, Manila

(e) Provincial Branches:

1. Lot leased

No.	BRANCH	ADDRESS
1	Angono - National Highway	Lot 3 Blk. 4, M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal
2	Antipolo - Sumulong Highway	BDO Bldg. Sumulong Highway, Masinag, Mayamot, Antipolo
3	Bacoor - New Molino Blvd.	New Molino Blvd., Brgy. Molino 3, Bacoor , Cavite
4	Bacoor Molino - Bahayang Pag - asa	L-20 B-5 Avenida Rizal St., Bahayang Pag-asa Subd., Brgy. Molino 5, Bacoor, Cavite
5	Baliwag - Tagle	0301 J.P. Rizal cor. Tagle St., Poblacion, Baliwag, Bulacan 3006
6	Bataan - Mariveles FAB	Avenue of the Philippines cor. 8th Avenue, Freeport Zone of Bataan (the FAB), Mariveles, Bataan
7	Batangas - Rosario	BDO Bldg., G. Carandang St., Barangay C Poblacion, Rosario, Batangas
8	Batangas – Mabini	National Road, Brgy. Pulong Niogan, Mabini, Batangas
9	Bocaue - MacArthur Highway	MacArthur Highway, Brgy. Wakas, Bocaue, Bulacan

No.	BRANCH	ADDRESS
10	Bohol Tagbilaran – Visarra	C.P. Garcia Avenue near corner Visarra St., Bohol Tagbilaran City
11	Bulacan - Balagtas	McArthur Highway, Barangay San Juan, 3016 Balagtas, Bulacan
12	Bulacan - Obando	No. 224 J.P. Rizal St., Brgy Pag-asa, Obando, Bulacan
13	Cabanatuan - Sanciangco	Sanciangco St., Cabanatuan City
14	Cagayan De Oro – Bulua	Zone 3 Upper Bulua, Butuan-Cagayan de Oro-Iligan Rd., Cagayan de Oro City, 9000 Misamis Oriental
15	Cagayan De Oro-Limketkai	L-6 B-2, Limketkai Ave., Limketkai Commercial Complex, Brgy. 31, Poblacion, Cagayan De Oro City, Misamis Oriental
16	Cavite - Carmona	Governor's Drive, Barangay Maduya, 4116 Carmona, Cavite
17	Cavite - Dasmariñas Aguinaldo Highway	Gen. Emilio Aguinaldo Highway corner Natividad St., Dasmariñas, Cavite
18	Cavite - EPZA	Cavite EPZA Compound, 4106 Rosario, Cavite
19	Cavite - Naic	Governor's Drive corner Soriano Highway, Naic, Cavite
20	Cavite - Silang	J.P. Rizal St. cor. Kiamzon St., Brgy. Poblacion III, Silang, Cavite
21	Cavite – Dasmariñas FCIE	Governor's Drive, Barangay Langkaan, Dasmariñas, Cavite
22	Cebu – Carcar	Dr. Jose Rizal St., Barangay Poblacion, Carcar City, Cebu
23	Dumaguete - Silliman Campus	North National Highway, Dumaguete City, Negros Oriental
24	Iloilo - Central	Iznart St. Lot 317-B-2-A-1, 5000 Iloilo City, Iloilo
25	Iloilo - Molo	M.H. Del Pilar St. corner Jocson St., Molo, Iloilo City
26	Kawit - Binakayan	1497 National Road, Binakayan, 4104 Kawit, Cavite
27	Mactan – EPZA 1	Mactan-EPZA Compound, 6000 Lapu-Lapu City, Cebu
28	Masbate	Quezon St., Brgy. Pating, Masbate City
29	Meycauayan - MacArthur Highway	MacArthur Highway, Brgy. Calvario, Meycauayan, Bulacan
30	Ozamiz – Rizal Avenue	J.P. Rizal Avenue corner H.T. Feliciano St., 50 th District, Ozamiz City, Misamis Occidental

No.	BRANCH	ADDRESS
31	Pangasinan – Lingayen	80 Avenida Rizal East, Lingayen, Pangasinan
32	Quezon – Sariaya	Maharlika Road corner Rizal St. corner Quezon St., Brgy. Poblacion, Sariaya, Quezon
33	San Pedro - Rosario Complex 1	Lots 11 & 12, Rosario Avenue Complex 1, San Pedro, Laguna
34	Tarlac – Paniqui	M. H. Del Pilar St., McArthur Highway, 2307 Paniqui, Tarlac
35	Taytay - Manila East Road	BDO Bldg., East Road, Taytay, Rizal

2. Building leased

No.	BRANCH	ADDRESS
1	Abra - Bangued	Unit 12 The Rosario Bldg., Taft St. corner Magallanes St., 2800 Benguet, Abra
2	Agusan del Sur – San Francisco Gaisano	G/F Stall 28 & 29, Gaisano Grand Mall San Francisco, Davao Agusan National Highway, Brgy. 5, San Francisco, Agusan del Sur
3	Aklan - Kalibo	Along XIX Martyrs Street, Kalibo, Aklan
4	Aklan – Boracay	Station 2, Brgy. Balabag, Boracay Island, Malay, Aklan
5	Aklan – CityMall Boracay	Units 5-6 & 11-12 CityMall Boracay Sitio Diniwid, Brgy. Balabag, Boracay Island, Malay, Aklan
6	Aklan – CityMall Kalibo	Units 123-125 CityMall Kalibo, F. Quimpo St., Brgy. Andagao, Kalibo, Aklan
7	Albay - Polanqui	Provincial Road corner Brgy. Road, Brgy. Ubaliw, Polangui, Albay
8	Albay - Tabaco	Along Ziga Avenue, Tabaco, Albay
9	Albay – Daraga	Rizal St., corner Burgos St., Brgy Centro Ilawod, Daraga, Albay
10	Angeles - Friendship Highway	ECCO Bldg., Fil-Am Friendship Highway, Brgy. Anunas, Angeles City, Pampanga
11	Angeles - Nepo Mart	Entec Bldg., Teresa Avenue, Nepo Mart Complex, Brgy. Cutcut, Angeles City, Pampanga
12	Angeles - Sto. Rosario	Plaza Rafael I, 151- D. Sto. Rosario St., Sto. Domingo, Angeles City
13	Angono - M.L. Quezon	G/F AB Commercial Plaza, M.L. Quezon Avenue,

No.	BRANCH	ADDRESS
	Avenue	Barangay San Isidro, Angono, Rizal
14	Antipolo - B. V. Soliven	Blk 24, Lot 1, Benito V. Soliven Avenue, Greenheights Subdivision, Barangay Mayamot, Antipolo City
15	Antipolo - Circumferential Rd.	G/F 1 Cirq Building, Circumferential Road, Bgy. San Roque, Antipolo City
16	Antipolo – M.L. Quezon Avenue St.	151 M.L. Quezon St., Brgy. San Roque, Antipolo City
17	Antipolo Plaza	Gatsby Bldg II, M. L. Quezon St., Antipolo
18	Bacolod - Araneta	Cineplex Complex, Araneta St., Bacolod City
19	Bacolod - East Block IT Park	G/F Villa Angela East Block Bldg A, The Block IT Park Carlos Hilado National Highway, Bacolod City
20	Bacolod - Goldenfield	Building 1, Goldenfield Commercial Complex, Araneta St., Brgy. Singcang, Bacolod City
21	Bacolod - Gonzaga	Gonzaga - Lopez Enterprise Bldg. Gonzaga St. Bacolod City
22	Bacolod - Hilado	Hilado corner F. Y. Manalo St., 6100 Bacolod City, Negros Occidental
23	Bacolod - Libertad	Corner Hernaez St. & Lopez Jaena St., Bacolod City, Negros Occidental
24	Bacolod - Mandalagan	G/F Sta. Clara Estate Bldg., Lacson St., Mandalagan, Bacolod City
25	Bacoor - Aguinaldo Highway	Gen. E. Aguinaldo Highway, Panapaan, Bacoor, Cavite
26	Bacoor - Zapote	Zapote Centre, Aguinaldo Highway, Zapote Road, Barangay Zapote 4, Bacoor, Cavite
27	Baguio - Harrison Road	G/F Our Lady of Lourdes Bldg., No.7 Harrison Rd., Brgy. Harrison Carantes Claudio, Baguio City
28	Baguio - Abanao Square	Abanao Square, Abanao corner Zanduetta St., Baguio City
29	Baguio - Bokawkan Road	69 Bokawkan Road, Brgy. Dizon Subdivision, Baguio City
30	Baguio - Legarda	Our Lady of Fatima Bldg. Yandoc St. Kayang Extension, Baguio City
31	Baguio - Luneta	Luneta Hill corner Governor Pack Road, Session Road, Baguio City
32	Baguio - Session Road	G/F National Life Bldg., Session Road, Baguio City

No.	BRANCH	ADDRESS
33	Baguio – Kennon Road	C & Triple A Bldg., Kennon Road corner Parisas St., Camp 7 Brgy. Baguio City
34	Baguio – Marcos Highway Balsigan	G/F ECCO Bldg., No. 39 Marcos Highway, Brgy. Imelda Village, Baguio City
35	Baguio – Marcos Highway Centerpoint	G/F Centerpoint Plaza, Marcos Highway, Brgy Bakakeng Central, Baguio City
36	Balanga - Capitol Drive	G/F CT Edifice, Capitol Drive corner Kinatawan Road, Balanga City, Bataan
37	Batangas - Balayan	Antorcha St., Balayan, Batangas
38	Batangas - Kumintang	Along National Highway, Barangay Kumintang Ilaya, Batangas City, Batangas
39	Batangas - Lemery Ilustre	Ilustre Avenue corner Lakandula St., Lemery, Batangas
40	Batangas - Lemery Xentro Mall	G/F Xentro Mall Lemery, Brgy. Malinis, Lemery, Batangas
41	Batangas - P. Burgos	P. Burgos St. corner Evangelista St., Barangay Poblacion, Batangas City
42	Batangas - San Juan	Marasigan corner Kalayaan St., San Juan, Batangas
43	Batangas – Bauan	Kapitan Ponso St., Bauan, Batangas
44	Batangas – First Phil. Industrial Park	G/F Administration Bldg., First Philippine Industrial Park, Brgy. Sta. Anastacia, Sto. Tomas, Batangas
45	Batangas – Gulod	MB Bldg., Batangas Tabangao-Lobo Road, Brgy. Gulod Labac, Batangas City, Batangas
46	Batangas – Lima Technology Center	Unit 14 Lima Square, Business Loop, Lima Technology Center, Malvar, Batangas
47	Batangas City - Puregold Calicanto	Puregold Batangas City, P. Burgos St., Brgy Calicanto, Batangas City, Batangas
48	Benguet - La Trinidad	G/F VC Arcadain Bldg., Km. 5, La Trinidad, Benguet
49	Biñan - A. Mabini	Rey Bldg., A. Mabini St. Poblacion, 4024 Binan, Laguna
50	Biñan Central Mall	G/F Biñan Central Mall, Units 8 & 9, Malvar St. corner Old National Highway, Biñan, Laguna
51	Bohol - Tagbilaran	CP Garcia Avenue., 6300 Tagbilaran City, Bohol
52	Bohol – Panglao	G/F Units 1-5, Hennan Resort Commercial Bldg., Panglao Circumferential Road, Brgy. Tawala, Panglao Island, Bohol

No.	BRANCH	ADDRESS
53	Bohol – Tubigon	Holy Cross Academy, National Highway, Brgy. Centro, Tubigon, Bohol
54	Bulacan - Bocaue	MacArthur Highway, Barangay Biñang 1st, Bocaue, Bulacan
55	Bulacan - Hagonoy	Provincial Road, Brgy. Sto. Niño, Hagonoy, Bulacan
56	Bulacan - Plaridel	Along Cagayan Valley Road, Banga 1st, Plaridel, Bulacan
57	Bulacan - Pulilan	Doña Remedios Trinidad Highway, Sto. Cristo, Pulilan, Bulacan
58	Bulacan - Puregold Baliwag	G/F Puregold Baliwag, Benigno S. Aquino Ave., Brgy. Bagong Nayon, Baliwag, Bulacan
59	Bulacan - San Jose Del Monte	National Highway, Tungkong Mangga, San Jose Del Monte City, Bulacan
60	Bulacan - San Rafael	Km. 59.5, Cagayan Valley Road, Brgy. Maguinao, San Rafael, Bulacan
61	Bulacan - Sapang Palay	G/F Elizabeth Place 1 Bldg., Bagong Buhay Ave., Brgy. Sapang Palay, San Jose Del Monte City, Bulacan
62	Bulacan - Sta. Maria M.G. De Leon	#15 M.G. De Leon St., Poblacion, 3022 Sta. Maria, Bulacan
63	Bulacan - Sta. Rita Guiguinto	126 Cagayan Valley Road, Brgy. Sta. Rita, Guiguinto, Bulacan
64	Bulacan – Bustos	LRM Complex, Hilario St., Brgy. Poblacion, Bustos, Bulacan
65	Bulacan – Norzagaray	G/F Price Ken Bldg. II Circle, Gen. Alejo G. Santos Highway, Brgy. Partida, Poblacion, Norzagaray, Bulacan
66	Bulacan – San Miguel	Maharlika Highway, Brgy. Camias, San Miguel, Bulacan
67	Bulacan Sta. Maria - Pulong Buhangin	GRECON Bldg., Km. 38 National Road, Brgy. Pulong Buhangin, Sta. Maria, Bulacan
68	Bulacan Sta. Maria – Bagbaguin	NEM Bldg., Gov. F. Halili Avenue, Bagbaguin, Sta. Maria, Bulacan
69	Butuan - Estacio Village	Butuan Doctor's College, J.C. Aquino Ave. cor. Victoria St., Brgy. Bayanihan, Butuan City, Agusan del Norte
70	Butuan - J.C. Aquino Avenue	D & V Plaza II Bldg., JC Aquino Avenue, Butuan City
71	Butuan - Montilla	Montilla Blvd. near corner Lopez Jaena St. Butuan City, Agusan Del Norte

No.	BRANCH	ADDRESS
72	Cabanatuan - Maharlika Highway North	G/F DGS Bldg., Along Maharlika Road, Bitas, Cabanatuan City
73	Cabanatuan - Paco Roman	Along Paco Roman St., Cabanatuan City, Nueva Ecija
74	Cagayan de Oro - Carmen	Max Y. Suriel St. corner V. Neri St., Carmen, Cagayan de Oro
75	Cagayan de Oro - Cogon	JR Borja St. Cogon, Cagayan De Oro City
76	Cagayan de Oro - Hayes	G/F Trendline Department Store, Arch. James Hayes St., Cogon, Cagayan de Oro City
77	Cagayan de Oro - Osmeña	Pres. S. Osmena corner Ramon Chavez St., Cogon, 9000 Cagayan de Oro, Misamis Oriental
78	Cagayan de Oro - R.N. Pelaez Blvd.	Georgetown Cyber Mall, Rodolfo N. Pelaez Blvd., Kaswagan, Cagayan de Oro City
79	Cagayan De Oro - Xavier	Library Annex Bldg. Corrales Avenue, Cagayan de Oro City
80	Cainta - A. Bonifacio Ave.	Ledor Commercial Center, A. Bonifacio Avenue corner Samonte St., Barangay San Juan, Cainta, Rizal
81	Cainta – Felix Avenue	Felix Avenue near Cainta Junction, Brgy. Sto. Domingo, Cainta, Rizal
82	Cainta – Puregold	Puregold Cainta Junction, A. Bonifacio Ave., Brgy. Sto. Domingo, Cainta, Rizal
83	Cainta Junction	Hipolito Bldg. Ortigas Avenue Extension Cainta Junction, Cainta, Rizal
84	Calamba - Paseo Uno	G/F Paseo Uno de Calamba, National Highway, Barangay Paciano, Calamba City, Laguna
85	Calapan City – Puregold	Puregold Calapan Mindoro, J.P. Rizal St., Brgy Camilmil, Calapan City, Oriental Mindoro
86	Camarines Norte - Daet	J. Lukban St. corner Moreno St., Poblacion, Daet, Camarines Norte
87	Camarines Sur - Pili	Santiago, Pili, Camarines Sur
88	Camarines Sur – Calabanga	Galleria de Calabanga, Lot 2, Provincial Road, Brgy. San Francisco, Calabanga, Camarines Sur
89	Camarines Sur – Nabua	Lot 374 CZA Bldg., National Rd. near cor. Maganda St., Brgy. San Antonio, Poblacion, Nabua, Camarines Sur
90	Canlubang iMall	Don Bosco Ave. corner Silangan Industrial Park Road, Brgy. Canlubang, Calamba City, Laguna

No.	BRANCH	ADDRESS
91	Catanduanes - Virac	San Juan corner Rizal St., 4800 Virac, Catanduanes
92	Cavite - Dasmariñas Central Mall	Central Mall Dasmariñas, Emilio Aguinaldo Highway cor. Salitran St., Dasmariñas, Cavite
93	Cavite - Dasmariñas Salawag	EVY Commercial Bldg., Molino-Paliparan Rd., Brgy. Salawag, Dasmariñas, Cavite
94	Cavite - General Trias Manggahan	New Hall Commercial Center, Governor's Drive corner Crisanto delos Santos Ave., Brgy. Manggahan, General Trias, Cavite
95	Cavite - Imus Aguinaldo Highway	G/F DCR Bldg., Aguinaldo Highway, 4103 Imus, Cavite
96	Cavite - Imus Nueno Avenue	358 Exodus Bldg., Nueno Avenue, Imus, Cavite
97	Cavite - Puregold Noveleta	Puregold Noveleta Cavite, National Road, Brgy. Magdiwang, Noveleta, Cavite
98	Cavite - Puregold Tanza	G/F Puregold Tanza, Provincial Road, Tanza, Cavite
99	Cavite - Trece Martires	L Paseo Arcade, near corner Indang Trece Road, Trece Martires City, Cavite
100	Cavite – Gen. Trias San Francisco	Lot 1, along Arnaldo Highway, Brookside Lane, Brgy. San Francisco, Gen. Trias, Cavite
101	Cavite – Silang Aguinaldo Highway	LS 42-43: CS-03 Premier Plaza, Emilio Aguinaldo Highway, Brgy. Lucsuhin, Silang Cavite
102	Cebu - Asiatown IT Park	G/F TGU Tower, Salinas Drive corner J. M. Del Mar St., Asiatown IT Park, Apas, Cebu City
103	Cebu - Ayala Business Park	Cebu Towers, Mindanao corner Bohol Avenue, Cebu Business Park, Cebu City
104	Cebu - Ayala Mall	Stall R106 Ground Level, ACC Corporate Center, Ayala Center Cebu, Cebu Business Park, Cebu City
105	Cebu - Banilad	Gov. M. Cuenco Avenue, Banilad, Cebu City
106	Cebu - Bogo	P. Rodriguez corner San Vicente St., 6010 Bogo, Cebu City
107	Cebu - Capitol	Osmeña Blvd. corner Ma. Cristina St., 6000 Cebu City, Cebu
108	Cebu - Consolacion	G/F Annex Bldg. Fooda Saversmart, Consolacion, Cebu
109	Cebu - Elizabeth Mall	G/F Elizabeth Mall, Leon Kilat corner South Expressway Cebu City

No.	BRANCH	ADDRESS
110	Cebu - F. Ramos	134 Borromeo Bldg., F. Ramos corner Arlington Pond, Cebu City 6000
111	Cebu - Gaisano Minglanilla	UG/F Gaisano Grand Mall Minglanilla, Poblacion, Minglanilla, Cebu City
112	Cebu - Guadalupe	R. Duterte corner V. Rama St., Guadalupe, Cebu City
113	Cebu - Insular Life Business Centre	G/F Insular Life Cebu Business Centre, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City
114	Cebu - J. Mall	Unit 1 & 2 LGF, J Centre Mall, A.S. Fortuna St., Bakilid, Mandaue City 6014
115	Cebu - Mambaling	Grand Orchard Commercial Bldg., C. Padilla St., Mambaling, Cebu City
116	Cebu - Parkmall	Unit 29 - 31 Parkmall, No. 168 Ouano Avenue, Mandaue Reclamation Road, Mandaue City, Cebu
117	Cebu - Plaridel	21 Dy Bldg., Plaridel St., Cebu City
118	Cebu - Tabo-an	T. Abella St., San Nicolas Central 6000 Cebu City
119	Cebu – Colon	279 Colon St., Brgy. Kalubihan, Cebu City
120	Cebu – Danao	Units 04 & 05 G/F Danao Central Mall Gaisano, Juan Luna St., Brgy Poblacion, Danao City, Cebu
121	Cebu – Escario	Cebu Escario St. Cebu City
122	Cebu – F. Cabahug	Unit 10 Northwood Square, F. Cabahug St., Brgy. Kasambagan, Panagdait, Cebu City
123	Cebu – Legaspi	Legaspi corner Zamora St. Cebu City
124	Cebu – Magallanes	Plaridel St. corner Magallanes St. Cebu City
125	Cebu – Osmeña	JR Martinez Bldg., Osmena Blvd., Sta. Cruz, Cebu City
126	Cebu Mandaue - A. S. Fortuna	RKD Bldg., 867 A.S. Fortuna St., Brgy. Banilad, Mandaue City
127	Cebu Mandaue - A.C. Cortes	Units 1-4 Ibabao Square, A. Cortes Avenue, Brgy. Ibabao, Mandaue City, Cebu
128	Cebu Mandaue - North Road	G/F North Road Plaza, National Highway, Labogon, Mandaue City, Cebu
129	Cebu Mandaue – Subangdaku	La Fuerza Compound, Subangdaku, Mandaue City, Cebu

No.	BRANCH	ADDRESS
130	Cebu Tabunok	PBS Bldg. 2668 National Highway Tabunok Talisay, Cebu City
131	Clark – Philexcel Business Park	Philexcel Business Park, Manuel A. Roxas Highway, Clark Freeport Zone, Pampanga
132	Clark SEZ - Centennial	Centennial Road, Clark Special Economic Zone, Clarkfield, Pampanga
133	Cotabato - Kabacan	Rizal Avenue, National Highway, 9407 Kabacan, North Cotabato
134	Cotabato - Midsayap	Jaycee St., 9410 Midsayap, North Cotabato
135	Cotabato – CityMall	Unit 157 CityMall Cotabato, Gov. Guitierrez Avenue, Brgy. Rosary Heights 7, Cotabato City
136	Cotabato – S. K. Pendatun	G/F Insular Life Bldg., Salipada K. Pendatun Ave., Brgy. Poblacion 5, Cotabato City, Maguindanao
137	Dagupan - Perez	386 Perez Blvd., Dagupan City
138	Dagupan - Tapuac	Unit 8,9,10 Mother Goose Play School Bldg., MacArthur Highway, Tapuac District, Dagupan City, Pangasinan
139	Dagupan – Mayombo	G/F BHF Family Plaza, MacArthur Highway, Brgy. Mayombo, Dagupan City, Pangasinan
140	Davao - Agdao	Lapu- Lapu St., 8000 Agdao, Davao City
141	Davao - Bangoy	R. Magsaysay Avenue corner C. Bangoy St., 8000 Davao City
142	Davao - Lizada	Ramon Magsaysay Avenue corner Lizada St., 8000 Davao City, Davao del Sur
143	Davao - Monteverde	G/F Sequoia Inn, Monteverde Avenue, Davao City
144	Davao - Narra	Tomas Monteverde Avenue corner Narra St., Davao City
145	Davao - Quirino Avenue	Nicolas 1 Bldg. Quirino Avenue, 8000 Davao City
146	Davao - Rizal	Caritas Bldg. Rizal St. corner Pelayo St. Davao City
147	Davao - Sta. Ana	Monteverde corner F. Bangoy St., 8000 Davao City, Davao del Sur
148	Davao - Sta. Ana Gempesaw	Sta. Ana Avenue corner Gempesaw St., Brgy. 015, Davao City
149	Davao - Wood Lane Diversion Road	Unit 1B G/F Bldg. 2, The Shoppes at Wood Lane, Diversion Road (Carlos P. Garcia Highway), Brgy. Ma-a, Davao City, Davao del Sur

No.	BRANCH	ADDRESS
150	Davao – Buhangin	KSS Bldg., Buhangin Road cor. Olive St., Brgy. Buhangin, Davao City
151	Davao – Buhangin C.P. Garcia Highway	Carlos P. Garcia Highway, Buhangin Diversion Road, Davao City
152	Davao – Calinan	WTKC Realty Bldg., Davao-Bukidnon National Highway, Brgy. Calinan, Davao City
153	Davao – Felcris Centrale	Felcris Centrale, Quimpo Boulevard, Brgy. Bucana, Davao City
154	Davao – Lanang Insular Village	SJRDC Bldg., Insular Village 1 Commercial Area, Lanang, Davao City
155	Davao – Panabo	National Highway, Brgy. Sto. Niño, Panabo City, Davao del Norte
156	Davao Digos – San Jose	G/F Ladera Bldg., Rizal Avenue, Brgy. Zone III, Digos City, Davao Del Sur
157	Davao Magsaysay	Ramon Magsaysay Avenue, Davao City
158	Davao Tagum - National Highway	BIBU Square, Liwayway Commercial Area, National Highway, Brgy. Magugpo East, Tagum City, Davao del Norte
159	Dipolog – Rizal Avenue	Rizal Avenue near corner Gonzales St., Brgy. Central, Dipolog City
160	Dumaguete – CityMall	Unit 03 CityMall Dumaguete, North National Highway, Barangay Daro, Dumaguete City
161	Gaisano Grand Mall - Cotabato Kidapawan	G/F Gaisano Grand Mall Kidapawan, Quezon Blvd., Purok 1, Brgy. Lanao, Kidapawan City, North Cotabato
162	General Santos	Santiago Blvd. corner J.P. Laurel St., General Santos City
163	General Santos - National Highway	Tandem Center, Pasiliao Subdivision, National Highway, Brgy. City Heights, General Santos City, South Cotabato
164	Iligan - Quezon Avenue	Quezon Avenue, 9200 Iligan City, Lanao Del Norte
165	Ilocos Norte - Batac	Aoigan Bldg., Washington St. Batac 2906, Ilocos Norte
166	Ilocos Sur - Candon	National Highway corner Abaya St., 2710 Candon, Ilocos Sur
167	Ilocos Sur – Cabugao	MacArthur Highway, Brgy. Baclig, Cabugao, Ilocos Sur
168	Ilocos Sur – Narvacan	National Road, Brgy. Sta Lucia, Narvacan, Ilocos Sur

No.	BRANCH	ADDRESS
169	Iloilo - Arevalo	Calle M.L. Quezon corner Gen. Yulo Drive, Brgy. Quezon, Arevalo, Iloilo City
170	Iloilo - Jaro	NB Bldg. Lopez Jaena St. Jaro, Iloilo City
171	Iloilo - La Paz	G/F INJAP Bldg. corner Luna St. & Huervana St., La Paz, Iloilo City
172	Iloilo - Ledesma	G/F Esther Building, Ledesma Street, Iloilo City
173	Iloilo - Tabuc Suba	Roger's Bldg., MacArthur Highway, Tabuc Suba, Iloilo City
174	Iloilo – General Luna	48 LPHTP Bldg. General Luna St., Iloilo City, 5000
175	Iloilo – Passi	G/F Fronthub Ventures Bldg., Simeon Aguilar St. (National Road) corner Commonwealth Drive, Brgy Ilawod, Passi City, Iloilo
176	Iloilo – Quezon St.	Lots 3 & 5 Quezon St., Iloilo City
177	Iloilo Jaro - CityMall Tagbak	UO2 CityMall Tagbak Jaro Iloilo, MacArthur Highway, Brgy. Tagbak, Jaro, Iloilo City
178	Iriga City	Iriga Plaza Hotel Msgr. Lanuza St., San Francisco, Iriga City, Camarines Sur
179	Iriga City – Puregold	G/F Commercial Unit 1, Puregold Iriga City, Highway 1, San Roque, Iriga City 4431
180	Isabela - Ilagan	Along Maharlika Highway, Calamagui 2nd, Ilagan, Isabela
181	Isabela - Tumauni	National Highway, Brgy. San Pedro, Tumauni, Isabela
182	Isabela – Primark Cauayan	Primark Town Center, Maharlika Highway corner Cortes St., Brgy. San Fermin, Cauayan City, Isabela
183	Isabela Cabagan – Xentro Mall	G/F Xentro Mall, Brgy. Ugad, Cabagan, Isabela
184	Isabela Santiago – Xentro Mall	G/F Xentro Mall corner National Highway & 4 Lanes Rd., Brgy. Villasis, Santiago City, Isabela
185	La Union - Agoo	Along National Highway, Barangay San Nicolas, Agoo, La Union
186	La Union San Fernando - Rizal Avenue	Rizal Avenue corner Ortega St. San Fernando, La Union
187	La Union San Fernando – Manna Mall	G/F Manna Mall, National Highway corner Diversion Road, Brgy. Pagdaraoan, San Fernando City, La Union
188	Laguna - Cabuyao	G/F Lim-Bell Business Center, J.P. Rizal St., Cabuyao, Laguna

No.	BRANCH	ADDRESS
189	Laguna - Pagsanjan	JP Rizal St. corner F. De San Juan St., Barangay Dos, Poblacion, Pagsanjan, Laguna
190	Laguna - Sta. Cruz	Along Regidor St., Sta. Cruz, Laguna
191	Laguna - Sta. Cruz National Highway	G/F E Home Town Center, National Highway, Brgy. Pagsawitan, Sta. Cruz, Laguna
192	Laguna - Technopark	GF Laguna Technopark Admin. Bldg. 1, North Main Avenue, Laguna Technopark, Biñan, Laguna
193	Laguna – Alaminos	KCD Commercial Complex, National Highway, Barangay II Poblacion, Alaminos, Laguna
194	Laguna – Carmelray I	Administration Bldg., Carmelray Industrial Park I, Carmeltown, Canlubang, Calamba, Laguna
195	Laguna – Carmelray II	Administration Bldg., Carmelray Industrial Park II, Km. 54 National Highway, Brgy. Milagrosa, Calamba City
196	Laoag - Castro	Pichay Bldg., J.P. Rizal corner A. Castro St., Laoag City
197	Legazpi City - Albay District	G/F & Mezzanine Floor, ZPC Bldg., Rizal St., Brgy. Baño, Old Albay, Legazpi City, Albay
198	Legazpi City - Rizal St.	Rizal corner Gov. Imperial St., Legaspi City
199	Legazpi City - Rotonda	Rizal St., 4500 Legaspi City, Albay
200	Legazpi City - Tahao	AGR Building, Alternate Road, Tahao, Legazpi City
201	Leyte - Ormoc Gaisano	G/F Gaisano Capital Ormoc Riverside, Brgy. Alegria, Ormoc City, Leyte
202	Lipa - Ayala Highway	Casa Esperanza Bldg. Pres. JP Laurel Highway, Barangay Mataas na lupa, Lipa City
203	Lipa – High 5 Square	High 5 Square, Ayala Highway, Mataas na Lupa, Lipa City, Batangas
204	Lipa – J. P. Laurel	J.P. Laurel St., Brgy Tambo, Lipa City, Batangas
205	Lipa – Puregold	G/F Puregold Lipa, Gen. Luna St., cor. D.P.Laygo St. & H.La Torre St., Brgy. 10, Lipa City, Batangas
206	Los Baños	Olivarez Plaza Cinema & Supermarket Complex, along National Highway, Brgy. Batong Malake, Los Baños
207	Lucena - Enriquez	Enriquez corner Evangelista St., Lucena City
208	Lucena - Quezon Avenue	Quezon Avenue corner Profugo St., Lucena City, Quezon
209	Lucena – Gulang - Gulang	505 Quezon Avenue Extension, Barangay Gulang-

No.	BRANCH	ADDRESS
		gulang, Lucena City
210	Lucena – Tagarao	M.L. Tagarao St., Brgy. 5, Lucena City
211	Mactan - EPZA 2	Unit 204 NGA Bldg. 2, Pueblo Verde MEZ II, Basak, Lapu Lapu City
212	Mactan – Lapu-lapu GMC	Unit 9, The Arcade, ML Quezon Highway, Pajo, Lapu Lapu City
213	Malolos - MacArthur Highway	S1 Space A, The Cabanas Mall, KM 44-45 MacArthur Highway, Malolos City
214	Malolos – Crossing	G/F Margen Bldg., MacArthur Highway, Sumapang Matanda, Malolos City, Bulacan
215	Marcos - Sumulong Highway	Kingsville Commercial Arcade, Marcos Highway, 1870 Antipolo, Rizal
216	Marcos Highway	Town & Country Commercial Arcade, Marcos Highway corner Narra St., Cainta, Rizal
217	Marcos Highway - Vermont Park	Park Place Building, Marcos Highway corner Vermont Park, Brgy Mayamot, Antipolo City
218	Marilao - MacArthur Highway	Unit 1-3 Cecilia Commercial Complex, Abangan Norte, MacArthur Hi-way, 3019 Marilao, Bulacan
219	Meycauayan - Malhacan	Supima Square Commercial Complex, Lukytex Compound, Malhacan Road, Meycauayan, Bulacan
220	Mindoro – Calapan	J.P. Rizal St., 5200 Calapan, Oriental Mindoro
221	Misamis Occ. - Oroquieta	Mayor A. Enerio St., Oroquieta City, 7207 Misamis Occidental
222	Misamis Oriental - Gingoog	National Highway, Gingoog City, Misamis Oriental
223	Montalban – Puregold	G/F Units 3-5, Rodriguez Highway, Brgy. Rosario, Montalban, Rizal
224	Naga - Concepcion Grande	G/F Commercial Bldg., Maharlika Highway, Brgy. Concepcion Grande, Naga City
225	Naga - General Luna	Nos. 80-82 General Luna St., Dinaga, Naga City
226	Naga - Magsaysay Avenue	One Magsaysay Bldg., Magsaysay Avenue corner Reno St., Brgy. Concepcion Pequeña, Naga City
227	Naga - San Francisco	Barangay San Francisco, Peñafrancia Avenue, Naga City
228	Naga – Diversion Road	Building 5, Stalls A and B, M Plaza Roxas Avenue, Diversion Road, Concepcion Pequeña, Naga City

No.	BRANCH	ADDRESS
229	Naga – Elias Angeles	Chua O. Co Bldg., Elias Angeles St., Brgy. San Francisco, Naga City, Camarines Sur
230	Naga – Panganiban Drive	G/F DECA Corporate Center, Panganiban Drive, Brgy Tinago, Naga City, Camarines Sur
231	Negros Occ - Bago	Araneta Avenue cor Gen. Luna St. Bago City, Negros Occidental 6101
232	Negros Occ - Binalbagan	Biscom Compound, Binalbagan, Negros Occidental
233	Negros Occ - Hinigaran	Aguinaldo corner Rizal St., Hinigaran, 6106 Negros Occidental
234	Negros Occ - San Carlos	S. Carmona St. corner Rizal St., San Carlos City, Negros Occidental
235	Negros Occ - Victorias	Osmeña Avenue, Victorias City, Negros Occidental, 6119
236	Negros Occ – CityMall Kabankalan	Unit 07 & 08, CityMall – Kabankalan, Justice Perez Highway corner Noceco Road, Brgy. Talubangi, Kabankalan City, Negros Occidental
237	Negros Occ – La Carlota	Yunque St. corner Gurrea St., Brgy. 1, La Carlota City, Negros Occidental
238	Negros Occ – Talisay	Paseo Mabini St., Brgy. Poblacion, Zone 9, Talisay City, Negros Occidental
239	Negros Oriental – Bayawan	G/F NVF Bldg. 441 National Highway, Brgy. Poblacion, Negros Oriental
240	Nueva Ecija - Gapan Maharlika Highway	Units 3-7, Maharlika Highway corner Sampaguita St., Brgy. Bayanihan, Gapan, Nueva Ecija
241	Nueva Ecija - San Jose	Maharlika Road, 3121 San Jose City, Nueva Ecija
242	Nueva Ecija - Sta. Rosa	Along Maharlika Highway, Sta. Rosa, Nueva Ecija
243	Nueva Ecija - Talavera	Maharlika Highway, Marcos District, Talavera, Nueva Ecija
244	Nueva Ecija – CityMall Sta. Rosa	T-23 & 24, CityMall-Sta. Rosa, Maharlika Highway, Brgy. Rizal, Sta. Rosa City Nueva Ecija
245	Nueva Ecija – Primark Cabiao	G/F PRIMARK Cabiao, Jose Abad Santos Avenue, Brgy. San Roque, Cabiao, Nueva Ecija
246	Nueva Ecija – Zaragoza	Along Tarlac-Sta. Rosa Road, Brgy. Del Pilar East, Zaragoza, Nueva Ecija
247	Nueva Vizcaya - Solano	National Highway, Solano, Nueva Vizcaya
248	Olongapo	GF & 2F KT Tower, Rizal Avenue East corner 18th St.,

No.	BRANCH	ADDRESS
		Bajac, Olongapo City
249	Ortigas Avenue Ext. - Cainta	Units 7-9 Philfoam Furnishing Bldg., Km 23 Ortigas Avenue Extension, Cainta, Rizal
250	Pampanga - Lubao	Olongapo-Gapan Road, Sta. Cruz, Lubao, Pampanga
251	Pampanga - Magalang	Poblacion San Pedro, Magalang, Pampanga
252	Pampanga – Puregold Dau	G/F & 2/F Puregold Dau, Mac Arthur Highway, Brgy. Dau, Mabalacat, Pampanga
253	Pampanga San Fernando - Dolores	MacArthur Highway, Dolores, 2000 City of San Fernando (Pampanga)
254	Pampanga San Fernando - MacArthur Highway	G/F Doña Isa Fel Bldg. II, MacArthur Highway, Dolores, San Fernando City, Pampanga
255	Pampanga San Fernando - Sindalan	Palm Bldg., MacArthur Highway, Sindalan, San Fernando City, Pampanga
256	Pampanga San Fernando – San Isidro	Kingspire Business Center, Mac Arthur Highway, Brgy. San Isidro, City of San Fernando, Pampanga
257	Pangasinan - Alaminos	Marcos Avenue, Palamis 2404 Alaminos, Pangasinan
258	Pangasinan - Calasiao	GF Señor Tesoro Academy Bldg., San Miguel, Calasiao, Pangasinan
259	Pangasinan - Carmen	McArthur Highway, Carmen East 2441 Rosales, Pangasinan
260	Pangasinan - Mangaldan	Along Rizal Avenue, Poblacion, Mangaldan, Pangasinan
261	Pangasinan - San Carlos	Palaris St., 2420 San Carlos City, Pangasinan
262	Pangasinan - Tayug	Along Quezon Blvd., Poblacion Tayug, Pangasinan
263	Pangasinan – Bayambang	206 Rizal Avenue, Brgy. Poblacion, Bayambang, Pangasinan
264	Pangasinan – Malasiqui	ARLU Bldg., Magsaysay St., Brgy Poblacion, Malasiqui, Pangasinan
265	Puerto Princesa – San Pedro	G/F Palawan Uno Hotel, National Highway, Brgy. San Pedro, Puerto Princesa City, Palawan
266	Quezon – CityMall Tiaong	Units T 3-5 CityMall- Tiaong, Maharlika Highway, Brgy. Lalig, Tiaong, Quezon
267	Quezon – Gumaca	JT Bldg., Maharlika Highway, Brgy. Peñafrancia, Gumaca, Quezon
268	Rizal - Montalban	G/F Montalban Town Center, Rodriguez Highway corner

No.	BRANCH	ADDRESS
		Lardizabal St., Barangay San Jose, Rodriguez, Rizal
269	Rizal - Tanay	Tanay Town Center, Sampaloc Road corner F.T. Catapusan St., Plaza Aldea, Tanay, Rizal
270	Rizal – Binangonan	Lexar Building, Manila East Road, Brgy. Calumpang, Binangonan, Rizal
271	Rizal – Morong	G/F & 2/F Morong Centerpoint, No. 58 T. Claudio St., Brgy. San Juan, Morong Rizal
272	Rizal – San Mateo	G/F & Mezzanine Flr., Doña Isabel Bldg., No. 29 Gen. Luna St., Brgy. Guitnang Bayan 1, San Mateo, Rizal
273	Robinsons - Dumaguete	Robinsons Dumaguete, Dumaguete Business South Road, Calingdagan, Dumaguete City
274	Robinsons Place - Lipa	Level 1, Space L1- 177, Robinsons Place-Lipa, Lipa Highway, Brgy. Mataas na Lupa, Lipa City, Batangas
275	Robinsons Place - San Nicolas	Unit 1-00144, Robinsons Place Ilocos, Brgy. 1 San Francisco, San Nicolas, Ilocos Norte
276	Robinsons Place General Trias	Level 1 130-133, Robinsons Place General Trias, Antero Soriano Highway, EPZA, Bacao Diversion Road, Brgy. Tejero, General Trias, Cavite
277	Robinsons Townville – Cabanatuan	G/F Unit RA1, Robinsons Townville, Brgy. H. Concepsion, Km. 111, Maharlika Highway, Cabanatuan City
278	Roxas – CityMall	CityMall-Roxas, Arnaldo Boulevard, Brgy. Baybay, Roxas City, Capiz
279	Roxas – Pueblo De Panay	G/F Hotel Veronica Bldg. Immaculate Heart of Mary Ave., Pueblo de Panay, Brgy. Lawa-an, Roxas City
280	Samar - Catbalogan	Del Rosario St. corner Allen Avenue, 6700 Catbalogan, Samar
281	Samar – Catarman	E.B. Moore St. corner Anunciacion St., Brgy Lapu-Lapu, Catarman, Northern Samar
282	San Pablo - Maharlika Highway	GF Bienpaz Arcade, Maharlika Highway Junction, San Rafael, San Pablo City
283	San Pablo - Paulino	M. Paulino St., San Pablo City
284	San Pedro	National Highway Junction & Mabini St., Brgy. Nueva, San Pedro, Laguna
285	San Pedro - National Highway	Mega Bldg., National Highway, San Pedro, Laguna
286	San Pedro - Pacita	GF M. Allen Bldg., Km 31, Old National, National

No.	BRANCH	ADDRESS
		Highway, San Pedro, Laguna
287	SM CDO Downtown Premier	Location Code 112-114, G/F, SM CDO Downtown Premier, C.M. Recto corner Osmeña Sts., Brgy. Lapasan, Cagayan de Oro City
288	SM Center Angono	UG/F SM Center Angono, Manila East Road, Brgy. San Isidro, Angono, Rizal
289	SM Center Lemery	Location Code 127-130, G/F SM Center Lemery, Illustre Avenue corner Calle P. Gomez St., Brgy. District IV, Lemery, Batangas
290	SM Center Pulilan	Location Code 140-142, G/F SM Center Pulilan, Plaridel-Pulilan Diversion Road, Brgy. Sto. Cristo, Pulilan, Bulacan
291	SM Center Tuguegarao Downtown	Location Code 117-119, G/F & 246B-247B & 247A, 2/F, SM Center Tuguegarao Downtown, Luna corner Mabini Sts., Brgy. Ugac, Tuguegarao City
292	SM Cherry Antipolo	UGF 122, 123 & 124, SM Cherry Foodarama Antipolo, Marcos Highway, Brgy. Mayamot, Antipolo City
293	SM City Bacolod	GF South Wing Bldg. SM City Bacolod, Poblacion Reclamation Area, Bacolod City
294	SM City Bacolod North	G/F SM City Bacolod North Wing Bldg., Brgy. 12, Poblacion, Reclamation Area, Bacolod City
295	SM City Bacoar	UG/F SM City Bacoar Gen. Aguinaldo Highway corner Tirona Highway Bacoar, Cavite
296	SM City Baguio	UG/F SM City Baguio, Upper Session Road, Baguio City
297	SM City Baliwag	G/F SM City Baliwag (LC EX 101-102,105a-107a), DRT Highway, Brgy. Pagala, Baliwag, Bulacan
298	SM City Batangas	GF SM City Batangas, Barangay Pallocan West, Batangas City
299	SM City Cabanatuan	UG/F SM City Cabanatuan, Maharlika Highway, Brgy. Hermogenes C. Concepcion Sr., Cabanatuan City, Nueva Ecija
300	SM City Cagayan De Oro	G/F SM City Cagayan de Oro, Pueblo de Oro Business Park, Upper Canituan, Cagayan de Oro, Misamis Oriental
301	SM City Calamba	G/F SM City Calamba, National Highway, Barangay Real, Calamba City, Laguna

No.	BRANCH	ADDRESS
302	SM City Cauayan	G/F & 2/F SM City Cauayan, Maharlika Highway, Brgy. San Fermin, Cauayan, Isabela
303	SM City Cebu	SM City Cebu, North Reclamation Area, Cebu City
304	SM City Cebu B	UG/F The Northwing - SM City Cebu, North Reclamation Area, San Jose dela Montaña corner M.J. Cuenco Avenue, Cebu City
305	SM City Clark A	G/F SM City Clark, Clark Field, Pampanga
306	SM City Clark B	G/F SM City Clark BPO Tower 1&2 (LC B1-101-107), Brgy. Malabánias, Pampanga
307	SM City Consolacion Cebu	G/F SM City Consolacion Cebu, Cebu North Road, Brgy. Lamac, Consolacion, Cebu
308	SM City Dasmariñas A	Upper Ground Floor, SM City Dasmariñas , Barrio Pala-Pala, Dasmariñas, Cavite
309	SM City Dasmariñas B	LGF SM City Dasmariñas, Governor's Drive, Brgy. Pala-Pala, Dasmariñas, Cavite
310	SM City Davao	UG/F SM City Davao, Barangay Matina, Davao City
311	SM City Davao Annex	G/F Annex Bldg., SM City Davao, Brgy. Matina, Davao City
312	SM City General Santos	G/F SM City General Santos, Santiago Boulevard corner San Miguel St., General Santos City
313	SM City Iloilo	UG/F SM City Iloilo, Benigno Aquino Avenue, Mandurriao, Iloilo City
314	SM City Iloilo B	UGF SM City Iloilo Expansion Bldg. (LC1053A-1053F), Benigno Aquino Avenue, Brgy. Bolilao, Mandurriao, Iloilo City 5000
315	SM City Lipa	G/F SM City Lipa, Ayala Highway, Lipa City, Batangas
316	SM City Lucena	G/F SM City Lucena (LC - 177- 178) Pagbilao National Road, Lucena City
317	SM City Marilao	G/F SM City Marilao, MacArthur Highway, Marilao, Bulacan
318	SM City Masinag	G/F SM City Masinag, Marcos Highway, Mayamot, Antipolo City
319	SM City Molino	G/F SM City Molino, Brgy. Molino 4, Bacoar, Cavite
320	SM City Naga	GF SM City Naga, Brgy. Triangulo, Central Business District II, Naga City

No.	BRANCH	ADDRESS
321	SM City Olongapo	G/F SM City Olongapo (Location Code EXP 105-106), Magsaysay Drive corner Gordon Ave., Pag-asa, Olongapo City, Zambales
322	SM City Pampanga A	GF SM City Pampanga, San Fernando, Pampanga
323	SM City Pampanga B	GF SM City Pampanga Annex Bldg. 4, San Fernando, Pampanga
324	SM City Puerto Princesa	LG/F SM City Puerto Princesa, Malvar corner Lacao Sts., Brgy. San Miguel, Puerto Princesa City, Palawan
325	SM City Rosales	SM City Rosales, Carmen East, Rosales, Pangasinan
326	SM City Rosario	G/F SM City Rosario, General Trias Drive, Brgy. Tejero, Rosario, Cavite
327	SM City San Fernando	G/F SM City San Fernando, V. Tiomico St., Brgy. Poblacion, San Fernando, Pampanga
328	SM City San Jose Del Monte	SM City San Jose Del Monte, Quirino Highway, Brgy. Tungkong Mangga, San Jose Del Monte City, Bulacan
329	SM City San Mateo	SM City San Mateo, General Luna, Brgy. Ampid 1, San Mateo, Rizal
330	SM City San Pablo	G/F SM City San Pablo, National Highway, Barangay San Rafael, San Pablo City, Laguna
331	SM City Sta. Rosa	G/F SM City Sta. Rosa, Barrio Tagapo, Sta. Rosa, Laguna
332	SM City Tarlac	UG & LGF, SM City Tarlac, MacArthur Highway, San Roque, Tarlac City
333	SM City Taytay	G/F Bldg. A, SM City Taytay, Manila East Road, Barangay Dolores, Taytay, Rizal
334	SM City Trece Martires	UG/F SM City Trece Martires (LC 33A-135A), Brgy. San Agustin, Trece Martires, Cavite
335	SM Delgado	G/F SM Delgado Bldg. Valeria St. Iloilo City
336	SM Hypermarket Cainta	SM Hypermarket Cainta, Felix Huerta Ave. Cainta, Rizal
337	SM Hypermarket Daet	G/F SM Hypermarket Daet, Vinzons Avenue, Barangay IV, Daet, Camarines Norte
338	SM Hypermarket Mabalacat	G/F SM Hypermarket Pampanga, MacArthur Highway, Brgy. Camachiles, Dau, Mabalacat, Pampanga
339	SM Lanang Premier	UGF SM Lanang Premier, J.P. Laurel Avenue, Brgy. San Antonio Bajada, Lanang, Davao City

No.	BRANCH	ADDRESS
340	SM Market Mall Dasmariñas	G/F Dasmariñas Bagong Bayan Resettlement Project Area B (DBB-B), Congressional Road, Kadiwa, Dasmariñas, Cavite
341	SM Megacenter Cabanatuan	UG/F SM Megacenter Cabanatuan, Gen. Tinio & Melencio Sts., San Roque Norte, Cabanatuan City
342	SM Savemore Davao Bangkal	G/F SM Savemore Market Bangkal, Davao Km. 7 MacArthur Highway, Brgy. Bangkal, Davao City
343	SM Savemore Tacloban	G/F SM Savemore Tacloban, Justice Romualdez St., Brgy. 13, Tacloban City
344	SM Seaside City Cebu A	LG/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City
345	SM Seaside City Cebu B	2/F SM Seaside City Cebu, Brgy. Mambaling, South Road Reclamation Area, Cebu City
346	Sorsogon – Primark J.P. Rizal	Primark Sorsogon 3, J.P. Rizal St. corner De Vera St., Brgy. Talisay, Sorsogon City
347	Sorsogon City	Son Bldg., R. Magsaysay Avenue, Sorsogon City
348	Sta. Lucia East - Cainta	Sta. Lucia East Grand Mall, Marcos Hi-Way corner Felix Avenue, 1900 Cainta, Rizal
349	Sta. Lucia East – Felix Avenue	G/F Phase 1, Sta. Lucia Grand Mall, Marcos Highway corner Felix Avenue, Cainta
350	Sta. Rosa - Don Jose	PCC Bldg., Sta. Rosa Tagaytay Road, Barangay Don Jose, Sta. Rosa, Laguna
351	Sta. Rosa - Puregold Tagapo	Puregold Sta. Rosa - Tagapo, Rizal Blvd., Brgy Tagapo, Sta. Rosa, Laguna
352	Subic - Rizal Highway	Subicworx Building, 1056 Rizal Highway, Subic Bay Freeport Zone, Olongapo City, Zambales
353	Subic - Times Square	420 Rizal Highway, Subic Bay Freeport Zone, 2200 Olongapo City, Zambales
354	Surigao	Magallanes corner San Nicolas St., 8400 Surigao City
355	Tacloban - Justice Romualdez	Philamlife Bldg., Justice Romualdez St. corner P. Paterno St., Tacloban City
356	Tacloban - Rizal Avenue	Rizal Avenue, Brgy. 41, Tacloban City
357	Tacloban - Zamora	Carlos Chan Bldg. P.Zamora St. Tacloban City
358	Tagaytay - Mendez Junction	E. Aguinaldo Hi-way, Mendez Crossing, Tagaytay City

No.	BRANCH	ADDRESS
359	Tagaytay - Rotonda	Frablyn Tower (Tolentino Bldg.), Emilio Aguinaldo Highway, Tagaytay (near Tagaytay Rotonda)
360	Tagaytay - Wind Residences	G/F Tower 2, SM Wind Residences, Aguinaldo Highway, Brgy. Maharlika West, Tagaytay City
361	Tanauan - A. Mabini	A. Mabini St., Tanauan, 4232 Batangas
362	Tanauan - JP Laurel Highway	Pres. J. P. Laurel Highway corner Sixto Castillo St., Poblacion, Tanauan, Batangas
363	Tarlac - Camiling	Romulo St., Barangay Poblacion, A. Camiling, Tarlac
364	Tarlac - Capas	San Trope Bldg., 57 McArthur Highway, Brgy. Sto. Domingo 1 st Capas, Tarlac
365	Tarlac - Concepcion	L. Jaena cor. L. Cortes St., San Nicolas, 2316 Concepcion, Tarlac
366	Tarlac - F. Tañedo	F. Tanedo corner Juan Luna St., Tarlac City
367	Tarlac - Moncada	Poblacion 1, Moncada, Tarlac
368	Tarlac - San Roque	1567 Zamora St., Brgy. San Roque, Tarlac City, Tarlac
369	Tarlac – CityMall	T-01, CityMall-Tarlac, MacArthur Highway, Brgy. San Rafael, Tarlac City
370	Tarlac – Gerona	Nick Hotel Commercial Complex, MacArthur Highway, Brgy. Abagon, Gerona, Tarlac
371	Taytay - National Highway	Korte Rosario Restaurant, Taytay National Highway, Ilog Pugad, Barangay San Juan, Taytay Rizal
372	Tuguegarao – Buntun	Luna St., Brgy. Buntun, Tuguegarao City, Cagayan
373	Urdaneta - MacArthur Highway	182 LIS Bldg., McArthur Highway, San Vicente, Urdaneta
374	Vigan - Plaza Maestro	G/F Plaza Maestro Commercial Complex, Burgos & Florentino St., Vigan City, Ilocos Sur
375	Vigan – Puregold	Puregold Vigan, Jose Singson St., Brgy VIII, Sta. Elena, Vigan City, Ilocos Sur
376	Virac Town Center	G/F Virac Town Center, Rizal Avenue, Brgy. Gogon Sirangan, Virac, Catanduanes
377	Waltermart - Bel-Air Sta. Rosa	G/F Waltermart Bel-Air Sta. Rosa, Tagaytay National Highway, Brgy. Pulong , Sta. Cruz, Sta. Rosa, Laguna
378	Waltermart - Guiguinto	Waltermart Guiguinto Bulacan, MacArthur Highway, Brgy. Ilang-ilang, Guiguinto, Bulacan

No.	BRANCH	ADDRESS
379	Waltermart - Pampanga	G/F Waltermart Pampanga, MacArthur Highway, San Agustin, San Fernando, Pampanga
380	Waltermart - Sta. Maria	G/F Waltermart Sta. Maria, Provincial Road corner By Pass Road, Brgy. Sta. Clara, Sta. Maria, Bulacan
381	Waltermart - Sta. Rosa	San Lorenzo Drive corner Balibago Road, Barangay Balibago, 4026 Sta. Rosa, Laguna
382	Waltermart – Balayan	G/F Waltermart Balayan, Balibago-Balayan Highway corner Paz St., Brgy. Caloocan, Balayan, Batangas
383	Waltermart – Cabanatuan	G/F Waltermart Cabanatuan, Brgy. Dicarma, Cabanatuan City, Nueva Ecija
384	Waltermart – Carmona	G/F Waltermart Carmona, Macaria Business Center, National Highway, Brgy. Mabuhay, Carmona, Cavite
385	Waltermart – Concepcion Tarlac	G/F Waltermart Concepcion (LC WCON 033), L. Cortez St., Brgy. Alfonso, 2316 Concepcion, Tarlac
386	Waltermart – Dasmariñas	G/F Waltermart Dasmariñas, National Highway, Brgy. Barrio Burol, Dasmariñas, Cavite
387	Waltermart – Talavera	Unit WMT G-32, G/F Waltermart Talavera, Maharlika Highway, Brgy. La Torre, Talavera, Nueva Ecija 3114
388	Waltermart – Tanauan	G/F Waltermart Tanauan, Pres. J.P. Laurel Highway, Brgy. Darasa, Tanauan City, Batangas
389	Waltermart – Taytay	LG/F Waltermart Taytay, Ortigas Avenue Extension, Brgy. San Isidro, Taytay, Rizal
390	Waltermart Center - Makiling	G/F Waltermart Center Makiling, National Highway, Brgy. Makiling, Calamba, Laguna
391	Waltermart Center – Cabuyao	G/F Waltermart Center Cabuyao, Km 47 National Highway, Brgy. Banlic, Cabuyao, Laguna
392	Zambales - Castillejos	G/F RM Mall, National Highway, Brgy San Nicolas, Castillejos, Zambales
393	Zambales - Iba	Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales
394	Zamboanga - Ipil	National Highway, Ipil, 7001 Zamboanga Del Sur
395	Zamboanga – Canelar	Mayor Jaldon Avenue, Brgy. Canelar, Zamboanga City
396	Zamboanga – City Mall Tetuan	U33 CityMall Tetuan Zamboanga, Gov. Alvarez Extension, Tetuan, Zamboanga City
397	Zamboanga – La Purisima	La Purisima St., Brgy. Zone II, Zamboanga City

No.	BRANCH	ADDRESS
398	Zamboanga – Veterans Avenue	G/F Wee Agro Commercial Bldg., Veterans Avenue, Brgy Camino Nuevo, Zamboanga City

3) Limitations on Property

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

4) Properties to be acquired

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

5) Properties of Subsidiaries

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

Lease on such premises are for various periods and terms, and are renewable upon the mutual agreement of the parties. Lease terms ranges from month to month to 6 years. Some contracts provide for renewal options subject to mutual agreement of the parties. Rental rates are based on prevailing market rental rates for the said properties. Please refer to Note 2.22 and 33.2 of the accompanying Notes to Financial Statements for further details on Lease.

6) Limitations on Property

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

Item 3. Legal Proceedings

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. Following existing regulatory requirements, no such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. A discussion of the other legal proceedings of the Bank is found in Note 33.1 of the accompanying Notes to Financial Statements as of the year ended 31 December 2017.

Others

The Group is also a defendant in various cases pending in courts for alleged claims against the Group, the outcome of which are not fully determinable at present. As of 31 December 2017,

management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of the Group and will be taken up if and when a final resolution by the courts is made on each claim.

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

There were no matters submitted during the four quarters of the fiscal year covered by this report to a vote of security holders.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

1) Stock Prices

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

	High	Low
First Quarter 2016	106.30	94.40
Second Quarter 2016	112.00	99.50
Third Quarter 2016	119.50	103.50
Fourth Quarter 2016	115.20	104.90
First Quarter 2017	127.50	108.50
Second Quarter 2017	125.00	116.00
Third Quarter 2017	132.10	120.00
Fourth Quarter 2017	166.50	130.00

Source: www.pse.com.ph

As of April 6, 2018, the closing price of the Bank's common shares is ₱134.60.

2) Holders of Securities

The number of common shareholders of record as of March 8, 2018 was 12,625. Common shares outstanding as of March 8, 2018 stood at 4,369,450,614. The top twenty (20) common shareholders are as follows:

Rank	Name of Stockholder	Nationality	No. of Shares Owned	% of Ownership
1	SM Investments Corp.	Filipino	1,750,930,649	40.07%
2	PCD Nominee Corp. (Non-Filipino)	Non-Filipino	1,368,063,936 **	31.31%
3	PCD Nominee Corp. (Filipino)	Filipino	508,608,377 **	11.64%
4	Multi-Reality Development Corporation	Filipino	291,513,036 *	6.67%
5	Sybase Equity Investments Corporation	Filipino	240,010,292 *	5.49%

Rank	Name of Stockholder	Nationality	No. of Shares Owned	% of Ownership
6	Shoemart, Inc. (now SM Prime Holdings, Inc.)	Filipino	90,024,395	2.06%
7	DFC Holdings, Inc.	Filipino	30,430,341 *	0.70%
8	Dacon Corporation	Filipino	25,377,549 *	0.58%
9	Sysmart Corporation	Filipino	9,855,661 *	0.23%
10	Edilberto Narciso	Filipino	2,615,452	0.06%
11	Lucky Securities, Inc.	Filipino	2,466,438	0.06%
12	DHS Investment	Filipino	2,337,769	0.05%
13	Executive Optical Inc.	Filipino	2,235,761	0.05%
14	Simeon Tan	Filipino	1,463,083	0.03%
15	Ernest Lee Go	Filipino	1,042,124	0.02%
16	Cedar Commodities, Inc.	Filipino	877,850	0.02%
17	Hong Eng Tan	Filipino	863,500	0.02%
18	Tristan Matthew T. Sze	Filipino	618,000	0.01%
19	Regina Capital Development Corporation	Filipino	603,812	0.01%
20	Hong Hong Yu Gan	Filipino	479,722	0.01%
	Victoria Yu Tiam-Lee	Filipino	479,722	0.01%
Total			4,330,896,969	99.12%

* Inclusive of PCD-lodged shares

** Exclusive of PCD-lodged shares of Multi-Reality Development Corporation, Sybase Equity Investments Corporation, DFC Holdings, Inc., Dacon Corporation, and Sysmart Corporation

As of 31 December 2015, the Bank has a public float level of 44.96%.

3) Dividends

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

On January 10, 2015, the Board of Directors approved the declaration of cash dividends in the amount of P0.30 per common share for each quarter in 2015, or a total of P1.20 per common share. BSP approval was obtained on March 5, 2015. The cash dividends were paid on April 24, 2015, June 26, 2015, September 28, 2015 and December 28, 2015, respectively.

On January 31, 2015, the Board of Directors of BDO approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339 million. BSP approval was obtained on March 5, 2015 and the dividends were paid on April 15, 2015.

On April 24, 2015, the Board of Directors of BDO approved the declaration of special cash dividends on common shares at the rate of P0.90 per share. BSP approval was obtained on June 10, 2015 and the dividends were paid on July 31, 2015.

On January 30, 2016, the Board of Directors of BDO approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339 million. The dividends were paid on February 16, 2016.

The Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first, second, third and fourth quarters of 2016 on February 27, 2016, May 28, 2016, August 27, 2016 and December 3, 2016, respectively. The dividends were paid on March 28, 2016, June 27, 2016, September 26, 2016 and December 29, 2016, respectively.

On January 27, 2017, the Board of Directors of BDO approved the declaration of annual cash dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P340 million. The dividends were paid on February 17, 2017.

The Board of Directors approved the declaration of quarterly cash dividends in the amount of P0.30 per common share for the first, second, third and fourth quarters of 2017 on February 24, 2017, May 26, 2017, August 26, 2017 and December 2, 2017, respectively. The dividends were paid on March 31, 2017, June 30, 2017, September 29, 2017 and December 29, 2017, respectively.

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

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

On September 6, 2017, the Bank issued \$700 million in Fixed Rate Senior Notes under the Bank's Medium Term Note Program.

On October 24, 2016, the Bank issued US\$300 million in Senior Notes under the Bank's Medium Term Note Program.

On April 6, 2015 the Bank issued P7.5 billion worth of Long-Term Negotiable Certificates of Deposit. Proceeds of the issuance were used to support the Bank's loan growth.

Item 6 – Management's Discussion and Analysis or Plan of Operations

1) Management's Discussion and Analysis

Balance Sheet – 2017 vs. 2016

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

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

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

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

Contingent Accounts – 2017 vs. 2016

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

- Export L/Cs Confirmed rose 51% to P2.4 billion.

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

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

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

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

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

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

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

- Policy Reserves as well as Insurance Benefits and Claims rose 35% and 15%, respectively.

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

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

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

The Total Comprehensive Income registered a 19% improvement from P22.1 billion in 2016.

Key Performance Indicators – 2017 vs. 2016

	2017	2016	Inc/(Dec)
Return on Average Common Equity	10.2%	12.7%	-2.5%
Return on Average Equity	10.2%	12.5%	-2.4%
Return on Average Assets	1.1%	1.2%	-0.1%
Net Interest Margin	3.48%	3.24%	0.24%
Capital to Risk Assets	14.5%	12.4%	2.1%
Basic Earnings Per Share	6.42	6.81	-0.39
Liquidity Ratio	31.6%	33.5%	-2.0%
Solvency Ratio (Debt-to-Equity)	794.3%	968.7%	-174.4%
Asset-to-Equity Ratio	894.3%	1068.7%	-174.4%
Interest Rate Coverage Ratio	308.2%	301.3%	6.7%
Profit Margin	19.1%	21.2%	-2.1%

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

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

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

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

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

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

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

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

Balance Sheet – 2016 vs. 2015

Total Resources climbed 14% in 2016 to P2.3 trillion. The increase is attributable to a 16% growth in customer loans as well as expansion in the Bank's liquid assets and investment securities. Due from BSP rose 17% to P318.0 billion corresponding to the increase in Total Deposits. Due from Other Banks surged 68% to P41.8 billion from higher levels of placements and working balances with correspondent banks. Investment Securities jumped 19% primarily from the consolidation of the portfolio of BDO Life. Interbank Loans, Unquoted Debt Securities Classified as Loans and Other Receivables went up to P73.4 billion, P22.4 billion and P8.0 billion, respectively. Securities Purchased Under Reverse Repurchase Agreements, on the other hand, dropped to P14.3 billion.

Bank Premises rose 8% following branch expansion and enhancements in distribution channels. Equity Investments went down 24% due to the accounting consolidation of BDO Life. Other Resources declined 11% from various accounts.

Total Deposits expanded 15% to P1.9 trillion driven by a 10% and 23% growth in Demand and Savings deposits, respectively. Insurance Contract Liabilities of P20.6 billion was reflected in the Bank's balance sheet owing to the accounting consolidation of BDO Life. Other Liabilities grew 18% to P71.1 billion coming mainly from accounts payable, bills purchased contra-account and miscellaneous liabilities.

Total Equity increased 9% to P217.6 billion from continued profitability.

Contingent Accounts – 2016 v. 2015

Total Contingent Accounts expanded 15% to P1.6 trillion due to the following:

- Trust Department Accounts grew 12% to P1.0 trillion on account of higher levels of managed funds.

- Unused L/Cs and Outstanding Guarantees Issued increased 15% and 79% to P48.1 billion and P33.9 billion, respectively, from higher volume of trade transactions.
- Late Deposits and Payments Received rose 7% to P2.6 billion as non-cash deposits received after clearing cut-off time increased.
- Increased treasury trading activities resulted in a growth in Spot Exchange Bought and Sold, Interest Rate Swap Receivable and Payable. Forward Exchange Bought and Sold, on the other hand, dropped year-on-year.
- Export L/Cs confirmed went down 40% from a lower outstanding level as of the cut-off date.
- Other Contingent Accounts jumped 60% to P238.7 billion from higher levels of committed credit lines.

Income Statement – For the years Ended December 31, 2016 vs. 2015

Net Income Attributable to Equity holders of the Parent Company registered at P26.2 billion for 2016. This represents a 5% improvement from the previous year's Net Income of P24.9 billion despite lower trading gains.

Net Interest Income increased 18% to P65.6 billion resulting from the expansion in customer loan portfolio as well as an improvement in funding mix. The Bank maintained its conservative impairment provisioning allocating P3.8 billion for loans, securities, ROPA and other assets.

Other Income jumped 31% to P41.6 billion following the consolidation of BDO Life. Service Charges and Fees improved 16% owing to recurring fee income from major business lines. Trust Fees went up 7% from a higher level of funds managed. FX Gain grew 22% as the Bank capitalized on market opportunities. Insurance Premiums were reflected in the Bank's income statement as a result of the consolidation of BDO Life. Miscellaneous Income climbed 24% primarily owing to a non-recurring gain from the acquisition of the full interest in BDO Life.

Operating Expenses went up 27% to P70.1 billion inclusive of BDO Life:

- Employee Benefits rose 17% from salary increases and a higher manpower count from business expansion.
- Occupancy expenses grew 15% from an expanded distribution network.
- Taxes and Licenses hiked 8% from higher gross receipts taxes on interest and fee-based income.
- Insurance expenses increased 15% on account of a larger deposit base.
- Litigation/Assets Acquired expenses jumped 168% to P408 million due to higher ROPA-related expenses.
- Advertising expenses climbed 26% from higher spending on marketing and advertising campaigns.

- Policy Reserves, Insurance Benefits and Claims of P5.7 billion was reflected in the Bank's income statement following the accounting consolidation of BDO Life.
- Security, Clerical and Janitorial expenses as well as Other Operating Expenses moved up 11% and 19%, respectively, primarily from increased business volumes and an expanded distribution network.

Tax Expense grew to P6.8 billion on higher taxable income and lower write-offs of fully-provided assets.

Comprehensive Income – For the years Ended December 31, 2016 vs. 2015

From a Net Income of P26.2 billion, Total Comprehensive Income for 2016 stood at P22.1 billion inclusive of a drop in unrealized gains on AFS Securities of P3.3 billion, a P78 million translation adjustment related to foreign operations, an actuarial loss on retirement benefit asset amounting to P645 million, a remeasurement of life insurance reserves of negative P324 million and a P1 million share in Other Comprehensive Income of subsidiaries and affiliates. The Total Comprehensive Income represented a 4% improvement from P21.3 billion in 2015.

Key Performance Indicators – 2016 vs. 2015

	2016	2015	Inc/(Dec)
Return on Average Common Equity	12.7%	13.6%	-0.9%
Return on Average Equity	12.5%	13.4%	-0.9%
Return on Average Assets	1.2%	1.3%	-0.1%
Net Interest Margin	3.24%	3.17%	0.07%
Capital to Risk Assets	12.4%	13.3%	-0.9%
Basic Earnings Per Share	6.81	6.52	0.29
Liquidity Ratio	33.5%	33.8%	-0.3%
Solvency Ratio (Debt-to-Equity)	968.7%	917.1%	51.6%
Asset-to-Equity Ratio	1068.7%	1017.1%	51.6%
Interest Rate Coverage Ratio	301.3%	302.1%	-0.8%
Profit Margin	21.2%	24.0%	-2.8%

Return on Average Common Equity, Return on Average Equity and Return on Average Assets inched down to 12.7%, 12.5% and 1.2%, respectively, as Net Income expansion was outpaced by growth in Equity and Total Resources.

Net Interest Margin improved to 3.24% owing to growth in earning assets and improvement in funding mix.

Capital to Risk Assets slipped to 12.4% as growth in risk-weighted assets outperformed Net Income improvement.

Basic Earnings Per Share grew to P6.81 from a higher bottomline profits.

Liquidity Ratio declined to 33.5% as the Bank focused on loan expansion.

Solvency Ratio and Asset-to-Equity Ratio rose 51.6% apiece to 968.7% and 1068.7%, respectively, as the Bank increased leverage following the expansion in Total Deposits.

Interest Rate Coverage Ratio and Profit Margin went down to 301.3% and 21.2%, respectively, due to higher provision for income tax.

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

The Bank 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 on the back of solid growth in loans, low-cost deposits and fee-income.

Customer loans rose by 18% P1.8 trillion on broad-based increases across all loan segments, while total deposits went up 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.

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 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. The Bank added 76 branches, bringing total consolidated branches (including HK and ONB branches) to 1,180, in 2017.

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 PFRS9. Gross non-performing loan (NPL) ratio improved to 1.2% from 1.3% as of year-end 2016. NPL cover improved 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.

The Bank 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.

Prospects for the Future/Plans of Operation

The Philippines is expected to continue posting 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.

With the Philippine economy expected to sustain its growth momentum, BDO will continue to tap opportunities in its customer segments and build on its initiatives that will allow the Bank to further expand across underserved segments and growth areas benefitting from the country's favorable demographics and the government's infrastructure program.

3) Material Changes

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

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

(b) Internal and External Sources of Liquidity

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

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

None.

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

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

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

The causes for any material changes from 2015-2017 are explained in item 6(1) of SEC Form 17-A of the Bank.

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

None.

Item 7. Financial Statements

The consolidated financial statements and schedules are filed as part of this Form 17-A.

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

The financial statements of the Bank for the year ending 31 December 2016 and 31 December 2017 have been audited by Punongbayan and Araullo, in accordance with generally accepted accounting principles. The Bank has not had any disagreements with any of its former or present accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which led to a change in external auditors and if not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of the disagreement in connection with its report.

Audit and Audit-Related Fees

The aggregate fees billed for each of the last three (3) fiscal years for professional services rendered by the external auditor amounted to P 14,389,986.84 for the year 2017, P 9,810,273.49 for the year 2016, and P 11,129,790.27 for the year 2015. These fees cover services rendered by the external auditor for audit of the financial statements of BDO and other services in connection with statutory and regulatory filings for fiscal years 2017, 2016 and 2015.

Tax Fees and Other Fees

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

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

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

- | | | | |
|----|---------------------------------|---|---------------------------------|
| 1. | Jose F. Buenaventura | - | Chairman (Independent Director) |
| 2. | Jones M. Castro, Jr. | - | Member (Independent Director) |
| 3. | Jimmy T. Tang | - | Member (Independent Director) |
| 4. | Corazon S. de la Paz – Bernardo | - | Adviser |
| 5. | Christopher A. Bell-Knight | - | Adviser |
| 6. | Jesus A. Jacinto, Jr. | - | Adviser |

PART III – CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

1) Directors and Executive Officers

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

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

Director Orientation and Continuing Education

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

All directors are also encouraged to participate in continuing education programs at BDO's expense to maintain a current and effective Board. The Bank provided an in-house Advance Corporate Governance Seminar on July 19, 2017 conducted by SGV/Ernst & Young as part of its continuing education program covering the key developments in the SEC Code of Corporate Governance, Risk Management, AML updates and Data Privacy Act. This was attended by members of the Board of Directors and Senior Management of the Bank and its subsidiaries. The Board also received regular economic briefings.

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

Teresita T. Sy
Chairperson
Filipino, 67 years old

Teresita T. Sy has been a member of the Board of Directors of BDO Unibank, Inc. (BDO) since 1977, and currently serves as Chairperson of the Board. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO: BDO Private Bank, Inc., BDO Leasing & Finance, Inc. (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 with a degree in Bachelor of Arts and Science in Commerce major in Management, she brings to the board her diverse expertise in banking and finance, retail merchandising, mall and real estate development.

Jesus A. Jacinto, Jr.
Vice Chairman
Filipino, 70 years old

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

Nestor V. Tan
Director
Filipino, 60 years old

Nestor V. Tan is the President and CEO of BDO Unibank, Inc. He was elected to the Board of Directors on June 27, 1998. 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

Director

Canadian, 73 years old

Christopher A. Bell-Knight was elected to the Board of Directors of BDO Unibank, Inc. on July 27, 2013. Until his election as Director, he had been acting as Adviser to the Board of BDO Unibank for more than two years. He had also previously served as Director of BDO Unibank from May 2005 until September 2010. He was an Independent Director of Dumaguete City Development Bank of the Philippines from March 2007 to March 2013, and currently serves as an 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.

Jose F. Buenaventura

Independent Director

Filipino, 83 years old

Jose F. Buenaventura was elected to the Board of Directors of BDO Unibank, Inc. on April 19, 2013. Since 1976, he has been a Senior Partner at Romulo Mabanta 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.

Jones M. Castro, Jr.
Independent Director
Filipino and American, 69 years old

Jones M. Castro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. 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.

Antonio C. Pacis
Director
Filipino, 77 years old

Antonio C. Pacis was elected to the Board of Directors of BDO Unibank, Inc. 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).

Dioscoro I. Ramos
Independent Director
Filipino, 59 years old

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

Accountancy, *cum laude*, from the University of the Philippines; and a Master's in Business degree from Wharton School, University of Pennsylvania.

Josefina N. Tan
Director
Filipino, 72 years old

Josefina N. Tan was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) from February 3, 2001 to August 2005. She then became a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO Unibank in May 2007. Ms. Tan was re-elected to the Board of Directors of BDO Unibank (then Banco de Oro – EPCI, Inc.) on July 27, 2007. Concurrently, she is Board Adviser of BDO Private Bank, Inc. She is also Chairman of the Board of Miriam College and a Trustee of the Development Center for Finance and the Laura Vicuña Foundation. She 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.

Jimmy T. Tang
Independent Director
Filipino, 82 years old

Jimmy T. Tang was elected to the Board of Directors of BDO Unibank, Inc. on July 27, 2002. He served as a regular director of BDO from March 31, 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.

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. 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.

Edmundo L. Tan
Corporate Secretary
Filipino, 73 years old

Edmundo L. Tan serves as Corporate Secretary of BDO Unibank, Inc. from July 27, 2007 up to the present and BDO Private Bank, Inc. from February 2012 up to the present. He was formerly a Director of BDO Leasing and Finance, Inc. and now serves as 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.

Sabino E. Acut, Jr.
Assistant Corporate Secretary
Filipino, 67 years old

Sabino E. Acut, Jr. was appointed Assistant Corporate Secretary of BDO Unibank, Inc. on July 27, 2007, a position he currently holds. He is presently a Senior Partner and Head of the Litigation Department of Tan Acut Lopez & Pison Law Offices. He was a former Senior Partner and Head of the Litigation Department of Ponce Enrile Cayetano Reyes & Manalastas Law Offices (PECABAR) and, before that, a Partner of Angara Abello

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

Alvin C. Go
Assistant Corporate Secretary
Filipino, 56 years old

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

The independent directors of the Bank are **Jose F. Buenaventura, Jones M. Castro, Jr., Dioscoro I. Ramos, Jimmy T. Tang, and Gilberto C. Teodoro, Jr.**

Role of the Chairperson and President

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

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

Senior Executive Officers of the Bank

The members of Senior Management, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board. The following is a list of the Bank's key officers:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Nestor V. Tan	60	President, Chief Executive Officer and Director
Antonio N. Cotoco	66	Senior Executive Vice President; Executive Committee; Director -- BDO Leasing & Finance, Inc.
Walter C. Wassmer	59	Senior Executive Vice President, Head – Institutional Banking Group; Chairman of BDO Elite Savings Bank, Inc.; Director – BDO Leasing and Finance, Inc.
Jaime C. Yu	59	Senior Executive Vice President, Head – Branch Banking Group
Ador A. Abrogena	64	Executive Vice President, Head – Trust and Investments Group
Stella L. Cabalatungan *	53	Executive Vice President, Head - BDO Private Bank, Inc.- Relationship Management
Anthony Q. Chua	66	Executive Vice President, Management Credit Committee
Julie Y. Chua	66	Executive Vice President, Head – Institutional Banking Group - Commercial Banking (Metro Manila and Luzon); Unit Head – IBG Metro Manila East
Gerard Lee B. Co	58	Executive Vice President, Head - Institutional Banking Group - Commercial Banking (Visayas and Mindanao)
Lucy Co Dy	62	Executive Vice President, Comptroller and Head – Comptrollership Group
Pedro M. Florescio III	63	Executive Vice President, Treasurer and Head – Treasury Group
Eduardo V. Francisco**	56	Executive Vice President, President/Director – BDO Capital & Investment Corporation
Jesus Antonio S. Itchon ****	57	Executive Vice President, President/Director of One Network Bank, Inc. (A Rural Bank of BDO)
Jeanette S. Javellana	57	Executive Vice President, Deputy Head – Institutional Banking Group - Commercial Banking (Metro Manila)

<u>Name</u>	<u>Age</u>	<u>Position</u>
Guia C. Lim	70	Executive Vice President – Executive Committee/Management Credit Committee
Ricardo V. Martin	60	Executive Vice President, Chief of Staff – Office of the President
Mario B. Palou	64	Executive Vice President, Senior Credit Officer
Edwin Romualdo G. Reyes	59	Executive Vice President, Head - Transaction Banking Group
Edmundo S. Soriano	62	Executive Vice President, Deputy Head – Institutional Banking Group – International Desks and Financial Institutions
Cecilia L. Tan	55	Executive Vice President, Head – Institutional Banking Group - Corporate Banking
Rolando C. Tanchanco	56	Executive Vice President, Head – Consumer Lending Group
Evelyn L. Villanueva	58	Executive Vice President, Chief Risk Officer and Head – Risk Management Group
Albert S. Yeo*	56	Executive Vice President, Director/President – BDO Private Bank, Inc.
Ma. Ophelia LI. Camiña ***	64	Senior Vice President, Treasurer/Support Services Head and Director – BDO Nomura
Ismael G. Estela, Jr.	61	Senior Vice President, Corporate Governance Officer – Corporate Compliance, Legal Services and Internal Audit Group
Maria Cecilia G. Fonacier	56	Senior Vice President, Head – Marketing Communications Group
Frederic Mark S. Gomez	55	Senior Vice President, Head – Information Technology Group
Roberto E. Lapid	61	Vice Chairman – BDO Leasing and Finance, Inc.
Estrellita V. Ong	62	Senior Vice President, Chief Internal Auditor and Head –Corporate Compliance, Legal Services and Internal Audit Group - Internal Audit
Luis S. Reyes, Jr.	60	Senior Vice President, Head – Investor Relations and Corporate Planning; Director & Treasurer- BDO Leasing & Finance; Inc.
Evelyn C. Salagubang	54	Senior Vice President, Head – Human Resources Group
Shirley M. Sangalang	58	Senior Vice President, Office of the Board Audit Committee
Maria Theresa L. Tan *****	48	Senior Vice President, General Manager – BDO Insurance Brokers, Inc.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Federico P. Tancongo	57	Senior Vice President, Chief Compliance Officer and Head- Corporate Compliance, Legal Services and Internal Audit Group – Compliance/ Anti-Money Laundering Unit
Myla R. Untalan	46	Senior Vice President, Digital Infrastructure Services Group
Renato A. Vergel de Dios*****	64	President, Director/President/CEO - BDO Life Assurance Company, Inc.
Edmundo L. Tan	73	Corporate Secretary
Sabino E. Acut, Jr.	67	Assistant Corporate Secretary
Alvin C. Go	56	Senior Vice President, Assistant Corporate Secretary & Head - Corporate Compliance, Legal Services and Internal Audit Group – Legal Services

* - Seconded to BDO Private Bank, Inc.

** - Seconded to BDO Capital & Investment Corporation

*** - Seconded to BDO Nomura

**** - Seconded to One Network Bank, Inc. (a Rural Bank of BDO)

***** - Seconded to BDO Insurance Brokers, Inc.

***** - Seconded to BDO Life Assurance Company, Inc.

Antonio N. Cotoco, 66, Filipino, is Senior Executive Vice President and is a member of the Executive Committee. He currently serves as Director of BDO Leasing and Finance, Inc., BDO Insurance Brokers, Inc., BDO Remit (Macau), Ltd., BDO Remit (USA), Inc., BDO Remit Limited, Express Padala (Hongkong), Limited, Express Padala Frankfurt GmbH, and Chairman of BDO Rental, Inc. He has been involved in Investment Banking, Corporate Finance, Treasury, Consumer Banking, Credit, Business and Development, and Account Management over the past forty-four (44) years. He currently also serves as a Director of OAC Realty & Development Corporation.

Walter C. Wassmer, 59, Filipino, is Senior Executive Vice President of the Bank's Institutional Banking Group. He is concurrently the Chairman of BDO Elite Savings Bank, Inc.; and Director of BDO Leasing and Finance, Inc. and MDB Land, Inc.

Jaime C. Yu, 59, Filipino, is Senior Executive Vice President. He holds a Bachelor of Arts degree in Economics from De La Salle University and is a MBA graduate from the Ateneo de Manila University. He has extensive experience in commercial, corporate, and investment banking from the International Corporate Bank and Union Bank of the Philippines, where he held various positions up to his appointment as First Vice President and Region Head for the Manila-Pasay area. He joined BDO in December 1997 and is currently the Group Head of Branch Banking where he manages the entire branch network.

Ador A. Abrogena, 64, Filipino, is Executive Vice President and Head of Trust and Investments Group. He holds a Bachelor's degree in Chemical Engineering from De La Salle University and a Master's degree in Business Economics from the University of Asia and the Pacific. He was previously connected with First Pacific Securities, Philippines, Inc. as Vice President and with Private Development Corporation of the Philippines as Assistant Vice President.

Stella L. Cabalatungan, 53, Filipino, is Executive Vice President. She holds a Bachelor of Science degree in Marketing Management from De La Salle University. Prior to joining BDO, she was Vice President of Banco Santander Philippines, Inc., and Head of the Personal Investment Banking Group from 2000 to 2003. She was also Vice President of Citibank, N.A. from 1998 to 2000 where she spent fifteen (15) years in retail and priority banking in Singapore and the Philippines, her last assignment being the Citigold Priority Banking Head. She is presently seconded to BDO Private Bank, Inc. as Executive Vice President – Relationship Management Head.

Anthony Q. Chua, 66, Filipino, has been elected Executive Vice President since June 2014 and was in charge of Global Operations. He is presently a member of the Management Credit Committee. He also concurrently holds directorships in BDO Remit (Canada) Ltd. and BDO Remit (Japan) Ltd. His banking experience spans thirty-four (34) years with stints in Citibank N.A., Philippine Bank of Communications, and Philippine National Bank/Allied Banking Corporation, holding various positions in relationship management, risk management, transaction banking, product development, trust, and operations. He was also a Partner at SGV & Co., specializing in Bank Risk Management and Process Management. He holds dual degrees of Bachelor of Arts and Bachelor of Science in Commerce from De La Salle University. He received his MBA and Ph. D. in Finance from Michigan State University.

Julie Y. Chua, 66, Filipino, is Executive Vice President since 2008. She holds a Bachelor's degree in Commerce, major in Banking and Finance, *Cum Laude*, from the University of Santo Tomas. She has more than twenty-five (25) years of experience in branch banking and lending business. Previous to her assignment, she was connected with BPI, Far East Bank & Trust Company and Producers Bank. She is currently Commercial Banking Head of Institutional Banking Group (IBG) Metro Manila and Luzon and also Unit Head of IBG Metro Manila East.

Gerard Lee B. Co, 58, Filipino, is Executive Vice President and Group Head for Commercial Banking (Visayas, Mindanao). He is a Director of Markham One Development Corp. He served as Director of PCI Leasing and Finance, Inc. and PCI Capital Corporation from 2002-2005 and of BDO Leasing and Finance, Inc. from 2010-2012. He graduated from the University of San Carlos with a Degree in Bachelor of Science in Commerce Major in Banking and Finance. He attended the Advanced Management Program for International Bankers at the Wharton School of the University of Pennsylvania, U.S.A. He likewise completed the Program for Executive Development at IMD in Laussane, Switzerland. He joined the Bank in October 1993 as Vice President for Visayas Division.

Lucy Co Dy, 62, is Executive Vice President and Comptroller. She is also a Director of BDO Remit Limited, Express Padala Hong Kong Limited, BDO Remit (Italia), S.p.A. and BDO Life Assurance Company, Inc.; Director and Treasurer of BDO Strategic Holdings, Inc.; Trustee and Treasurer of BDO Foundation, Inc. She was formerly a Director of PCIB Securities, Inc., BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), Banco de Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.), Express Padala Frankfurt GmbH, and BDO Life Assurance Holdings Corporation; and formerly Chairperson and President of the The Executive Banclounge, Inc. She holds a Bachelor's degree in Accounting from the University of Santo Tomas.

Pedro M. Florescio III, 63, Filipino, is Executive Vice President and Treasurer (2004). He was a Director of BDO Elite Savings Bank (formerly GE Money Bank, Inc.) (2009) and One Network Bank, Inc. (A Rural Bank of BDO) (2015). He holds a Bachelor's degree in Business Administration from the University of the East, Manila and had attended numerous treasury programs and trainings in major financial centers. He has more than thirty (30) years of experience in treasury functions within and outside the country. He was previously connected with Equitable PCI Bank, Inc., Far East & Trust Company, Dao Heng Bank Ltd. (Hong Kong), International Bank of Asia (Hong Kong), Chemical Bank (Manila), Societe Generale (Manila), European Asian Bank (Manila), and PCI Bank. He was the past President of MART (The Money Market Association of the Philippines, year 2005) and ACI Philippines (The Financial Markets Association, year 1997, 1998, and 2007).

Eduardo V. Francisco, 56, Filipino, is Executive Vice President. He is President/Director of BDO Capital & Investment Corporation, the investment banking arm of BDO Unibank, Inc. He is also Vice Chairman for International Association of Financial Executives Institutes (IAFEI), Chairman/Director/Trading Nominee of BDO Nomura Securities, Inc., and Chairman of Averon Holdings Corp. He also sits on the boards of UP-Development Center for Finance (UPDCF), CIBI Foundation, Shareholders Association of the Philippines (SharePhil), Institute of Corporate Directors (ICD), FINEX Research & Foundation, International School of Manila (ISM), Valle Verde Country Club, Inc. (VVCCI), and UP College of Business Alumni Association (UPCBAA). He is also a member of Makati Business Club (MBC), and a member of the POLO Triathlon Team. He was formerly the President of the Management Association of the Philippines (MAP), Co-Chairman of the Capital Market Development Council (CMDC) of the Philippines, Financial Executives Institute of the Philippines (FINEX) Wharton-Penn Club, Federation of Valle Verde Associations, First Valle Verde Association Inc. and BDO Securities Corporation. He was also a previous member of Capital Markets Committee of the Bankers Association of the Philippines and the Strategic Advisory Committee of the Philippine Stock Exchange and the Makati Business Development Council. He was also previously on the boards of AFC Merchant Bank, Makati Sports Club Inc. (MSCI), Foundation for Filipino Entrepreneurs (FFE), LGU Guarantee Corp., Investment Houses Association of the Philippines (IHAP) and BDO Strategic Corporation. Mr. Francisco has worked with other financial institutions in New York and Hong Kong. He holds a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania and Bachelor's

degree in Business Administration from the University of the Philippines. He is also a recipient of the Distinguished Alumnus Award from the U.P. College of Business Administration and 2017 UPAA Awardee for Financial Management Excellence.

Jesus Antonio S. Itchon, 57, Filipino, is Executive Vice President of BDO Unibank, Inc. since September 15, 2017. He is seconded to One Network Bank, Inc. (A Rural Bank of BDO) [ONB] and serves as President of ONB. He has more than thirty (30) years experience in the banking industry. Prior to joining the Bank, he was an Executive Vice President of Property Company of Friends, Inc. since 2016 and Williamton Financing Corporation since 2017, Independent Director of Paymaya Phils. Inc. since 2015, and Adviser to the Board of Philab Holdings Corporation since 2015. He was the President of Philab Industries, Inc. in 2015. Mr. Itchon also worked with Citibank N.A. Philippines as Managing Director and City Country Compliance Officer and Citibank Savings holding various positions within the years 1986 to 2015, including being its President. He graduated from the De La Salle University with a degree in Bachelor of Arts in Economics and from Johnson Graduate School of Management, Cornell University with Master's Degree in Business Administration.

Jeanette S. Javellana, 57, Filipino, is Executive Vice President and Deputy Head for Commercial Banking Metro Manila. She joined the Bank in October 2001.

Guia C. Lim, 70, Filipino, is Executive Vice President for Executive Committee/Management Credit Committee. She is a Certified Public Accountant with more than forty (40) years of banking experience. She was Executive Vice President of Union Bank from 1993 to 2013 responsible for corporate banking, risk management, asset recovery and disposal of foreclosed assets. She was appointed as Interim President for the International Corporate Bank (Interbank) to manage the transition of the merged bank. Prior to that, she was Executive Vice President of the Land Bank of the Philippines overseeing the commercial bank sector, and handling the supporting units of the entire commercial bank organization. Ms. Lim graduated from St. Theresa's College.

Ricardo V. Martin, 60, Filipino, is Executive Vice President. He was appointed as Chief of Staff for the Office of the President, effective March 1, 2018. He is also a Director of BDO Remit (Italia), S.p.A., BDO Remit (USA), Inc. and BDORO Europe Ltd. Prior to this, he was Executive Vice President for Corporate Compliance, and administratively oversaw the Corporate Secretary's Office, Anti-Money Laundering Unit, Legal Services, Compliance, Corporate Governance Office and Internal Audit. Previously, he served as Chief Finance Officer & Executive Vice President for Equitable PCI Bank, Inc. Earlier, he was the Chief Finance Officer of Solidbank Corporation. He is a graduate of the Management Engineering Program of the Ateneo de Manila University.

Mario B. Palou, 64, Filipino, is Executive Vice President and Senior Credit Officer of BDO Unibank, Inc. since March 1, 2018. He has more than thirty-five (35) years experience in the financial industry. He was Executive Vice President and Head of Middle Market Group of the Development Bank of the Philippines since February 2014. He also worked with

Bank of the Philippine Islands as Senior Vice President (SVP) and Co-Division Head of Corporate Banking Group (CBG) for Top Corporate Companies from 2000 to 2003 and as SVP and Head of CBG from 2006 to 2013. He was an SVP and Department Head of Commercial Loans of BPI Family Savings Bank from 2003-2006. Prior to that, he was with Far East Bank and Trust Company, FEB Investments, Inc. and Far East Bank and Trust Company. Mr. Palou graduated from San Beda College with a degree in Bachelor of Arts in Economics.

Edwin Romualdo G. Reyes, 59, Filipino, is Executive Vice President of BDO Unibank, Inc. and Group Head for the Transaction Banking Group. Mr. Reyes has more than thirty (30) years of experience in the banking industry. He was previously Managing Director and Global Head of Depositary Receipts at Deutsche Bank Trust Company Americas, New York, USA (Deutsche Bank) from 2006 to 2014. Mr. Reyes also served as Director and Global Head of DR Strategies Initiatives and Channel partners from 2001 to 2006 and Director & Global Head of Intermediaries, Corporate Trust & Agency Services from 1999 to 2001. Prior to that, he was Vice President, Capital Markets Trust Services at IBJ Whitehall Financial Services, New York, USA from 1998 to 1999. Mr. Reyes also serves on the board of the University of the Philippines Industrial Engineering Alumni Association (UPIEAA). He holds a Master's Degree in Business Administration, major in Finance/Money and Financial Markets from Columbia University, Graduate School of Business in New York, USA. Mr. Reyes graduated *Cum Laude* from the University of the Philippines, with a degree of Bachelor of Science in Industrial Engineering and Operations Research.

Edmundo S. Soriano, 62, Filipino, is Executive Vice President and Deputy Head, Institutional Banking Group at BDO Unibank, Inc., with direct responsibility for International Desks and Financial Institutions. He is also a member of BDO's Management Credit Committee. Prior to his current assignment, he was Executive Vice President and Group Head for Corporate Banking. He was a Vice President at JP Morgan Chase Hong Kong where he was a member of the Senior Management Teams of Hong Kong and China. His last assignment in Hong Kong exposed him to Asia-Pacific regional responsibilities doing Corporate and Investment Banking. Prior to this, he was an Assistant Vice President at First Chicago Leasing and Equipment Credit Corp., an affiliate of First National Bank of Chicago. He holds a Bachelor's degree in Economics (Honors) from Ateneo de Manila University and an MBA (with Distinction) from Adelphi University, New York, USA. He attended continuing education programs at Euro-Insead, University of California at Berkeley and American Institute of Banking. In 2014, he was the President of the Financial Executives Institute of the Philippines. For 2015, he is the Chairman of Finex Research and Development Foundation, Inc.

Cecilia L. Tan, 55, Filipino, currently holds the position of Executive Vice President and Head of Institutional Banking Group – Corporate Banking. Prior to joining BDO, she was Director and President of BPI Capital Corp. and Director – Chairman of BPI Securities Corp. She has over thirty (30) years experience covering the fields of corporate, investment and private banking. She holds a degree in Bachelor of Science in Business

Management from Ateneo de Manila University and post graduate in Advanced Management Program in Harvard Business School.

Rolando C. Tanchanco, 56, Filipino, is Executive Vice President for Consumer Lending. He holds a Bachelor's degree in Business Economics from the University of the Philippines. He acquired his MBM at the Asian Institute of Management. Mr. Tanchanco joined BDO to head the BDO's Consumer Lending. Prior to his joining BDO, Mr. Tanchanco was President of Philam Savings Bank and Head of AIG Credit Card. He is currently a Director of BDO Elite Savings Bank, Inc., BDO Insurance Brokers, Inc., and Trans Union Phils. He was also appointed as Director of One Network Bank, Inc. (A Rural Bank of BDO) last August 2015 and MMPC Auto Financial Services Corporation last February 5, 2016.

Evelyn L. Villanueva, 58, Filipino, is Executive Vice President of BDO's Risk Management Group, and is BDO's Chief Risk Officer. She holds a Bachelor degree in Statistics from the University of the Philippines. She obtained her Master in Business Management ("MBM") degree from the Asian Institute of Management. She has over thirty (30) years of banking experience in corporate banking and enterprise-wide risk management covering credit, market, liquidity, interest rate and operational risk management. She started out as a management trainee in Citytrust Banking Corporation and was connected with HSBC as Senior Vice President for Credit Risk Management before joining BDO.

Albert S. Yeo, 56, Filipino, is an Executive Vice President at BDO Unibank, Inc, since January 3, 2017. Mr. Yeo, prior to joining the Bank had been with Merrill Lynch & Co. for 17 years, last as a Senior Financial Advisor at their Manhattan Beach Office in Los Angeles, California. He was also connected with UBS Securities and Prudential Securities Inc. (now Wells Fargo Advisors) in various capacities in the financial services industry. Prior to that, he was connected with IBJ Schroder Bank and Trust (now Mizuho Bank) in their Capital Markets Group in New York City for 5 years. Before his MBA, he spent 2 years at Rizal Commercial Banking Corporation as a Corporate Banking officer at their Binondo area headquarter. Mr. Yeo earned his MBA in Finance from the Wharton School at the University of Pennsylvania. He finished his undergraduate degree at the Ateneo de Manila University, BS Management Engineering with *Magna Cum Laude* distinction and was the Departmental awardee of his class.

Ma. Ophelia LI. Camiña, 64, is Senior Vice President, Treasurer/Support Services Head and Director of BDO Nomura (PCIB Securities). She was previously Credit Cards Business Head of Consumer Lending Group and acting President of Equitable Card Network, Inc., a BDO subsidiary. Prior to joining the Bank, she was Executive Vice President of SM EQUICOM Computer Service Inc. She holds a Bachelor's degree in Commerce from the University of San Carlos and MBA from De La Salle University.

Ismael G. Estela, Jr., 61, Filipino, is Senior Vice President since October 1, 2001 and Corporate Governance Officer, while he is assigned to Corporate Compliance and Legal

Services & Internal Audit Group. He is also a Director of BDO Remit (Canada) Ltd., BDO Remit (Japan) Ltd., and BDORO Europe Ltd. Previously, he was Head of Transaction Banking doing cash management, electronic banking, and remittance services; and Chairman and President of Express Padala International, Inc. He is a certified public accountant ("CPA") and holds a Bachelor of Science degree in Accounting from the University of San Carlos.

Maria Cecilia G. Fonacier, 56, Filipino, is Senior Vice President and Marketing Communications Group Head of BDO Unibank, Inc. She joined the Bank in June 1, 2017. Prior to joining BDO Unibank, Ms. Fonacier was a Managing Director and Head of the Customer Franchise Group of Citibank, N.A. Philippines. In the 23 years that she spent in Citibank N.A., she managed various functions like Marketing, Customer Experience, Data Analytics, Public Relations, Digital Banking, and Consumer Loans. Ms. Fonacier also serves as a board member of the Anna's Home for Widows Foundation. She holds a bachelor's degree in Economics from the Ateneo de Manila University.

Frederic Mark S. Gomez, 55, Filipino, is Senior Vice President of BDO Unibank, Inc. He joined the Bank on November 15, 2017 and was appointed as Head of Information Technology Group and Member of the IT Steering Committee, effective March 1, 2018. Prior to joining the Bank, Mr. Gomez was Vice President and Chief Information/Technology Officer for Information Technology, Asia Pacific of S&P Global, Inc. (Singapore & Tokyo, Japan) from January 2011 to January 2017. He held various positions at Standard & Poor's (New York, USA) since 1996 before becoming its Vice President and Global IT Head for Sales and Marketing Systems in February 2008 up to January 2011. He graduated from the University of Santo Tomas with a degree in Bachelor of Science in Business Administration.

Roberto E. Lapid, 61, Filipino, was appointed Vice Chairman of BDO Leasing and Finance, Inc. (PLC) on December 1, 2010, and appointed as its President on April 23, 2014. He is concurrently President and Vice Chairman of the Board of Directors of BDO Rental, Inc., a wholly owned subsidiary of BDO Leasing, and a member of the Board of Trustees of the Foundation for Carmelite Scholastics. He was formerly the President of Equitable Exchange, Inc. and the Vice Chairman/Director of EBC Investments, Inc. Mr. Lapid holds a Bachelor's degree in Business Administration from the University of the Philippines.

Estrellita V. Ong, 62, Filipino, joined BDO in 2012 as Senior Vice President for the Internal Audit Division heading Branches Audit. In 2013 April, the Board approved and confirmed her designation as the Unibank Group's Chief Internal Auditor (CIA). She was formerly connected with Security Bank Corporation retiring as its CIA. Prior to being a CIA, she had held position in Security Bank as Assistant Controller and Executive Assistant to the Chairman handling the Centro Escolar University Finance portfolio. She was also formerly a Director of the 6776 Ayala Condo Corp. and Corporate Secretary of the Eastman Enterprises Corp. Prior to joining the bank mainstream, she had held Controllershship position in Evergreen Shipping Corp.'s General Agent's office and Pioneer

Intercontinental Insurance. She had varied experience also in manufacturing being General Manager and Treasurer of several Import/Export businesses subcontracting for branded US luggage and apparels. She is a Certified Public Accountant graduating from the University of the East – Recto with a Bachelor of Science degree in Business Administration.

Luis S. Reyes, Jr., 60, Filipino, is Senior Vice President for Investor Relations and Corporate Planning. He is concurrently a Director of BDO Strategic Holdings, Inc. and BDO Nomura Securities, Inc., and Chairman of Nashville Holdings, Inc. He is also a Director and Treasurer of BDO Leasing and Finance, Inc. and BDO Rental, Inc. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines. He was First Vice President of Far East Bank & Trust Company, Trust Banking Group before joining BDO.

Evelyn C. Salagubang, 54, Filipino, is Senior Vice President. She assumed the position of Group Head for Human Resources (HR) of the Bank in July 2011. She was formerly the Head of Human Resources of American Express Savings Bank, with oversight HR role over the American Express International, Inc., and American Express Bank Philippines. Prior to joining BDO, she was the HR Manager for Kraft Foods Philippines, Inc. She holds a degree in Psychology from Assumption College and completed a Diploma Program in Human Resource Management from the same institution.

Shirley M. Sangalang, 58, is Senior Vice President working in the office of the Board Audit Committee of BDO Unibank, Inc. since 2008. She graduated from the University of the East, *Cum Laude* with a Bachelor's degree in Commerce major in Accounting and completed her Masters in Business Economics at the University of Asia and the Pacific in 2005. She is a Certified Public Accountant who served as Head of BDO's Internal Audit from 1984 to 2007. Likewise, she handled the major Bank's projects such as; reengineering, implementation of the Bank's core system, merger and integration of acquired banks, BDO Rewards and the first offshore implementation of the Bank's core system. Prior to working with BDO, she worked with SGV as External Auditor and with Summa International Bank as Systems Officer. In August 2012, she was appointed as a member of the Board of Trustees of the University of Asia and the Pacific Foundation, Inc. (UA&PFI).

Maria Theresa L. Tan, 48, Filipino, is Senior Vice President. She is General Manager of BDO Insurance Brokers, Inc. (BDI). She has had more than two (2) decades of experience in sales, marketing/product management, and general management in the consumer, services, and insurance industries. She graduated from the Ateneo de Manila University with a degree in Business Management, Minor in Marketing. Prior to joining BDO, she was the General Manager of International SOS, Philippines, Inc. She joined the Bank in July 2009.

Federico P. Tancongco, 57, Filipino, is Senior Vice President. He joined BDO Unibank in October 2005 and was then seconded to BDO Private Bank, Inc. as Head of the

Compliance and Legal Department. His secondment was recalled and since July 1, 2017 serves as Chief Compliance Officer of BDO Unibank. Prior to this, he served as trial lawyer and solicitor with the Office of the Solicitor General for six (6) years before joining the Rizal Commercial Banking Corporation where he was Trust Legal Council for the Trust and Investments Division for twelve (12) years. He also serves as trustee in religious non-profit corporations, namely: WorldTeach Ministries Philippines, Inc. and Far East Broadcasting Corporation. He holds a Bachelor's Degree in Philosophy and Letters from De La Salle University (DLSU) and a Law degree from the University of the Philippines College of Law.

Myla R. Untalan, 46, Filipino, is a Senior Vice President of BDO Unibank, Inc. and is leading the Digital Infrastructure Services Group since February 1, 2013. Ms. Untalan had a 25-year career in banking/financial institutions. She had a combined 5-year stint as an internal auditor in Bank of Commerce and Solidbank Corporation from 1992 to 1997. She also held various posts in the operational areas of the credit card business for a combined 14-years stint in Solidcard Corporation, AIG Credit Card Company Phils., Inc. and BDO Unibank, Inc. from 1997 to 2012. Ms. Untalan also held the post of Chief Operating Officer (COO) and Chief Information Officer (CIO) with the rank of Executive Vice President in Bankard, Inc. from September 2012 to January 2013 prior to rejoining BDO Unibank, Inc. in February 2013. She holds a Bachelor's degree in Commerce major in Accounting from University of Santo Tomas.

Renato A. Vergel de Dios, 64, is the President & CEO of BDO Life Assurance Company, Inc. (BDO Life) and a Director of BDO Life Board since October 2009. He also serves as a member of the Board of Directors of the Philippine Life Insurance Association (PLIA) and of the Board of Trustees of the Insurance Institute for Asia and the Pacific. Mr. Vergel de Dios has been in life insurance business for over forty (40) years. Prior to joining BDO Life, he served as CEO for Manulife Philippines Inc. and Executive Vice President, Sales and Operations, for the Philippine American Life Insurance Company Inc. He holds a Bachelor's Degree in Mathematics from Ateneo de Manila University and an MS Management (Sloan) degree from Stanford Graduate School of Business.

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

Board and Senior Management Performance

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

The assessment criteria used cover among others the areas of leadership, stewardship, review and approval of strategic and operational plans, annual budgets, focus on strategic and long-term issues, monitoring of financial performance, management succession

planning, integrity of financial reporting, review of the Bank's ethical conduct, defining roles and monitoring activities of committees.

It also conducts the Director peer evaluation survey intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The assessment criteria used include among others the director's understanding of the strategy and vision, organizational structure and culture, business and regulatory environments, responsibilities as Director, accountability for his/her boardroom actions, contribution to board discussions, independent thinking, strategic insights and direction, active participation in committee meetings, financial literacy, time and commitment to board and committee duties, and finally, his/her overall contribution to the functioning of the Board.

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

2) Significant Employees

The Bank's senior executives have been enumerated above under item 9 (1). BDO has no employee who is not an executive officer expected to make a significant contribution to BDO's business.

3) Family Relationships

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

4) Involvement of directors/executive officers in legal proceedings

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

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

- (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;

- (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- (c) to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

Item 10. Executive Compensation

Disclosure and Transparency

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

A. Executive Compensation Policy

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

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

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
President and four (4) most highly compensated executive officers	2018 (estimate)	127.65	64.46	n.a
	2017	122.74	61.98	n.a.
	2016	118.16	59.11	n.a.

Year	Name	Position/Title
2017	Nestor V. Tan	President and CEO
	Walter C. Wassmer	SEVP
	Jaime C. Yu	SEVP
	Rolando C. Tanchanco	EVP

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
		Lucy C. Dy		EVP
2016		Nestor V. Tan		President and CEO
		Walter C. Wassmer		SEVP
		Jaime C. Yu		SEVP
		Rolando C. Tanchanco		EVP
		Lucy C. Dy		EVP

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

2) Compensation of Directors and Officers as a Group

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
Aggregate Officers (from senior vice presidents) & Directors	2018 (estimate)	716.11	345.62	n.a.
	2017	688.57	332.33	n.a.
	2016	658.85	326.62	n.a.

B. Directors' Fees

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

Each director receives a per diem allowance of P10,000 for attending board meetings and P5,000 for committee meetings. There is no distinction on the fee for a committee chairman and member. The above table contains the details of the compensation of directors and officers of BDO. In view of possible security risks, BDO opted to disclose these on an aggregate basis as a group. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

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

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

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

- | | | | |
|----|-----------------------|---|---------------------------------|
| 1. | Jimmy T. Tang | - | Chairman (Independent Director) |
| 2. | Jesus A. Jacinto, Jr. | - | Member |
| 3. | Teresita T. Sy | - | Member |
| 4. | Josefina N. Tan | - | Member |

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

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

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

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

As of March 8, 2018, the following are known to BDO to be directly or indirectly the record and/or beneficial owners of more than 5% of BDO's voting securities:

Title of Class	Name, address of record owner and relationship with BDO	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	SM Investments Corp. 10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City	record owner	Filipino	1,750,930,649	40.07%
Common	PCD Nominee Corp. (Non-Filipino) 37th Floor Enterprise Center, Ayala Avenue, Makati City	various shareholders	Foreign	1,368,063,936 ^{**}	31.31%

Title of Class	Name, address of record owner and relationship with BDO	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	PCD Nominee Corp. (Filipino) 37th Floor Enterprise Center, Ayala Avenue, Makati City	various shareholders	Filipino	512,493,834 ^{**}	11.73%
Common	Multi-Realty Development Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City	record owner	Filipino	291,513,036 [*]	6.67%
Common	Sybase Equity Investments Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City	record owner	Filipino	240,010,292 [*]	5.49%
TOTAL (COMMON)				4,163,011,747	95.27%
Preferred	Sybase Equity Investments Corporation 10 th Floor L.V. Locsin Building, 6752 Ayala Ave., Makati City	record owner	Filipino	391,400,000	76.00%
Preferred	SM Investments Corp. 10th Floor One E-Com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City	record owner	Filipino	123,600,000	24.00%
TOTAL (PREFERRED)				515,000,000	100.00%

* Inclusive of PCD-lodged shares

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

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

As of March 8, 2018, the following are known to BDO as the PCD participants holding 5% or more of BDO's voting securities:

Member	Name and Address	No. of Shares	Percent of Shareholdings
HSBC Clients' Account	The Hong Kong and Shanghai Banking Corp. Ltd – Clients's Acct. HSBC Securities Services 12 th Floor, The Enterprise Center, Tower I, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	500,967,553	10.26%
DEUB Clients' Account	Deutsche Bank Manila - Clients' Account 26 th Floor, Ayala Tower 1, Ayala Triangle, Makati City	368,930,744	7.55%
HSBC Clients' Account	The Hong Kong and Shanghai Banking Corp. Ltd – Clients's Acct. HSBC Securities Services 12 th Floor, The Enterprise Center, Tower I, 6766 Ayala Avenue corner Paseo de Roxas, Makati City	302,716,953	6.20%
	TOTAL	1,172,615,250	24.01%

- The PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares.

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

2) Security Ownership of Management

As of March 8, 2018, the total number of shares owned by the directors and management of the registrant as a group unnamed is 21,837,190 common shares, which is equivalent to 0.4998% of the total outstanding common capital stock of the registrant. The Bank's directors and officers own the following common shares of the Bank:

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 8, 2017)	No. of Shares (as of March 8, 2018)	Percent of Class (Shares as of March 8, 2018)
Common	Teresita T. Sy	Chairperson	Filipino	394,947	394,947	0.0090%
Common	Jesus A. Jacinto, Jr.	Vice Chairman	Filipino	327,711	502	0.0000%
Common	Christopher A. Bell-Knight	Director	Canadian	123	123	0.0000%
Common	Jose F. Buenaventura	Independent Director	Filipino	1	1	0.0000%
Common	Jones M. Castro, Jr.	Independent Director	Filipino & American	1	1	0.0000%
Common	Antonio C. Pacis	Director	Filipino	4,230	4,230	0.0001%
Common	Dioscoro I. Ramos	Independent Director	Filipino	179,440	179,440	0.0041%
Common	Josefina N. Tan	Director	Filipino	496,458	496,458	0.0114%
Common	Nestor V. Tan	President, CEO & Director	Filipino	12,108,570	11,019,440	0.2522%
Common	Jimmy T. Tang	Independent Director	Filipino	17,605	17,605	0.0004%
Common	Gilberto C. Teodoro, Jr.	Independent Director	Filipino	1	1	0.0000%
Common	Antonio N. Cotoco	SEVP	Filipino	160,280	155,380	0.0036%
Common	Walter C. Wassmer	SEVP	Filipino	244,189	295,189	0.0068%
Common	Jaime C. Yu	SEVP	Filipino	260,134	282,134	0.0065%
Common	Ador A. Abrogena	EVP and Trust Officer	Filipino	80,465	215,379	0.0049%
Common	Stella L. Cabalatungan	EVP	Filipino	220,800	220,500	0.0050%
Common	Anthony Q. Chua	EVP	Filipino	0	0	0.0000%
Common	Julie Y. Chua	EVP	Filipino	422,811	423,811	0.0097%
Common	Gerard Lee B. Co	EVP	Filipino	244,682	295,682	0.0068%
Common	Lucy C. Dy	EVP & Comptroller	Filipino	340,284	320,284	0.0073%
Common	Pedro M. Florescio III	EVP & Treasurer	Filipino	172,410	122,380	0.0028%
Common	Eduardo V. Francisco	EVP	Filipino	554,629	605,629	0.0139%
Common	Jesus Antonio S. Itchon	EVP	Filipino	0	0	0.0000%
Common	Jeanette S. Javellana	EVP	Filipino	171,856	171,856	0.0039%
Common	Guia C. Lim	EVP	Filipino	47,895	47,895	0.0011%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 8, 2017)	No. of Shares (as of March 8, 2018)	Percent of Class (Shares as of March 8, 2018)
Common	Ricardo V. Martin	EVP	Filipino	244,189	295,189	0.0068%
Common	Mario B. Palou	EVP	Filipino	0	0	0.0000%
Common	Edwin Romualdo G. Reyes	EVP	Filipino	0	0	0.0000%
Common	Edmundo S. Soriano	EVP	Filipino	311,328	303,828	0.0070%
Common	Cecilia L. Tan	EVP	Filipino	0	0	0.0000%
Common	Rolando C. Tanchanco	EVP	Filipino	468,653	419,653	0.0096%
Common	Evelyn L. Villanueva	EVP & Chief Risk Officer	Filipino	475,527	526,527	0.0121%
Common	Albert S. Yeo	EVP	Filipino	0	0	0.0000%
Common	Noel L. Andrada	SVP	Filipino	4,905	88,300	0.0020%
Common	Maria Carina S. Antonio	SVP	Filipino	38,098	46,432	0.0011%
Common	Rafael G. Ayuste, Jr.	SVP	Filipino	0	0	0.0000%
Common	Melanie S. Belen	SVP	Filipino	101,274	137,804	0.0032%
Common	Ma. Ophelia Ll. Camiña	SVP	Filipino	159,906	195,406	0.0045%
Common	Arthur Vincent D. Chung	SVP	Filipino	0	15,500	0.0004%
Common	Romeo Ramon M. Co, Jr.	SVP	Filipino	4,785	4,785	0.0001%
Common	Jonathan T. Cua	SVP	Filipino	0	0	0.0000%
Common	Ramon S. David	SVP	Filipino	101,816	107,711	0.0025%
Common	Montiel H. Delos Santos	SVP	Filipino	120,000	0	0.0000%
Common	Geronimo D. Diaz	SVP	Filipino	31,574	31,574	0.0007%
Common	Noel D. Dizon	SVP	Filipino	72,592	130,037	0.0030%
Common	Gwyneth M. Entao	SVP	Filipino	7,211	36,677	0.0008%
Common	Ismael G. Estela, Jr.	SVP	Filipino	9,664	164	0.0000%
Common	Belinda C. Fernandez	SVP	Filipino	8,787	6,787	0.0002%
Common	Maria Cecilia G. Fonacier	SVP	Filipino	0	0	0.0000%
Common	Geneva T. Gloria	SVP	Filipino	0	10,016	0.0002%
Common	Alvin C. Go	SVP & Assistant Corporate Secretary	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 8, 2017)	No. of Shares (as of March 8, 2018)	Percent of Class (Shares as of March 8, 2018)
Common	Jonathan C.B. Go	SVP	Filipino	185,045	220,545	0.0050%
Common	Marilyn K. Go	SVP & Assistant Treasurer	Filipino	108,827	95,697	0.0022%
Common	Sonia Maribel D. Go	SVP	Filipino	63,387	88,387	0.0020%
Common	Frederic Mark S. Gomez	SVP	Filipino	0	0	0.0000%
Common	Richard Emil R. Grau	SVP	Filipino	0	0	0.0000%
Common	L. Jerome C. Guevarra	SVP	Filipino	33,131	48,870	0.0011%
Common	Enrico R. Hernandez	SVP	Filipino	114,448	134,948	0.0031%
Common	Antonio N. Jacinto	SVP	Filipino	0	0	0.0000%
Common	Joseph Rhoderick B. Lledo	SVP	Filipino	27,708	87,019	0.0020%
Common	Gabriel U. Lim	SVP	Filipino	171,289	206,789	0.0047%
Common	Victor Q. Lim, Jr.	SVP	Filipino	0	0	0.0000%
Common	Donald Benjamin G. Limcaco	SVP	Filipino	0	0	0.0000%
Common	Juan Sabino P. Lizares	SVP	Filipino	128,380	153,380	0.0035%
Common	Manuel Z. Locsin, Jr.	SVP	Filipino	32,563	63	0.0000%
Common	Jose Paolo Enrique A. Magpale	SVP	Filipino	0	0	0.0000%
Common	Roy Allan V. Magturo	SVP	Filipino	88,272	107,572	0.0025%
Common	Manuel Patricio C. Malabanan	SVP	Filipino	0	0	0.0000%
Common	Ma. Corazon A. Mallillin	SVP	Filipino	104,432	99,432	0.0023%
Common	Angelita C. Manulat	SVP	Filipino	94,111	89,611	0.0021%
Common	Dalmacio D. Martin	SVP	Filipino	12,295	795	0.0000%
Common	Jose Noel M. Mendoza	SVP	Filipino	234,590	220,090	0.0050%
Common	Tomas Victor A. Mendoza	SVP	Filipino	0	0	0.0000%
Common	Ramon T. Militar	SVP	Filipino	91,350	101,850	0.0023%
Common	Aurea Imelda S. Montejo	SVP	Filipino	171,889	186,889	0.0043%
Common	Jaime M. Nasol	SVP	Filipino	48,666	60,000	0.0014%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 8, 2017)	No. of Shares (as of March 8, 2018)	Percent of Class (Shares as of March 8, 2018)
Common	Annie H. Ngo	SVP	Filipino	127,384	162,884	0.0037%
Common	Cristina G. Ngo	SVP	Filipino	109,896	109,896	0.0025%
Common	Frederico Rafael D. Ocampo	SVP	Filipino	0	0	0.0000%
Common	Estrellita V. Ong	SVP & Chief Internal Auditor	Filipino	0	0	0.0000%
Common	Martin B. Ordoñez	SVP	Filipino	0	25,000	0.0006%
Common	Maria Rhoda B. Orsolino	SVP	Filipino	2,127	7	0.0000%
Common	Jose Alfredo G. Pascual	SVP	Filipino	121,055	120,555	0.0028%
Common	Antonio O. Peña	SVP	Filipino	178,733	214,233	0.0049%
Common	Rogel A. Raya	SVP	Filipino	39,289	96,734	0.0022%
Common	Maria Nanette R. Regala	SVP	Filipino	200,227	255,447	0.0058%
Common	Luis S. Reyes, Jr.	SVP	Filipino	508,090	559,090	0.0128%
Common	Susan Audrey P. Rivera	SVP	Filipino	48,355	33,355	0.0008%
Common	Evelyn C. Salagubang	SVP	Filipino	0	10,016	0.0002%
Common	Shirley M. Sangalang	SVP	Filipino	67,966	32,705	0.0007%
Common	Cerwina Elenore A. Santos	SVP	Filipino	13,465	18,465	0.0004%
Common	Roberto Ramon L. Santos	SVP	Filipino	0	0	0.0000%
Common	Gregorio C. Severino	SVP	Filipino	30,315	43,560	0.0010%
Common	Ma. Theresa S. Simbul	SVP	Filipino	29,239	66,036	0.0015%
Common	Howard Lincoln D. Son	SVP	Filipino	0	0	0.0000%
Common	Noel B. Sugay	SVP	Filipino	48,128	51,628	0.0012%
Common	Robert W. Sy	SVP	Filipino	941	441	0.0000%
Common	Edwin R. Tajanlangit	SVP	Filipino	9	324	0.0000%
Common	Arthur L. Tan	SVP	Filipino	274,071	274,071	0.0063%
Common	Maria Theresa L. Tan	SVP	Filipino	0	47,895	0.0011%
Common	Federico P. Tancongco	SVP & Chief Compliance Officer	Filipino	0	0	0.0000%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares (Beginning balance as of March 8, 2017)	No. of Shares (as of March 8, 2018)	Percent of Class (Shares as of March 8, 2018)
Common	Reynaldo A. Tanjangco, Jr.	SVP	Filipino	25,007	25,007	0.0006%
Common	Edna R. Tarroza	SVP	Filipino	36,392	33,392	0.0008%
Common	Joseph Gerard D. Tiamson	SVP	Filipino	0	0	0.0000%
Common	Dante R. Tinga, Jr.	SVP	Filipino	69,436	0	0.0000%
Common	Ma. Mercedes P. Tioseco	SVP	Filipino	113,853	126,881	0.0029%
Common	Agnes C. Tuason	SVP	Filipino	574	574	0.0000%
Common	Myla R. Untalan	SVP	Filipino	54,445	300	0.0000%
Common	Edward G. Wenceslao	SVP	Filipino	18,913	188	0.0000%
Common	Edmundo L. Tan	Corporate Secretary	Filipino	1,312	1,312	0.0000%
Common	Sabino E. Acut, Jr.	Asst. Corporate Secretary	Filipino	0	0	0.0000%
	Total			22,630,587	21,837,190	0.4998%

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

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

Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, BDO has loan and other transactions and arrangements involving BDO's products and services, with its subsidiaries and affiliates and with certain directors, officers, stockholders and related interests (DOSRI) and parties. These loans and other

transactions and arrangements involving BDO's products and services, are made on substantially the same terms as those given to other individuals and businesses of comparable risks.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions, such as credit accommodations, products or services extended by BDO to directors or officers in their personal capacity or to their company and related interests and parties. BDO's Executive Committee approves these transactions. Where appropriate, the Related Party Transactions Committee endorses related party transactions to the Board. These transactions are then elevated to the Board for independent review and confirmation. All directors, except the interested party, could scrutinize the details of the transactions to ensure that these are done on an arms-length basis and in accordance with regulations. The details of the deliberations are included in the minutes of the Board and Board Committee meetings. Approved related party transactions are properly tagged for monitoring and reporting of exposures. BDO then submits the significant related party transactions to the BSP where BSP approval is required.

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

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

Please refer to Notes 2.19 and 25 of the Notes to Financial Statements attached to this Annual Report.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The practice of corporate governance in BDO is about effective oversight, voluntary compliance and sustainable value creation to promote the best interest of its various stakeholders. As a publicly-listed company and a financial institution, 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.

Highlights of our corporate governance practices throughout the financial year ended December 31, 2017:

1. Composition of the Board - The BDO Board is now lead by a Non-Executive Director 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. 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;
2. Revision of Corporate Governance Manual - to align with the recommendations of the new SEC Code of Corporate Governance for Publicly-Listed and the regulatory requirements BSP Circular 969 particularly on Definition and Term Limit of Independent Directors, Related Party Transactions Policy, Board Diversity Policy and the revision of the Terms of Reference of all Board committees to comply with the new duties and responsibilities prescribed by the SEC and BSP;
3. Composition of the Committees – 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 to align with new regulations;

4. Audited financial statements were released to the public within 60 days from year end for 3 consecutive years already;
5. Executive Sessions of Independent/Non-Executive Directors - held 3 separate sessions chaired by the Lead Director to meet with the Internal/External Auditors, Chief Risk Officer and Chief Compliance Officer without the presence of senior management to discuss matters and issues outside of the regular meetings of the Audit and Risk Management Committees. The results of these meetings were discussed with the Chairperson, President and other Executive Directors; and
6. Annual performance self-assessment - conducted by the Corporate Governance Committee covering the Board, committees, directors, advisers and senior management. Key findings 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.

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

Rights and Equitable Treatment of Stakeholders

Shareholders

The Bank respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various practices for the protection of shareholders' rights and promotion for exercising those right to buy, sell or transfer securities held, the right to received dividend, the right to vote for the appointment of the external auditor, the right to participate in the decision-making for corporate matters, the right to propose agenda item in the shareholders' meeting and the right to attend the shareholders' meeting. In particular, for the convenience of shareholders to exercise their right to attend the stockholders' meeting, it will announce in advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting results. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Bank. They can assign proxies to vote on their behalves if shareholders could not attend the stockholders' meeting.

As a matter of policy, all stockholders (retail and institutional) on record are encouraged to attend personally or by proxy the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Bank.

The Annual Stockholders' Meeting was held on April 20, 2017 and was attended by the Board Chair, President, Directors and Chairmen of various Board Committees. The shareholders were allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinion and make suggestions on various issues. Please see the minutes of the 2017 Annual Stockholders' Meeting for detailed Questions and Answers, the voting results showing the Approving, Dissenting and Abstaining Votes cast by the shareholders on each agenda item in www.bdo.com.ph/company/disclosures/ownership.

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

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

Policies and procedures have been put in place to management potential conflicts of interests arising from related party transactions such as credit accommodations, products or services extended by the Bank to directors or officers in their personal capacity, immediate members of their family up to the second degree of consanguinity or affinity or to their company. In compliance with BSP Circular 969, the Board approved the revised Terms of Reference of the Related Party Transactions Committee to align with the requirements of the new regulations. The RPT policy prohibits directors from participating in any discussion, deliberation, and decision-making concerning any issue or transaction where they may be conflicted. These transactions are then elevated to the Board for final approval. The details of the deliberations are included in the minutes of the Board meeting. Approved related party transactions are properly tagged for monitoring and reporting of exposures. The material Related Party Transactions are reported to the BSP after the end of every quarter.

Investors

BDO adopts a pro-active relationship with its stockholders through Investor Relations' comprehensive engagement program and by directly addressing their concerns and queries. It has a dedicated Investor Relations Unit that has a comprehensive program that articulates the Bank's strategic directions and manages relationships with investors, analysts, credit rating agencies, and other external stakeholders. The Investor Relations Unit actively cultivates relationships with current and potential investors by joining conferences and roadshows in the key global financial

markets. It also conducts regular one-on-one meetings, conference calls and briefings with investors and analysts. Aside from meeting institutional investors, the Bank also reaches out to retail investors both in Metro Manila and provincial areas by participating in retail conferences and roadshows organized by local brokers. Relevant information is also shared through official disclosures posted via PSE Edge and company website. In 2017, the following were the significant programs and events done by Investor Relations:

1. Meetings, Conferences and Roadshows

Investor Relations (IR) engaged with more than 500 investors through one-on-one meetings, conference calls, roadshows, and conferences locally and abroad last year. This was done through participation in 19 corporate access activities broken down into 14 conferences and five (5) roadshows overseas and locally.

2. Analyst briefings

IR held two analyst briefings in February and July in 2017 during which the Bank's senior management presented and answered queries on the Bank's 2016 and 2Q 2017 results, operations and recent developments. Video coverage of the analysts' briefing on the Bank's first semester performance last year was posted under the Investor Relations section of the Bank's website.

3. Media briefings/press conferences

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

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

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

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

IR coordinated with the Corporate Secretary's Office and Marketing Communications to ensure the timely and accurate dissemination of public, material and relevant information about the Bank.

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

It also recognizes the need for accurate and updated information of the Bank's financial condition and all matters affecting the Bank by appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or Investor Relations Unit through the contact details provided in the Bank's official website. The minutes of the 2017 Annual Stockholders' Meeting is available in our corporate website at www.bdo.com.ph/company-disclosures/ownership.

Customers

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

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

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

As a continuing compliance with BSP Circular 857 which is the Regulations on Financial Consumer Protection in the Philippines, the Bank has monitored and profiled the client inquiries/requests/complaints together with resolutions/actions taken. The Bank has been proactive in resolving with these complaints. In particular, it has initiated reimbursements of client's reported unauthorized transactions after thorough and careful investigation of the incidents. It has also implemented the Framework and Policy on Social Media Risk Management in compliance with BSP Circular 949, and the appointment of the Data Protection Officer (DPO) and BDO Enterprise Privacy Policy to incorporate the provisions of the Data Privacy Act (RA 10173).

In living the "We Find Ways" service credo, BDO is committed to meet the clients' needs by providing them with high quality customer service and relevant products and services such as protection services to the emerging Filipino middle class through BDO Life. It continues to invest heavily in technology to improve products and processes particularly on personal online banking, expand electronic channels, electronic payments, shift to EMV cards, develop modern payment platforms and expand use of digital media. Clients can look forward to a more convenient banking experience as the Bank exerts efforts to leverage the use of digital technology in making available its products and services across various channels.

It continued to expand its domestic branch network to 1,042 by end of 2017 complemented by over 3,600 ATMs and electronic channels. This is a milestone affirming the Bank's commitment to make banking reachable to Filipinos and our way of creating opportunities for more people to experience the rewards of having a bank that takes care of their financial needs.

In 2017, BSP honors BDO with “Gold Hall of Fame” award for remittance service in the BSP Stakeholders Awards, a solid testament of BDO’s consistent leadership in the remittance sector. The Bank has been at the forefront of providing the OFWs various options and channels to send their hard-earned money to their beneficiaries in the Philippines. Over the years, BDO’s remittance offerings have connected families across wide geographies while helping drive growth to higher levels.

Creditors, Counterparties and Suppliers

The Bank is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them. In 2017, the Bank was active in the capital and debt market with the issuance of up to USD 1 Billion Common Stock Rights Offering, USD 150 million in Green Bonds to be invested in by the International Finance Corporation via private placement, USD700 Million Senior Notes and Php 16.8 Billion LTNCDs.

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

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

Employees

The Bank puts very high value to its human resources. To ensure the protection and well-being of the employees, the Bank has implemented policies and programs that cover the following areas:

a. Code of Conduct and Business Ethics

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

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

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

b. Training and Development

The Bank provides various in-house programs such as orientation program for new hires, regular training, job specific training courses, management and leadership training programs to enhance the knowledge, working skills and managerial ability of its employees. The Bank allocates every year a training budget for these developmental programs. In 2017, the Bank invested heavily on training and development. Average training hours for internal and external training of staff, managerial and senior officers were 66.54, 49.10 and 32.17, respectively. In terms of actual number of employees trained, staff was at 21,254, managers at 16,707 and senior officers at 2,164. As compared to 2016, training hours were up by 44.59%, 185.96% and 140.07%, respectively. The Bank spends more on continuing education of officers and staff to ensure that they are well-equipped and effective in their functions. Culture and values, service excellence, regulatory requirements, job knowledge as well as leadership development were the focus in 2017.

For Directors and key officers (SVP up), the Bank provided an in-house Advance Corporate Governance Seminar on July 19, 2017 conducted by SGV/Ernst & Young as part of its continuing education program covering the key developments in the SEC Code of Corporate Governance, Risk Management, AML updates and Data Privacy Act. This was attended by members of the Board of Directors and Senior Management of the Bank and its subsidiaries.

c. Employee Welfare

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

During the year, the Board approved the amendment to the Bank's Financial Assistance Program to reflect the change of interest rates on Employee Loan Facilities for Officers and Staff.

d. Health and Safety

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

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

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

In 2017, the Bank conducted the following initiatives to improve the safety of Bank employees and customers inside the premises:

1. Hired full-time DOLE-accredited Safety Practitioners to formulate and develop new strategies to improve the existing Bank's Health and Safety Programs in compliance with DOLE's prescribed Occupational Safety and Health Standards (OSHS) and other regulatory requirements. These full-time Safety Officers will be strategically assigned and distributed to different Corporate offices to provide safety services to all BDO installations/offices nationwide.
2. Apart from hiring full-time Safety Officers, SID (in coordination with concerned Business Units), spearheaded the designation and training of over 130 incumbent Bank officers - who recently participated in the DOLE prescribed 40-hour Basic Occupational Safety and Health (BOSH) training. These officers will serve as Part-time Safety Officers (2-3 per Area) to perform safety-related tasks within their respective areas of responsibilities.
3. Conducted 8-hour Office Safety Training for Branch personnel (1 per branch) currently designated as Branch Safety Marshall who shall perform safety related-tasks to ensure the safety of employees and other people at their respective workplaces.
4. Continued to conduct emergency preparedness (fire and earthquake) trainings to the Bank's Emergency Response Teams and emergency drills, particularly to

multi-storey corporate offices in coordination with the Bureau of Fire Protection and concerned BUs of the Bank.

In addition, there were 27 emergency preparedness-related activities conducted in various locations of the Bank specifically on emergency drills for fire and earthquake, emergency response team training for building guards and bank employees handling evacuation control.

The following programs/activities were implemented by the Bank in 2017 to promote the health and wellness of BDO employees:

- Maintains 8 (eight) Medical Clinics (from 6 in year 2016) located in:
 - Corporate Center Makati (CCM)
 - Corporate Center Ortigas (CCO)
 - Ortigas Avenue, Greenhills
 - Roosevelt Avenue, Greenhills
 - Binondo, Dasmariñas
 - Davao City
 - Karrivin Plaza, Makati – new
 - Gercon Building, Makati – new
- The Clinics are manned by OH (Occupational Health) Practitioners and/or Nurses.
 - For employees outside of Metro Manila, they could go to any of the facilities that are accredited by Maxicare Health Corporation and Valucare, the Bank's HMO providers;
- BDO Fitness Center for both Corporate Center Makati and Corporate Center Ortigas - use of gym facilities open to employees of the Bank; with regular group classes such as zumba, hiphop and special activities like cardio pump workout, bootcamp, circuit / rope training etc.
 - Total enrollees of 3,340 employees for January to November 2017 (from 2,860 employees for January to November 2016 or 17% increase in enrollees)
 - Employees continue to have access to Gold's Gym facilities, with preferential quarterly enrollment rates/fees
- Pre-employment Medical Examination with drug testing for prospective new hires total to 4,806 persons as of December 31, 2017 vs. 4,028 persons as of year-end 2016 (19% increase)
- Mandatory Annual Medical Check-up for 13,784 officers and 3,904 staff employees;
- Random drug testing for 1,908 employees (partial count) during the Mandatory Annual Medical Check-up;
 - 760 Officers

- 1,148 Staff employees
- Served as venue for Blood Letting Activities / Programs sponsored by various government institutions like Philippine Red Cross, Philippine General Hospital and Philippine Children's Medical Center. The blood letting was participated by 213 employees;
- Conducted 14 Corporate Wellness Lectures on various medical topics aligned with DOH and DOLE-OSHA Programs;
- Preventive Medical Programs – Vaccination for Flu, Pneumonia and other vaccine preventable diseases participated by 2,122 employees and their dependents; Partnered with Watson's Personal Care Stores (Phils.) Inc. to provide discounted vaccines to employees and their dependents
- Released 8 Medical Advisories / Bulletins on relevant medical topics through bankwide eNewsgram – Health Watch in the Bank's email facility
- Assisted the Bank's Health and Safety Committee in implementing Emergency Preparedness Plan and conducting Evacuation Drills by providing medical assistance (e.g. Earthquake Drill in BDO CCO on October 17, 2017)

As a fitting recognition of these efforts, Online recruitment site Jobstreet.com has named BDO Unibank as the top of mind employer among all financial institutions in the Philippines after it conducted a series of surveys and interviews among its more than 14,000 members, mostly fresh graduates and junior executives, on their preferred employer. BDO also earned its Certificate of Compliance on Occupational Safety and Health Standards in NCR and on General Labor Standards.

Society, Community and the Environment

Corporate Social Responsibility

The Bank carries out its corporate social responsibility (CSR) through the BDO Foundation, the CSR arm of BDO Unibank that promotes initiatives based on the Bank's long-standing record of support to social development. The Bank's corporate social responsibility focuses on its disaster response advocacy that is achieved through three main interventions, namely, relief, rehabilitation and reconstruction, particularly in areas affected by natural or man-made disasters. The Bank's CSR projects involve the following: relief operations in disaster-stricken provinces; rehabilitation/reconstruction of rural health centers; construction of houses in resettlement areas, multi-purpose halls and school buildings; and support for livelihood projects for families with disabled members (persons with disabilities). It has made significant strides and achieved its goals in the pursuit of its advocacy.

In 2017, BDO Foundation conducted relief operations with the active participation of BDO volunteers from locations all over the country which benefited 24, 468 families.

When typhoons made landfall and disasters hit, the foundation responded immediately by mobilizing employees from branches near devastated areas. BDO officers and staff, often acting as

among the first responders, reached out to families affected by storms, monsoon rains, earthquakes, and even armed conflict.

Able led by branch managers, BDO volunteers mounted relief operations in evacuation centers, distributing relief packs containing food, rice and water to calamity victims. The relief operations were conducted with the support of SM stores and in collaboration with local officials as well as non-BDO volunteers.

In places where a state of calamity had been declared, BDO volunteers were there to offer a helping hand. They braved heavy rains and went the extra mile to look after families in their time of need. They helped victims cope with the devastation and start rebuilding their lives. BDO volunteers were on the frontlines to provide aid to people affected by disasters.

In improving healthcare services, BDO Foundation rehabilitated 18 rural health centers and four (4) on-going and soon to be completed providing improved healthcare services to 1,349,152 individuals in mostly underserved areas. Working with local government and health officials, BDO Foundation improved the offices, clinics, pharmacies, consultation rooms, minor surgery rooms, treatment rooms and facilities of health centers. The foundation also constructed areas designed specifically for the comfortable use of children and the elderly.

Moreover, the foundation rehabilitated labor rooms, birthing clinics and breastfeeding stations to provide mothers and infants the best patient care possible. These efforts support the United Nations Millennium Development Goal for the improvement of maternal healthcare.

The successful rehabilitation of health centers is the result of BDO Foundation's collaboration with stakeholders. It was made possible by the BDO Unibank community, partners, local government units and health officials—people and organizations that came together to achieve a common goal. By rehabilitating rural health units, upgrading their medical equipment and distributing healthcare products, BDO Foundation has improved the delivery of health services to the people, especially the underprivileged.

In providing brighter futures for schoolchildren, BDO Foundation continued to address the need for more classrooms in the country, particularly in provinces devastated by natural disasters or armed conflict. Supported by the BDO branch network, the foundation reached out to schools in Tacloban City, Eastern Samar and Northern Samar.

Backed by reputable partners and international non-profit organizations, BDO Foundation built typhoon-resilient school buildings and classrooms complete with teachers' desks, armchairs, blackboards and electric fans. The initiative supports the Adopt-A-School Program of the Department of Education.

The foundation provided a total of 20 new classrooms for teachers and schoolchildren who would otherwise conduct classes in dilapidated or damaged rooms. Pupils no longer had to study in tarpaulin tents, covered courts, cafeterias, overcrowded classrooms or makeshift structures exposed to the elements.

By building structures conducive to learning, BDO Foundation has made a significant impact on the lives of schoolchildren as well their families. Ultimately, the foundation has given the youth better access to education and greater opportunities to achieve brighter futures.

BDO Foundation also supported lives through housing resettlement. It provided housing for 100 families of persons with disability in Sta. Fe, Leyte in partnership with the Foundation for These-Abled Individuals (FTI). A cemented pathway was also constructed for the efficient and safe movement of persons with disability. The community was also provided with a multi-purpose hall, which was constructed through the full funding from BDO employees.

Beneficiaries can use the hall as venue for their livelihood projects, trainings, workshops, meetings, events and socio-civic activities. They can also use the structure for shelter, evacuation purposes and the distribution of relief goods should disasters hit their area. This is equipped with fans, furniture and fixtures, and a storage room.

BDO Foundation, in partnership with UN Habitat, also partially turned over 40 housing units to the Villa de Tacloban Homeowners in November 2017. The remaining 60 units will be completed and turned over by March 2018. Each housing unit comes complete with a kitchenette, toilet and a rain collection system.

Environmental Initiatives

BDO imposes limits and monitors exposure to certain industries, e.g., Gaming, Tobacco and Alcohol, as well as restricts lending to other sectors under the Exclusion List (those deemed to have adverse or harmful effects to the community and the environment).

Through its Sustainable Energy Finance (SEF) Program in cooperation with IFC, the Bank supports green energy investments in Energy Efficiency (EE) and Renewable Energy (RE) projects. Likewise in partnership with IFC, the Bank has issued USD150 million in green bonds, the first of its kind in the Philippines, to exclusively finance climate-smart projects and help contribute to the development of climate finance market in the country. Further, the Bank has a tie-up with the Japan Bank for International Cooperation (JBIC) for the latter's Green Facility, a USD50 million relending credit facility open to RE, EE and Green building projects which reduce Greenhouse gas emissions.

Please refer to the Corporate Social Responsibility Section of the 2017 Annual Report for more details on the Bank's socio-civic programs and initiatives published in our corporate website at (www.bdo.com.ph).

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

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

- With the help of the CO2 sensors, indoor pollutants are mitigated and help the building steer away from catching the sick building syndrome.
- By deciding to go automated, energy is saved from mechanically turning off or dimming the lights when it does not sense any human activity and when sufficient natural light enters the room.
- Sustainable effort was done by employing dual piping in the plumbing system. Grey water, harvested rainwater and condensate water are recycled and re-used for flushing. The combination of efficient water fixtures and grey water flushing were keys in reducing the total building potable water use by approximately 5,700,000 liters annually.

It has also continued its **Green Energy Investments**. It has renewed its Sustainable Energy Finance (SEF) Program in partnership with the International Finance Corporation (IFC), the private sector arm of the World Bank, as part of its efforts to impart to clients the best international practices on clean energy. This time, the renewal of the partnership focuses on further enhancing BDO’s expertise and understanding of solar power generation and green building projects. Consequently, this will allow the Bank to give the private sector appropriate financing for sustainable energy investments.

In the last five years since the Bank has started the program in 2010 and partnered with IFC, it was able to finance several hydro power plants, biomass power plants, wind power projects and energy efficiency investment projects, which contributed to the reduction of greenhouse gas emission.

In doing this program, the Bank has been recognized as one of the six (6) Momentum of Change Lighthouse Activities for inspiring climate action in the financing for climate-friendly investments.

Sustainability, climate change and wildlife protection

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

Business Competitors

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

In 2017, the Bank was a participant of the credit information system under the Credit Information Corporation which the government agency created under Republic Act 9510 otherwise known as the Credit Information System Act (CISA) to provide independent, reliable and accurate credit information in the Philippines. Being the leading lender, the Bank will be a major source of these data that could be accessed by our competitors and practitioners in the financial services industry.

Government and Regulators

The Bank supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection. In 2017, the Bank continued to be active in giving comments on the proposed changes in corporate governance rules pushed by regulatory authorities, particularly the Revised Guidelines on Related Party Transactions, Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions and the SEC Code of Corporate Governance.

BDO also participated in the BSP's Stakeholders Awards Program to honor outstanding partner institutions for their strong support and contribution to its statistical undertakings, information requirements, and advocacy programs. BSP named BDO as the Outstanding PhilPaSS Participant Servicing Customer ePayments for Commercial Banks, an award the Bank also garnered the previous year. Under the Clean Note Policy category, BDO Unibank Cash Hub was cited the Outstanding Regional Partner (Tuguegarao Branch).

Transparency and Disclosures

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

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

Required disclosures relating to:

- Financial information is stated in the AFS, SEC Form 17-Q and the DIS
- Shareholder matters are provided in the DIS
- Executive compensation policy is stated in the DIS
- Directors' fees are found in the DIS
- Corporate actions, among others, are provided in the PSE official website www.pse.com.ph

In particular, BDO released the 2017 audited financial statements on February 27, 2017 or just 58 days after close of the financial year to promote transparency and full disclosure of the results of the operations of the Bank. In 2017, the Bank did 88 timely disclosures on items that were relevant and important for the public to know.

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

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

Evaluation System

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

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

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

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

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

On compliance, it 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 fulfillment of its duties, 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.

The Board Audit Committee held twelve (12) meetings in 2017 with all the members in attendance.

The Board Audit Committee is chaired by Jose F Buenaventura (Independent Director). Its other members are Jones M. Castro, Jr., Independent and Lead Director) and Jimmy T. Tang (Independent Director).

The Corporate Governance Committee assists the Board in fulfilling its responsibilities for corporate governance across the BDO Group. Its role includes reviewing the existing corporate governance policies and practices recommending any changes to promote an environment wherein effective governance is part of the culture of the Bank; reviewing and reporting to the Board on corporate governance regulatory or compliance issues; monitoring corporate governance new regulations and recommending appropriate changes; reviewing and recommending to the Board on best practices to be adopted as applicable particularly those enunciated in the ASEAN Corporate Governance Scorecard; reviewing periodically the succession plan and disclosure of corporate governance policies and information in the Bank's website.

The Independent Directors and Non-Executive Directors, chaired by Lead Director Jones M. Castro, Jr., conducted three (3) executive sessions with the External Auditor, Internal Auditor, Chief Risk Officer and Chief Compliance Officer without the presence of senior management to discuss

various matters/issues outside of the regular 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.

It conducted the corporate governance seminar for the continuing education of directors, annual performance evaluation of the Board, committees, directors and executive management, and monitored the submission of regulatory corporate governance reports, publication and updating of corporate governance policies and continuous disclosures in the Bank's website to promote transparency and effective communication to shareholders, investors, media, analysts, industry participants, regulators and the general public. It was active in giving comments on the proposed changes in corporate governance rules pushed by regulatory authorities. It recommended changes in the corporate governance policies and practices of One Network Bank, a newly acquired rural bank subsidiary to ensure alignment with the parent bank.

The Corporate Governance Committee met six (6) times in 2017.

The Corporate Governance Committee is chaired by Atty. Gilberto C. Teodoro, Jr. (Independent Director). Its members are Messrs. Jones M. Castro, Jr. and Jimmy T. Tang (both Independent Directors).

Measures on leading practices of good-corporate governance

The Bank is constantly aligning its corporate governance system with the international practice taking into account the continuous developments in national regulations. The Board approved the series of revisions of the Corporate Governance Manual on May 26, September 30, and December 2, 2017 to incorporate 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.

Any Deviation from the Manual

None.

Improvement of Corporate Governance

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.

PART V – EXHIBITS AND SCHEDULES

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

a) Directory of Branch Offices

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

b) A summary of the reports on SEC Form 17-C (Current Report) filed in 2016 and the first quarter of 2018 are set forth below:

Date of Disclosure	Subject
March 27, 2017	Results of the Regular Board Meeting of the Board of Directors held on March 25, 2017: 1. Resignations of Mr. Gamalielh Ariel O. Benavides and Ms. Lorna A. Tan, both Senior Vice Presidents, effective on April 1, 2017 and March 16, 2017, respectively; and, 2. Recall of the secondment of Mr. Rafael G. Ayuste, Jr., Senior Vice President, from BDO Private Bank, Inc.\Wealth Advisory & Trust to BDO Unibank, Inc., effective on April 16, 2017
March 27, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 144,045 common shares
March 28, 2017	Compliance Report on Corporate Governance of BDO Unibank, Inc. for the year 2016
March 28, 2017	Statement to the Press entitled "BDO & Japan's Shinkin Central Bank Form Business Cooperation"
March 28, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2016 to reflect the Bank's updated capital structure, stockholders' information, and additional issued shares
March 30, 2017	Clarification on the news article entitled "This one's for the books: BDO branch in Cebu paid only ₱35 in taxes for 2015"
April 7, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2016 to reflect the Bank's updated list of officers relative to the resignation of Mr. Gamalielh Ariel O. Benavides, Senior Vice President, effective on April 1, 2017; and the list of subsidiaries/affiliates relative to the change of name of CBN London, Ltd. to BDO Remit (UK) Ltd.
April 12, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 166,715 common shares
April 17, 2017	SEC Form 17-A Annual Report for the period ended December 31, 2016
April 17, 2017	List of the top 100 stockholders for BDO Unibank, Inc. with PCD Participants for the period ending March 31, 2017
April 18, 2017	Public Ownership Report as of March 31, 2017
April 20, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2016 to reflect the Bank's updated capital structure, stockholders'

Date of Disclosure	Subject
	information, and additional issued shares
April 20, 2017	Results of the Regular Board Meeting of the Board of Directors held on April 20, 2017 - Statement to the Press regarding BDO posting a record ₱26.1 billion income in 2016 with 1Q17 net earnings up 6% to ₱5.8 billion
April 20, 2017	Quarterly Progress Report – Use of Proceeds from Stock Rights Offering
April 21, 2017	Results of the Organizational Board Meeting of the Board of Directors held on April 20, 2017: 1. Appointment of the Chairman Emeritus, Chairperson, Vice Chairman and Lead Independent Director; 2. Election of Advisers to the Board; 3. Election of Board Committee Members; and, 4. Appointment of Corporate Officers
April 26, 2017	SEC Form 17-Q Quarterly Report for the quarter ended March 31, 2017
May 5, 2017	BDO Unibank, Inc.'s Consolidated Changes to the Annual Corporate Governance Report for 2016
May 5, 2017	BDO's Statement of Condition as of March 31, 2017
May 9, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 50,985 common shares
May 23, 2017	General information Sheet of BDO Unibank, Inc. for the year 2017
May 24, 2017	Statement to the Press entitled "BDO Forges Strong Alliance with Japan's Seven Bank"
May 25, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 86,520 common shares
May 26, 2017	Results of the Regular Board Meeting of the Board of Directors held on May 26, 2017: 1. Retirement of Ms. Rebecca S. Torres, Senior Vice President and Chief Compliance Officer of BDO Unibank, effective July 1, 2017; 2. Recall of the secondment of Atty. Federico P. Tancongco, Senior Vice President, from BDO Private Bank Inc.\Support Services to BDO Unibank, and his appointment as Chief Compliance Officer of BDO Unibank, effective July 1, 2017, subject to the approval by the Bangko Sentral ng Pilipinas (BSP); 3. Hiring of Ms. Maria Cecilia G. Fonacier as Senior Vice President for Marketing Communications Group, effective on June 1, 2017, subject to the approval by the BSP; 4. Declaration of regular cash dividends on common shares in the amount of Php 0.30 per share for the 2nd Quarter of 2017 payable on June 30, 2017 to all stockholders of record as of June 15, 2017; and 5. Revised Corporate Governance Manual of BDO
May 30, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, and additional issued shares
May 31, 2017	Revised Corporate Governance Manual of BDO Unibank, Inc.
June 2, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the

Date of Disclosure	Subject
	year 2017 to reflect the Bank's updated list of officers relative to the hiring of Ms. Maria Cecilia G. Fonacier, Senior Vice President, effective June 1, 2017
June 16, 2017	Statement to the Press regarding reporting of unauthorized transactions
June 23, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 73,645 common shares
June 27, 2017	<p>Results of the Regular Board Meeting of the Board of Directors held on June 24, 2017 - Promotion of the following senior officers of the Bank from the rank of First Vice President to Senior Vice President, effective February 1, 2017, subject to confirmation by the Bangko Sentral ng Pilipinas:</p> <ol style="list-style-type: none"> 1. Mr. Joseph Rhoderick Borja Lledo - Institutional Banking Group – Corporate Banking 2. Ms. Cerwina Elenore Alano Santos - Institutional Banking Group – Commercial Banking 3. Ms. Agnes Camaclang Tuason - Institutional Banking Group – Commercial Banking 4. Mr. Juan Sabino Padilla Liza - BDO Private Bank, Inc. – Wealth Advisory & Trust 5. Mr. Jose Paolo Enrique Almendras Magpale - BDO Private Bank, Inc. - Treasury 6. Ms. Edna Ramas Tarroza - Treasury Group – Liquidity Management
June 28, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, list of officers, stockholders' information, additional issued shares, and list of subsidiaries/affiliates
July 6, 2017	<p>Results of the Regular Board Meeting of the Board of Directors held on June 24, 2017 (amendment) - Promotion of the following senior officers of the Bank from the rank of First Vice President to Senior Vice President, effective February 1, 2017, subject to confirmation by the Bangko Sentral ng Pilipinas:</p> <ol style="list-style-type: none"> 1. Mr. Joseph Rhoderick Borja Lledo - Institutional Banking Group – Corporate Banking 2. Ms. Cerwina Elenore Alano Santos - Institutional Banking Group – Commercial Banking 3. Ms. Agnes Camaclang Tuason - Institutional Banking Group – Commercial Banking 4. Mr. Juan Sabino Padilla Liza - BDO Private Bank, Inc. – Wealth Advisory & Trust 5. Mr. Jose Paolo Enrique Almendras Magpale - BDO Private Bank, Inc. - Treasury 6. Ms. Edna Ramas Tarroza - Treasury Group – Liquidity Management
July 6, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated list of officers relative to the retirement of Ms. Rebecca S. Torres and the appointment of Atty. Federico P. Tancongo as Chief Compliance Officer, effective on July 1, 2017

Date of Disclosure	Subject
July 11, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 10,300 common shares
July 11, 2017	Statement to the Press entitled "BSP honoring BDO with the "Gold Hall of Fame" award for remittance service"
July 13, 2017	Notice of Analysts Briefing to be held on 31 July 2017 (Monday), 12:00 NN at the Fernando Amorsolo Room, 5th floor, South Tower, BDO Corporate Center, 7899 Makati Ave., Makati City
July 13, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, and additional issued shares
July 14, 2017	List of the top 100 stockholders for BDO Unibank, Inc. with PCD Participants for the period ending June 30, 2017
July 17, 2017	Final Quarterly Progress Report – Use of Proceeds from Stock Rights Offering
July 17, 2017	Public Ownership Report as of June 30, 2017
July 21, 2017	Statement to the Press entitled "BDO Nomura being bullish on the future of online stock trading in the Philippines"
July 25, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 37,080 common shares
July 30, 2017	Results of the Regular Board Meeting of the Board of Directors held on July 29, 2017: <ol style="list-style-type: none"> 1. Financial Statements of the Bank for the 2nd Quarter of 2017; 2. Retirement of Mr. Dennis B. Velasquez, Executive Vice President and Head of Central Operations Group of BDO, effective August 1, 2017; 3. Recall of the secondment of Mr. Martin B. Ordoñez, Senior Vice President (SVP), from BDO Private Bank Inc., and his secondment to BDO Life Assurance Company, Inc. as SVP, subject to the Bangko Sentral ng Pilipinas (BSP) approval; and 4. Hiring of Mr. Jesus Antonio S. Itchon as Executive Vice President, effective on September 15, 2017, subject to the confirmation by the BSP. Subject to regulatory approvals, he will be seconded to One Network Bank, Inc. (A Rural Bank).
July 30, 2017	Statement of Condition as of June 30, 2017
July 31, 2017	Statement to the Press regarding BDO's issuance of ₱5.0 billion Long-Term Negotiable Certificates of Deposit
August 1, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, additional issued shares and list of subsidiaries/affiliates
August 1, 2017	SEC Form 17-Q Quarterly Report for the quarter ended June 30, 2017
August 3, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated list of officers relative to the retirement of Mr. Dennis B. Velasquez, Executive vice President and Head of Central Operations Group, effective August 1, 2017
August 7, 2017	Statement to the Press regarding BDO regaining top win in Euromoney Awards

Date of Disclosure	Subject
August 11, 2017	Statement to the Press regarding BDO's issuance of ₱11.8 billion Long-Term Negotiable Certificates of Deposit
August 11, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 235,610 common shares
August 15, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, list of officers, stockholders' information, and additional issued shares
August 26, 2017	Results of the Regular Board Meeting of the Board of Directors held on August 26, 2017: <ol style="list-style-type: none"> 1. Declaration of regular cash dividends on common shares in the amount of Php 0.30 per share for the 3rd Quarter of 2017 payable on September 29, 2017 to all stockholders of record as of September 13, 2017; and 2. Reconstitution of the Trust Committee with the appointment of Director Dioscoro I. Ramos as member vice Director Jose F. Buenaventura, and in lieu of being an Adviser to the Trust Committee
August 30, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 188,225 common shares
August 30, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, list of officers, stockholders' information, and additional issued shares
August 31, 2017	Statement to the Press regarding BDO's proposed issuance of USD 700 Million Senior Notes
September 11, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 222,890 common shares
September 14, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, list of officers, stockholders' information, and additional issued shares
September 25, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 366,805 common shares
September 25, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated list of officers
September 29, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, additional issued shares, and list of subsidiaries/affiliates
October 5, 2017	Revisions to BDO Unibank, Inc.'s Consolidated Changes to the Annual Corporate Governance Report for 2016
October 9, 2017	Vacancy in Adviser to the Board of Directors
October 10, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 32,445 common shares
October 11, 2017	List of Top 100 Stockholders for BDO Unibank, Inc. with PCD Participants for the period ending September 30, 2017
October 13, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders'

Date of Disclosure	Subject
	information, and additional issued shares
October 24, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 29,355 common shares
October 24, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, additional issued shares, and list of subsidiaries/affiliates
October 27, 2017	Clarification on the news article entitled "Where there's smoke..."
October 29, 2017	Results of the Regular Board Meeting of the Board of Directors held on October 28, 2017: 1. Hiring of Mr. Frederic Mark Suaco Gomez as Senior Vice President for Information Technology Group, effective on November 15, 2017, subject to the confirmation by the Bangko Sentral ng Pilipinas; and 2. Financial Statements of BDO for the 3rd Quarter of 2017
October 29, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 57,315 common shares
November 2, 2017	SEC Form 17-Q Quarterly Report for the quarter ended September 30, 2017
November 3, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, additional issued shares, and list of subsidiaries/affiliates
November 6, 2017	BDO Statement of Condition as of September 30, 2017
November 15, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 47,895 common shares
November 17, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
November 29, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 10,300 common shares
December 4, 2017	Results of the Regular Board Meeting of the Board of Directors held on December 2, 2017: 1. Resignation of Ms. Rosola A. Vivas, Senior Vice President of Central Operations Group/Transaction Banking and Support/Customer Development (BDO Rewards), effective on January 16, 2018; and 2. Declaration of regular cash dividends on common shares in the amount of Php 0.30 per share for the 4th Quarter of 2017 payable on December 29, 2017 to all stockholders of record as of December 19, 2017
December 4, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
December 6, 2017	Revised Corporate Governance Manual of BDO Unibank
December 8, 2017	Statement to the Press regarding BDO's issuance of its First Green Bond for \$150 Million (First Green Bond Investment for IFC in East Asia and the Pacific)
December 18, 2017	Change in Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 148,255 common shares

Date of Disclosure	Subject
December 20, 2017	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
January 4, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 41,715 common shares
January 4, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the updated capital structure, officers, stockholders' information, and additional issued shares
January 5, 2018	Letter Advise on Board of Directors' Attendance for Meetings Held in 2017
January 7, 2018	Results of the Regular Board Meeting of the Board of Directors held on January 6, 2018: 1. Retirement of Ms. Ma. Lourdes T. De Vera, Senior Vice President and Head of Trust and Investments Group\Product and Market Development, effective January 1, 2018; and 2. Hiring of Mr. Roberto Ramon L. Santos as Senior Vice President for Transaction Banking Group, effective February 1, 2018, subject to the confirmation by the Bangko Sentral ng Pilipinas
January 9, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the updated list of officers of BDO as a result of the retirement of Ms. Ma. Lourdes T. De Vera, Senior Vice President and Head of Trust and Investment Group/Product and Market Development
January 10, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 55,100 common shares
January 12, 2018	List of Top 100 Stockholders for BDO Unibank, Inc. with PCD Participants for the period ending December 31, 2017
January 15, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
January 16, 2018	Public Ownership Report as of December 31, 2017
January 17, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the updated list of officers of the Bank as a result of the resignation of Ms. Rosola A. Vivas, Senior Vice President of Central Operations Group/Transaction Banking and Support/Customer Development (BDO Rewards), effective January 16, 2018
January 28, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 75,705 common shares
January 29, 2018	Results of the Regular Board Meeting of the Board of Directors held on January 27, 2018: 1. Resignation of Ms. Eleanor Manuud Hilado, Senior Vice President and Head of BDO Capital and Investment Corporation\Corporate Finance\Team 2, effective February 8, 2018; 2. Setting of the Annual Stockholders' Meeting of BDO on April 20, 2018, at 2:00 p.m., at the Makati Shangri-la Hotel, Ayala Avenue, Makati City, and setting of

Date of Disclosure	Subject
	<p>the record date for stockholders entitled to vote and participate at such meeting on March 8, 2018; and</p> <p>3. Declaration of cash dividends on Preferred Shares Series "A" at the rate of 6.5% per annum of the par value, for a total dividend amount of Php339,399,305.56, payable within sixty (60) banking days from declaration date</p>
February 2, 2018	BDO Statement of Condition as of December 31, 2017
February 3, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
February 7, 2018	Notice of Analysts Briefing to be held on 26 February 2018 (Monday), 12:00 NN at the Fernando Amorsolo Room 5/F, South Tower, BDO Corporate Center, 7899 Makati Ave., Makati City
February 8, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 171,935 common shares
February 12, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, officers, stockholders' information, and additional issued shares
February 20, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 5,150 common shares
February 23, 2018	Notice of Annual Stockholders' Meeting of BDO on April 20, 2018, at 2:00 p.m., at the Makati Shangri-la Hotel, Ayala Avenue, Makati City, and setting of the record date for stockholders entitled to vote and participate at such meeting on March 8, 2018
February 23, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, and additional issued shares
February 24, 2018	<p>Results of the Regular Board Meeting of the Board of Directors held on February 24, 2018:</p> <ol style="list-style-type: none"> 1. Declaration of regular cash dividends on common shares in the amount of Php0.30 per share for the 1st Quarter of 2018 payable on March 28, 2018 to all stockholders of record as of March 13, 2018; 2. Hiring of Mr. Mario Barretto Palou as Executive Vice President - Senior Credit Officer, effective March 1, 2018, subject to the confirmation by the Bangko Sentral ng Pilipinas; 3. Appointment of Mr. Frederic Mark S. Gomez as Head of Information Technology Group, and Member of IT Steering Committee, vice Mr. Ricardo V. Martin, effective March 1, 2018; 4. Extension of term of Mr. Nestor V. Tan as President and CEO of the Bank, until March 1, 2023; and 5. Audited Financial Statements of BDO and its Subsidiaries as of December 31, 2017.

Date of Disclosure	Subject
February 24, 2018	Statement to the Press regarding BDO earning a record P28.1 billion in 2017
February 28, 2018	Revised Corporate Governance Manual of BDO Unibank
March 1, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 133,150 common shares
March 5, 2018	Disclosure on the approval of the SEC on the Amendment to Article Seven of Articles of Incorporation of BDO Unibank, Inc. - Conversion of One Billion (1,000,000,000) unissued preferred shares of the Bank, consisting of Five Hundred Million (500,000,000) unissued Series A Preferred Shares and Five Hundred Million (500,000,000) unissued ordinary Preferred Shares, each with a par value of Ten Pesos (P10.00) per share, into One Billion (1,000,000,000) common shares with a par value of Ten Pesos (P10.00) per share, and the corresponding amendment of the Seventh Article of its Articles of Incorporation to reflect said conversion
March 5, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, list of officers, stockholders' information, and additional issued shares
March 8, 2018	Change in Number of Issued and Outstanding Shares pursuant to BDO Unibank, Inc.'s employee stock option/grant program, totaling 35,020 common shares
March 9, 2018	Amended General Information Sheet of BDO Unibank, Inc. (the "Bank") for the year 2017 to reflect the Bank's updated capital structure, stockholders' information, and additional issued shares
March 13, 2018	Clarification on the news article entitled "SM Group plans to spend ₱66.3b to expand units"
March 14, 2018	Preliminary Information Statement for the Annual Stockholders' Meeting to be held on April 20, 2018 at Rizal Ballroom A and B, Makati Shangri-La Hotel, Ayala Avenue, Makati City at 2:00 PM
March 15, 2018	Clarification on the news article entitled "SM Group plans to spend ₱66.3b to expand units"
March 23, 2018	Definitive Information Statement for the Annual Stockholders' Meeting to be held on April 20, 2018 at Rizal Ballroom A and B, Makati Shangri-La Hotel, Ayala Avenue, Makati City at 2:00 PM
March 26, 2018	Results of the Regular Board Meeting of the Board of Directors held on March 24, 2018: - Appointment of Mr. Ricardo V. Martin, Executive Vice President, as Chief of Staff for the Office of the President, effective March 1, 2018
	Related Party Transactions (Please refer to Notes 2.19 and 25 of the Notes to Financial Statements)

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is ~~signed~~ on behalf of BDO Unibank, Inc. by the undersigned, thereto duly authorized, in Pasig City, Philippines on APR 12 2018.

BDO UNIBANK, INC.

Issuer

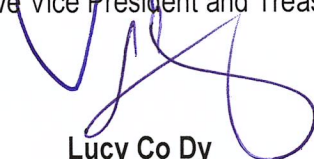
By:



Nestor V. Tan
President and CEO



Pedro M. Florescio III
Executive Vice President and Treasurer



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



Edmundo L. Tan
Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 12 2018, affiants exhibiting to me their evidence of identity as follows:

Name

Tax Identification No.

Nestor V. Tan	TIN 903-578-380
Pedro M. Florescio III	TIN 115-322-120
Lucy Co Dy	TIN 109-729-870
Edmundo L. Tan	TIN 132-173-235

JEROME BRIAN T. MARCELO
Appointment No. 216 (2017-2018)
Notary Public for Pasig City
Until December 31, 2018
Attorney's Roll No. 69884
33rd Floor, The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR OR No. 3859419; 01.04.18; Pasig City
IBP OR No. 021152; 01.04.18; RSM

Doc. No.: 0620;
Page No.: 013;
Book No.: II;
Series of 2018.



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

The Board of Directors is responsible for overseeing the Company'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 company 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

Banco de Oro
BDO Corporate Center
7899 Makati Avenue
Makati City 0726, Philippines
Swift Code : BNORPHMM
Tel +63(2) 840 7000

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

Name	CEI Number	Date & Place Issued
1. Teresita T. Sy	Passport No. – EB9786664 CTC No. – 00052502	12.10.2013/Manila 02.08.2018/Manila
2. Nestor V. Tan	Passport No. – EC7439560 CTC No. – 24536268	04.19.2016/Manila 01.09.2018/Makati
3. Pedro M. Florescio III	Passport No. – EC3295228 CTC No. – 11984100	01.28.2015/NCR South 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. 1
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

**CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE
FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS**

I hereby certify that I am the Certified Public Accountant (CPA) who performed the compilation services related to the preparation and presentation of financial information of an entity in accordance with an applicable financial reporting framework and reports as required by accounting and auditing standards for (BDO Unibank, Inc.) for the period ending December 31, 2017.

In discharging this responsibility, I hereby declare that (check one (1));

X I, am the (Head of the Financial Review & Control Department) of (BDO Unibank, Inc.).

 I, am the (position) of (name of organization/person) and was contracted to perform this service.

Furthermore, in my compilation services for the preparation of the Financial Statements and Notes to the Financial Statements, I was not assisted by or did not avail of the services of (Punongbayan & Araullo) who/which is the external auditor who rendered the audit opinion for the said Financial Statements and Notes to the Financial Statements.

I hereby declare, under penalties of perjury and violation of Republic Act No. 9298, that my statements are true and correct.

SIGNATURE OVER PRINTED NAME: ROSANO B. MARPURI

PROFESSIONAL IDENTIFICATION CARD NO.: 0083131

VALID UNTIL: April 10, 2019

ACCREDITATION NUMBER: BOA # 1257

VALID UNTIL: November 10, 2019

NOTARY PUBLIC

Atty. MARICHELLE D. GERARDO

Appointment No. M-292

Notary Public until 31 December 2018

14/F BDO North Tower, BDO Corporate Center

7899 Makati Avenue, Makati City

Roll No. 45121

IBP No. 022874, 03 January 2018, Quezon City

PTR No. 6619591, 05 January 2018, Makati City

MCLE Compliance No. V-0012982, 12/08/2015

Doc No. 434:

Page No. 66:

Book No. I:

Series of 2018



P&A
Grant Thornton

An instinct for growth™

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

BDO Unibank, Inc. and Subsidiaries

December 31, 2017, 2016 and 2015

(With Corresponding Figures as of January 1, 2016)



P&A
Grant Thornton

An instinct for growth™

Punongbayan & Araullo

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

T +63 2 988 2288

Report of Independent Auditors

The Board of Directors and Stockholders

BDO Unibank, Inc.

BDO Corporate Center

7899 Makati Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2017, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BDO Unibank Group and of the Parent Bank as at December 31, 2017 and 2016, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

BUREAU OF REVENUE LARGE TAXPAYER SERVICE DIVISION		
Date	MAR 12 2018	TSIS
MA. GRACIA ADORAL CASTILLO		

Certified Public Accountants

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd

grantthornton.com.ph

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4



Key Audit Matters

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

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

(a) Proper Valuation of Loans and Other Receivables

Description of the Matter

As of December 31, 2017, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P1,791,786 million and P1,730,732 million, respectively, net of allowance for impairment of P33,057 million and P30,767 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 67% and 69% of the BDO Unibank Group's and the Parent Bank's total resources, respectively.

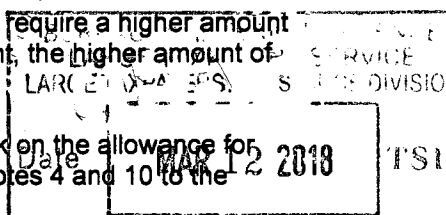
The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining when the loans and other receivables are impaired and how much impairment loss are required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

The BDO Unibank Group's and the Parent Bank's gross loan portfolio is composed of different loan products that require different approach in the assessment of allowance by management. Corporate and commercial loans are individually assessed for impairment. For those individually assessed loans where objective evidence of impairment exists, an impairment loss is recognized for the amount of difference between the carrying amount of the loan and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred), discounted at its original effective interest rate. For those individually assessed loans where objective evidence of impairment does not exist, the BDO Unibank Group and the Parent Bank include them for collective assessment of impairment. Collective impairment assessment involves grouping of financial assets with similar credit risk characteristics which are collectively evaluated for impairment on the basis of their contractual cash flows and historical loss experiences.

On the other hand, loan portfolio comprising of loans with smaller loan values and spread to great number of borrowers, such as small business loans and consumer loans, are not monitored individually but are grouped by product and are collectively evaluated for impairment. Impairment loss is recognized for the amount computed using the loan impairment factor (LIF) model. Under LIF model, for each loan product, loans are grouped based on their delinquency bucket (based on aging) and an equivalent LIF for each bucket is applied to compute for the amount of impairment loss. LIF pertains to the historical loss experience of each delinquency bucket for each loan product, adjusted on the basis of the current observable data. LIF and delinquency bucket are different for each loan product.

If specific loans, which are collectively assessed for impairment, require a higher amount of allowance for credit losses based on individual credit judgment, the higher amount of allowance will be recognized for those accounts.

The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and the related credit risk are included in Notes 4 and 10 to the financial statements.





How the Matter was Addressed in the Audit

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

- testing of controls, as assisted by our own Information Technology specialists, over the approval, recording and monitoring of loans and other receivables, loan classification based on credit ratings, and the calculating and recording of the allowance for impairment;
- obtaining an understanding of the BDO Unibank Group's and the Parent Bank's credit policy and loan impairment process;
- checking and evaluating the methodologies, inputs and assumptions used by the BDO Unibank Group and the Parent Bank in performing both individual and collective impairment assessment in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;
- assessing the borrowers' repayment abilities by examining payment history for selected loan accounts;
- on selected non-performing loan accounts, evaluating the management's forecast of recoverable cash flows, valuation of collaterals, estimates of recovery from other sources of collection;
- for loan accounts assessed individually, recomputing the recoverable amount determined by the BDO Unibank Group and the Parent Bank and comparing it against the carrying value as of December 31, 2017;
- evaluating the suitability of delinquency bucket used by the BDO Unibank Group and the Parent Bank by comparing the actual payment history and agreed payment schedule for selected loan accounts; and,
- assessing the reasonableness of each loan impairment factor using the historical and current data of the BDO Unibank Group and the Parent Bank.

(b) Valuation of Financial Instruments

Description of the Matter

The fair valuation of financial instruments of the BDO Unibank Group and the Parent Bank is considered a key area of focus in our audit due to the use of inputs from external sources in computing the market value of these financial instruments. For some financial instruments such as derivatives, the determination of fair value includes the use of estimates by the management. The fair value of derivative financial instruments is determined using the net present value computation. To the extent practicable, models use observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

As of December 31, 2017, the financial assets and financial liabilities of the BDO Unibank Group that are carried at fair value amounted to P134,097 million and P3,750 million, respectively, while that of the Parent Bank amounted to P74,309 million and P1,798 million, respectively.

Date		MAR 12 2018	ISIS
MA. GRACIA AURORA L. CASTILLO			



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

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

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

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

Goodwill

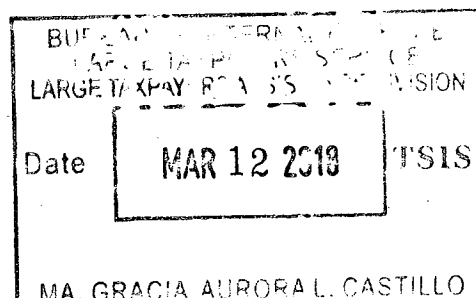
Description of the Matter

Under PFRS, BDO Unibank Group is required to annually test the amount of goodwill for impairment. This annual impairment test is significant to our audit because the management's process in assessing recoverability of goodwill is considered complex and involves critical management judgment. The net carrying amount of goodwill of the BDO Unibank Group amounted to P3,044 million as of December 31, 2017. The impairment testing made use of certain judgments, assumptions and estimates including the cash generating units (CGUs) where the goodwill is allocated such as that of One Network Bank (ONB), forecasted statement of financial position and net profit of those particular CGUs and discount rate used, which are affected by expected future market or economic conditions.

The BDO Unibank Group's disclosures about goodwill are included in Notes 4 and 13.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill included, among others, evaluating the assumptions and methodologies used by the management, in particular, those relating to the forecasted statement of financial position and statement of income as well as the discount rate used. In addition, our audit of the financial statements of ONB as of and for the year ended December 31, 2017 did not identify events or conditions that may cast significant doubt on ONB's ability to continue as a going concern.





Other Information

Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, both of which, do not include the financial statements and our auditors' report thereon and, Annual Report for the year ended December 31, 2017. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

Date	MAR 12 2018	TSIS
MA. GRACIA AURORA L. CASTILLO		



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

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

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

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

BUREAU OF TREASURY SERVICE LARGE TAXPAYER SERVICE DIVISION		
Date	MAR 12 2018	TSIS
MA. GRACIA AURORA L. CASTILLO		



Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 29 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 and RR No. 19-2011 require the supplementary information to be presented in the notes to the financial statements. Such supplementary information is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is not also a required disclosure under Securities Regulation Code Rule 68, as amended, of the SEC.

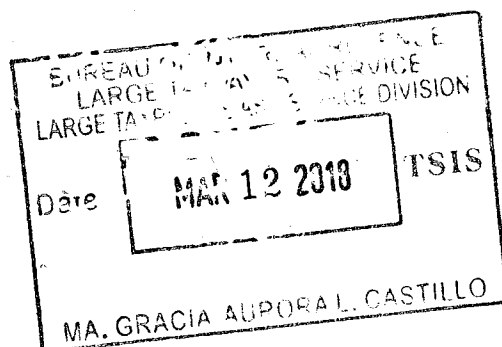
The engagement partner on the audit resulting in this independent auditors' report is Leonardo D. Cuaresma, Jr.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 6616006, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-4 (until April 30, 2018)
Firm - No. 0002-FR-4 (until April 30, 2018)
BIR AN 08-002511-7-2017 (until June 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until December 31, 2018)

February 24, 2018



BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2017 AND 2016
(With Corresponding Figures as of January 1, 2016)
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group			Parent Bank		
	Notes	December 31, 2017	December 31, 2016 (As Restated - see Note 2)	January 1, 2016 (As Restated - see Note 2)	December 31, 2017	December 31, 2016 (As Restated - see Note 2)	January 1, 2016 (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	48,040	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

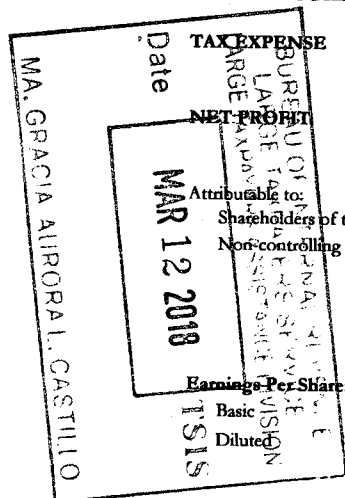
See Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
 LARGE TAXPAYERS SERVICE
 LARGE TAXPAYERS ASSISTANCE DIVISION
 Date **MAR 12 2018** T.S.S.
 MA. GRACIA AURORA L. CASTILLO

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF INCOME
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

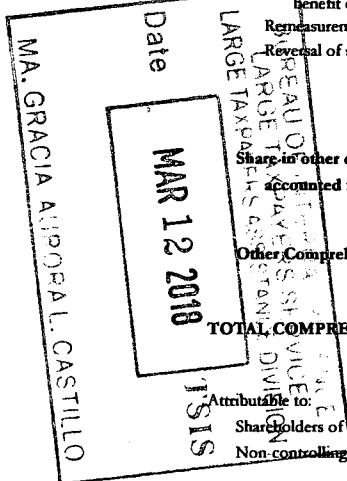


MA. GRACIA AURORAL CASTILLO

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

	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)
NET PROFIT		P 28,105	P 26,246	P 24,956	P 28,006	P 24,057	P 24,900
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that are or will be reclassified subsequently to profit or loss:							
Unrealized gains (losses) on available-for-sale (AFS) securities, net of tax	9	622	(943)	(2,457)	255	899	(1,498)
Transfer of realized gains on disposed AFS securities to statements of income, net of tax	9	(1,474)	(2,959)	(2,711)	(58)	(2,355)	(3,278)
Transfer of realized losses on impaired AFS securities to statements of income, net of tax	9	139	346	1,841	-	-	1,841
Transfer of amortized unrealized fair value losses on reclassified AFS securities to held-to-maturity investments to statements of income	9	621	275	-	288	292	-
Net gains (losses) on AFS securities, net of tax		(92)	(3,281)	(3,327)	485	(1,164)	(2,935)
Translation adjustment related to foreign operations		(8)	78	19	(14)	2	8
		(100)	(3,203)	(3,308)	471	(1,162)	(2,927)
Items that will not be reclassified to profit or loss:							
Actuarial losses on remeasurement of retirement benefit obligation, net of tax	24	(2,550)	(645)	(147)	(2,445)	(516)	(186)
Remeasurement on life insurance reserves	2	785	(324)	-	-	-	-
Reversal of revaluation increment		-	-	(19)	-	-	(19)
		(1,765)	(969)	(166)	(2,445)	(516)	(205)
Share in other comprehensive income (loss) of subsidiaries and associates accounted for under equity method	13	(3)	1	(218)	1,702	(2,413)	(283)
Other Comprehensive Loss, net of tax		(1,868)	(4,171)	(3,692)	(272)	(4,091)	(3,415)
TOTAL COMPREHENSIVE INCOME		P 26,237	P 22,075	P 21,264	P 27,734	P 19,966	P 21,485
Attributable to:							
Shareholders of the Parent Bank		P 26,226	P 22,016	P 21,218			
Non-controlling Interests		11	59	46			
		P 26,237	P 22,075	P 21,264			

See Notes to Financial Statements.



BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group																															
	Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on Available-for-sale Securities	Accumulated Actuarial Losses	Revaluation Increment	Remeasurement on Life Insurance Reserves	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Associates	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity																	
BALANCE AT JANUARY 1, 2017																																	
As previously stated	2	P	36,500	P	5,150	P	70,127	P	2,972	P	12	P	109,216	(P	3,919)	(P	4,259)	P	1,008	(P	-	(P	2,183)	(P	-	2)	P	216,792	P	743	P	217,535	
Effect of restatement		-	-	-	-	-	-	-	2,207	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24	-	-	24					
As restated			36,500		5,150		70,127		2,972		12		111,423	(	3,919 )	(	4,259)		1,008	(	2,183 )	(	-	13 )	(	-	2)		216,816		743		217,559
Transactions with owners																																	
Stock rights issuance	20		7,164		-		52,662		-		-		-		-		-		-		-		-		-		59,826		-		59,826		
Issuance of shares during the year			26		-		177		-		-		-		-		-		-		-		-		-		203		-		203		
Cash dividends			-		-	-	-	-		-		-		-		-		-		-		-		-		-	(	5,582 )		(	50 )	(	5,632)
			7,190		-		52,839		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
Total comprehensive income (loss)			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-		-		-		-		-		-		54,447		(	50)		54,397
			-		-		-		-		-		(	5,582)		-																	

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

		Parent Bank										
							Net Unrealized Fair Value Gains (Losses) on Available-for-sale Securities	Accumulated Actuarial Losses	Revaluation Increment	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries and Associates	Total Equity
Notes		Common Stock	Preferred Stock	Additional Paid-in Capital	Surplus Reserves	Surplus Free						
BALANCE AT JANUARY 1, 2017												
As previously stated		P 36,500	P 5,150	P 70,108	P 2,238	P 107,794	(P 1,688)	(P 4,007)	P 1,005	P 12	(P 2,184)	P 214,928
Effect of restatement	2	-	-	-	-	2,770	-	-	-	-	(2,141)	629
As restated		36,500	5,150	70,108	2,238	110,564	(1,688)	(4,007)	1,005	12	(4,325)	215,557
Transactions with owners	20											
Stock rights issuance		7,164	-	52,662	-	-	-	-	-	-	-	59,826
Issuance of shares during the year		26	-	177	-	-	-	-	-	-	-	203
Cash dividends		-	-	-	-	(5,582)	-	-	-	-	-	(5,582)
		7,190	-	52,839	-	(5,582)	-	-	-	-	-	54,447
Total comprehensive income (loss)		-	-	-	-	28,006	485	(2,445)	-	(14)	1,702	27,734
Transfer from Surplus Free												
Appropriation during the year	20	-	-	-	96	(96)	-	-	-	-	-	-
Trust reserve	20, 26	-	-	-	190	(190)	-	-	-	-	-	-
		-	-	-	286	(286)	-	-	-	-	-	-
Other adjustments												
Change in ownership interest in subsidiaries	28	-	-	-	-	(77)	-	-	-	-	-	(77)
BALANCE AT DECEMBER 31, 2017		P 43,690	P 5,150	P 122,947	P 2,524	P 132,625	(P 1,203)	(P 6,452)	P 1,005	(P 2)	(P 2,623)	P 297,661
BALANCE AT JANUARY 1, 2016												
As previously stated		P 36,453	P 5,150	P 69,917	P 2,028	P 88,804	(P 524)	(P 3,491)	P 1,005	P 10	(P 89)	P 199,263
Effect of restatement	2	-	-	-	-	729	-	-	-	-	(629)	100
As restated		36,453	5,150	69,917	2,028	89,533	(524)	(3,491)	1,005	10	(718)	199,363
Transactions with owners	20											
Issuance of shares during the year		47	-	191	-	-	-	-	-	-	-	238
Cash dividends		-	-	-	-	(4,716)	-	-	-	-	-	(4,716)
		47	-	191	-	(4,716)	-	-	-	-	-	(4,478)
Total comprehensive income (loss)		-	-	-	-	24,057	(1,164)	(516)	-	2	(2,413)	19,966
Transfer from Surplus Free												
Appropriation during the year	20	-	-	-	28	(28)	-	-	-	-	-	-
Trust reserve	20, 26	-	-	-	182	(182)	-	-	-	-	-	-
		-	-	-	210	(210)	-	-	-	-	-	-
Other adjustments												
Effect of restatement on a subsidiary previously classified as an associate	2	-	-	-	-	1,900	-	-	-	-	(1,194)	706
BALANCE AT DECEMBER 31, 2016		P 36,500	P 5,150	P 70,108	P 2,238	P 110,564	(P 1,688)	(P 4,007)	P 1,005	P 12	(P 4,325)	P 215,557
BALANCE AT JANUARY 1, 2015												
As previously stated		P 35,808	P 5,150	P 63,889	P 1,832	P 71,904	P 2,411	(P 3,305)	P 1,024	P 2	P 325	P 179,040
Effect of restatement	2	-	-	-	-	823	-	-	-	-	(760)	63
As restated		35,808	5,150	63,889	1,832	72,727	2,411	(3,305)	1,024	2	(435)	179,103
Transactions with owners	20, 28											
Issuance of shares during the year		645	-	6,028	-	-	-	-	-	-	-	6,673
Cash dividends	20	-	-	-	-	(7,898)	-	-	-	-	-	(7,898)
		645	-	6,028	-	(7,898)	-	-	-	-	-	(1,225)
Total comprehensive income (loss)		-	-	-	-	24,900	(2,935)	(186)	(19)	8	(283)	21,485
Transfer from Surplus Free												
Appropriation during the year	20	-	-	-	25	(25)	-	-	-	-	-	-
Trust reserve	20, 28	-	-	-	171	(171)	-	-	-	-	-	-
		-	-	-	196	(196)	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2015		P 36,453	P 5,150	P 69,917	P 2,028	P 89,533	(P 524)	(P 3,491)	P 1,005	P 10	(P 718)	P 199,363

See Notes to Financial Statements.

BDO UNIBANK, INC. AND SUBSIDIARIES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017, 2016 AND 2015
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group				Parent Bank			
	Notes	2016	(As Restated - see Note 2)	2015	(As Restated - see Note 2)	2016	(As Restated - see Note 2)	2015	(As Restated - see Note 2)
		2017		2017		2017		2017	
CASH FLOWS FROM OPERATING ACTIVITIES									
Profit before tax		P 37,557	P 33,043	P 30,657	P 36,247	P 29,770	P 29,729		
Adjustments for:									
Interest income	21	(99,795)	(82,037)	(72,127)	(93,786)	(76,647)	(68,519)		
Interest received		97,862	80,887	71,124	91,455	75,720	67,778		
Interest expense	22	18,042	16,413	15,166	16,434	14,989	14,238		
Interest paid		(17,650)	(12,488)	(10,577)	(16,085)	(11,117)	(9,730)		
Impairment losses	9, 13, 14	6,537	3,815	3,000	5,809	3,003	2,709		
Depreciation and amortization	11, 12, 13	5,172	4,782	3,961	3,958	3,668	3,085		
Share in net profit of subsidiaries and associates	13	(612)	(481)	(837)	(4,312)	(3,657)	(2,182)		
Fair value losses (gains)	9	(199)	(96)	(121)	(67)	45	(167)		
Income from acquisition of a subsidiary	28	-	(2,214)	-	-	-	-		
Operating profit before changes in operating resources and liabilities		46,914	41,624	40,246	39,653	35,774	36,941		
Decrease (increase) in financial assets at fair value through profit or loss		(1,048)	1,988	(4,714)	(32)	1,076	66		
Increase in loans and other receivables		(259,476)	(226,766)	(176,101)	(255,626)	(219,711)	(219,307)		
Decrease (increase) in investment properties		(3,573)	794	1,072	(3,389)	624	(981)		
Decrease (increase) in other resources		(17,395)	(3,612)	(9,397)	(16,848)	2,722	(5,447)		
Increase in deposit liabilities		215,758	241,312	171,671	212,278	229,972	139,112		
Increase in insurance contract liabilities		6,206	2,486	-	-	-	-		
Increase (decrease) in other liabilities		18,631	13,005	(18,308)	17,244	10,423	(13,863)		
Cash generated from (used in) operations		6,017	69,243	4,469	(6,720)	59,632	(63,479)		
Cash paid for income tax		(8,836)	(6,528)	(4,090)	(7,552)	(5,342)	(3,211)		
Net Cash From (Used in) Operating Activities		(2,819)	62,715	379	(14,272)	54,290	(66,690)		
CASH FLOWS FROM INVESTING ACTIVITIES									
Acquisitions of held-to-maturity (HTM) investments	9	(83,061)	(49,939)	-	(74,111)	(48,139)	-		
Acquisitions of available-for-sale securities	9	(59,161)	(77,520)	(453,010)	(26,052)	(40,953)	(437,205)		
Proceeds from disposals of available-for-sale securities (AFS)		46,033	92,532	449,636	17,816	63,539	493,842		
Maturities of HTM investments		34,503	13,194	-	33,013	12,832	-		
Acquisitions of premises, furniture, fixtures and equipment	11	(6,158)	(5,537)	(6,963)	(4,989)	(3,811)	(4,439)		
Proceeds from disposals of premises, furniture, fixtures and equipment		113	144	126	17	30	73		
Acquisition of a subsidiary	28	-	(2,298)	-	-	(2,298)	-		
Net Cash From (Used in) Investing Activities		(67,731)	(29,424)	(10,211)	(54,306)	(18,800)	(52,271)		
CASH FLOWS FROM FINANCING ACTIVITIES									
Net proceeds from issuance of stock rights	20	59,826	-	-	59,826	-	-		
Proceeds from bills payable	16	342,828	246,547	307,172	172,575	93,177	170,596		
Payments of bills payable	16	(313,242)	(247,420)	(314,679)	(143,071)	(98,122)	(183,460)		
Dividends paid	20	(5,632)	(4,766)	(7,941)	(5,582)	(4,716)	(7,898)		
Proceeds from issuance of common stock		203	238	-	203	238	-		
Net Cash From (Used in) Financing Activities		83,983	(5,401)	(15,448)	83,951	(9,423)	(20,762)		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)		P 13,433	P 27,890	(P 25,280)	P 15,373	P 26,067	(P 35,181)		

	Notes	BDO Unibank Group			Parent Bank		
		2017	2016	2015	2017	2016	2015
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Brought Forward)		P 13,433	P 27,890	(P 25,280)	P 15,373	P 26,067	(P 35,181)
CASH AND CASH EQUIVALENTS ACQUIRED FROM NEW SUBSIDIARY	28	-	851	3,294	-	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	7	40,909	42,729	41,342	39,813	41,767	41,237
Due from Bangko Sentral ng Pilipinas	7	318,002	271,808	269,542	304,285	260,841	258,416
Due from other banks	8	41,794	24,837	45,621	33,463	20,944	43,165
HTM securities	9	894	-	-	894	-	-
Securities purchased under reverse repurchase agreement (SPURRA)	10	14,302	69,490	86,173	7,891	58,431	86,173
Interbank loans receivables	10	72,749	51,139	39,149	72,749	51,139	39,149
Foreign currency notes and coins (PCNC)	13	3,338	3,244	3,406	3,337	3,243	3,406
		491,988	463,247	485,233	462,432	436,365	471,546
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	7	45,006	40,909	42,729	43,882	39,813	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
HTM securities	9	2,097	894	-	2,097	894	-
SPURRA	10	18,260	14,302	69,490	14,872	7,891	58,431
Interbank loans receivables	10	31,576	72,749	51,139	31,576	72,749	51,139
PCNC	13	3,695	3,338	3,244	3,694	3,337	3,243
		P 505,421	P 491,988	P 463,247	P 477,805	P 462,432	P 436,365

Supplemental Information on Noncash Financing and Investing Activities

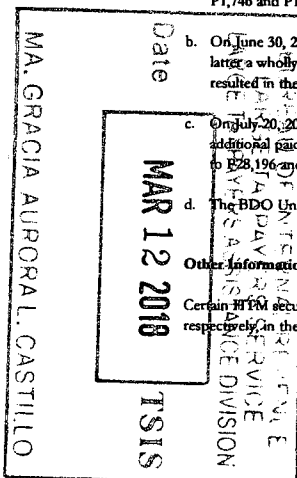
The following are the significant noncash transactions:

- In 2016, after the end of the two-year tainting period, the BDO Unibank Group and the Parent Bank reclassified AFS securities with a carrying value at the reclassification date of P107,362 and P103,014, respectively, and unrealized fair value losses of P2,181 and P2,269, respectively, to HTM investments. Of the reclassified unrealized fair value losses, a total of P621 and P288 in 2017, and P275 and P292 in 2016 were amortized by BDO Unibank Group and the Parent Bank, respectively, resulting in unamortized fair value losses of P1,746 and P1,690 as of December 31, 2017, and P1,906 and P1,977, as of December 31, 2016, respectively (see Note 9).
- On June 30, 2016, the BDO Unibank Group acquired the remaining 60% of the issued and outstanding capital stock of BDO Life Assurance Holdings Corp. (BDO Life) from the Generali Group for a cash consideration and other charges amounting to P2,236, making the latter a wholly-owned subsidiary of the former. As of the date of acquisition, the fair value of previously-held interest of the Parent Bank, total resources and total liabilities of BDO Life amounted to P2,549, P27,454 and P21,083, respectively. The transaction resulted in the recognition in 2016 of gain on fair valuation of previously-held interest and gain on bargain purchase or negative goodwill amounting to P628 and P1,586, respectively, or a total gain on acquisition of subsidiary amounting to P2,214 (see Note 28).
- On July 20, 2015, the Parent Bank acquired 99.59% of the total issued and outstanding capital stock of One Network Bank, Inc. (ONB) in exchange for 64,499,890 common shares of the Parent Bank equivalent to P6,685. The acquisition resulted to recognition of additional paid-in capital amounting to P6,028. Goodwill amounted to P2,903 and non-controlling share in equity totalled P14 at the date the Parent Bank's control was established. As of the date of acquisition, total resources and total liabilities of ONB amounted to P28,196 and P24,398, respectively. In 2016, the Parent Bank acquired additional 324,012 ONB common shares from its total issued and outstanding capital stock for cash of P9. Total additional goodwill recognized in 2016 amounted to P4 (see Note 28).
- The BDO Unibank Group and the Parent Bank foreclosed real and other properties totalling to P11,975 and P11,784, respectively, in 2017, P10,342 and P10,074, respectively, in 2016, P10,135 and P9,840, respectively, in 2015, in settlement of certain loan accounts (see Note 12).

Other Information

Certain HTM securities, SPURRA and interbank loans receivables, and PCNC are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Trading and Investment Securities, Loans and Other Receivables, and Other Resources, respectively, in the statements of financial position (see Note 2.5).

See Notes to Financial Statements.



BDO UNIBANK, INC. AND SUBSIDIARIES
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017, 2016 AND 2015

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

1. CORPORATE MATTERS

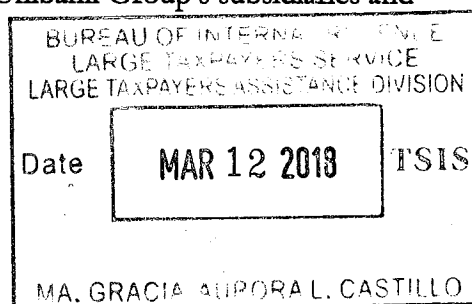
1.1 Incorporation and Operations

BDO Unibank, Inc. (BDO Unibank, BDO or the Parent Bank) was incorporated in the Philippines on December 20, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank on August 5, 1996. The Parent Bank commenced operations as such in September of the same year. The Philippine Securities and Exchange Commission (SEC) granted the Parent Bank extension of its corporate term for another 50 years from December 20, 2017 to until December 20, 2067. The Parent Bank and its subsidiaries (collectively referred to as BDO Unibank Group or the Group) offer a wide range of commercial, investment, private, insurance and other banking services. These services include traditional loan and deposit products, as well as treasury, asset management, realty management, leasing and finance, remittance, trade services, retail cash cards, life insurance and insurance brokerage, credit card services, stock brokerage, trust and others.

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

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE). As of December 31, 2017, BDO Unibank Group had 1,180 branches (including one foreign branch), 2,152 on-site and 1,870 off-site automated teller machines (ATMs) and 428 cash accept machines (CAMs). As of December 31, 2017, the Parent Bank had 1,053 branches (including one foreign branch), 1,979 on-site and 1,809 off-site ATMs and 428 CAMs. The Parent Bank's registered address is at BDO Corporate Center, 7899 Makati Avenue, Makati City.

BDO Unibank Group operates mainly within the Philippines with a banking branch in Hong Kong, a real estate and holding company in Europe, and various remittance subsidiaries operating in Asia, Europe, Canada and the United States. These foreign operations accounted for 1.2%, 1.1% and 1.1% of BDO Unibank Group's total revenues in 2017, 2016 and 2015, respectively, and 1.4% and 1.2% of BDO Unibank Group's total resources as of December 31, 2017 and 2016, respectively. BDO Unibank Group's subsidiaries and associates are shown in Note 13.1.



1.2 Approval of Financial Statements

The financial statements of the BDO Unibank Group and the Parent Bank as of and for the year ended December 31, 2017 (including the comparative financial statements as of December 31, 2016 and for the years ended December 31, 2016 and 2015, and the corresponding figures as of January 1, 2016) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 24, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

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

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

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

(b) Presentation of Financial Statements

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

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

In 2017, the BDO Unibank Group and the Parent Bank made adjustments to its financial statements as of and for the year ended December 31, 2016, and the corresponding figures as of January 1, 2016 as a result of the change in valuation of life insurance reserves of BDO Life Assurance Company, Inc. (BDO Life), from net premium valuation to gross premium valuation as mandated by the Insurance Commission (IC) through its Circular Letter No. 2016-66, *Valuation Standards for Life Insurance Policy Reserves*, effective January 1, 2017. In addition, the Parent Bank restated its equity investments in BDO Life and BDO Nomura Securities, Inc. (BDO Nomura) as the result of the adoption of PAS 27 (Amendments), *Separate Financial Statements – Equity Method in Separate Financial Statement* in 2016.

The effects of these restatements in the financial statements as of and for the year ended December 31, 2016, and the corresponding figures as of January 1, 2016 are summarized as follows:

BDO Unibank Group

		<u>As Previously Reported</u>	<u>Effects of Restatement</u>	<u>As Restated</u>
<u>December 31, 2016</u>				
<i>Changes in statement of financial position</i>				
Resources –				
Loans and other receivables	P	1,573,924	<u>P 41</u>	P 1,573,965
Liabilities –				
Insurance contract liabilities		20,548	17	20,565
Equity:				
Surplus free		109,216	2,207	111,423
Remeasurement on life insurance reserves	-	(	<u>2,183</u>)	(2,183)
			<u>P 41</u>	
<i>Changes in statement of income and other comprehensive income</i>				
Other operating income –				
Foreign exchange gains	P	2,985	(P 7)	P 2,978
Other operating expense:				
Policy reserves, insurance benefits and claims		5,901	(159)	5,742
Fees and commissions		6,632	<u>8</u>	6,640
Net effect in profit or loss			144	
Other comprehensive loss –				
Remeasurement on life insurance reserves	-	(	<u>324</u>)	(324)
			<u>(P 180)</u>	
Earnings per share (EPS)				
Basic	P	7.06	<u>(P 0.25)</u>	P 6.81
Diluted		7.06	<u>(0.25)</u>	6.81
<u>January 1, 2016</u>				
<i>Changes in statement of financial position</i>				
Resources –				
Other resources –				
Equity investments - gross	P	5,741	<u>P 105</u>	P 5,846
Equity:				
Surplus free		88,118	766	88,884
Accumulated share in other comprehensive loss of associates	(	87)	<u>(661)</u>	(748)
			<u>P 105</u>	

		<u>As Previously Reported</u>	<u>Effects of Restatement</u>	<u>As Restated</u>
<u>December 31, 2015</u>				
<i>Changes in statement of income and other comprehensive income</i>				
Other operating income –				
Miscellaneous income	P	2,884	(P 99)	P 2,785
Other comprehensive loss –				
Share in other comprehensive income of subsidiaries and associates	(	356)	<u>138</u>	(218)
			<u>P 39</u>	
EPS				
Basic	P	6.84	(<u>P 0.32</u>)	P 6.52
Diluted		6.84	(<u>0.32</u>)	6.52

January 1, 2015

<i>Changes in statement of financial position</i>				
Resources –				
Other resources –				
Equity investment - gross	P	5,891	<u>P 66</u>	P 5,957
Equity:				
Surplus free		70,242	865	71,107
Accumulated share in other comprehensive loss of associates		269	(<u>799</u>)	(530)
			<u>P 66</u>	

Parent Bank

		<u>As Previously Reported</u>	<u>Effects of Restatement</u>	<u>As Restated</u>
<u>December 31, 2016</u>				
<i>Changes in statement of financial position</i>				
Resources –				
Other resources –				
Equity investments - gross	P	33,444	<u>P 629</u>	P 34,073
Equity:				
Surplus free		107,794	2,770	110,564
Accumulated share in other comprehensive loss of subsidiaries and associates	(	2,184)	(<u>2,141</u>)	(4,325)
			<u>P 629</u>	
<i>Changes in statement of income and other comprehensive income</i>				
Other operating income –				
Share in net income of subsidiaries and associates	P	3,516	P 141	P 3,657
Other comprehensive loss –				
Share in other comprehensive loss of subsidiaries and associates	(	2,095)	(<u>318</u>)	(2,413)
			(<u>P 177</u>)	

		As Previously Reported	Effects of Restatement	As Restated
EPS				
Basic	P	6.47	(<u>P 0.24</u>)	P 6.23
Diluted		6.47	(<u>0.24</u>)	6.23
<u>January 1, 2016</u>				
<i>Changes in statement of financial position</i>				
Resources –				
Other resources –				
Equity investments - gross	P	32,292	<u>P 100</u>	P 32,392
Equity:				
Surplus free		88,804	729	89,533
Accumulated share in other comprehensive loss of subsidiaries and associates	(	89)	(<u>629</u>)	(718)
			<u>P 100</u>	
<u>December 31, 2015</u>				
<i>Changes in statement of income and other comprehensive income</i>				
Other operating income –				
Share in net income of subsidiaries and associates	P	2,276	(P 94)	P 2,182
Other comprehensive loss –				
Share in other comprehensive income of subsidiaries and associates	(	414)	<u>131</u>	(283)
			<u>P 37</u>	
EPS				
Basic	P	6.83	(<u>P 0.31</u>)	P 6.52
Diluted		6.83	(<u>0.31</u>)	6.52
<u>January 1, 2015</u>				
<i>Changes in statement of financial position</i>				
Resources –				
Other resources –				
Equity investments - gross	P	17,027	<u>P 63</u>	P 17,090
Equity:				
Surplus free		71,904	823	72,727
Accumulated share in other comprehensive loss of subsidiaries and associates		325	(<u>760</u>)	(435)
			<u>P 63</u>	

There were no significant changes in the BDO Unibank Group and the Parent Bank's statements of cash flows for the years ended December 31, 2016 and 2015 as a result of the restatement.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, BDO Unibank Group and the Parent Bank's functional and presentation currency, and all values are presented in millions, except for per share data or when otherwise indicated (see also Note 2.24).

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2017 that are Relevant to BDO Unibank Group

BDO Unibank Group adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2017:

PAS 7 (Amendments)	:	Statement of Cash Flows – Disclosure Initiative
PAS 12 (Amendments)	:	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses
Annual Improvements to PFRS (2014-2016 Cycle)		
PFRS 12	:	Disclosure of Interest in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale

Discussed below is the relevant information about these amendments.

- (i) PAS 7 (Amendments), *Statements of Cash Flows – Disclosure Initiative*. The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

Management has applied these amendments in the current year and has not disclosed comparative figures as allowed by the transitional provisions. A reconciliation between the opening and closing balances of liabilities arising from financing activities, which includes both cash and non-cash changes are presented in Note 16.3.

- (ii) PAS 12 (Amendments), *Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses*. The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference. The application of this amendment has no significant impact on BDO Unibank Group's financial statements.
- (iii) Annual improvements to PFRS (2014-2016 Cycle) PFRS 12, *Disclosure of Interests in Other Entities – Scope Clarification on Disclosure of Summarized Financial Information for Interests Classified as Held for Sale*. The amendment clarifies that the disclosure requirements of PFRS 12 applies to interest in other entities classified as held for sale with practical concession in the presentation of summarized financial information. The amendment states that an entity need not present summarized financial information for interests in subsidiaries, associates, or joint ventures that are classified as held for sale. The amendment did not result in additional or changes in the disclosures in the Group's financial statements as the Group has no interest in other entities classified as held for sale.

(b) *Effective Subsequent to 2017 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2017, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions:

- (i) PAS 40 (Amendment), *Investment Property – Reclassification to and from Investment Property* (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on BDO Unibank Group's financial statements.
- (ii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39, *Financial Instruments: Classification and Measurement*, and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:
 - three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;
 - an expected credit loss (ECL) model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements, which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The standard also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

Based on an assessment and comprehensive study of BDO Unibank Group's financial assets and financial liabilities as at December 31, 2017, which has been limited to the facts and circumstances existing at that date, management determined the impact of PFRS 9 (2014) on the financial statements as follows:

- BDO Unibank Group's financial assets at FVTPL are composed of listed equity securities that will not qualify under the SPPI test (see Note 9.1). These financial assets will continue to be measured at fair value, with mark-to-market fluctuations directly recognized in profit or loss, upon application of PFRS 9 (2014).
- Loans and other receivables are composed of receivables from customers and other receivables, which are held to collect contractual cash flows representing SPPI (see Note 10). These financial assets will continue to be measured at amortized cost upon application of PFRS 9 (2014).

- Equity securities classified as available-for-sale (AFS) financial assets are composed of listed equity securities, unquoted equity securities, and golf club shares (see Note 9.2). In applying PFRS 9 (2014), BDO Unibank Group shall make an irrevocable designation whether these equity securities shall be classified as financial assets at FVTPL or at fair value through other comprehensive income (FVTOCI). BDO Unibank Group initially assessed that these equity securities shall be designated, on date of initial application, as financial assets at FVTOCI. Thus, these instruments will continue to be measured at fair value, with mark-to-market fluctuations and realized gain (loss) on sale directly recognized in other comprehensive income (OCI).
- Government and other debt securities classified as AFS securities are composed of local and foreign currencies denominated bonds (see Note 9.2). BDO Unibank Group assessed that these bonds qualify under the SPPI test and the held-to-collect and sell business model. Thus, these bonds will continue to be measured at fair value, with mark-to-market fluctuations recognized in OCI subject to recycling upon disposal of the securities.
- Held-to-maturity (HTM) investments are primarily composed of government and private debt securities bearing fixed interest rates and defined maturity dates (see Note 9.3). BDO Unibank Group initially assessed that the contractual cash flows of government and private debt securities classified in this portfolio qualify under the SPPI test, and these instruments qualify under the held-to-collect (HTC) contractual cash flows business model. Thus, upon application of PFRS 9 (2014), these financial assets will continue to be measured at amortized cost.
- Most of the financial liabilities of BDO Unibank Group are measured at amortized cost. Upon application of PFRS 9 (2014), management has assessed that the amortized cost classification for most of the financial liabilities will be retained.
- In applying the ECL methodology of PFRS 9 (2014), BDO Unibank Group assessed to use the general approach for loan and other receivables, wherein ECL is recognized in one of two measurement bases (12 month ECL or life time ECL). On the other hand, ECL on government and other debt securities classified as AFS financial assets and HTM investments shall be measured using 12-month ECL as these financial assets are assessed to have low credit risk, considering their respective credit ratings. Management has assessed that the application of the ECL model will cause an increase in impairment losses as compared with PAS 39.

- (iii) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combination*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to that sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. Management has initially assessed that these amendments have no material impact on the financial statements of BDO Unibank Group.
- (iv) PFRS 15, *Revenue from Contracts with Customers* (effective from January 1, 2018). This standard will replace PAS 18, *Revenue*, and PAS 11, *Construction Contracts*, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, *Customer Loyalty Programmes*, IFRIC 15, *Agreement for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers* and Standing Interpretations Committee 31, *Revenue – Barter Transactions Involving Advertising Services*. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in this standard for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has initially assessed that this new standard has no material impact on BDO Unibank Group's financial statements.
- (v) IFRIC 22, *Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration* (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this interpretation has no material impact on BDO Unibank Group's financial statements.
- (vi) Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Measuring an Associate or Joint Venture at Fair Value* (effective from January 1, 2018) is relevant to BDO Unibank Group. The amendments clarify that the option for venture capital organization, mutual funds and other similar entities to elect the fair value through profit or loss classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no material impact on the BDO Unibank Group's financial statements.

- (vii) PAS 28 (Amendments), *Investments in Associates – Long-term Interests in Associates and Joint Ventures* (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of these new amendments in its financial statements.
- (viii) PFRS 9 (Amendment), *Financial Instruments – Prepayment Features with Negative Compensation* (effective from January 1, 2019). The amendment clarifies that prepayment features with negative compensation attached to financial instruments may still qualify under the SPPI test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVTOCI. Management is currently assessing the impact of this new standard in its financial statements.
- (ix) PFRS 16, *Leases* (effective from January 1, 2019). The new standard will eventually replace PAS 17, *Leases*.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right of use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similarly to a purchased asset and is subject to depreciation or amortization. The lease liability is accounted for similarly to a financial liability, which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in the financial statements.

- (x) IFRIC 23, *Uncertainty Over Income Tax Treatments* (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires BDO Unibank Group to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, BDO Unibank Group has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this interpretation in its financial statements.
- (xi) Annual Improvements to PFRS 2015 - 2017 Cycle. Among the improvements, the following amendments are relevant to BDO Unibank Group but had no material impact on its financial statements as these amendments merely clarify existing requirements:
- PAS 12 (Amendments), *Income Taxes – Tax Consequences of Dividends*. The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.
 - PAS 23 (Amendments), *Borrowing Costs – Eligibility for Capitalization*. The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.
 - PFRS 3 (Amendments), *Business Combinations* and PFRS 11 (Amendments), *Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation*. The amendments clarify that previously held interest in a joint operation shall be remeasured when the Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

2.3 Basis of Consolidation

The BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Company, and its subsidiaries as enumerated in Note 13.1, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the BDO Unibank Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) *Investments in Subsidiaries*

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

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

The acquisition method is applied to account for acquired subsidiaries (see Note 2.12). Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BDO Unibank Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of BDO Unibank Group's share of the identifiable net assets acquired, is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as a gain in profit or loss (see Note 2.12).

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

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

(b) *Transactions with Non-controlling Interests*

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

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

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

The BDO Unibank Group holds interests in the following subsidiaries:

Subsidiaries	Percentage of Ownership		
	2017	2016	2015
Rural Bank			
One Network Bank, Inc. (A Rural Bank of BDO) (ONB)	99.79%	99.76%	99.63%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	99.88%	99.88%	100%
Private Banking			
BDO Private Bank, Inc. (BDO Private)	100%	100%	100%
Leasing and Finance			
BDO Leasing and Finance, Inc. (BDO Leasing)	88.54%	88.54%	88.54%
Averon Holdings Corporation (Averon)	99.88%	99.88%	100%
BDO Rental, Inc. (BDO Rental)	88.54%	88.54%	88.54%
Securities Companies			
BDO Securities Corporation (BDO Securities)	99.88%	99.88%	100%
BDO Nomura [previously PCIB Securities, Inc. (PCIB Securities)]	51%	51%	100%
Armstrong Securities, Inc. (ASI)	80%	80%	80%
Real Estate Companies			
BDO Strategic Holdings, Inc. (BDOSHI)	100%	100%	100%
BDORO Europe Ltd. (BDORO)	100%	100%	100%
Equimark-NFC Development Corporation (Equimark)	60%	60%	60%

Subsidiaries	Percentage of Ownership		
	2017	2016	2015
Insurance Companies			
BDO Life [previously Generali Pilipinas Life Assurance Company, Inc. (GPLAC)]	100%	100%	40%
BDO Insurance Brokers, Inc. (BDOI)	100%	100%	100%
PCI Insurance Brokers, Inc. (PCI Insurance)	-	100%	100%
BDO Life Assurance Holdings Corp. (BDO Life Holdings) [previously Generali Pilipinas Holdings Company, Inc. (GPHCI)]	-	100%	40%
Remittance Companies			
BDO Remit (USA), Inc.	100%	100%	100%
Express Padala (Hongkong), Ltd.	100%	100%	100%
BDO Remit (Italia) S.p.A	100%	100%	100%
BDO Remit (Japan) Ltd.	100%	100%	100%
BDO Remit (Canada) Ltd.	100%	100%	100%
BDO Remit Limited	100%	100%	100%
BDO Remit (Macau) Ltd.	100%	100%	100%
BDO Remit International Holdings B.V. (BDO RIH) [previously CBN Grupo International Holdings B.V. (CBN Grupo)]	96.32%	96.32%	60%
PCIB Europe S.p.A.	100%	100%	100%
Express Padala Frankfurt GmbH (EPFG)	-	-	100%
Thrift Bank			
BDO Elite Savings Bank, Inc. (BDO Elite)	-	-	98.82%
Banco De Oro Savings Bank, Inc. (BDO Savings formerly Citibank Savings, Inc., or CSI)	-	-	99.99%
Others			
PCI Realty Corporation	100%	100%	100%

Non-controlling interests in 2017 and 2016 represent the interests not held by BDO Unibank Group in ONB, BDO Capital, BDO Leasing, Averon, BDO Rental, BDO Securities, BDO Nomura, ASI, Equimark and BDO RIH.

On March 21, 2016, EPFG has been dissolved from the Commercial Register in Frankfurt, Germany after the liquidation proceedings were completed (see Note 13.1).

In July 2016, BDO Capital, BDO Elite and BDO Savings consummated a three-way merger transaction with BDO Capital as the surviving entity (see Note 28.3).

On September 4, 2017, a downstream merger occurred between BDO Life and BDO Life Holdings resulting in the dissolution of the latter (see Note 28.4).

2.4 Segment Reporting

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

In identifying its operating segments, management generally follows BDO Unibank Group's products and services as disclosed in Note 5, which represent the main products and services provided by BDO Unibank Group.

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

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

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

There have been significant changes in 2016 from prior period in the measurement methods used to determine reported segment information (see Note 5).

2.5 Financial Assets

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

(a) Classification and Measurement of Financial Assets

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, HTM investments and AFS securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for derivative financial instruments and financial assets designated at FVTPL, the designation of financial assets is re-evaluated at the end of each reporting period and at which date, a choice of classification or accounting treatment is available, which is subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their settlement date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the four categories of financial assets is as follows:

(i) Financial Assets at FVTPL

This category includes derivative financial instruments and financial assets that are either classified as held for trading (HFT) or that meet certain conditions and are designated by BDO Unibank Group to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as HFT unless they are designated and effective as hedging instrument. Financial assets at FVTPL include derivatives, quoted equity securities, government bonds and other debt securities.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

(ii) *Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when the BDO Unibank Group provides money, goods or services directly to the debtor with no intention of trading the receivables.

BDO Unibank Group's financial assets categorized as loans and receivables are presented as Cash and cash equivalents, Loans and Other Receivables and certain accounts under Other Resources in the statement of financial position. Cash and cash equivalents consist of cash and other cash items, due from BSP and amounts due from other banks. Loans and other receivables also include receivables from customers and other receivables. Loans and other receivables also includes the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as a deduction from loans and receivables.

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

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in the value of loans and receivables is recognized in profit or loss, except for reclassified financial assets under PAS 39 and PFRS 7, *Financial Instruments: Disclosures*. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PAS 39 and PFRS 7 shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate. SPURRA, wherein BDO Unibank Group enters into short-term purchases of securities under reverse repurchase agreements of substantially identical securities with the BSP, are included in this category. The difference between the sale and repurchase price is recognized as interest and accrued over the life of the agreements using the straight-line method.

(iii) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that BDO Unibank Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included under this category.

HTM investments consists of government and other debt securities. If BDO Unibank Group were to sell other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. The tainting provision will not apply if the sales or reclassifications of HTM investments: (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on its fair value; (ii) occur after BDO Unibank Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of BDO Unibank Group, is nonrecurring and could not have been reasonably anticipated by BDO Unibank Group. Upon tainting, BDO Unibank Group shall not classify any financial assets as HTM investments for the next two reporting periods after the year of tainting.

Subsequent to initial recognition, HTM investments are measured at amortized costs using effective interest method, less impairment losses, if any.

(iv) AFS Securities

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. BDO Unibank Group's AFS securities include government and corporate bonds, equity securities and golf club shares.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes, except for interest and dividend income, impairment loss and foreign exchange differences on monetary assets, which are recognized in profit or loss. When the financial asset is disposed of or is determined to be impaired, that is when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

Non-derivative financial assets classified as AFS securities may be reclassified to loans and receivable category if that financial asset would have met the definition of loans and receivable and if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

If, as a result of a change in intention or ability or in the rare circumstance that a reliable measure of fair value is no longer available or because the two preceding financial years' of tainting have passed, it becomes appropriate to carry a financial asset at cost or amortized cost rather than at fair value, the fair value carrying amount of the financial asset or the financial liability on that date becomes its new cost or amortized cost, as applicable. Any previous gain or loss that has been recognized in other comprehensive income shall be accounted for depending on whether the financial asset is with or without fixed maturity as discussed in the succeeding page.

Previous gain or loss on reclassified AFS securities that has been recognized in other comprehensive income shall be accounted for as follows:

- (i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortized to profit or loss over the remaining life of the HTM investment using the effective interest method. Any difference between the new amortized cost and maturity amount shall also be amortized over the remaining life of the financial asset using the effective interest method, similar to the amortization of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.
- (ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

(b) *Impairment of Financial Assets*

BDO Unibank Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of BDO Unibank Group about certain loss events, including, among others: (i) significant financial difficulty of the issuer or debtor; (ii) a breach of contract, such as a default or delinquency in interest or principal payments; (iii) the probability that the borrower will enter bankruptcy or other financial reorganization; (iv) the disappearance of an active market for that financial asset because of financial difficulties; or, (v) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets. BDO Unibank Group recognizes impairment loss based on the category of financial assets as follows:

(i) *Carried at Amortized Cost – Loans and Receivables and HTM Investments*

BDO Unibank Group first assesses whether objective evidence of impairment exists individually for financial assets either individually or collectively. If BDO Unibank Group determines that no objective evidence of impairment exists for an individually assessed financial asset, BDO Unibank Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables or HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan and receivable or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, BDO Unibank Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, i.e., on the basis of BDO Unibank Group's or BSP's grading process that considers asset type, industry, collateral type, status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by BDO Unibank Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are recognized as an income, which is reported as part of Miscellaneous – net under Other Operating Income account in the statement of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in profit or loss.

When possible, BDO Unibank Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the carrying value of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses account.

In addition, under Section 9(f) of the Rules and Regulations to implement the provisions of RA No. 8556, *The Financing Company Act of 1998*, a 100% allowance is also set up by BDO Leasing, a subsidiary, for the following:

- clean loans and advances past due for a period of more than six months;
- past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;
- past due loans secured by real estate mortgage the title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- when the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
- accrued interest receivable that remains uncollected after six months from the maturity date of the loan to which it accrues; and,
- accounts receivable past due for 361 days or more.

These requirements and conditions were accordingly considered by BDO Unibank Group in the determination of impairment loss provision on assets carried at amortized cost particularly on receivables related to financing.

Moreover, BDO Unibank Group also considers the requirements of BSP Circular No. 855, *Guidelines on Sound Credit Risk Management Practices; Amendments to the Manual of Regulations for Banks and Non-Bank Financial Institutions*, wherein for those loans where objective evidence of impairment does not exist, whether individually or collectively assessed for impairment, an impairment loss is recognized equivalent to the amount of expected loss computed using the loan loss methodology of BDO Unibank Group. Expected loss is computed by considering the probability of default, loss given default and exposure at default of each loan.

(ii) *Carried at Cost – AFS Securities*

BDO Unibank Group assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost, may be impaired. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

(iii) Carried at Fair Value – AFS Securities

In the case of investments classified as AFS securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income as part of equity – is reclassified from other comprehensive income to profit or loss as a reclassification adjustment.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

Gains or losses arising from changes in the fair value of the financial assets at FVTPL category are reported as part of Trading gains – net under Other Operating Income or Expenses accounts in the statement of income in the period in which these arise. Gains or losses arising from changes in the fair value of AFS securities are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified to profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding impaired financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the BDO Unibank Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, BDO Unibank Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If BDO Unibank Group retains substantially all the risks and rewards of ownership of a transferred financial asset, BDO Unibank Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.6 Derivative Financial Instruments and Hedge Accounting

BDO Unibank Group is a party to various foreign currency forwards, cross-currency swaps and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing BDO Unibank Group's foreign exchange and interest rate exposures, as well as for trading purposes.

Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, BDO Unibank Group recognizes profit or loss at initial recognition.

For more complex instruments, BDO Unibank Group uses proprietary models, which usually are developed from recognized valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference in fair value indicated by valuation techniques is recognized as profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

Certain derivatives embedded in other financial instruments are considered as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are bifurcated from the host contracts and are measured at fair value with changes in fair value recognized in profit or loss. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

Certain derivatives may be designated as either: (i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument depends on the hedging relationship designated by BDO Unibank Group.

2.7 Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Property items of the former Equitable PCI Bank (EPCIB), entity merged with BDO Unibank in 2008, stated at appraised values were included in BDO Unibank Group balances at their deemed costs at the date of transition to PFRS in 2005. The revaluation increment is credited to Revaluation Increment account in the equity section of the statement of financial position, net of applicable deferred tax (see Note 2.18).

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

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

Furniture, fixtures and equipment	3 to 15 years
Buildings	10 to 50 years
Leasehold rights and improvements	5 to 10 years

Construction in progress represents properties under construction and is stated at cost. This includes costs of construction and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

Fully depreciated assets are retained in accounts until they are no longer in use and no further change for depreciation is made in respect of those assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.23).

The residual values, estimated useful lives and method of depreciation and amortization of premises, furniture, fixtures and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

2.8 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these properties, the cost is recognized initially at fair value. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 25 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value. Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Notes 2.7 and 2.23).

Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss and is presented as part of Income from assets sold or exchanged under Other Operating Income account in the year of retirement or disposal (see Note 23).

2.9 Real Properties for Development and Sale

Real properties for development and sale (included as part of Other Resources account) consist of subdivision land for sale and development, and land acquired for home building, home development, and other types of real estate development. These are carried at the lower of aggregate cost and net realizable value (NRV). Costs, which are determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land.

Real properties for development and sale are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of these properties is recognized in profit or loss and is presented as part of Income from assets sold or exchanged under Other Operating Income account in the year of retirement or disposal (see Note 23).

2.10 Non-current Assets Held for Sale

Non-current assets held for sale include other properties (chattels) acquired through repossession or foreclosure that BDO Unibank Group intends to sell within one year from the date of classification as held for sale.

BDO Unibank Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond BDO Unibank Group's control and there is sufficient evidence that BDO Unibank Group remains committed to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. The BDO Unibank Group shall recognize an impairment loss for any initial and subsequent write-down of the asset to fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation or amortization.

If BDO Unibank Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the BDO Unibank Group shall cease to classify the asset as held for sale.

The profit or loss arising from the sale of assets held for sale is included as part of Income from assets sold or exchanged under Other Operating Income account in the statement of income (see Note 23).

2.11 Equity Investments

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented as Equity investments under Other Resources account in the statement of financial position) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.23). Associates are all entities over which the BDO Unibank Group and the Parent Bank has significant influence but which are neither subsidiaries nor interest in a joint venture.

Investments in subsidiaries and associates are initially recognized at cost and subsequently accounted for using the equity method.

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

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

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Note 2.23).

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

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

2.12 Business Combination

Business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over BDO Unibank Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.23). Impairment losses on goodwill are not reversed.

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

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

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

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

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

Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting or pooling-of-interest method.

2.13 Other Resources

Other resources pertain to other assets that are controlled by BDO Unibank Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to BDO Unibank Group and the asset has a cost or value that can be measured reliably. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.23).

2.14 Intangible Assets

Intangible assets include goodwill, trading rights, branch licenses, customer lists, trademark and computer software licenses.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but to an annual test for impairment (see Note 2.23). Goodwill is subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units is represented by each primary reporting segment.

Trading rights represent the rights given to securities subsidiaries of BDO Unibank Group engage in stock brokerage to preserve access to the trading facilities and to transact business on PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. BDO Unibank Group has no intention to sell its trading right in the future as it intends to continue to operate its stock brokerage business. The trading right is tested annually for any impairment in realizable value (see Note 2.23).

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks or as provided by the BSP in addition to the current branches of the acquired banks. Branch licenses are assessed as having an indefinite useful life and is tested annually for any impairment (see Note 2.23).

Customer lists consist of information about customers such as their name, contact information, and managed accounts under BDO Unibank Group's trust business. The customer list is classified as intangible asset with indefinite useful life, hence, would be reviewed for impairment in accordance with PAS 36, *Impairment of Assets*, by assessing at each reporting date whether there is any indication that the trust business brought about by the customer lists may be impaired (see Note 2.23).

Branch licenses and customer lists are deemed to have an indefinite useful life as there is no foreseeable limit to the period over which they are expected to generate cash inflows for BDO Unibank Group.

Trademark pertains to the license granted to the Parent Bank for the exclusive right to use the trademark, service mark, name or logo of Diners Card International, Ltd (DCI) in connection with the Parent Bank's operation of Diners Club card business in the Philippines. The trademark is covered by a trademark license agreement with a term of 5 years, renewable every 5 years, subject to certain conditions set by trademark owner. This intangible asset is recognized at an amount equal to the excess of purchase price for the acquisition of Diners credit card portfolio over the acquisition-date fair value of the net assets acquired. It is amortized on a straight-line basis over a finite useful life of five years based on the term of the trademark license agreement, which is deemed to have a finite useful life since renewal is not guaranteed.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

2.15 Financial Liabilities

Financial liabilities include deposit liabilities, bills payable, subordinated notes payable, insurance contract liabilities and other liabilities (including derivatives with negative fair values, except taxes payable, unearned income and capitalized interest and other charges).

Financial liabilities are recognized when BDO Unibank Group becomes a party to the contractual terms of the instrument.

- *Deposit liabilities and other liabilities* are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.
- *Bills payable and subordinated notes payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable and subordinated notes payable are subsequently measured at amortized cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.
- *Derivatives with negative fair values* are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss.
- *Lease deposits from operating and finance leases* (presented as Lease deposits under Other Liabilities account in the statement of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day-one gain and is included as part of Miscellaneous – net under Other Operating Income account in the statement of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense account in the statement of income.
- *Dividend distributions to shareholders* are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and subject to the requirements of BSP Circular 888.
- *Insurance contract liabilities* arose from the following types of insurance contract:
 - *Life insurance contract*

Liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code (the Code) and guidelines set by the IC. The movement in legal policy reserves at each reporting period, except for movements due to the change in valuation discount rate, is recognized in profit or loss.

- *Insurance contracts with fixed and guaranteed terms*

Liabilities are determined as the sum of the present value of future benefits and expenses less the present value of future gross premiums discounted at rates prescribed by the IC. Future cash flows are determined using best estimate assumptions with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience.

BDO Unibank Group has different assumptions for different products. However, the reserves are computed to comply with the statutory requirements, wherein discount rates are based on risk-free discount rates and other assumptions such as mortality, disability, lapse, and expenses take into account BDO Unibank Group's experience.

- *Variable unit-linked insurance contracts.*

BDO Unibank Group, through BDO Life, issues unit-linked insurance contracts. In addition to providing insurance coverage, a unit-linked contract links payments to units of an internal investment fund set up by BDO Unibank Group with the consideration received from the policyholders. Premiums received from the issuance of unit-linked insurance contracts are recognized as premiums revenue. As allowed by PFRS 4, *Insurance Contracts*, BDO Unibank Group chose not to unbundle the investment portion of its unit-linked products.

The reserve for unit-linked liability is increased by additional deposits and changes in unit prices and is decreased by policy administration fees, mortality and surrender charges and any withdrawals. At each reporting date, this reserve is computed on the basis of the number of units allocated to the policyholders multiplied by the unit price of the underlying investment funds. The assets and liabilities underlying the internal investment funds have been consolidated with the general accounts of BDO Unibank Group.

Liability adequacy tests are performed annually to ensure the adequacy of the insurance contract liabilities. In performing these tests, current best estimates of future contractual cash flows, claims handling and policy administration expenses are used. Any deficiency is immediately charged against profit or loss initially by establishing a provision for losses arising from the liability adequacy tests.

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

2.16 Offsetting Financial Instruments

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

2.17 Terminal Value of Leased Assets and Guaranty Deposits on Finance Lease

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

2.18 Equity

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

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

Surplus reserves pertain to a portion of BDO Unibank Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. Surplus reserves also consist of reserve for insurance fund and additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 20.5).

Other reserves pertain to amount recognized from increase in percentage of ownership to any of the subsidiaries of BDO Unibank Group (see Note 20.6).

Surplus free includes all current and prior period results as disclosed in statement of income and which are available and not restricted for use by BDO Unibank Group, reduced by the amounts of dividends declared, if any.

Net unrealized fair value gains (losses) on AFS securities arises from cumulative mark-to-market valuation of outstanding AFS securities.

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

Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is now treated as part of the deemed cost of the assets (see Note 2.7).

Remeasurement on life insurance reserves pertains arises from the increase or decrease of the reserves brought about by changes in discount rates.

Accumulated translation adjustment pertains to foreign exchange differences arising on translation of the resources and liabilities of foreign branch and subsidiaries that are taken up in other comprehensive income (see Note 2.24).

Accumulated share in other comprehensive income (loss) of subsidiaries and associates pertains to changes resulting from the BDO Unibank Group's and the Parent Bank's share in other comprehensive income (loss) of subsidiaries and associates or items recognized directly in the subsidiaries' and associates' equity.

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to BDO Unibank Group, which are presented separately in BDO Unibank Group's statement of income, statement of comprehensive income and within the equity in BDO Unibank Group's statement of financial position and changes in equity.

2.19 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between BDO Unibank Group and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with BDO Unibank Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of BDO Unibank Group that gives them significant influence over BDO Unibank Group and close members of the family of any such individual; and, (d) BDO Unibank Group's retirement plan (see Note 24.2).

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.20 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to the BDO Unibank Group; and the expenses and costs incurred and to be incurred can be measured reliably. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

The following specific recognition criteria of income and expenses must also be met before revenue and expense are recognized:

- (a) *Interest* – Interest income and expenses are recognized in profit or loss for all financial assets or liabilities using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, BDO Unibank Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on finance lease is allocated over the lease term on a systematic and rational basis. The recognition of interest income on finance lease is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

- (b) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided. These include the following accounts:
 - (i) *Commission and fees* arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.
 - (ii) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.
 - (iii) *Arranger fees* arising from negotiating, or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying assumptions.
 - (iv) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.
- (c) *Trust fees* – Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.
- (d) *Trading gain* – Trading gain is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities) and as a result of the mark-to-market valuation of the securities classified as financial assets at FVTPL.
- (e) *Income from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectibility of the entire sales price is reasonably assured. This is included in profit or loss as part of Other Operating Income account.

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

- (f) *Dividend* – Dividend income is recognized when BDO Unibank Group's right to receive dividend is established.
- (g) *Rental income* – Rental income arising from leased properties accounted for as operating lease is recognized on a straight-line basis over the lease terms and is recorded in profit or loss as part of Rental under Other Operating Income account in the statement of income [see Note 2.22 (a)].

- (b) *Insurance premiums* – Premiums from life insurance contracts are recognized as revenue when payable by the policyholders. For single premium contracts, revenue is recognized upon the effective date of the policy. For regular premium contracts, revenues are recorded at the date when payments are due.
- (i) *Insurance benefits and claims* – Life insurance benefits and claims include the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities are recorded when due. Ceded reinsurance recoveries are accounted for in the same period as the underlying claim.

BDO Unibank Group records its revenue at gross and separately recognizes an expense and liability relative to the fair value of the reward points earned by clients and customers [see Note 3.2(i)] since such points are redeemable primarily from the goods or services provided by a third party participating in the program, for example, SM Group (a related party) and rewards partners of the Parent Bank.

2.21 Provisions and Contingencies

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

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

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

2.22 Leases

BDO Unibank Group accounts for its leases as follows:

(a) BDO Unibank Group as Lessor

Leases, wherein BDO Unibank Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to BDO Unibank Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on BDO Unibank Group's net investment outstanding in respect of the finance lease.

Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease collections are recognized as income in profit or loss on a straight-line basis over the lease term.

(b) BDO Unibank Group as Lessee

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

BDO Unibank Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.23 Impairment of Non-financial Assets

BDO Unibank Group's equity investments, goodwill, branch licenses, trading rights, trademark and customer lists recorded as part of Other Resources, premises, furniture, fixtures and equipment, investment properties and other non-financial assets are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill, branch licenses, customer lists and trading rights are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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

2.24 Foreign Currency Transactions and Translations

(a) Foreign Currency Transactions

The financial statements of the Foreign Currency Deposit Unit (FCDU) of BDO Unibank Group are translated at the prevailing current exchange rates (for statement of financial position accounts) and average exchange rate during the period (for statement of income accounts) for consolidation purposes.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as AFS securities are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

(b) Foreign Currency Translation

The accounting records of BDO Unibank Group are maintained in Philippine pesos except for foreign branch and subsidiaries, which are maintained in U.S. dollars, Canadian Dollar (CAD), European Union Euro (Euro), Great Britain Pound (GBP), Japanese Yen (JPY) or Hong Kong Dollars (HKD).

The operating results and financial position of foreign branch and subsidiaries which are measured using the U.S. dollars, CAD, Euro, GBP, JPY or HKD, respectively, are translated to Philippine pesos (BDO Unibank Group's functional currency) as follows:

- (i)* Resources and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- (ii)* Income and expenses for each statement of income are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- (iii)* All resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation due from foreign branch and net investment in foreign subsidiaries is recognized in other comprehensive income as part of Accumulated Translation Adjustment (see Note 2.18). When a foreign operation is sold, the cumulative amount of exchange differences is recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the US dollar, Euro, GBP, JPY or HKD amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.25 Compensation and Benefits Expense

BDO Unibank Group provides post-employment benefits to employees through a defined benefit plan and defined contribution plan, and other employee benefits, which are recognized as follows (see Note 24):

(a) Post-employment Defined Benefit

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with BDO Unibank Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund. BDO Unibank Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) less the fair value of plan assets at the end of reporting period, together with adjustments for asset ceiling. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interpolated yields of government bonds as published by Philippine Dealing & Exchange Corp. (PDEX), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Interest expense on bills payable and other liabilities under Interest Expense account (see Note 22) in the statement of income.

Past-service costs are recognized immediately in profit or loss in the period of plan amendment and curtailment.

(b) *Post-employment Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays fixed contributions into an independent entity, such as the Social Security System. BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) *Termination Benefits*

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

(d) *Bonus Plans*

BDO Unibank Group recognizes a liability and an expense for bonuses based on the Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

(e) *Employee Stock Option Plan*

BDO Unibank Group has an employee stock option plan (ESOP) for its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. The amount of stock options allocated to the qualified officers is based on the performance of the individual officers as determined by management and it requires vesting period of five years. These are adjusted accordingly for any resignation or disqualification. The vested options may be exercised within three years from vesting date. The cost of ESOP is amortized over five years (vesting period) starting from the approval of the BOD. The annual amortization of stock options is included in Compensation and benefits under the Other Operating Expenses account in the statement of income.

(f) *Unavailed Leaves*

Unavailed leaves (excluding those qualified under the retirement benefit plan), included in Other Liabilities account, are recognized as expense at the amount BDO Unibank Group expects to pay at the end of reporting period. Unavailed leaves of employees qualified under the retirement plan are valued and funded as part of the present value of DBO under (a) in the previous page.

2.26 Income Taxes

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

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

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

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which BDO Unibank Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if BDO Unibank Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority (see Note 29.1).

2.27 Earnings Per Share

Basic earnings per share is determined by dividing net profit by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers (to the extent that shares under the stock option plan shall be issued from the unissued authorized capital stock and not purchased from the market or stock exchange).

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. The stock option plan is deemed to have been converted into common stock in the year the stock option is granted.

2.28 Trust Activities

BDO Unibank Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Resources and income arising thereon are excluded from these financial statements, as these are neither resources nor income of BDO Unibank Group.

2.29 Events After the End of the Reporting Period

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

BDO Unibank Group and the Parent Bank's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying BDO Unibank Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Classification of Financial Assets as HTM Investments

BDO Unibank Group follows the guidance of PAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM investments. This classification requires significant judgment. In making this judgment, BDO Unibank Group evaluates its intention and ability to hold such investments up to maturity. If BDO Unibank Group fails to keep these investments to maturity other than for specific circumstances as allowed under the standards, it will be required to reclassify the whole class as AFS securities. In such a case, the investments would, therefore, be measured at fair value, not at amortized cost.

In 2016, after the end of the two-year tainting period, BDO Unibank Group and the Parent Bank reclassified AFS securities with a carrying value of P107,362 and P103,014, respectively, to HTM investments (see Note 9.3).

(b) *Impairment of AFS Securities*

BDO Unibank Group follows the guidance of PAS 39 in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, BDO Unibank Group evaluates, among other factors, the significant or prolonged decline in the fair value of an investment below its cost and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy or financial distress, BDO Unibank Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quote prices for distressed securities) since current bid prices are no longer available.

Based on the recent evaluation of information and circumstances affecting the BDO Unibank Group and the Parent Bank's AFS securities, management has recognized impairment loss on certain AFS securities in 2017 and 2016 as disclosed in Note 9.2. Future changes in those information and circumstances might significantly affect the carrying amount of the assets.

(c) *Distinction Between Investment Properties and Owner-occupied Properties*

BDO Unibank Group determines whether a property qualifies as investment property. In making its judgment, BDO Unibank Group considers whether the property generates cash flows largely independent of the other assets held by BDO Unibank Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), BDO Unibank Group accounts for those portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. BDO Unibank Group considers each property separately in making its judgment.

(d) *Distinction Between Operating and Finance Leases*

BDO Unibank Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources and liabilities.

(e) *Classification of Acquired Properties and Fair Value Determination for Non-current Assets Held for Sale, Investment Properties and Other Properties*

BDO Unibank Group classifies its acquired properties as Premises, Furniture, Fixtures and Equipment if used in operations, chattels as Non-current assets held for sale (presented under Other Resources account) if expected to be recovered through sale rather than use, real properties as Investment Properties if intended to be held for capital appreciation or lease, as Financial Assets if qualified as such in accordance with PAS 39 or as Other properties (presented under Other Resources account) if held for sale but the depreciable properties (other than building) are not yet disposed within three years. At initial recognition, BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

(f) *Assessment of Significant Influence on Entities in which BDO Unibank Group Holds Less than 20% Ownership*

The management considers that the BDO Unibank Group and the Parent Bank has significant influence on NLEX Corporation (previously Manila North Tollways Corporation) even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the BDO Unibank Group's and the Parent Bank's voting rights, which is based from its acquired right to nominate for a director in NLEX Corporation as granted in the Amended and Restated Shareholders' Agreement (ARSA).

ARSA provides that investors shall be entitled to nominate one director for as long as it owns at least 10% of the equity of NLEX Corporation, or shall be entitled to nominate two directors for as long as it owns at least 16.5% of the equity of NLEX Corporation. Failure to make the right judgment will result in either overstatement or understatement of resources, liabilities, income and expenses.

(g) *Recognition of Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.21 and relevant disclosures are presented in Note 33.

3.2 Key Sources of Estimation Uncertainty

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

(a) Estimation of Impairment of Financial Assets (AFS Securities, HTM Investments and Loans and Other Receivables)

BDO Unibank Group reviews its AFS securities [see also Note 3.1 (b)], HTM investments and Loans and other receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, BDO Unibank Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The total impairment losses on financial assets recognized in profit or loss is presented in Note 14.

(b) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. BDO Unibank Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

(c) Determination of Fair Value of Derivatives

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation.

Valuation techniques are used to determine fair values, which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions and correlations require management to make estimates. BDO Unibank Group and the Parent Bank use judgment to select a variety of methods and make assumptions that are mainly based on conditions existing at the end of each reporting period.

(d) *Estimation of Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources*

BDO Unibank Group estimates the useful lives of premises, furniture, fixtures and equipment, investment properties and other properties, including trademark, based on the period over which the assets are expected to be available for use. The estimated useful lives of premises, furniture, fixtures and equipment, investment properties and other properties, including trademark, are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 11 while investment properties and other resources, including trademark, are analyzed in Notes 12 and 13, respectively. Based on management's assessment as of December 31, 2017, there is a change in estimated useful lives for buildings, leasehold rights and improvements, and furniture fixtures and equipment (see Note 2.7) while no changes were assessed as of December 31, 2016. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(e) *Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 12 to the financial statements as determined by BDO Unibank Group and the Parent Bank using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period, such as: selling price under installment sales; expected timing of sale; and appropriate discount rates. The expected selling price is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition (see Note 6.5).

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) *Determination of Realizable Amount of Deferred Tax Assets*

BDO Unibank Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2017 and 2016 is disclosed in Note 29.1.

(g) *Impairment of Non-financial Assets*

Except for certain intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. BDO Unibank Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.23. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 14.

(h) *Valuation of Post-employment Defined Benefit*

The determination of BDO Unibank Group's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 24.2 and include, among others, discount rates, expected rate of return on plan asset and salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions in estimating such obligation are presented in Note 24.2.

(i) *Recognition of Reward Points*

BDO Unibank Group provides rewards points to its banking clients and customers each time they avail of the pre-identified products and services of the Parent Bank and the companies which the Parent Bank has identified as partners in the rewards program. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain loyalty points for credit card have no expiration date unless the credit card is cancelled but for other rewards program, unredeemed points may expire at some future date.

BDO Unibank Group sets up a liability to cover the cost of future reward redemptions for points earned to date. The estimated liability is based upon points earned by the clients and the current cost per point of redemption. The estimated points to be redeemed are measured and adjusted based on many factors including but not limited to past redemption behavior of the clients, product type on which the points are earned and their ultimate redemption rate on the points earned to date but not yet redeemed.

BDO Unibank Group continually evaluates its estimates for rewards based on developments in redemption patterns, cost per point redeemed and other factors. The estimated liability for unredeemed points is impacted over time by enrollment levels, amount of points earned and redeemed, weighted-average cost per point, redemption choices made by the clients and other membership rewards program changes. The calculation is most sensitive to changes in the estimated ultimate redemption rate. This rate is based on the expectation that a large majority of all points earned will eventually be redeemed and the rewards will be redeemed through goods or services supplied by a third party based on BDO Unibank Group's past experience.

The carrying value of the rewards points accrued by BDO Unibank Group and the Parent Bank is presented as part of Accrued expenses under Other Liabilities account in the statements of financial position as disclosed in Note 19.

(j) *Valuation of Legal Policy Reserves*

Legal policy reserves represent estimates of present value of future benefits and expenses in excess of present value of future gross premiums. These estimates are based on interest rates, mortality/morbidity tables, and valuation method subject to the provisions of the Code and guidelines set by IC.

The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used relate to mortality, morbidity, lapse, and discount rate.

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the BDO Unibank Group is exposed to risk. The BDO Unibank Group uses mortality tables and lapse rates subject to the guidelines set by the IC as the basis of these estimates. The estimated number of lapses, deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the BDO Unibank Group will pursue its strategy and business plans to provide consistent quality service to its customers, to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its depositors and regulators.

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

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

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

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

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

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

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

BDO Unibank Group operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market (foreign exchange, interest rate, and price risks), liquidity, and operational risks. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Group's activities across the different risk areas (i.e., credit, market, liquidity and operational risks) to optimize the risk-reward balance and maximize return on capital. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Group is exposed. RMG functionally reports to the RMC.

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

4.1 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. BDO Unibank Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage liquidity gaps, regular liquidity stress testing, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions.

The analysis of the maturity groupings of resources, liabilities and off-book items as of December 31, 2017 and 2016 in accordance with account classification of the BSP, is presented below and in the succeeding pages. The amounts disclosed in the maturity analysis are the contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

BDO Unibank Group

	2017				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 45,006	P -	P -	P -	P 45,006
Due from BSP and other banks	398,616	49	-	6,122	404,787
Loans and other receivables - net	408,844	167,513	270,974	944,455	1,791,786
Trading and investment securities	13,356	17,175	99,965	202,431	332,927
Other resources - net*	<u>1</u>	<u>50</u>	<u>236</u>	<u>93,311</u>	<u>93,598</u>
Total Resources	<u>865,823</u>	<u>184,787</u>	<u>371,175</u>	<u>1,246,319</u>	<u>2,668,104</u>
Liabilities and Equity:					
Deposit liabilities	326,951	17,092	31,229	1,745,740	2,121,012
Bills and subordinated notes payable	60,982	3,739	32,589	43,204	140,514
Insurance contract liabilities	(91)**	(943)**	(1,001)**	28,021	25,986
Other liabilities	<u>25,663</u>	<u>3,421</u>	<u>4,044</u>	<u>49,124</u>	<u>82,252</u>
Total Liabilities	413,505	23,309	66,861	1,866,089	2,369,764
Equity	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,340</u>	<u>298,340</u>
Total Liabilities and Equity	<u>413,505</u>	<u>23,309</u>	<u>66,861</u>	<u>2,164,429</u>	<u>2,668,104</u>
On-book gap	<u>452,318</u>	<u>161,478</u>	<u>304,314</u>	(918,110)	-
Cumulative on-book gap	<u>452,318</u>	<u>613,796</u>	<u>918,110</u>	-	-
Contingent assets	180,924	20,609	28,751	8,947	239,231
Contingent liabilities	<u>240,663</u>	<u>21,653</u>	<u>28,292</u>	<u>8,824</u>	<u>299,432</u>
Off-book gap	(59,739)	(1,044)	459	123	(60,201)
Net Periodic Gap	<u>392,579</u>	<u>160,434</u>	<u>304,773</u>	(917,987)	<u>60,201</u>
Cumulative Total Gap	<u>P 392,579</u>	<u>P 553,013</u>	<u>P 857,786</u>	<u>(P 60,201)</u>	<u>P -</u>

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

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

BDO Unibank Group

2016 (As Restated - see Note 2.1)					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 40,909	P -	P -	P -	P 40,909
Due from BSP and other banks	359,777	12	3	4	359,796
Loans and other receivables - net	449,361	166,898	207,283	750,423	1,573,965
Trading and investment securities	49,247	11,451	71,814	136,530	269,042
Other resources - net*	-	-	-	81,287	81,287
Total Resources	<u>899,294</u>	<u>178,361</u>	<u>279,100</u>	<u>968,244</u>	<u>2,324,999</u>
Liabilities and Equity:					
Deposit liabilities	316,442	4,949	18,924	1,564,889	1,905,204
Bills and subordinated notes payable	43,573	8,429	33,641	24,943	110,586
Insurance contract liabilities	(218)**	(1,292)**	(1,130)**	23,205	20,565
Other liabilities	<u>20,569</u>	<u>3,944</u>	<u>3,965</u>	<u>42,607</u>	<u>71,085</u>
Total Liabilities	380,366	16,030	55,400	1,655,644	2,107,440
Equity	-	-	-	217,559	217,559
Total Liabilities and Equity	<u>380,366</u>	<u>16,030</u>	<u>55,400</u>	<u>1,873,203</u>	<u>2,324,999</u>
On-book gap	<u>518,928</u>	<u>162,331</u>	<u>223,700</u>	(904,959)	-
Cumulative on-book gap	<u>518,928</u>	<u>681,259</u>	<u>904,959</u>	-	-
Contingent assets	109,497	44,011	21,765	15,064	190,337
Contingent liabilities	<u>149,235</u>	<u>46,744</u>	<u>21,322</u>	<u>14,807</u>	<u>232,108</u>
Off-book gap	(39,738)	(2,733)	443	257	(41,771)
Net Periodic Gap	<u>479,190</u>	<u>159,598</u>	<u>224,143</u>	(904,702)	41,771
Cumulative Total Gap	<u>P 479,190</u>	<u>P 638,788</u>	<u>P 862,931</u>	<u>(P 41,771)</u>	<u>P -</u>

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

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

Parent Bank

	2017				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 43,882	P -	P -	P -	P 43,882
Due from BSP and other banks	381,681	-	-	3	381,684
Loans and other receivables - net	384,751	151,588	246,066	948,327	1,730,732
Trading and investment securities	4,164	13,773	88,021	152,256	258,214
Other resources - net*	-	-	-	110,113	110,113
Total Resources	<u>814,478</u>	<u>165,361</u>	<u>334,087</u>	<u>1,210,699</u>	<u>2,524,625</u>
Liabilities and Equity:					
Deposit liabilities	311,235	15,948	29,734	1,688,404	2,045,321
Bills and subordinated notes payable	39,966	2,411	23,031	50,245	115,653
Other liabilities	<u>22,399</u>	<u>749</u>	<u>-</u>	<u>42,842</u>	<u>65,990</u>
Total Liabilities	373,600	19,108	52,765	1,781,491	2,226,964
Equity	-	-	-	297,661	297,661
Total Liabilities and Equity	<u>373,600</u>	<u>19,108</u>	<u>52,765</u>	<u>2,079,152</u>	<u>2,524,625</u>
On-book gap	<u>440,878</u>	<u>146,253</u>	<u>281,322</u>	(<u>868,453</u>)	-
Cumulative on-book gap	<u>440,878</u>	<u>587,131</u>	<u>868,453</u>	-	-
Contingent assets	175,855	17,901	7,009	715	201,480
Contingent liabilities	<u>235,649</u>	<u>19,086</u>	<u>6,917</u>	<u>697</u>	<u>262,349</u>
Off-book gap	(<u>59,794</u>)	(<u>1,185</u>)	<u>92</u>	<u>18</u>	(<u>60,869</u>)
Net Periodic Gap	<u>381,084</u>	<u>145,068</u>	<u>281,414</u>	(<u>868,435</u>)	<u>60,869</u>
Cumulative Total Gap	<u>P 381,084</u>	<u>P 526,152</u>	<u>P 807,566</u>	(<u>P 60,869</u>)	<u>P -</u>

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

Parent Bank

		2016 (As Restated - see Note 2.1)				
		One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:						
Cash and other cash items	P	39,813	P -	P -	P -	P 39,813
Due from BSP and other banks		337,744	-	-	4	337,748
Loans and other receivables - net		406,639	149,649	182,503	773,190	1,511,981
Trading and investment securities		40,886	9,141	66,022	91,837	207,886
Other resources - net*		-	-	-	92,292	92,292
Total Resources		<u>825,082</u>	<u>158,790</u>	<u>248,525</u>	<u>957,323</u>	<u>2,189,720</u>
Liabilities and Equity:						
Deposit liabilities		301,516	4,137	17,447	1,509,913	1,833,013
Bills and subordinated notes payable		28,301	6,827	25,760	24,942	85,830
Other liabilities		<u>19,325</u>	<u>1,491</u>	<u>-</u>	<u>34,504</u>	<u>55,320</u>
Total Liabilities		349,142	12,455	43,207	1,569,359	1,974,163
Equity		-	-	-	215,557	215,557
Total Liabilities and Equity		<u>349,142</u>	<u>12,455</u>	<u>43,207</u>	<u>1,784,916</u>	<u>2,189,720</u>
On-book gap		<u>475,940</u>	<u>146,335</u>	<u>205,318</u>	<u>(827,593)</u>	<u>-</u>
Cumulative on-book gap		<u>475,940</u>	<u>622,275</u>	<u>827,593</u>	<u>-</u>	<u>-</u>
Contingent assets		102,251	20,914	4,781	2,140	130,086
Contingent liabilities		<u>141,816</u>	<u>23,905</u>	<u>4,690</u>	<u>2,120</u>	<u>172,531</u>
Off-book gap	(	<u>39,565)</u>	(<u>2,991)</u>	<u>91</u>	<u>20</u>	(<u>42,445)</u>
Net Periodic Gap		<u>436,375</u>	<u>143,344</u>	<u>205,409</u>	<u>(827,573)</u>	<u>42,445</u>
Cumulative Total Gap	P	<u>436,375</u>	P <u>579,719</u>	P <u>785,128</u>	(P <u>42,445)</u>	P <u>-</u>

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

4.2 Market Risk

BDO Unibank Group's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities, equity securities and derivatives. BDO Unibank Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. Market Risk Management recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and the BOD.

4.2.1 Foreign Exchange Risk

BDO Unibank Group manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

BDO Unibank Group's net foreign exchange exposure is computed as its foreign currency resources less foreign currency liabilities. BSP regulations impose a cap of 20% of unimpaired capital or US\$50, whichever is lower, on the group excess foreign exchange holding of banks in the Philippines. BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in BDO Unibank Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. BDO Unibank Group, being a major market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

BDO Unibank Group's foreign exchange exposure at end-of-day is guided by the limits set forth in BDO Unibank Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, BDO Unibank Group reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries.

The breakdown of the financial assets and financial liabilities as to foreign and peso-denominated balances as of December 31, 2017 and 2016 follows:

BDO Unibank Group

	2017			2016 (As Restated - see Note 2.1)		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items						
and due from BSP	P 222	P 398,092	P 398,314	P 183	P 358,728	P 358,911
Due from other banks	50,499	980	51,479	38,360	3,434	41,794
Trading and investment securities:						
At FVTPL	5,181	9,529	14,710	4,091	9,933	14,024
AFS securities	72,443	48,576	121,019	70,746	37,386	108,132
HTM securities	119,011	78,187	197,198	103,493	43,393	146,886
Loans and other receivables	277,416	1,514,370	1,791,786	257,580	1,316,385	1,573,965
Other resources	4,997	558	5,555	5,562	370	5,932
	<u>P 529,769</u>	<u>P 2,050,292</u>	<u>P 2,580,061</u>	<u>P 480,015</u>	<u>P 1,769,629</u>	<u>P 2,249,644</u>
Liabilities:						
Deposit liabilities	P 395,183	P 1,725,829	P 2,121,012	P 384,021	P 1,521,183	P 1,905,204
Bills payable	106,293	24,191	130,484	76,177	24,379	100,556
Subordinated notes payable	-	10,030	10,030	-	10,030	10,030
Insurance contract liabilities	7,081	18,905	25,986	6,498	14,067	20,565
Other liabilities	6,387	66,978	73,365	5,794	60,068	65,862
	<u>P 514,944</u>	<u>P 1,845,933</u>	<u>P 2,360,877</u>	<u>P 472,490</u>	<u>P 1,629,727</u>	<u>P 2,102,217</u>

Parent Bank

	2017			2016		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items						
and due from BSP	P 50	P 384,428	P 384,478	P 35	P 344,063	P 344,098
Due from other banks	41,031	57	41,088	33,424	39	33,463
Trading and investment securities:						
At FVTPL	3,689	571	4,260	2,917	1,381	4,298
AFS securities	57,078	13,154	70,232	53,862	8,775	62,637
HTM securities	116,987	66,735	183,722	102,895	38,056	140,951
Loans and other receivables	275,362	1,455,370	1,730,732	258,902	1,253,079	1,511,981
Other resources	3,969	272	4,241	3,468	272	3,740
	<u>P 498,166</u>	<u>P 1,920,587</u>	<u>P 2,418,753</u>	<u>P 455,503</u>	<u>P 1,645,665</u>	<u>P 2,101,168</u>
Liabilities:						
Deposit liabilities	P 373,386	P 1,671,935	P 2,045,321	P 368,656	P 1,464,357	P 1,833,013
Bills payable	105,623		105,623	75,796	4	75,800
Subordinated notes payable	-	10,030	10,030	-	10,030	10,030
Other liabilities	6,078	52,554	58,632	4,644	46,472	51,116
	<u>P 485,087</u>	<u>P 1,734,519</u>	<u>P 2,219,606</u>	<u>P 449,096</u>	<u>P 1,520,863</u>	<u>P 1,969,959</u>

4.2.2 Interest Rate Risk

BDO Unibank Group prepares gap analysis to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give BDO Unibank Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2017 and 2016 based on the expected interest realization or recognition are shown in the succeeding pages.

BDO Unibank Group

	2017					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 45,006	P 45,006
Due from BSP and other banks	24,454	-	-	-	380,333	404,787
Loans and other Receivables - net	934,347	168,161	476,642	212,636	-	1,791,786
Trading and investment securities	6,373	17,422	177,254	117,167	14,711	332,927
Other resources - net*	-	-	-	-	93,598	93,598
Total Resources	965,174	185,583	653,896	329,803	533,648	2,668,104
Liabilities and Equity:						
Deposit liabilities	431,836	71,020	90,666	26,796	1,500,694	2,121,012
Bills and subordinated notes payable	74,537	2,874	34,805	27,998	300	140,514
Insurance contract liabilities**	(360)	(1,074)	(21)	21,256	6,185	25,986
Other liabilities	1,272	2,044	4,013	74	74,849	82,252
Total Liabilities	507,285	74,864	129,463	76,124	1,582,028	2,369,764
Equity	-	-	-	-	298,340	298,340
Total Liabilities and Equity	507,285	74,864	129,463	76,124	1,880,368	2,668,104
On-book gap	457,889	110,719	524,433	253,679	(1,346,720)	-
Cumulative on-book gap	457,889	568,608	1,093,041	1,346,720	-	-
Contingent assets	8,134	777	-	-	-	8,911
Contingent liabilities	8,023	749	-	-	-	8,772
Off-book gap	111	28	-	-	-	139
Net Periodic Gap	458,000	110,747	524,433	253,679	(1,346,720)	(139)
Cumulative Total Gap	P 458,000	P 568,747	P 1,093,180	P 1,346,859	P 139	P -

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

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

BDO Unibank Group

		2016 (As Restated - see Note 2.1)									
		One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total				
Resources:											
Cash and other cash items	P	-	P	-	P	-	P	40,909	P	40,909	
Due from BSP and other banks		26,578		6		5		-		333,207	359,796
Loans and other Receivables - net		852,349		115,508		379,742		226,366		-	1,573,965
Trading and investment securities		43,297		11,451		130,840		69,430		14,024	269,042
Other resources - net*		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>81,287</u>	<u>81,287</u>
Total Resources		<u>922,224</u>		<u>126,965</u>		<u>510,587</u>		<u>295,796</u>		<u>469,427</u>	<u>2,324,999</u>
Liabilities and Equity:											
Deposit liabilities		398,410		58,857		92,720		17,402		1,337,815	1,905,204
Bills and subordinated notes payable		49,903		8,429		41,337		10,030		887	110,586
Insurance contract liabilities		-		-		-		-		20,565	20,565
Other liabilities		<u>925</u>		<u>2,652</u>		<u>4,086</u>		<u>64</u>		<u>63,358</u>	<u>71,085</u>
Total Liabilities		449,238		69,938		138,143		27,496		1,422,625	2,107,440
Equity		<u>-</u>		<u>-</u>		<u>-</u>		<u>-</u>		<u>217,559</u>	<u>217,559</u>
Total Liabilities and Equity		<u>449,238</u>		<u>69,938</u>		<u>138,143</u>		<u>27,496</u>		<u>1,640,184</u>	<u>2,324,999</u>
On-book gap		<u>472,986</u>		<u>57,027</u>		<u>372,444</u>		<u>268,300</u>	(	<u>1,170,757</u>)	-
Cumulative on-book gap		<u>472,986</u>		<u>530,013</u>		<u>902,457</u>		<u>1,170,757</u>		-	-
Contingent assets		15,388		1,727		-		-		-	17,115
Contingent liabilities		<u>15,530</u>		<u>1,740</u>		-		-		-	17,270
Off-book gap	(	<u>142</u>)	(	<u>13</u>)		-		-		-	(155)
Net Periodic Gap		<u>472,844</u>		<u>57,014</u>		<u>372,444</u>		<u>268,300</u>	(	<u>1,170,757</u>)	155
Cumulative Total Gap	P	<u>472,844</u>	P	<u>529,858</u>	P	<u>902,302</u>	P	<u>1,170,602</u>	(P	<u>155</u>)	P -

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

Parent Bank

	2017					
	<u>One to Three Months</u>	<u>More Than Three Months to One Year</u>	<u>More Than One Year to Five Years</u>	<u>More Than Five Years</u>	<u>Non-rate Sensitive</u>	<u>Total</u>
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 43,882	P 43,882
Due from BSP and other banks	22,869	-	-	-	358,815	381,684
Loans and other Receivables - net	908,641	143,781	452,603	225,707	-	1,730,732
Trading and investment securities	1,506	14,020	155,250	83,178	4,260	258,214
Other resources - net*	-	-	-	-	110,113	110,113
Total Resources	<u>933,016</u>	<u>157,801</u>	<u>607,853</u>	<u>308,885</u>	<u>517,070</u>	<u>2,524,625</u>
Liabilities and Equity:						
Deposit liabilities	395,423	65,866	84,701	30,546	1,468,785	2,045,321
Bills and subordinated notes payable	46,639	1,273	32,471	35,270	-	115,653
Other liabilities	-	749	-	-	65,241	65,990
Total Liabilities	442,062	67,888	117,172	65,816	1,534,026	2,226,964
Equity	-	-	-	-	297,661	297,661
Total Liabilities and Equity	<u>442,062</u>	<u>67,888</u>	<u>117,172</u>	<u>65,816</u>	<u>1,831,687</u>	<u>2,524,625</u>
On-book gap	<u>490,954</u>	<u>89,913</u>	<u>490,681</u>	<u>243,069</u>	(<u>1,314,617</u>)	<u>-</u>
Cumulative on-book gap	<u>490,954</u>	<u>580,867</u>	<u>1,071,548</u>	<u>1,314,617</u>	<u>-</u>	<u>-</u>
Contingent assets	3,779	-	-	-	-	3,779
Contingent liabilities	<u>3,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,779</u>
Off-book gap	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Periodic Gap	<u>490,954</u>	<u>89,913</u>	<u>490,681</u>	<u>243,069</u>	(<u>1,314,617</u>)	<u>-</u>
Cumulative Total Gap	<u>P 490,954</u>	<u>P 580,867</u>	<u>P 1,071,548</u>	<u>P 1,314,617</u>	<u>P -</u>	<u>P -</u>

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

Parent Bank

		2016 (As Restated - see Note 2.1)						
		One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total	
Resources:								
Cash and other								
cash items	P	-	P	-	P	-	P	39,813
Due from BSP and								
other banks		16,550	-	-	-	321,198		337,748
Loans and other								
Receivables - net		852,895	93,332	354,502	211,252	-		1,511,981
Trading and								
investment								
securities		38,922	9,141	114,999	40,526	4,298		207,886
Other resources - net*		-	-	-	-	92,292		92,292
Total Resources		<u>908,367</u>	<u>102,473</u>	<u>469,501</u>	<u>251,778</u>	<u>457,601</u>		<u>2,189,720</u>
Liabilities and Equity:								
Deposit liabilities		358,995	55,880	87,386	17,402	1,313,350		1,833,013
Bills and subordinated								
notes payable		28,138	6,827	40,835	10,030	-		85,830
Other liabilities		-	1,491	-	-	53,829		55,320
Total Liabilities		<u>387,133</u>	<u>64,198</u>	<u>128,221</u>	<u>27,432</u>	<u>1,367,179</u>		<u>1,974,163</u>
Equity		-	-	-	-	215,557		215,557
Total Liabilities and Equity		<u>387,133</u>	<u>64,198</u>	<u>128,221</u>	<u>27,432</u>	<u>1,582,736</u>		<u>2,189,720</u>
On-book gap		<u>521,234</u>	<u>38,275</u>	<u>341,280</u>	<u>224,346</u>	(<u>1,125,135</u>)		-
Cumulative on-book gap		<u>521,234</u>	<u>559,509</u>	<u>900,789</u>	<u>1,125,135</u>	-		-
Contingent assets		9,867	-	-	-	-		9,867
Contingent liabilities		<u>9,961</u>	-	-	-	-		<u>9,961</u>
Off-book gap	(	<u>94</u>)	-	-	-	-	(	<u>94</u>)
Net Periodic Gap		<u>521,140</u>	<u>38,275</u>	<u>341,280</u>	<u>224,346</u>	(<u>1,125,135</u>)		<u>94</u>
Cumulative Total Gap	P	<u>521,140</u>	P <u>559,415</u>	P <u>900,695</u>	P <u>1,125,041</u>	(P <u>94</u>)	P	<u>-</u>

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

The BDO Unibank Group and the Parent Bank's market risk management limits are generally categorized as limits on:

- Value-at-risk (VaR) – The RMG computes the VaR benchmarked at a level, which is a percentage of projected earnings. The BDO Unibank Group and the Parent Bank uses the VaR model to estimate the daily potential loss that the BDO Unibank Group and the Parent Bank can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over limits should only arise in very exceptional circumstances.
- Stop loss – The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.
- Nominal position – The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other established limits.
- Trading volume – The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.
- Earnings-at-risk – The RMG computes the earnings-at-risk based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures in BDO Unibank Group and Parent Bank's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The BDO Unibank Group and the Parent Bank uses a 99% confidence level and a 260-day observation period in VaR calculation. The BDO Unibank Group and the Parent Bank's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in the BDO Unibank Group and the Parent Bank's portfolios exceed tolerable levels. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A one-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and,

- The VaR measure is dependent upon the BDO Unibank Group and the Parent Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice-versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Parent Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Parent Bank's overall position. Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the trading portfolios at December 31 follows:

BDO Unibank Group

	<u>2017</u>		<u>2016</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 11)	(P 217)	(P 16)	(P 252)
Interest rate risk – Peso	(59)	(651)	(104)	(1,104)
Interest rate risk – USD	(15)	(489)	(23)	(339)
	<u>(P 85)</u>	<u>(P 1,357)</u>	<u>(P 143)</u>	<u>(P 1,695)</u>

Parent Bank

	<u>2017</u>		<u>2016</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 9)	(P 191)	(P 15)	(P 248)
Interest rate risk – Peso	(19)	(241)	(51)	(345)
Interest rate risk – USD	(11)	(340)	(17)	(203)
	<u>(P 39)</u>	<u>(P 772)</u>	<u>(P 83)</u>	<u>(P 796)</u>

The earnings-at-risk before tax in a rising and declining interest rate scenario for financial assets and liabilities repriced during 2017 and 2016 is shown below.

BDO Unibank Group

		2017			
		Change in Interest Rates (in basis points)			
		-100	+100	-50	+50
Change on annualized net interest income		(P 4,719)	P 4,719	(P 2,360)	P 2,360
As a percentage of the BDO Unibank Group's net interest income for 2017		(6%)	6%	(3%)	3%
Earnings-at-risk		P 8,972			
		2016			
		Change in Interest Rates (in basis points)			
		-100	+100	-50	+50
Change on annualized net interest income		(P 4,675)	P 4,675	(P 2,337)	P 2,337
As a percentage of the BDO Unibank Group's net interest income for 2016		(7.1%)	7.1%	(3.5%)	3.5%
Earnings-at-risk		P 11,180			

Parent Bank

		2017			
		Change in Interest Rates (in basis points)			
		-100	+100	-50	+50
Change on annualized net interest income		(P 4,966)	P 4,966	(P 2,483)	P 2,483
As a percentage of the Parent Bank's net interest income for 2017		(6%)	6%	(3%)	3%
Earnings-at-risk		P 9,528			
		2016			
		Change in Interest Rates (in basis points)			
		-100	+100	-50	+50
Change on annualized net interest income		(P 4,796)	P 4,796	(P 2,398)	P 2,398
As a percentage of the Parent Bank's net interest income for 2016		(7.8%)	7.8%	(3.9%)	3.9%
Earnings-at-risk		P 11,776			

4.2.3 Price Risk

The BDO Unibank Group and the Parent Bank is exposed to equity securities price risk because of investments in equity securities held by BDO Unibank Group and Parent Bank classified on the statement of financial position either as AFS securities, HFT securities or financial assets at FVTPL. The BDO Unibank Group and the Parent Bank is not exposed to commodity price risk. To manage its price risk arising from investments in listed equity securities, BDO Unibank Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by BDO Unibank Group.

The table below summarizes the impact of equity prices on listed equity securities classified as HFT securities or financial assets at FVTPL and AFS securities on BDO Unibank Group and Parent Bank's net profit after tax and equity as of December 31, 2017 and 2016. The results are based on the volatility assumption of the benchmark equity index, which was 2.04% in 2017 and 2016 for securities classified as HFT securities or financial assets at FVTPL and AFS securities, with all other variables held constant and all the BDO Unibank Group and the Parent Bank's equity instruments moved according to the historical correlation with the index.

BDO Unibank Group

	Impact on Net Profit After Tax			Impact on Other Comprehensive Income		
	Increase			Increase		
	2017	2016	2015	2017	2016	2015
HFT securities or financial assets at FVTPL	P 93	P 75	P 8	P -	P -	P -
AFS securities	-	-	-	861	414	211
	<u>P 93</u>	<u>P 75</u>	<u>P 8</u>	<u>P 861</u>	<u>P 414</u>	<u>P 211</u>

Parent Bank

	Impact on Net Profit After Tax			Impact on Other Comprehensive Income		
	Increase			Increase		
	2017	2016	2015	2017	2016	2015
AFS securities	P -	P -	P -	P 55	P 93	P 145

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the BDO Unibank Group. RMG undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that BDO Unibank Group's credit policies and procedures are adequate to meet the demands of the business.

RMG also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing, and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

BDO Unibank Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review. Approval for credit limits are secured from the Credit Committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

4.3.1 Exposure to Credit Risk

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

BDO Unibank Group's definition of its loan classification and corresponding credit risk ratings are as follows:

• Current/Unclassified	:	Grades AAA to B
• Watchlisted	:	Grade B
• Loans Especially Mentioned	:	Grade C
• Substandard	:	Grade D
• Doubtful	:	Grade E
• Loss	:	Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(a) Unclassified

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) Watchlisted

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(c) *Adversely Classified*

(i) *Loans Especially Mentioned (LEM)*

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to BDO Unibank Group.

(ii) *Substandard*

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness/(es) that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(iii) *Doubtful*

Accounts classified as "Doubtful" are individual credits or portions thereof which exhibit more severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(iv) *Loss*

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value.

This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

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

The following table shows the exposure to credit risk as of December 31, 2017 and 2016 for each internal risk grade and the related allowance for impairment:

BDO Unibank Group

	<u>2017</u>		
	<u>Loans and Other Receivables</u>	<u>Due from Other Banks</u>	<u>Trading and Investment Securities*</u>
Carrying Amount	P 1,791,786	P 51,479	P 311,163
Individually Impaired			
Unclassified	P 717	P -	P -
Grade B: Watchlisted	253	-	-
Grade C: LEM	4,351	-	-
Grade D: Substandard	5,345	-	-
Grade E: Doubtful	4,270	-	-
Grade F: Loss	<u>3,680</u>	<u>-</u>	<u>243</u>
Gross amount	18,616	-	243
Allowance for impairment	(<u>7,653</u>)	<u>-</u>	(<u>243</u>)
Carrying amount	<u>10,963</u>	<u>-</u>	<u>-</u>
Collectively Impaired			
Unclassified	1,098	-	-
Grade C: LEM	4,162	-	-
Grade D: Substandard	7,436	-	-
Grade E: Doubtful	3,134	-	-
Grade F: Loss	<u>6,248</u>	<u>-</u>	<u>-</u>
Gross amount	22,078	-	-
Allowance for impairment	(<u>8,927</u>)	<u>-</u>	<u>-</u>
Carrying amount	<u>13,151</u>	<u>-</u>	<u>-</u>
Past Due But Not Impaired			
Unclassified	<u>1,501</u>	<u>-</u>	<u>-</u>
Neither Past Due Nor Impaired			
Unclassified	<u>1,766,171</u>	<u>51,479</u>	<u>311,163</u>
Total Carrying Amount	P 1,791,786	P 51,479	P 311,163

**Trading and Investment Securities do not include equity securities.*

BDO Unibank Group

	2016 (As Restated - see Note 2.1)		
	Loans and Other Receivables	Due from Other Banks	Trading and Investment Securities*
Carrying Amount	P 1,573,965	P 41,794	P 252,198
Individually Impaired			
Unclassified	P 2,713	P -	P -
Grade B: Watchlisted	345	-	-
Grade C: LEM	5,590	-	-
Grade D: Substandard	5,255	-	-
Grade E: Doubtful	3,548	-	1,121
Grade F: Loss	4,917	-	264
Gross amount	22,368	-	1,385
Allowance for impairment	(7,813)	-	(1,385)
Carrying amount	14,555	-	-
Collectively Impaired			
Unclassified	1,436	-	-
Grade C: LEM	3,031	-	-
Grade D: Substandard	6,137	-	-
Grade E: Doubtful	2,128	-	-
Grade F: Loss	5,195	-	-
Gross amount	17,927	-	-
Allowance for impairment	(6,920)	-	-
Carrying amount	11,007	-	-
Past Due But Not Impaired			
Unclassified	999	-	-
Neither Past Due Nor Impaired			
Unclassified	1,547,404	41,794	252,198
Total Carrying Amount	P 1,573,965	P 41,794	P 252,198

*Trading and Investment Securities do not include equity securities.

An aging of past due but not impaired accounts of BDO Unibank Group reckoned from the past due date per BSP definition follows:

	Loans and Other Receivables	
	2017	2016
Up to 30 days	P 362	P 453
31 to 60 days	115	169
61 to 90 days	130	32
91 to 180 days	70	76
More than 180 days	824	269
	P 1,501	P 999

An aging of neither past due nor impaired accounts of BDO Unibank Group reckoned from the last unpaid due date follows:

	Loans and Other Receivables	
	2017	2016 As Restated - (see Note 2.1)
Up to 30 days	P 1,746,777	P 1,517,882
31 to 60 days	6,051	2,519
61 to 90 days	1,803	27,003
61 to 90 days	<u>11,540</u>	<u>-</u>
	<u>P 1,766,171</u>	<u>P 1,547,404</u>

Parent Bank

	2017		
	Loans and Other Receivables	Due from Other Banks	Trading and Investment Securities*
Carrying Amount	<u>P 1,730,732</u>	<u>P 41,088</u>	<u>P 254,204</u>
Individually Impaired			
Unclassified	P -	P -	P -
Grade C: LEM	3,974	-	-
Grade D: Substandard	5,128	-	-
Grade E: Doubtful	4,096	-	-
Grade F: Loss	<u>3,487</u>	<u>-</u>	<u>243</u>
Gross amount	16,685	-	243
Allowance for impairment	<u>(7,295)</u>	<u>-</u>	<u>(243)</u>
Carrying amount	<u>9,390</u>	<u>-</u>	<u>-</u>
Collectively Impaired			
Grade C: LEM	3,419	-	-
Grade D: Substandard	7,303	-	-
Grade E: Doubtful	2,895	-	-
Grade F: Loss	<u>5,287</u>	<u>-</u>	<u>-</u>
Gross amount	18,904	-	-
Allowance for impairment	<u>(7,067)</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>11,837</u>	<u>-</u>	<u>-</u>
Past Due But Not Impaired			
Unclassified	<u>439</u>	<u>-</u>	<u>-</u>
Neither Past Due Nor Impaired			
Unclassified	<u>1,709,066</u>	<u>41,088</u>	<u>254,204</u>
Total Carrying Amount	<u>P 1,730,732</u>	<u>P 41,088</u>	<u>P 254,204</u>

*Trading and Investment Securities do not include equity securities.

Parent Bank

	2016		
	Loans and Other Receivables	Due from Other Banks	Trading and Investment Securities*
Carrying Amount	<u>P 1,511,981</u>	<u>P 33,463</u>	<u>P 203,808</u>
Individually Impaired			
Grade C: LEM	P 5,096	P -	P -
Grade D: Substandard	4,910	-	-
Grade E: Doubtful	3,250	-	1,121
Grade F: Loss	<u>3,899</u>	<u>-</u>	<u>264</u>
Gross amount	17,155	-	1,385
Allowance for impairment	<u>(6,523)</u>	<u>-</u>	<u>(1,385)</u>
Carrying amount	<u>10,632</u>	<u>-</u>	<u>-</u>
Collectively Impaired			
Grade C: LEM	3,031	-	-
Grade D: Substandard	6,137	-	-
Grade E: Doubtful	2,128	-	-
Grade F: Loss	<u>5,195</u>	<u>-</u>	<u>-</u>
Gross amount	16,491	-	-
Allowance for impairment	<u>(6,437)</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>10,054</u>	<u>-</u>	<u>-</u>
Past Due But Not Impaired			
Unclassified	<u>565</u>	<u>-</u>	<u>-</u>
Neither Past Due Nor Impaired			
Unclassified	<u>1,490,730</u>	<u>33,463</u>	<u>203,808</u>
Total Carrying Amount	<u>P 1,511,981</u>	<u>P 33,463</u>	<u>P 203,808</u>

**Trading and Investment Securities do not include equity securities.*

An aging of past due but not impaired accounts of the Parent Bank reckoned from past due date per BSP definition as follows:

	Loans and Other Receivables	
	2017	2016
Up to 30 days	P 104	P 266
31 to 60 days	115	156
61 to 90 days	24	26
91 to 180 days	70	53
More than 180 days	126	64
	<u>P 439</u>	<u>P 565</u>

An aging of neither past due nor impaired accounts of Parent Bank reckoned from the last unpaid due date as follows:

	Loans and Other Receivables	
	2017	2016
Up to 30 days	P 1,706,565	P 1,488,557
31 to 60 days	2,416	2,132
61 to 90 days	85	41
	<u>P 1,709,066</u>	<u>P 1,490,730</u>

Exposure to credit risk also includes unused commercial letters of credits and committed credit lines amounting to P47,553 and P303,425, respectively, for 2017 and P48,108 and P221,579, respectively, for 2016 in BDO Unibank Group's financial statements and P47,536 and P303,353, respectively, for 2017 and P48,092 and P221,339, respectively, for 2016 in the Parent Bank's financial statements (see Note 33.3).

4.3.2 Collateral Held as Security and Other Credit Enhancements

The BDO Unibank Group and the Parent Bank holds collateral against loans and receivables from customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically, e.g., annually for real estate properties, as provided in the Parent Bank's Credit Policy Manual. Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity. The BDO Unibank Group and the Parent Bank holds collateral against loans and other receivables in the form of property, debt securities, equity securities, holdout deposits and others.

Estimate of the fair value of collateral and other security enhancements held against the following loans and other receivables risk groupings as of December 31 follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Individually impaired				
Property	P 10,509	P 12,536	P 7,358	P 7,380
Hold-out deposits	1	1	1	1
Debt security	2	1	1	1
Others	<u>708</u>	<u>1,671</u>	<u>708</u>	<u>1,671</u>
	<u>11,220</u>	<u>14,209</u>	<u>8,068</u>	<u>9,053</u>
Collectively impaired				
Property	12,789	11,027	12,414	11,027
Equity	2	2	2	2
Hold-out deposits	-	194	-	194
Others	<u>5,540</u>	<u>6,041</u>	<u>5,540</u>	<u>6,041</u>
	<u>18,331</u>	<u>17,264</u>	<u>17,956</u>	<u>17,264</u>
Past due but not impaired				
Property	2,059	2,046	2,033	2,038
Hold-out deposits	2	2	2	2
Others	<u>855</u>	<u>643</u>	<u>855</u>	<u>643</u>
	<u>2,916</u>	<u>2,691</u>	<u>2,890</u>	<u>2,683</u>
Neither past due nor impaired				
Property	646,986	531,536	594,443	476,470
Equity security	163,076	150,469	162,383	149,238
Hold-out deposits	176,654	122,117	176,654	122,009
Debt security	4,311	3,723	3,713	3,296
Others	<u>348,023</u>	<u>343,960</u>	<u>345,336</u>	<u>343,459</u>
	<u>1,339,050</u>	<u>1,151,805</u>	<u>1,282,529</u>	<u>1,094,472</u>
	<u>P 1,371,517</u>	<u>P 1,185,969</u>	<u>P 1,311,443</u>	<u>P 1,123,472</u>

As of December 31, 2017 and 2016, no collateral is held for due from other banks and trading and investment securities.

BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

4.3.3 Concentrations of Credit Risk

The BDO Unibank Group and the Parent Bank monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

BDO Unibank Group

	2017			2016 (As Restated - see Note 2.1)		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 504,779	P 195,923	P 212,314	P 491,324	P 150,735	P 174,628
Real estate activities	1	227,050	22,426	4	205,376	16,236
Wholesale and retail trade	-	237,104	1,336	-	206,205	581
Electricity, gas, steam and air-conditioning supply	-	200,952	-	-	137,381	-
Manufacturing	-	186,779	12,509	-	191,720	9,458
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	175,196	-	-	127,236	-
Transportation and storage	-	112,307	2,719	-	99,871	1,842
Arts, entertainment and recreation	-	68,853	-	-	54,401	-
Accommodation and food service activities	-	41,662	-	-	43,837	-
Information and communication	-	38,707	-	-	27,334	-
Construction	-	36,605	-	-	29,856	-
Mining and quarrying	-	24,054	-	-	9,632	-
Human health and social work activities	-	16,461	-	-	16,282	-
Education	-	13,614	-	-	10,840	-
Agriculture, forestry and fishing	-	13,007	-	-	14,054	-
Water supply, sewerage waste management and remediation activities	-	11,813	-	-	12,278	-
Professional, scientific and technical services	-	10,782	-	-	11,042	-
Administrative and support services	-	9,204	-	-	8,662	-
Public administrative and defense; compulsory social security	-	703	-	-	535	-
Activities of extraterritorial and organizations and bodies	-	66	-	-	66	-
Other service activities	641	134,046	58,005	660	124,661	49,944
	<u>P 505,421</u>	<u>P 1,754,888</u>	<u>P 309,309</u>	<u>P 491,988</u>	<u>P 1,482,004</u>	<u>P 252,689</u>
Concentration by location:						
Philippines	P 425,617	P 1,631,084	P 241,154	P 381,228	P 1,384,532	P 204,356
Others	79,804	123,804	68,155	110,760	97,472	48,333
	<u>P 505,421</u>	<u>P 1,754,888</u>	<u>P 309,309</u>	<u>P 491,988</u>	<u>P 1,482,004</u>	<u>P 252,689</u>

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

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

Parent Bank

	2017			2016		
	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 477,805	P 191,194	P 181,378	P 462,432	P 147,427	P 131,492
Wholesale and retail traded	-	231,386	1,281	-	201,026	528
Real estate activities	-	223,746	17,910	-	198,216	14,358
Manufacturing	-	183,382	9,903	-	186,870	6,825
Electricity, gas, steam and air-conditioning supply	-	200,106	-	-	136,018	-
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	168,423	-	-	122,716	-
Transportation and storage	-	108,496	2,403	-	93,783	1,723
Arts, entertainment and recreation	-	66,040	-	-	51,771	-
Accommodation and food service activities	-	41,307	-	-	43,570	-
Information and communication	-	38,081	-	-	26,691	-
Construction	-	32,032	-	-	25,319	-
Mining and quarrying	-	22,344	-	-	8,573	-
Human health and social work activities	-	15,724	-	-	15,506	-
Agriculture, forestry and fishing	-	11,342	-	-	11,434	-
Water supply, sewerage waste management and remediation activities	-	11,286	-	-	11,683	-
Professional, scientific and technical services	-	10,517	-	-	10,850	-
Administrative and support services	-	7,867	-	-	7,578	-
Education	-	5,201	-	-	3,259	-
Public administrative and defense; compulsory social security	-	639	-	-	431	-
Activities of extraterritorial and organizations bodies	-	66	-	-	66	-
Other service activities	-	131,720	39,475	-	123,662	49,374
	P 477,805	P 1,700,899	P 252,350	P 462,432	P 1,426,449	P 204,300
Concentration by location:						
Philippines	P 406,394	P 1,579,763	P 190,008	P 356,638	P 1,332,300	P 159,915
Others	71,411	121,136	62,342	105,794	94,149	44,385
	P 477,805	P 1,700,899	P 252,350	P 462,432	P 1,426,449	P 204,300

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

**Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

4.4 Operational Risk

Operational risk is the risk of loss due to BDO Unibank Group's:

- failure to comply with defined operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

BDO Unibank Group manages its operational risks by instituting policies to minimize its expected losses, allocating capital for the unexpected losses, and having insurance and/or a business continuity plan to prepare for catastrophic losses.

Framework

True to its commitment to sound management and corporate governance, BDO Unibank Group considers operational risk management as a critical element in the conduct of its business. Under BDO Unibank Group's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in BDO Unibank Group.

The RMG provides the common risk language and management tools across BDO Unibank Group as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The Group continues to conduct periodic Risk and Control Self-Assessment (RCSA) so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the Group to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of top KRIs to the BOD through the RMC is done quarterly.

These ORM tools are continually being reviewed and enhanced to proactively manage operational risks. The Operational Risk Management Solution (ORMS) was implemented to automate the reporting of BDO Unibank Group's RCSAs and KRIs. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the BDO Unibank Group's classification standards, information risks, as well as, protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The Group's data privacy framework is in accordance with the Republic Act No. 10173, *Data Privacy Act of 2012*.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into BDO Unibank Group's day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

BDO Unibank Group continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

5. SEGMENT REPORTING

BDO Unibank Group's main operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of BDO Unibank Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies BDO Unibank Group's five service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8 are combined below as Others.

- (a) **Commercial banking** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;
- (b) **Investment banking** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, financial advisory services, and securities brokerage;
- (c) **Private banking** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts;
- (d) **Leasing and financing** – provides direct leases, sale and leaseback arrangements and real estate leases;
- (e) **Insurance** – engages in insurance brokerage and life insurance business by providing protection, education, savings, retirement and estate planning solutions to individual and corporate clients through life insurance products and services; and,
- (f) **Others** – includes asset management, realty management, remittance, accounting service, credit card service and computer service, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of BDO Unibank Group's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

In the 2015 segment reporting, the assets, liabilities, income and expenses of insurance brokerage entities are transferred to the insurance segment from others to conform to the 2016 grouping and classification.

Segment information (by service lines) as of and for the years ended December 31, 2017, 2016 and 2015 follows:

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Eliminations	Group
December 31, 2017								
Statement of Income								
Total interest income								
External	P 95,224	P 62	P 1,779	P 1,913	P 806	P 11	P -	P 99,795
Intersegment	<u>232</u>	<u>5</u>	<u>-</u>	<u>1</u>	<u>16</u>	<u>14</u>	<u>(268)</u>	<u>-</u>
	<u>95,456</u>	<u>67</u>	<u>1,779</u>	<u>1,914</u>	<u>822</u>	<u>25</u>	<u>(268)</u>	<u>99,795</u>
Total interest expense								
External	16,686	-	599	690	65	2	-	18,042
Intersegment	<u>23</u>	<u>48</u>	<u>-</u>	<u>154</u>	<u>-</u>	<u>43</u>	<u>(268)</u>	<u>-</u>
	<u>16,709</u>	<u>48</u>	<u>599</u>	<u>844</u>	<u>65</u>	<u>45</u>	<u>(268)</u>	<u>18,042</u>
Net interest income	<u>78,747</u>	<u>19</u>	<u>1,180</u>	<u>1,070</u>	<u>757</u>	<u>(20)</u>	<u>-</u>	<u>81,753</u>
Other operating income								
Investment banking fees	-	1,766	-	-	-	-	-	1,766
Others	<u>34,646</u>	<u>412</u>	<u>855</u>	<u>1,242</u>	<u>12,642</u>	<u>457</u>	<u>(4,814)</u>	<u>45,440</u>
	<u>34,646</u>	<u>2,178</u>	<u>855</u>	<u>1,242</u>	<u>12,642</u>	<u>457</u>	<u>(4,814)</u>	<u>47,206</u>
Other operating expenses								
Impairment losses	6,332	3	2	64	136	-	-	6,537
Depreciation and amortization	4,171	61	29	836	49	26	-	5,172
Others	<u>67,025</u>	<u>897</u>	<u>1,367</u>	<u>693</u>	<u>10,389</u>	<u>349</u>	<u>(1,027)</u>	<u>79,693</u>
	<u>77,528</u>	<u>961</u>	<u>1,398</u>	<u>1,593</u>	<u>10,574</u>	<u>375</u>	<u>(1,027)</u>	<u>91,402</u>
Profit before tax	35,865	1,236	637	719	2,825	62	(3,787)	37,557
Tax expense	<u>8,138</u>	<u>340</u>	<u>223</u>	<u>148</u>	<u>587</u>	<u>16</u>	<u>-</u>	<u>9,452</u>
Net profit	<u>P 27,727</u>	<u>P 896</u>	<u>P 414</u>	<u>P 571</u>	<u>P 2,238</u>	<u>P 46</u>	<u>(P 3,787)</u>	<u>P 28,105</u>
Statement of Financial Position								
Total resources								
Segment assets	P 2,540,028	P 7,153	P 64,439	P 42,676	P 38,454	P 5,486	(P 46,038)	P 2,652,198
Intangible assets	5,374	134	26	29	32	1	2,907	8,503
Deferred tax assets (liabilities) - net	<u>7,441</u>	<u>(182)</u>	<u>31</u>	<u>111</u>	<u>26</u>	<u>(24)</u>	<u>-</u>	<u>7,403</u>
	<u>P 2,552,843</u>	<u>P 7,105</u>	<u>P 64,496</u>	<u>P 42,816</u>	<u>P 38,512</u>	<u>P 5,463</u>	<u>(P 43,131)</u>	<u>P 2,668,104</u>
Total liabilities	<u>P 2,250,781</u>	<u>P 2,690</u>	<u>P 59,147</u>	<u>P 37,374</u>	<u>P 31,391</u>	<u>P 2,292</u>	<u>(P 13,911)</u>	<u>P 2,369,764</u>
Other segment information								
Capital expenditures	<u>P 9,414</u>	<u>P 42</u>	<u>P 18</u>	<u>P 788</u>	<u>P 26</u>	<u>P 386</u>	<u>P -</u>	<u>P 10,674</u>
Investment in associates under equity method	<u>P 4,678</u>	<u>P -</u>	<u>P -</u>	<u>P 267</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,945</u>
Share in the profit of associates	<u>P 626</u>	<u>P -</u>	<u>P -</u>	<u>(P 14)</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 612</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Eliminations	Group
December 31, 2016 (As Restated - see Note 2.1)								
Statement of Income								
Total interest income								
External	P 78,062	P 88	P 1,434	P 1,751	P 691	P 11	P -	P 82,037
Intersegment	<u>127</u>	<u>3</u>	<u>-</u>	<u>1</u>	<u>8</u>	<u>1</u>	<u>(140)</u>	<u>-</u>
	<u>78,189</u>	<u>91</u>	<u>1,434</u>	<u>1,752</u>	<u>699</u>	<u>12</u>	<u>(140)</u>	<u>82,037</u>
Total interest expense								
External	15,278	1	436	627	71	-	-	16,413
Intersegment	<u>14</u>	<u>51</u>	<u>-</u>	<u>38</u>	<u>-</u>	<u>38</u>	<u>(141)</u>	<u>-</u>
	<u>15,292</u>	<u>52</u>	<u>436</u>	<u>665</u>	<u>71</u>	<u>38</u>	<u>(141)</u>	<u>16,413</u>
Net interest income	<u>62,897</u>	<u>39</u>	<u>998</u>	<u>1,087</u>	<u>628</u>	<u>(26)</u>	<u>1</u>	<u>65,624</u>
Other operating income								
Investment banking fees	-	1,215	-	-	-	-	-	1,215
Others	<u>28,643</u>	<u>297</u>	<u>1,181</u>	<u>1,100</u>	<u>10,138</u>	<u>585</u>	<u>(1,546)</u>	<u>40,398</u>
	<u>28,643</u>	<u>1,512</u>	<u>1,181</u>	<u>1,100</u>	<u>10,138</u>	<u>585</u>	<u>(1,546)</u>	<u>41,613</u>
Other operating expenses								
Depreciation and amortization	3,880	56	24	738	65	19	-	4,782
Impairment losses	3,367	158	-	50	240	-	-	3,815
Others	<u>54,409</u>	<u>817</u>	<u>1,254</u>	<u>647</u>	<u>8,269</u>	<u>287</u>	<u>(477)</u>	<u>65,206</u>
	<u>61,656</u>	<u>1,031</u>	<u>1,278</u>	<u>1,435</u>	<u>8,574</u>	<u>306</u>	<u>(477)</u>	<u>73,803</u>
Profit before pre-acquisition	<u>29,884</u>	<u>520</u>	<u>901</u>	<u>752</u>	<u>2,192</u>	<u>253</u>	<u>(1,068)</u>	<u>33,434</u>
Pre-acquisition income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(391)</u>	<u>(391)</u>
Profit before tax	<u>29,884</u>	<u>520</u>	<u>901</u>	<u>752</u>	<u>2,192</u>	<u>253</u>	<u>(1,459)</u>	<u>33,043</u>
Tax expense	<u>5,759</u>	<u>201</u>	<u>219</u>	<u>181</u>	<u>429</u>	<u>8</u>	<u>-</u>	<u>6,797</u>
Net profit	<u>P 24,125</u>	<u>P 319</u>	<u>P 682</u>	<u>P 571</u>	<u>P 1,763</u>	<u>P 245</u>	<u>(P 1,459)</u>	<u>P 26,246</u>
Statement of Financial Position								
Total resources								
Segment assets	P 2,205,184	P 5,794	P 62,258	P 38,802	P 30,087	P 5,270	(P 37,100)	P 2,310,295
Intangible assets	5,212	135	26	43	46	1	2,907	8,370
Deferred tax assets (liability) - net	<u>6,455</u>	<u>(184)</u>	<u>37</u>	<u>41</u>	<u>11</u>	<u>(26)</u>	<u>-</u>	<u>6,334</u>
	<u>P 2,216,851</u>	<u>P 5,745</u>	<u>P 62,321</u>	<u>P 38,886</u>	<u>P 30,144</u>	<u>P 5,245</u>	<u>(P 34,193)</u>	<u>P 2,324,999</u>
Total liabilities	<u>P 1,997,541</u>	<u>P 2,378</u>	<u>P 57,064</u>	<u>P 33,536</u>	<u>P 24,747</u>	<u>P 1,968</u>	<u>(P 9,794)</u>	<u>P 2,107,440</u>
Other segment information								
Capital expenditures	<u>P 5,808</u>	<u>P 22</u>	<u>P 24</u>	<u>P 941</u>	<u>P 95</u>	<u>P 264</u>	<u>P -</u>	<u>P 7,154</u>
Investment in associates under equity method	<u>P 4,169</u>	<u>P -</u>	<u>P -</u>	<u>P 280</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,449</u>
Share in the profit of associates	<u>P 501</u>	<u>P -</u>	<u>P -</u>	<u>(P 20)</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 481</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Eliminations	Group
December 31, 2015, (As Restated - see Note 2.1)								
Statement of Income								
Total interest income								
External	P 69,204	P 83	P 1,215	P 1,566	P -	P 59	P -	P 72,127
Intersegment	<u>207</u>	<u>2</u>	<u>-</u>	<u>1</u>	<u>8</u>	<u>1</u>	<u>(219)</u>	<u>-</u>
	<u>69,411</u>	<u>85</u>	<u>1,215</u>	<u>1,567</u>	<u>8</u>	<u>60</u>	<u>(219)</u>	<u>72,127</u>
Total interest expense								
External	14,410	1	289	466	-	-	-	15,166
Intersegment	<u>17</u>	<u>70</u>	<u>-</u>	<u>99</u>	<u>-</u>	<u>35</u>	<u>(221)</u>	<u>-</u>
	<u>14,427</u>	<u>71</u>	<u>289</u>	<u>565</u>	<u>-</u>	<u>35</u>	<u>(221)</u>	<u>15,166</u>
Net interest income	<u>54,984</u>	<u>14</u>	<u>926</u>	<u>1,002</u>	<u>8</u>	<u>25</u>	<u>2</u>	<u>56,961</u>
Other operating income								
Investment banking fees	-	1,110	-	-	-	-	-	1,110
Others	<u>29,181</u>	<u>363</u>	<u>1,096</u>	<u>1,039</u>	<u>1,249</u>	<u>441</u>	<u>(2,639)</u>	<u>30,730</u>
	<u>29,181</u>	<u>1,473</u>	<u>1,096</u>	<u>1,039</u>	<u>1,249</u>	<u>441</u>	<u>(2,639)</u>	<u>31,840</u>
Other operating expenses								
Depreciation and amortization	3,161	54	48	670	14	14	-	3,961
Impairment losses	2,887	2	25	83	2	1	-	3,000
Others	<u>48,109</u>	<u>640</u>	<u>1,060</u>	<u>564</u>	<u>635</u>	<u>316</u>	<u>(141)</u>	<u>51,183</u>
	<u>54,157</u>	<u>696</u>	<u>1,133</u>	<u>1,317</u>	<u>651</u>	<u>331</u>	<u>(141)</u>	<u>58,144</u>
Profit before tax	30,008	791	889	724	606	135	(2,496)	30,657
Tax expense	<u>4,875</u>	<u>234</u>	<u>221</u>	<u>167</u>	<u>179</u>	<u>25</u>	<u>-</u>	<u>5,701</u>
Net profit	<u>P 25,133</u>	<u>P 557</u>	<u>P 668</u>	<u>P 557</u>	<u>P 427</u>	<u>P 110</u>	<u>(P 2,496)</u>	<u>P 24,956</u>
Statement of Financial Position								
Total resources								
Segment assets	P 1,953,558	P 6,856	P 51,527	P 34,510	P 957	P 6,644	(P 36,386)	P 2,017,666
Intangible assets	4,517	102	13	51	26	2	2,903	7,614
Deferred tax assets								
(liabilities) - net	<u>6,271</u>	<u>(216)</u>	<u>58</u>	<u>(14)</u>	<u>10</u>	<u>(30)</u>	<u>-</u>	<u>6,079</u>
	<u>P 1,964,346</u>	<u>P 6,742</u>	<u>P 51,598</u>	<u>P 34,547</u>	<u>P 993</u>	<u>P 6,616</u>	<u>(P 33,483)</u>	<u>P 2,031,359</u>
Total liabilities	<u>P 1,761,203</u>	<u>P 5,082</u>	<u>P 46,024</u>	<u>P 29,331</u>	<u>P 777</u>	<u>P 1,641</u>	<u>(P 12,417)</u>	<u>P 1,831,641</u>
Other segment information								
Capital expenditures	<u>P 8,919</u>	<u>P 20</u>	<u>P 17</u>	<u>P 1,150</u>	<u>P 4</u>	<u>P 141</u>	<u>P -</u>	<u>P 10,251</u>
Investment in associates under equity method	<u>P 5,656</u>	<u>P 85</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,741</u>
Share in the profit of associates	<u>P 817</u>	<u>P 20</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 837</u>

Currently, BDO Unibank Group operates mainly within the Philippines with a banking branch in Hong Kong, a real estate and holding Company in Europe and various remittance subsidiaries operating in Asia, Europe, Canada and United States. Geographical segment information is not presented as these foreign operations accounted for only 1.2%, 1.1% and 1.1% of BDO Unibank Group's total revenues in 2017, 2016 and 2015, respectively, and 1.4% and 1.2% of BDO Unibank Group's total resources as of December 31, 2017 and 2016, respectively (see Note 1.1).

6. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding pages.

BDO Unibank Group

		2017			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
Loans and receivables:					
Cash and other cash items	P	45,006	P -	P 45,006	P 45,006
Due from BSP		353,308	-	353,308	353,308
Due from other banks		51,479	-	51,479	51,479
Loans and other receivables		1,791,786	-	1,791,786	1,806,119
Other resources		5,555	-	5,555	5,955
Financial assets at FVTPL		-	14,710	14,710	14,710
AFS securities*		-	119,387	119,387	119,387
HTM investments		<u>197,198</u>	<u>-</u>	<u>197,198</u>	<u>197,211</u>
		<u>P 2,444,332</u>	<u>P 134,097</u>	<u>P 2,578,429</u>	<u>P 2,593,175</u>
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	2,121,012	P -	P 2,121,012	P 2,135,373
Bills payable		130,484	-	130,484	129,802
Subordinated notes payable		10,030	-	10,030	9,996
Insurance contract liabilities		25,986	-	25,986	25,986
Other liabilities		69,615	-	69,615	69,615
At fair value –					
Other liabilities		<u>-</u>	<u>3,750</u>	<u>3,750</u>	<u>3,750</u>
		<u>P 2,357,127</u>	<u>P 3,750</u>	<u>P 2,360,877</u>	<u>P 2,374,522</u>
2016 (As Restated – see Note 2.1)					
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
Loans and receivables:					
Cash and other cash items	P	40,909	P -	P 40,909	P 40,909
Due from BSP		318,002	-	318,002	318,008
Due from other banks		41,794	-	41,794	41,794
Loans and other receivables		1,573,965	-	1,573,965	1,582,419
Other resources		5,932	-	5,932	6,332
Financial assets at FVTPL		-	14,024	14,024	14,024
AFS securities*		-	107,889	107,889	107,889
HTM investments		<u>146,886</u>	<u>-</u>	<u>146,886</u>	<u>146,853</u>
		<u>P 2,127,488</u>	<u>P 121,913</u>	<u>P 2,249,401</u>	<u>P 2,258,228</u>

BDO Unibank Group

2016 (As Restated – see Note 2.1)				
		Classes		
	At Amortized	At Fair	Carrying	Fair
	Cost	Value	Amount	Value
Financial liabilities				
At amortized cost:				
Deposit liabilities	P 1,905,204	P -	P 1,905,204	P 1,908,327
Bills payable	100,556	-	100,556	100,296
Subordinated notes payable	10,030	-	10,030	10,088
Insurance contract liabilities	20,565	-	20,565	20,565
Other liabilities	60,387	-	60,387	60,387
At fair value –				
Other liabilities	-	5,475	5,475	5,475
	<u>P 2,096,742</u>	<u>P 5,475</u>	<u>P 2,102,217</u>	<u>P 2,105,138</u>

Parent Bank

2017				
		Classes		
	At Amortized	At Fair	Carrying	Fair
	Cost	Value	Amount	Value
Financial assets				
Loans and receivables:				
Cash and other cash items	P 43,882	P -	P 43,882	P 43,882
Due from BSP	340,596	-	340,596	340,596
Due from other banks	41,088	-	41,088	41,088
Loans and other receivables	1,730,732	-	1,730,732	1,746,202
Other resources	4,241	-	4,241	4,641
Financial assets at FVTPL	-	4,260	4,260	4,260
AFS securities*	-	70,049	70,049	70,049
HTM investments	<u>183,722</u>	<u>-</u>	<u>183,722</u>	<u>183,918</u>
	<u>P 2,344,261</u>	<u>P 74,309</u>	<u>P 2,418,570</u>	<u>P 2,434,636</u>
Financial liabilities				
At amortized cost:				
Deposit liabilities	P 2,045,321	P -	P 2,045,321	P 2,055,400
Bills payable	105,623	-	105,623	105,141
Subordinated notes payable	10,030	-	10,030	9,996
Other liabilities	56,834	-	56,834	56,834
At fair value –				
Other liabilities	-	1,798	1,798	1,798
	<u>P 2,217,808</u>	<u>P 1,798</u>	<u>P 2,219,606</u>	<u>P 2,229,169</u>

Parent Bank

		2016			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial assets					
Loans and receivables:					
Cash and other cash items	P	39,813	P -	P 39,813	P 39,813
Due from BSP		304,285	-	304,285	304,291
Due from other banks		33,463	-	33,463	33,463
Loans and other receivables		1,511,981	-	1,511,981	1,525,420
Other resources		3,740	-	3,740	4,140
Financial assets at FVTPL		-	4,298	4,298	4,298
AFS securities*		-	62,446	62,446	62,446
HTM investments		<u>140,951</u>	<u>-</u>	<u>140,951</u>	<u>140,990</u>
		<u>P 2,034,233</u>	<u>P 66,744</u>	<u>P 2,100,977</u>	<u>P 2,114,861</u>
Financial liabilities					
At amortized cost:					
Deposit liabilities	P	1,833,013	P -	P 1,833,013	P 1,832,464
Bills payable		75,800	-	75,800	75,556
Subordinated notes payable		10,030	-	10,030	10,088
Other liabilities		49,298	-	49,298	49,298
At fair value –					
Other liabilities		<u>-</u>	<u>1,818</u>	<u>1,818</u>	<u>1,818</u>
		<u>P 1,968,141</u>	<u>P 1,818</u>	<u>P 1,969,959</u>	<u>P 1,969,224</u>

* Unquoted AFS securities (amounting to P1,632 and P243 for BDO Unibank Group in 2017 and 2016, respectively, and P183 and P191 for the Parent Bank in 2017 and 2016, respectively) have no available fair value data, hence, are excluded for the purpose of this disclosure.

6.2 Fair Value Hierarchy

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

6.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2017 and 2016 are grouped into the fair value hierarchy as presented in the following table. For the purpose of this disclosure, the investments in unquoted debt and equity securities classified as AFS securities amounting to P1,632 and P243 as of December 31, 2017 and 2016, respectively, in BDO Unibank Group financial statements and P183 and P191 as of December 31, 2017 and 2016, respectively, in the Parent Bank's financial statements are measured at cost less impairment charges because the fair value cannot be reliably measured and therefore, are not included. Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

BDO Unibank Group

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Derivative financial assets		P -	P 5,024	P -	P 5,024
Equity securities – quoted		4,433	-	-	4,433
Government bonds		3,139	-	-	3,139
Other debt securities		<u>469</u>	<u>1,645</u>	<u>-</u>	<u>2,114</u>
		<u>8,041</u>	<u>6,669</u>	<u>-</u>	<u>14,710</u>
AFS securities – net:	9.2				
Government debt securities		55,529	-	-	55,529
Other debt securities		48,159	-	-	48,159
Equity securities – quoted		<u>15,543</u>	<u>156</u>	<u>-</u>	<u>15,699</u>
		<u>119,231</u>	<u>156</u>	<u>-</u>	<u>119,387</u>
		<u>P 127,272</u>	<u>P 6,825</u>	<u>P -</u>	<u>P 134,097</u>
Liabilities –					
Derivatives with negative fair values	19	<u>P 38</u>	<u>P 3,712</u>	<u>P -</u>	<u>P 3,750</u>

BDO Unibank Group

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Derivative financial assets	P	-	P 6,845	P -	P 6,845
Government bonds		3,001	-	-	3,001
Equity securities – quoted		2,337	-	-	2,337
Other debt securities		<u>1,841</u>	<u>-</u>	<u>-</u>	<u>1,841</u>
		<u>7,179</u>	<u>6,845</u>	<u>-</u>	<u>14,024</u>
AFS securities – net:	9.2				
Government debt securities		49,457	-	-	49,457
Other debt securities		44,169	-	-	44,169
Equity securities – quoted		<u>14,124</u>	<u>139</u>	<u>-</u>	<u>14,263</u>
		<u>107,750</u>	<u>139</u>	<u>-</u>	<u>107,889</u>
		<u>P 114,929</u>	<u>P 6,984</u>	<u>P -</u>	<u>P 121,913</u>
Liabilities –					
Derivatives with negative fair values	19	<u>P 65</u>	<u>P 5,410</u>	<u>P -</u>	<u>P 5,475</u>

Parent Bank

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Derivative financial assets	P	-	P 2,279	P -	P 2,279
Government bonds		1,976	-	-	1,976
Other debt securities		<u>5</u>	<u>-</u>	<u>-</u>	<u>5</u>
		<u>1,981</u>	<u>2,279</u>	<u>-</u>	<u>4,260</u>
AFS securities – net:	9.2				
Government debt securities		31,938	-	-	31,938
Other debt securities		34,285	-	-	34,285
Equity securities – quoted		<u>3,673</u>	<u>153</u>	<u>-</u>	<u>3,826</u>
		<u>69,896</u>	<u>153</u>	<u>-</u>	<u>70,049</u>
		<u>P 71,877</u>	<u>P 2,432</u>	<u>P -</u>	<u>P 74,309</u>
Liabilities:					
Derivatives with negative fair values	19	<u>P 38</u>	<u>P 1,760</u>	<u>P -</u>	<u>P 1,798</u>

Parent Bank

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>					
Resources:					
Financial assets at FVTPL:	9.1				
Derivative financial assets	P	-	P 2,260	P -	P 2,260
Government bonds		2,031	-	-	2,031
Other debt securities		<u>7</u>	<u>-</u>	<u>-</u>	<u>7</u>
		<u>2,038</u>	<u>2,260</u>	<u>-</u>	<u>4,298</u>
AFS securities – net:	9.2				
Government debt securities		26,395	-	-	26,395
Other debt securities		32,165	-	-	32,165
Equity securities – quoted		<u>3,747</u>	<u>139</u>	<u>-</u>	<u>3,886</u>
		<u>62,307</u>	<u>139</u>	<u>-</u>	<u>62,446</u>
		<u>P 64,345</u>	<u>P 2,399</u>	<u>P -</u>	<u>P 66,744</u>
Liabilities:					
Derivatives with negative fair values	19	<u>P 65</u>	<u>P 1,753</u>	<u>P -</u>	<u>P 1,818</u>

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

Discussed below and in the succeeding page is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

As of December 31, 2017 and 2016, instruments included in Level 1 consist of quoted equity securities classified as financial assets at FVTPL or AFS securities. These securities were valued based on their closing prices on the PSE.

Golf club shares classified as AFS securities are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(b) Debt securities

The fair value of the debt securities of BDO Unibank Group and the Parent Bank, which are categorized within Level 1 and Level 2, is discussed below.

(i) For peso-denominated government debt securities issued by the Philippine government, fair value is determined to be the reference price per PDEx which is computed based on the weighted average of done or executed deals, the simple average of all firm bids per benchmark tenor or interpolated yields. This is consistent with BSP Circular No. 813, *Amendment on Market Valuation of Government Securities*, issued by the BSP pursuant to Monetary Board Resolution No. 1504 dated September 13, 2013.

(ii) For other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

Other debt securities categorized within Level 2 comprised mostly of investments in unit investment trust funds (UITFs) classified as financial assets at FVTPL. The fair value of investments in UITFs has been determined based on the net asset value per unit of the fund which uses a mark-to-market valuation.

(c) Derivatives

The fair values of ROP warrants which are categorized within Level 1, is determined to be the current mid-price based on the last trading transaction as defined by third-party market makers. The fair value of other derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(c)].

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

The table below and in the succeeding page summarizes the fair value hierarchy of BDO Unibank Group and Parent Bank's financial assets and financial liabilities, which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

BDO Unibank Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Resources:				
Cash and other cash items	P 45,006	P -	P -	P 45,006
Due from BSP	353,308	-	-	353,308
Due from other banks	51,479	-	-	51,479
Loans and other receivable	-	-	1,806,119	1,806,119
HTM investments	197,211	-	-	197,211
Other resources	<u>4,961</u>	<u>-</u>	<u>994</u>	<u>5,955</u>
	<u>P 651,965</u>	<u>P -</u>	<u>P 1,807,113</u>	<u>P 2,459,078</u>
Liabilities:				
Deposit liabilities	P 2,014,201	P 121,172	P -	P 2,135,373
Bills payable	-	129,802	-	129,802
Insurance contract liabilities	-	-	25,986	25,986
Subordinated notes payable	-	9,996	-	9,996
Other liabilities	<u>-</u>	<u>-</u>	<u>69,615</u>	<u>69,615</u>
	<u>P 2,014,201</u>	<u>P 260,970</u>	<u>P 95,601</u>	<u>P 2,370,772</u>
December 31, 2016				
<u>(As Restated - see Note 2.1)</u>				
Resources:				
Cash and other cash items	P 40,909	P -	P -	P 40,909
Due from BSP	318,008	-	-	318,008
Due from other banks	41,794	-	-	41,794
Loans and other receivable	-	-	1,582,419	1,582,419
HTM investments	146,853	-	-	146,853
Other resources	<u>5,563</u>	<u>-</u>	<u>769</u>	<u>6,332</u>
	<u>P 553,127</u>	<u>P -</u>	<u>P 1,583,188</u>	<u>P 2,136,315</u>

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Liabilities:				
Deposit liabilities	P 1,800,148	P 108,179	P -	P 1,908,327
Bills payable	29,460	70,836	-	100,296
Insurance contract liabilities	-	-	20,565	20,565
Subordinated notes payable	-	10,088	-	10,088
Other liabilities	-	-	60,387	60,387
	<u>P 1,829,608</u>	<u>P 189,103</u>	<u>P 80,952</u>	<u>P 2,099,663</u>

Parent Bank

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Resources:				
Cash and other cash items	P 43,882	P -	P -	P 43,882
Due from BSP	340,596	-	-	340,596
Due from other banks	41,088	-	-	41,088
HTM investments	183,918	-	-	183,918
Loans and other receivables	-	-	1,746,202	1,746,202
Other resources	3,970	-	671	4,641
	<u>P 613,454</u>	<u>P -</u>	<u>P 1,746,873</u>	<u>P 2,360,327</u>
Liabilities:				
Deposit liabilities	P 1,944,020	P 111,380	P -	P 2,055,400
Bills payable	-	105,141	-	105,141
Subordinated notes payable	-	9,996	-	9,996
Other liabilities	-	-	56,834	56,834
	<u>P 1,944,020</u>	<u>P 226,517</u>	<u>P 56,834</u>	<u>P 2,227,371</u>

December 31, 2016

Resources:				
Cash and other cash items	P 39,813	P -	P -	P 39,813
Due from BSP	304,291	-	-	304,291
Due from other banks	33,463	-	-	33,463
HTM investments	140,990	-	-	140,990
Loans and other receivables	-	-	1,525,420	1,525,420
Other resources	3,468	-	672	4,140
	<u>P 522,025</u>	<u>P -</u>	<u>P 1,526,092</u>	<u>P 2,048,117</u>
Liabilities:				
Deposit liabilities	P 1,729,673	P 102,791	P -	P 1,832,464
Bills payable	29,460	46,096	-	75,556
Subordinated notes payable	-	10,088	-	10,088
Other liabilities	-	-	49,298	49,298
	<u>P 1,759,133</u>	<u>P 158,975</u>	<u>P 49,298</u>	<u>P 1,967,406</u>

For financial assets and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial assets and financial liabilities not presented in the statements of financial position at their fair values:

(a) *Due from BSP and Other Banks*

Due from BSP pertains to deposits made by BDO Unibank Group to the BSP for clearing and reserve requirements. Due from other banks includes items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(b) *AFS Securities and HTM Investments*

The fair value of AFS securities and HTM investments are determined by direct reference to published price quoted in an active market for traded debt and equity securities. On the other hand, unquoted AFS securities are carried at cost because the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

Currently, there is no available market to sell the unquoted equity AFS securities. BDO Unibank will hold into the investments until management decides to sell them when there will be offers to buy out such investments on the appearance of an available market where the investments can be sold.

(c) *Loans and Other Receivables*

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(d) *Deposits and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of Senior Notes presented as part of Bills Payable account in the statements of financial position is computed based on the average of ask and bid prices as appearing on Bloomberg.

(e) *Other Resources and Liabilities*

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

6.5 Fair Value Measurement for Non-financial Assets

Details of BDO Unibank Group and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2017 and 2016 are shown below and in the succeeding page.

BDO Unibank Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Investment properties				
Land	P -	P -	P 17,544	P 17,544
Building and improvements	-	-	13,917	13,917
Non-current assets held for sale	-	-	672	672
	<u>P -</u>	<u>P -</u>	<u>P 32,133</u>	<u>P 32,133</u>

BDO Unibank Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2016</u>				
Investment properties				
Land	P -	P -	P 15,184	P 15,184
Building and improvements	-	-	11,095	11,095
Non-current assets held for sale	-	-	661	661
	<u>P -</u>	<u>P -</u>	<u>P 26,940</u>	<u>P 26,940</u>

Parent Bank

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>December 31, 2017</u>				
Investment properties				
Land	P -	P -	P 15,774	P 15,774
Building and improvements	-	-	11,492	11,492
Non-current assets held for sale	-	-	661	661
	<u>P -</u>	<u>P -</u>	<u>P 27,927</u>	<u>P 27,927</u>

December 31, 2016

Investment properties				
Land	P -	P -	P 13,845	P 13,845
Building and improvements	-	-	8,900	8,900
Non-current assets held for sale	-	-	660	660
	<u>P -</u>	<u>P -</u>	<u>P 23,405</u>	<u>P 23,405</u>

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2017 and 2016 (see Note 12) was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the BDO Unibank Group and the Parent Bank with respect to determination of the inputs such as size, age, and condition of the land and buildings and the comparable prices in the corresponding property location. In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the BDO Unibank Group and the Parent Bank indicated above is their current use. The fair value discussed above as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of discounted cash flows of the Investment Properties.

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

(a) Fair Value Measurement for Land

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

(b) Fair Value Measurement for Buildings and Improvements

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

(c) Fair Value Measurement for Assets held for sale

The fair value of assets held for sale are determined based on the recent experience in the valuation of similar properties. The fair value, determined under Level 3 measurement, was derived using the market data approach that reflects that recent transaction prices for similar properties, adjusted for differences in property age and condition.

There has been no change to the valuation techniques used by BDO Unibank Group during the year for its non-financial assets. Also, there were no transfers into or out of Level 3 fair value hierarchy in 2017 and 2016.

6.6 Offsetting Financial Assets and Financial Liabilities

The following financial assets of BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2017 and 2016 are subject to offsetting, enforceable master netting arrangements and similar agreements:

BDO Unibank Group

	<u>Financial Assets</u>	<u>Financial Liabilities Available for Set-off</u>	<u>Collateral Received</u>	<u>Net Amount</u>
<u>December 31, 2017</u>				
AFS securities	P 1,912	P 857	P -	P 1,055
HTM securities	1,075	907	-	168
Financial assets at FVTPL:				
Currency swaps	310	282	-	28
Interest rate swaps	90	35	-	55
Loans and receivables –				
Receivables from customers	<u>65,327</u>	<u>558</u>	<u>63,950</u>	<u>819</u>
	<u>P 68,714</u>	<u>P 2,639</u>	<u>P 63,950</u>	<u>P 2,125</u>
<u>December 31, 2016</u>				
AFS securities	P 1,970	P 309	P -	P 1,661
HTM securities	780	602	-	178
Financial assets at FVTPL:				
Currency swaps	2,846	710	-	2,136
Interest rate swaps	57	57	-	-
Loans and receivables –				
Receivables from customers	44,494	889	42,647	958
Other resources –				
Margin deposits	<u>2,087</u>	<u>2,087</u>	<u>-</u>	<u>-</u>
	<u>P 52,234</u>	<u>P 4,654</u>	<u>P 42,647</u>	<u>P 4,933</u>

Parent Bank

	<u>Financial Assets</u>	<u>Financial Liabilities Available for Set-off</u>	<u>Collateral Received</u>	<u>Net Amount</u>
<u>December 31, 2017</u>				
HTM securities	P 1,075	P 907	P -	P 168
Financial assets at FVTPL:				
Interest rate swaps	55	-	-	55
Loans and receivables –				
Receivables from customers	<u>63,864</u>	<u>-</u>	<u>63,864</u>	<u>-</u>
	<u>P 64,994</u>	<u>P 907</u>	<u>P 63,864</u>	<u>P 223</u>
<u>December 31, 2016</u>				
HTM securities	P 780	P 602	P -	P 178
Financial assets at FVTPL:				
Currency swaps	11	11	-	-
Interest rate swaps	30	30	-	-
Loans and receivables –				
Receivables from customers	<u>42,243</u>	<u>-</u>	<u>42,243</u>	<u>-</u>
	<u>P 43,064</u>	<u>P 643</u>	<u>P 42,243</u>	<u>P 178</u>

The currency forwards and interest rate swaps relates to accrued interest receivable and accrued interest payable subject to enforceable master netting arrangements but were not set-off and presented at net in the statements of financial position.

The following financial liabilities with net amounts presented in the statements of financial position of BDO Unibank Group and the Parent Bank are subject to offsetting, enforceable master netting arrangements and similar agreements:

BDO Unibank Group

	<u>Financial Liabilities</u>	<u>Financial Assets Available for Set-off</u>	<u>Collateral Given</u>	<u>Net Amount</u>
<u>December 31, 2017</u>				
Deposit liabilities	P 165,234	P 63,950	P -	P 101,284
Bills payable	2,322	-	2,322	-
Derivatives with negative fair values:				
Currency swaps	1,267	282	985	-
Interest rate swaps	<u>95</u>	<u>35</u>	<u>-</u>	<u>60</u>
	<u>P 168,918</u>	<u>P 64,267</u>	<u>P 3,307</u>	<u>P 101,344</u>

	<u>Financial Liabilities</u>	<u>Financial Assets Available for Set-off</u>	<u>Collateral Given</u>	<u>Net Amount</u>
<u>December 31, 2016</u>				
Deposit liabilities	P 99,443	P 42,647	P -	P 56,796
Bills payable	1,800	-	1,800	-
Derivatives with negative fair values:				
Currency forwards	2,087	-	2,087	-
Currency swaps	710	710	-	-
Interest rate swaps	<u>71</u>	<u>57</u>	<u>-</u>	<u>14</u>
	<u>P 104,111</u>	<u>P 43,414</u>	<u>P 3,887</u>	<u>P 56,810</u>

Parent Bank

	<u>Financial Liabilities</u>	<u>Financial Assets Available for Set-off</u>	<u>Collateral Given</u>	<u>Net Amount</u>
<u>December 31, 2017</u>				
Deposit liabilities	P 165,147	P 63,864	P -	P 101,283
Bills payable	907	-	907	-
Derivatives with negative fair values –				
Interest rate swaps	<u>51</u>	<u>-</u>	<u>-</u>	<u>51</u>
	<u>P 166,105</u>	<u>P 63,864</u>	<u>P 907</u>	<u>P 101,334</u>

<u>December 31, 2016</u>				
Deposit liabilities	P 99,111	P 42,243	P -	P 56,868
Bills payable	602	-	602	-
Derivatives with negative fair values:				
Currency swaps	19	11	-	8
Interest rate swaps	<u>37</u>	<u>30</u>	<u>-</u>	<u>7</u>
	<u>P 99,769</u>	<u>P 42,284</u>	<u>P 602</u>	<u>P 56,883</u>

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the BDO Unibank Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

7. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Cash and other cash items	P 45,006	P 40,909	P 43,882	P 39,813
Due from BSP:				
Mandatory reserves	333,302	292,720	324,794	284,685
Other than mandatory reserves	20,006	25,282	15,802	19,600
	353,308	318,002	340,596	304,285
	P 398,314	P 358,911	P 384,478	P 344,098

Mandatory reserves represent the balance of the deposit accounts maintained with the BSP to meet reserve requirements and to serve as clearing accounts for interbank claims (see Note 15). Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate ranging from 2.5% to 3.5% in 2017 and annual interest rate of 2.5% both in 2016 and 2015. Total interest income earned amounted to P1,441, P564 and P738 in 2017, 2016 and 2015, respectively, in BDO Unibank Group's financial statements and P1,165, P474 and P592 in 2017, 2016 and 2015, respectively, in the Parent Bank's financial statements (see Note 21).

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

8. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Foreign banks	P 48,740	P 37,357	P 39,969	P 32,881
Local banks	2,739	4,437	1,119	582
	P 51,479	P 41,794	P 41,088	P 33,463

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
U.S. dollars	P 38,049	P 28,587	P 29,620	P 24,873
Other foreign currencies	12,450	9,773	11,411	8,551
Philippine pesos	980	3,434	57	39
	P 51,479	P 41,794	P 41,088	P 33,463

Annual interest rates on these deposits range from 0.00% to 3.00% in 2017, from 0.01% to 2.38% in 2016, and from 0.01% to 1.50% in 2015 in BDO Unibank Group's financial statements and from 0.00% to 1.35% in 2017, from 0.01% to 1.05% in 2016, and from 0.01% to 0.80% in 2015 in the Parent Bank's financial statements. There are deposits such as current accounts, which do not earn interest. Total interest income earned amounted to P301, P132, and P57 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P234, P91, and P43 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements (see Note 21).

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

9. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Financial assets					
at FVTPL	9.1	P 14,710	P 14,024	P 4,260	P 4,298
AFS securities – net	9.2	121,019	108,132	70,232	62,637
HTM investments	9.3	197,198	146,886	183,722	140,951
		<u>P 332,927</u>	<u>P 269,042</u>	<u>P 258,214</u>	<u>P 207,886</u>

9.1 Financial Assets at FVTPL

This account is composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Derivative financial assets	P 5,024	P 6,845	P 2,279	P 2,260
Government bonds	3,139	3,001	1,976	2,031
Other debt securities	2,114	1,841	5	7
	10,277	11,687	4,260	4,298
Equity securities – quoted	4,433	2,337	-	-
	<u>P 14,710</u>	<u>P 14,024</u>	<u>P 4,260</u>	<u>P 4,298</u>

All financial assets at FVTPL are held for trading. For government bonds and other debt securities, the amounts presented have been determined either directly or indirectly by reference to published prices quoted in an active market. On the other hand, the fair value of certain derivative financial assets is determined through valuation technique using net present value of future cash flows method. BDO Unibank Group recognized total fair value gain (loss) on financial assets at FVTPL amounting to P199, P96, and P121 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P67, (P45), and P167 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements. These are included as part of Trading gains under Other Operating Income account in the statements of income (see Note 23). The BDO Unibank Group's government bonds and other debt securities earn interest at annual rates ranging from 0.00% to 10.63% and from 0.09% to 10.63% in 2017 and 2016, respectively, while the Parent Bank's government bonds and other debt securities earn interest at annual rates ranging from 0.38% to 10.63% in 2017 and 2016, respectively.

Foreign currency-denominated securities amounted to P5,181 and P4,091 as of December 31, 2017 and 2016, respectively, in BDO Unibank Group's financial statements and P3,689 and P2,917 as of December 31, 2017 and 2016, respectively, in the Parent Bank's financial statements.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Foreign currency and interest rate forwards/futures represent commitments to purchase/sell or contractual obligations to receive or pay a new amount based on changes in currency rates or interest rates on a future date at a specified price. Foreign currency and interest rate swaps are commitments to exchange one set of cash flows for another.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and financial liabilities are shown below [see Notes 19 and 25 (d)(4)].

BDO Unibank Group

	2017			2016		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 234,561	P 1,868	P 1,433	P 111,834	P 853	P 799
Cross currency swaps	31,123	2,987	2,144	57,612	5,806	4,533
Interest rate swaps	32,962	169	135	39,399	186	105
Republic of the Philippines (ROP) warrants	15,021	-	38	15,021	-	38
Others	604	-	-	192	-	-
	<u>P 314,271</u>	<u>P 5,024</u>	<u>P 3,750</u>	<u>P 224,058</u>	<u>P 6,845</u>	<u>P 5,475</u>

Parent Bank

	2017			2016		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 229,429	P 1,741	P 1,433	P 104,920	P 843	P 715
Cross currency swaps	8,239	483	276	17,993	1,341	1,022
Interest rate swaps	12,526	55	51	19,581	76	43
ROP warrants	15,021	-	38	15,021	-	38
	<u>P 265,215</u>	<u>P 2,279</u>	<u>P 1,798</u>	<u>P 157,515</u>	<u>P 2,260</u>	<u>P 1,818</u>

9.2 AFS Securities

AFS securities consist of the following:

	Note	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Government debt securities		P 55,529	P 49,478	P 31,937	P 26,416
Other debt securities:					
Quoted		48,159	45,289	34,285	33,285
Not quoted		243	243	243	243
Equity securities:					
Quoted		18,291	16,711	5,858	5,918
Not quoted		2,127	729	559	563
		<u>124,349</u>	<u>112,450</u>	<u>72,882</u>	<u>66,425</u>
Allowance for impairment	14	(3,330)	(4,318)	(2,650)	(3,788)
		<u>P 121,019</u>	<u>P 108,132</u>	<u>P 70,232</u>	<u>P 62,637</u>

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

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Foreign currencies	P 72,443	P 70,746	P 57,078	P 53,862
Philippine peso	48,576	37,386	13,154	8,775
	<u>P 121,019</u>	<u>P 108,132</u>	<u>P 70,232</u>	<u>P 62,637</u>

Government debt securities issued by the ROP and foreign sovereigns and other debt securities issued by resident and non-resident corporations earn interest at annual rates ranging from 0.0% to 12.1% in 2017, from 2.0% to 12.1% in 2016 and from 0.0% to 11.6% in 2015 for BDO Unibank Group's financial statements while from 2.1% to 10.6% in 2017, from 2.0% to 10.6% in 2016, and from 1.6% to 11.6% in 2015 in the Parent Bank's financial statements.

As of December 31, 2017 and 2016, other debt securities also include investments in foreign financial institutions under bankruptcy amounting to nil and P1,107, respectively, in the Parent Bank's financial statements. These investments are fully provided with allowance for impairment as of December 31, 2017 and 2016.

Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies.

The fair values of government debt and quoted equity and other debt securities have been determined directly by reference to published prices generated in an active market (see Note 6.3).

For unquoted AFS securities, the fair value is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows. Accordingly, unquoted AFS securities are carried at cost less impairment, if any.

The reconciliation of the carrying amounts of AFS securities is as follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Balance at beginning of year	P 108,132	P 212,192	P 62,637	P 191,084
Additions	59,161	77,520	26,052	40,953
Disposals	(46,167)	(99,975)	(18,999)	(70,543)
Impairment loss – net	(154)	(382)	(3)	3
Unrealized fair value gains (losses)	622	(943)	255	899
Foreign currency revaluation	(575)	3,639	290	3,255
Reclassification from AFS securities to HTM investments (see Note 9.4)	-	(107,362)	-	(103,014)
Addition due to acquisition of new subsidiaries	-	23,443	-	-
Balance at end of year	<u>P 121,019</u>	<u>P 108,132</u>	<u>P 70,232</u>	<u>P 62,637</u>

Government securities of BDO Unibank Group and the Parent Bank with an aggregate principal amount of P1,912 and nil, respectively, as of December 31, 2017 and P2,750 and P780, respectively, as of December 31, 2016, were pledged as collaterals for bills payable under repurchase agreements (see Notes 16 and 31). These government securities are part of AFS securities except that of the Parent Bank amounting to P780, which were included in the reclassification from AFS securities to HTM investments in 2016 (see Note 9.3).

In 2017 and 2016, BDO Unibank Group has determined that there is an objective evidence that certain equity securities have shown significant or prolonged decline. Accordingly, BDO Unibank Group and Parent Bank recognized impairment loss amounting to P139 and nil, respectively, in 2017, and P346 and nil, respectively, in 2016. This is presented as part of Impairment Loss in the statements of income and under items that are reclassified subsequently to profit or loss in the statements of comprehensive income (see Note 14).

In 2013, BDO Unibank Group and the Parent Bank reclassified its entire HTM investments to AFS securities with a carrying value of P95,860 and P88,840, respectively, in anticipation of its planned disposal in accordance with PAS 39. As of December 31, 2017 and 2016, the market value of the remaining reclassified investments amounted to P1,074 and P1,939, respectively, for both the BDO Unibank Group and Parent Bank's financial statements.

As mentioned in Note 26, certain government debt securities are deposited with the BSP.

9.3 HTM Investments

This account consists of:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Government debt securities	P 166,282	P 119,182	P 153,362	P 113,247
Other debt securities:				
Quoted	30,360	26,742	30,360	26,742
Not quoted	<u>556</u>	<u>962</u>	<u>-</u>	<u>962</u>
	<u>P 197,198</u>	<u>P 146,886</u>	<u>P 183,722</u>	<u>P 140,951</u>

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

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Foreign currencies	P 119,011	P 103,493	P 116,987	P 102,895
Philippine peso	<u>78,187</u>	<u>43,393</u>	<u>66,735</u>	<u>38,056</u>
	<u>P 197,198</u>	<u>P 146,886</u>	<u>P 183,722</u>	<u>P 140,951</u>

The reconciliation of the carrying amounts of HTM investments is as follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Balance at beginning of year	P 146,886	P -	P 140,951	P -
Additions	83,061	49,939	74,111	48,139
Maturities	(33,169)	(15,733)	(31,745)	(15,413)
Foreign currency gains – net	420	5,235	405	5,211
Reclassification from AFS securities to HTM investments (see Note 9.4)	-	107,362	-	103,014
Addition due to acquisition of new subsidiary	-	83	-	-
Balance at end of year	P 197,198	P 146,886	P 183,722	P 140,951

Annual coupon interest rates on government and other debt securities range from 0.00% to 10.63% in 2017 and from 1.15% to 10.63% in 2016 both in BDO Unibank Group and Parent Bank's financial statements.

Government securities with an aggregate principal amount of P1,075 for both BDO Unibank Group and the Parent Bank as of December 31, 2017 were pledged as collateral for bills payable under repurchase agreements (see Notes 16 and 31).

9.4 Reclassification of Investment Securities

In 2016, after the end of the two-year tainting period, BDO Unibank Group and the Parent Bank reclassified certain AFS securities with a carrying value as of reclassification date of P107,362 and P103,014, respectively, and unrealized fair value losses of P2,181 and P2,269, respectively, to HTM investments. Of the reclassified unrealized fair value losses, a total of P621 and P288 in 2017, and P275 and P292 in 2016 were amortized by BDO Unibank Group and the Parent Bank, respectively, resulting in unamortized fair value losses of P1,746 and P1,690 as of December 31, 2017, and P1,906 and P1,977 as of December 31, 2016, respectively. The outstanding balance of the reclassified securities of BDO Unibank Group and the Parent Bank amounted to P86,027 and P81,766 as of December 31, 2017, respectively, and P100,291 and P96,020 as of December 31, 2016, respectively.

10. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	BDO Unibank Group		Parent Bank	
		2017	2016 (As Restated - see Note 2.1)	2017	2016
Receivables from customers:					
Loans and discounts	25, 28.8	P 1,631,280	P 1,376,870	P 1,575,990	P 1,320,102
Customers' liabilities under letters of credit and trust receipts		53,246	49,148	53,246	49,148
Bills purchased		10,156	10,527	10,144	10,527
Credit card receivables		61,621	46,761	61,621	46,761
		1,756,303	1,483,306	1,701,001	1,426,538
Unearned interests or discounts		(1,415)	(1,302)	(102)	(89)
Allowance for impairment	14	(29,892)	(26,162)	(27,827)	(24,602)
		(31,307)	(27,464)	(27,929)	(24,691)
Balance carried forward		P 1,724,996	P 1,455,842	P 1,673,072	P 1,401,847

Notes	BDO Unibank Group		Parent Bank	
	2017	2016 (As Restated - see Note 2.1)	2017	2016
<i>Balance brought forward</i>	P 1,724,996	P 1,455,842	P 1,673,072	P 1,401,847
Other receivables:				
Interbank loans receivables	37,733	73,440	37,733	73,440
SPURRA	18,260	14,302	14,872	7,891
Accounts receivable 25, 33.1.1	7,038	7,681	5,459	6,408
Unquoted debt securities classified as loans (UDSCL)	5,267	22,546	1,332	22,546
Sales contract receivables	1,327	1,678	1,204	1,561
Others	330	401	-	-
	69,955	120,048	60,600	111,846
Allowance for impairment 14	(3,165)	(1,925)	(2,940)	(1,712)
	66,790	118,123	57,660	110,134
	P 1,791,786	P 1,573,965	P 1,730,732	P 1,511,981

Non-performing loans (NPL) included in the total loan portfolio of BDO Unibank Group and the Parent Bank as of December 31, 2017 and 2016 are presented below as net of specific allowance for impairment in compliance with BSP Circular 772, *Amendments to Regulations on Non-Performing Loans*.

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
NPL	P 19,648	P 17,943	P 17,044	P 15,855
Allowance for impairment	(11,540)	(12,037)	(10,352)	(11,169)
	P 8,108	P 5,906	P 6,692	P 4,686

Per MORB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches 10% of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

The credit concentration of receivables from customers (net of unearned interests or discounts) as to industry follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Wholesale and retail trade	P 237,104	P 206,205	P 231,386	P 201,026
Real estate activities	227,050	205,376	223,746	198,216
Electricity, gas, steam and air-conditioning supply	200,952	137,381	200,106	136,018
Financial and insurance activities	195,923	150,735	191,194	147,427
Manufacturing	186,779	191,720	183,382	186,870
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	175,196	127,236	168,423	122,716
Transportation and storage	112,307	99,871	108,496	93,783
Arts, entertainment and recreation	68,853	54,401	66,040	51,771
Accommodation and food service activities	41,662	43,837	41,307	43,570
Information and communication	38,707	27,334	38,081	26,691
Construction	36,605	29,856	32,032	25,319
Mining and quarrying	24,054	9,632	22,344	8,573
Human health and social work activities	16,461	16,282	15,724	15,506
Education	13,614	10,840	5,201	3,259
Agriculture, forestry and fishing	13,007	14,054	11,342	11,434
Water supply, sewerage, waste management and remediation activities	11,813	12,278	11,286	11,683
Professional, scientific and technical services	10,782	11,042	10,517	10,850
Administrative and support services	9,204	8,662	7,867	7,578
Public administrative and defense; compulsory social security	703	535	639	431
Activities of extraterritorial organizations and bodies	66	66	66	66
Other service activities	134,046	124,661	131,720	123,662
	P 1,754,888	P 1,482,004	P 1,700,899	P 1,426,449

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Secured:				
Real estate mortgage	P 260,645	P 196,963	P 255,029	P 192,537
Chattel mortgage	97,013	98,619	76,144	78,960
Other securities	137,233	116,737	136,063	114,631
	494,891	412,319	467,236	386,128
Unsecured	1,259,997	1,069,685	1,233,663	1,040,321
	P 1,754,888	P 1,482,004	P 1,700,899	P 1,426,449

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Variable interest rates	P 1,366,610	P 1,083,616	P 1,335,078	P 1,058,182
Fixed interest rates	<u>388,278</u>	<u>398,388</u>	<u>365,821</u>	<u>368,267</u>
	<u>P 1,754,888</u>	<u>P 1,482,004</u>	<u>P 1,700,899</u>	<u>P 1,426,449</u>

Loans and receivables bear annual interest rates of 0.0% (e.g. non-performing loans and zero percent credit card installment program) to 4.1% per month in 2017 and 0.0% to 4.0% per month in both 2016 and 2015 (see Note 21).

The BDO Unibank Group's and the Parent Bank's receivables from customers amounting to P1,046 and nil, respectively, as of December 31, 2017 and P1,847 and nil, respectively, as of December 31, 2016 are pledged as collaterals to secure borrowings under rediscounting privileges (see Notes 16 and 31).

11. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of premises, furniture, fixtures and equipment at the beginning and end of 2017 and 2016 are shown below.

BDO Unibank Group

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2017						
Cost	P 6,155	P 24,452	P 16,744	P 6,201	P 711	P 54,263
Accumulated depreciation and amortization	-	(14,837)	(5,368)	(4,197)	-	(24,402)
Allowance for Impairment (see Note 14)	(<u>140</u>)	-	(<u>375</u>)	-	-	(<u>515</u>)
Net carrying amount	<u>P 6,015</u>	<u>P 9,615</u>	<u>P 11,001</u>	<u>P 2,004</u>	<u>P 711</u>	<u>P 29,346</u>
December 31, 2016						
Cost	P 6,118	P 21,051	P 15,739	P 5,512	P 289	P 48,709
Accumulated depreciation and amortization	-	(12,947)	(4,749)	(3,589)	-	(21,285)
Allowance for Impairment (see Note 14)	(<u>137</u>)	-	(<u>375</u>)	-	-	(<u>512</u>)
Net carrying amount	<u>P 5,981</u>	<u>P 8,104</u>	<u>P 10,615</u>	<u>P 1,923</u>	<u>P 289</u>	<u>P 26,912</u>
January 1, 2016						
Cost	P 6,027	P 18,778	P 14,678	P 4,621	P 251	P 44,355
Accumulated depreciation and amortization	-	(11,625)	(4,230)	(2,993)	-	(18,848)
Allowance for Impairment (see Note 14)	(<u>137</u>)	-	(<u>375</u>)	-	-	(<u>512</u>)
Net carrying amount	<u>P 5,890</u>	<u>P 7,153</u>	<u>P 10,073</u>	<u>P 1,628</u>	<u>P 251</u>	<u>P 24,995</u>

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
December 31, 2017						
Cost	P 5,414	P 18,395	P 15,588	P 5,659	P 711	P 45,767
Accumulated depreciation and amortization	-	(11,461)	(5,043)	(3,850)	-	(20,354)
Allowance for Impairment (see Note 14)	(125)	-	(371)	-	-	(496)
Net carrying amount	<u>P 5,289</u>	<u>P 6,934</u>	<u>P 10,174</u>	<u>P 1,809</u>	<u>P 711</u>	<u>P 24,917</u>
December 31, 2016						
Cost	P 5,378	P 15,448	P 14,752	P 5,037	P 265	P 40,880
Accumulated depreciation and amortization	-	(10,158)	(4,494)	(3,304)	-	(17,956)
Allowance for Impairment (see Note 14)	(123)	-	(371)	-	-	(494)
Net carrying amount	<u>P 5,255</u>	<u>P 5,290</u>	<u>P 9,887</u>	<u>P 1,733</u>	<u>P 265</u>	<u>P 22,430</u>
January 1, 2016						
Cost	P 5,287	P 14,132	P 13,849	P 4,360	P 248	P 37,876
Accumulated depreciation and amortization	-	(9,447)	(3,967)	(2,816)	-	(16,230)
Allowance for Impairment (see Note 14)	(123)	-	(371)	-	-	(494)
Net carrying amount	<u>P 5,164</u>	<u>P 4,685</u>	<u>P 9,511</u>	<u>P 1,544</u>	<u>P 248</u>	<u>P 21,152</u>

A reconciliation of the carrying amounts at the beginning and end of 2017 and 2016 of premises, furniture, fixtures and equipment is shown below.

BDO Unibank Group

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation, amortization and impairment	P 5,981	P 8,104	P 10,615	P 1,923	P 289	P 26,912
Additions	-	4,336	659	508	655	6,158
Disposals	-	(110)	-	(7)	-	(117)
Reclassifications	34	9	302	270	(233)	382
Depreciation and amortization charges for the year	-	(2,724)	(575)	(690)	-	(3,989)
Balance at December 31, 2017, net of accumulated depreciation, amortization and impairment	<u>P 6,015</u>	<u>P 9,615</u>	<u>P 11,001</u>	<u>P 2,004</u>	<u>P 711</u>	<u>P 29,346</u>
Balance at January 1, 2016, net of accumulated depreciation, amortization and impairment	P 5,890	P 7,153	P 10,073	P 1,628	P 251	P 24,995
Additions	89	3,685	960	603	200	5,537
Disposals	-	(77)	(5)	(8)	-	(90)
Reclassifications	2	(5)	159	297	(162)	291
Depreciation and amortization charges for the year	-	(2,652)	(572)	(597)	-	(3,821)
Balance at December 31, 2016, net of accumulated depreciation, amortization and impairment	<u>P 5,981</u>	<u>P 8,104</u>	<u>P 10,615</u>	<u>P 1,923</u>	<u>P 289</u>	<u>P 26,912</u>

Parent Bank

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvements</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation, amortization and impairment	P 5,255	P 5,290	P 9,887	P 1,733	P 265	P 22,430
Additions	-	3,375	526	444	644	4,989
Disposals	-	(14)	-	(6)	-	(20)
Reclassifications	34	20	266	261	(198)	383
Depreciation and amortization charges for the year	-	(1,737)	(505)	(623)	-	(2,865)
Balance at December 31, 2017, net of accumulated depreciation, amortization and impairment	<u>P 5,289</u>	<u>P 6,934</u>	<u>P 10,174</u>	<u>P 1,809</u>	<u>P 711</u>	<u>P 24,917</u>
Balance at January 1, 2016, net of accumulated depreciation, amortization and impairment	P 5,164	P 4,685	P 9,511	P 1,544	P 248	P 21,152
Additions	89	2,363	742	438	179	3,811
Disposals	-	(23)	-	(7)	-	(30)
Reclassifications	2	9	159	300	(162)	308
Depreciation and amortization charges for the year	-	(1,744)	(525)	(542)	-	(2,811)
Balance at December 31, 2016, net of accumulated depreciation, amortization and impairment	<u>P 5,255</u>	<u>P 5,290</u>	<u>P 9,887</u>	<u>P 1,733</u>	<u>P 265</u>	<u>P 22,430</u>

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2017 and 2016, BDO Unibank Group and the Parent Bank has complied with this requirement.

In 2015 (nil in 2017 and 2016), reversal of appraisal increment and impairment losses amounting to P9 was recognized by the BDO Unibank Group and the Parent Bank to write-down to recoverable amount certain parcels of land. The recoverable amount of land and building as of December 31, 2017 and 2016, respectively, was based on the appraised values of such asset.

Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2017 and 2016 are still being used in operations with acquisition costs amounting to P6,846 and P6,794, respectively, for the BDO Unibank Group's financial statements and P6,696 and P5,967, respectively, for the Parent Bank's financial statements.

12. INVESTMENT PROPERTIES

Investment properties include land and buildings held for capital appreciation and for rental. Income earned from investment properties under rental arrangements amounted to P290 and P71 in 2017, P247 and P70 in 2016, P217 and P72 in 2015 in BDO Unibank Group and Parent Bank's financial statements, respectively, and are presented as part of Rental under Other Operating Income account (see Note 23). Direct expenses incurred from these properties such as taxes and licenses amounted to P19 and P2 in 2017, P55 and P2 in 2016, and P2 and P2 in 2015 in BDO Unibank Group's and Parent Bank's financial statements, respectively, and are presented as part of Taxes and licenses under Other Operating Expenses account in the Unibank Group and Parent Bank's financial statements, respectively (see Note 23).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2017 and 2016 are shown below and in the succeeding page.

BDO Unibank Group

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
December 31, 2017			
Cost	P 9,429	P 13,471	P 22,900
Accumulated depreciation	-	(3,217)	(3,217)
Allowance for impairment (see Note 14)	(<u>1,539</u>)	(<u>104</u>)	(<u>1,643</u>)
Net carrying amount	<u>P 7,890</u>	<u>P 10,150</u>	<u>P 18,040</u>
December 31, 2016			
Cost	P 9,923	P 10,227	P 20,150
Accumulated depreciation	-	(2,893)	(2,893)
Allowance for impairment (see Note 14)	(<u>1,962</u>)	(<u>107</u>)	(<u>2,069</u>)
Net carrying amount	<u>P 7,961</u>	<u>P 7,227</u>	<u>P 15,188</u>
January 1, 2016			
Cost	P 10,008	P 9,494	P 19,502
Accumulated depreciation	-	(2,564)	(2,564)
Allowance for impairment (see Note 14)	(<u>2,205</u>)	(<u>100</u>)	(<u>2,305</u>)
Net carrying amount	<u>P 7,803</u>	<u>P 6,830</u>	<u>P 14,633</u>

Parent Bank

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
December 31, 2017			
Cost	P 8,129	P 10,874	P 19,003
Accumulated depreciation	-	(2,943)	(2,943)
Allowance for impairment (see Note 14)	(<u>1,504</u>)	(<u>60</u>)	(<u>1,564</u>)
Net carrying amount	<u>P 6,625</u>	<u>P 7,871</u>	<u>P 14,496</u>
December 31, 2016			
Cost	P 8,533	P 7,855	P 16,388
Accumulated depreciation	-	(2,630)	(2,630)
Allowance for impairment (see Note 14)	(<u>1,911</u>)	(<u>63</u>)	(<u>1,974</u>)
Net carrying amount	<u>P 6,622</u>	<u>P 5,162</u>	<u>P 11,784</u>

Parent Bank

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
January 1, 2016			
Cost	P 8,602	P 7,340	P 15,942
Accumulated depreciation	-	(2,328)	(2,328)
Allowance for impairment (see Note 14)	(2,155)	(56)	(2,211)
Net carrying amount	<u>P 6,447</u>	<u>P 4,956</u>	<u>P 11,403</u>

A reconciliation of the carrying amounts, at the beginning and end of 2017 and 2016, of investment properties is shown below.

BDO Unibank Group

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation and impairment	P 7,961	P 7,227	P 15,188
Additions	623	3,893	4,516
Disposals	(676)	(268)	(944)
Reclassifications	(18)	(82)	(100)
Depreciation for the year	-	(620)	(620)
Balance at December 31, 2017, net of accumulated depreciation and impairment	<u>P 7,890</u>	<u>P 10,150</u>	<u>P 18,040</u>
Balance at January 1, 2016, net of accumulated depreciation and impairment	P 7,803	P 6,830	P 14,633
Additions	484	1,133	1,617
Disposals	(557)	(222)	(779)
Reclassifications	231	(7)	224
Depreciation for the year	-	(507)	(507)
Balance at December 31, 2016, net of accumulated depreciation and impairment	<u>P 7,961</u>	<u>P 7,227</u>	<u>P 15,188</u>

Parent Bank

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2017, net of accumulated depreciation and impairment	P 6,622	P 5,162	P 11,784
Additions	621	3,623	4,244
Disposals	(583)	(268)	(851)
Reclassifications	(35)	(65)	(100)
Depreciation for the year	-	(581)	(581)
Balance at December 31, 2017, net of accumulated depreciation and impairment	<u>P 6,625</u>	<u>P 7,871</u>	<u>P 14,496</u>

Parent Bank

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Balance at January 1, 2016, net of accumulated depreciation and impairment	P 6,447	P 4,956	P 11,403
Additions	480	901	1,381
Disposals	(538)	(219)	(757)
Reclassifications	233	(8)	225
Depreciation for the year	<u>-</u>	<u>(468)</u>	<u>(468)</u>
Balance at December 31, 2016, net of accumulated depreciation and impairment	<u>P 6,622</u>	<u>P 5,162</u>	<u>P 11,784</u>

The fair value of investment properties as of December 31, 2017 and 2016, determined using observable recent prices of the reference properties and replacement cost approach, amounted to P31,461 and P26,279, respectively, for BDO Unibank Group's financial statements and P27,266 and P22,745, respectively, for the Parent Bank's financial statements. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 6.5.

The recoverable amount of impaired investment properties as of December 31, 2017 and 2016 was based on value in use computed through discounted cash flows method at an effective rate of 1.39% and 1.26% in 2017 and 2016, respectively.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, neither maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, non-current assets held for sale, AFS securities or other resources. As of December 31, 2017 and 2016, ROPA, gross of allowance, comprise of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Investment properties	P 10,357	P 8,817	P 10,182	P 8,550
AFS securities	918	813	918	813
Non-current assets held for sale	<u>700</u>	<u>712</u>	<u>684</u>	<u>711</u>
	<u>P 11,975</u>	<u>P 10,342</u>	<u>P 11,784</u>	<u>P 10,074</u>

13. OTHER RESOURCES

The components of this account are shown below.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u> (As Restated - see Note 2.1)
Credit card acquiring		P 7,857	P 3,113	P 7,857	P 3,113
Deferred tax assets – net	29.1	7,403	6,334	6,927	6,097
Deferred charges		6,260	4,842	6,259	4,840
Equity investments	13.1	4,945	4,449	36,611	34,073
Goodwill	13.3, 28.1, 28.7	4,435	4,435	1,391	1,391
Foreign currency notes and coins on hand		3,695	3,338	3,694	3,337
Branch licenses	13.4, 28.8	3,020	3,020	3,020	3,020
Computer software – net		1,817	1,649	1,713	1,494
Real properties for development and sale		1,631	1,671	-	-
Margin deposits		1,265	2,223	276	131
Non-current assets held for sale	13.5	700	712	684	711
Deposits under escrow	13.2	672	672	672	672
Customer lists – net	13.7, 28.9	487	487	487	487
Prepaid documentary stamps		358	467	326	421
Returned checks and other cash items		165	100	162	100
Trademark – net	13.6, 28.2	124	157	124	157
Dividend receivable		76	71	-	-
Retirement benefit asset	24.2	-	709	-	796
Others	13.7, 18	3,964	3,304	2,636	2,083
		48,874	41,753	72,839	62,923
Allowance for impairment	14	(2,662)	(2,566)	(2,139)	(4,845)
		P 46,212	P 39,187	P 70,700	P 58,078

13.1 Equity Investments

Equity investments consist of the following:

	% Interest Held	BDO Unibank Group		Parent Bank	
		2017	2016	2017	2016 (As Restated- see Note 2.1)
Acquisition costs:					
Philippine subsidiaries					
ONB	99.79%	P -	P -	P 7,696	P 6,696
BDOSHI	100%	-	-	5,684	5,684
BDO Life**	97%	-	-	3,403	3,403
BDO Private	100%	-	-	2,579	2,579
BDO Leasing	87.43%	-	-	1,878	1,878
BDO Capital	99.88%	-	-	1,878	1,878
BDO Nomura	51%	-	-	39	39
PCI Realty Corporation	100%	-	-	34	34
BDOI	100%	-	-	11	11
Equimark	60%	-	-	4	4
PCI Insurance	100%	-	-	-	8
		-	-	23,206	22,214
Foreign subsidiaries					
BDORO	100%	-	-	169	169
BDO Remit (Japan) Ltd.	100%	-	-	92	92
Express Padala (Hongkong), Ltd.	100%	-	-	28	28
BDO Remit (USA), Inc.	100%	-	-	26	26
BDO Remit (Canada) Ltd.	100%	-	-	42	18
PCIB Europe S.p.A.	100%	-	-	1	1
		-	-	358	334
Associates and Joint Venture					
SM Keppel Land, Inc. (SM Keppel)	50%	1,658	1,658	1,658	1,658
NLEX Corporation	12.40%	1,405	1,405	1,405	1,405
MMPC Auto-Financial Services Corporation (MAFSC)	34.97%	300	300	-	-
Northpine Land Incorporated	20%	232	232	232	232
Taal Land, Inc.	33.33%	170	170	170	170
Others	*	5	10	5	10
		3,770	3,775	3,470	3,475
Accumulated equity in total comprehensive income:					
Balance at beginning of year		674	1,031	8,050	8,674
Equity in net profit		612	481	4,312	3,657
Reclassifications***		116	-	(2,687)	-
Equity in other comprehensive income (loss)	(3)		1	1,702	(2,413)
Dividends	(224)	(505)	(1,876)	(2,574)	
Change in percentage ownership in subsidiaries	-	-	(77)		706
BDO Life step-up acquisition**	-	(334)	-	-	-
Balance at end of year		1,175	674	9,424	8,050
Deposit for future stock subscription on BDO Nomura****		-	-	153	-
Net investments in associates/subsidiaries		4,945	4,449	36,611	34,073
Allowance for impairment		(155)	(39)	(155)	(2,850)
		P 4,790	P 4,410	P 36,456	P 31,223

* This consists of various insignificant investments in associates; thus, percentage held is no longer disclosed.

** BDO Life is an associate of BDO Unibank Group and the Parent Bank in 2015. It became a subsidiary when the Parent Bank acquired full ownership in 2016 (see Note 28.4).

*** This relates to the reclassification of previously recognized impairment losses to accumulated equity in total comprehensive income.

**** This pertains to additional capital infusion of the Parent Bank on BDO Nomura (see Note 28.5).

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2017 and 2016, except for BDO Leasing, which is at 88.54% in BDO Unibank Group (see Note 2.3) and 87.43% in the Parent Bank, as discussed above, in both years.

The fair value of BDO Leasing amounts to P7,314 and P7,257 in 2017 and 2016, respectively, which had been determined directly by reference to published prices quoted in an active market. The fair value of the remaining equity investments is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows.

BDO Unibank Group's subsidiaries as of December 31, 2017 are all incorporated in the Philippines, except for the following:

<u>Foreign Subsidiaries*</u>	<u>Country of Incorporation</u>
Express Padala (Hongkong), Ltd.	Hong Kong
BDO Remit (USA), Inc.	United States of America
PCIB Europe S.p.A	Italy
BDORO	United Kingdom
BDO Remit (Italia) S.p.A**	Italy
BDO Remit (Japan) Ltd.	Japan
BDO Remit (Canada) Ltd.	Canada
BDO Remit Limited**	Hongkong
BDO Remit (Macau) Ltd.**	Macau

**EPFG has been dissolved from the Commercial Register in Frankfurt, Germany after the liquidation proceedings were completed in 2016 (see Note 2.3).*

***Wholly-owned subsidiaries of BDOSHI.*

On May 30, 2012, BDORO was registered with the Registrar of Companies for England and Wales (UK) as a private limited company with registered office at the 5th floor, 6 St. Andrew Street, London. BDORO will provide commercial banking services in UK and Europe, and subject to certain conditions, was approved by the BSP on October 13, 2011. In 2012, BDORO applied for a banking license in the UK, but the approval is still pending as of December 31, 2017. In 2012, the Parent Bank has an outstanding investment in BDORO amounting to P133 (absolute amount) representing the minimal capitalization of 2 GBP as an initial contribution to incorporate BDORO. Starting in 2013, the Parent Bank's outstanding investment in BDORO increased to P169.

In May 2013, BDO Capital obtained control over CBN Grupo through its 60% ownership. Goodwill amounted to P91 and non-controlling share in equity totaled P39 at the date the BDO Unibank Group's control was established. In October 2016, BDO Capital acquired additional shares in CBN Grupo, which increased its ownership interest to 96.32%. Additional goodwill acquired amounted to P32 (see Note 28.1).

On August 30, 2013, BDO Capital acquired 100% of the total issued and outstanding capital stock of Averon, a company engaged primarily in the leasing business.

On September 27, 2013, the Parent Bank's BOD authorized the purchase of 99.995% of the total issued and outstanding capital of BDO Savings (formerly Citibank Savings, Inc.), a thrift bank registered in the Philippines resulting to recognition of income from acquisition and branch licenses amounting to P18 and P380, respectively (see Note 13.4). In 2016, BDO Savings was merged with BDO Capital together with BDO Elite with BDO capital as surviving entity (see Note 28.3).

On January 30, 2013, the Parent Bank's BOD approved the establishment of a wholly-owned remittance subsidiary, BDO Remit (Japan) Ltd., in Tokyo, Japan, to operate as a remittance business and function as a marketing office of the Parent Bank. This was approved by the BSP on October 10, 2013 and was incorporated on August 6, 2014. In April 2016, BDO Remit (Japan) Ltd. started its operations. The Parent Bank paid P62 and P30 as capital contribution in 2016 and 2015, respectively.

On March 23, 2013, the Parent Bank's BOD approved the establishment of a wholly-owned remittance subsidiary, BDO Remit (Canada) Ltd., in Vancouver, Canada. BDO Remit (Canada) Ltd. will operate as a remittance business and function as a marketing office of the Parent Bank. This was approved by the BSP on November 28, 2013 and was incorporated on June 23, 2014. In 2015, the Parent Bank paid CND500,000 for the subscribed shares. On October 29, 2016, the Parent Bank's BOD approved an increase in the capitalization of BDO Remit (Canada) Ltd. by an amount of CND600,000, which was later approved by the BSP on December 23, 2016. On February 22, 2017, the Parent Bank paid CND600,000 for the subscribed shares.

BDO Unibank Group includes one subsidiary, BDO Leasing, with significant NCI:

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Profit Allocated to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
BDO Leasing	11.46%	11.46 %	P 65	P 65	P 624	P 613

Dividends amounting to P50 were paid to the NCI in both 2017 and 2016 (see Note 20.4).

Summarized consolidated financial information of BDO Leasing, before intragroup eliminations, follows:

	2017	2016
<i>Statements of financial position:</i>		
Total resources	P 42,842	P 38,886
Total liabilities	37,400	33,537
Equity attributable to owners of the parent	4,818	4,736
Non-controlling interest	624	613
<i>Statements of comprehensive income:</i>		
Total interest income	1,914	1,751
Total other operating income	1,242	1,100
Profit attributable to owners of the parent	506	505
Profit attributable to NCI	65	65
Profit	571	570
Total comprehensive income attributable to owners of the parent	465	501
Total comprehensive income attributable to NCI	60	65
Total comprehensive income	P 525	P 566
<i>Statements of cash flows:</i>		
Net cash used in operating activities	(P 889)	(P 2,065)
Net cash used in investing activities	(1,710)	(838)
Net cash from financing activities	2,686	2,941
Net cash inflow	P 87	P 38

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2017, 2016 and 2015:

		<u>NLEX</u>		<u>BDO Life*</u>		<u>SM</u>		<u>Others</u>		<u>Total</u>
		<u>Corporation</u>				<u>Keppel</u>				
<u>December 31, 2017</u>										
<u>(Unaudited)</u>										
Assets	P	40,144	P	-	P	9,130	P	3,218	P	52,492
Liabilities		29,488		-		6,810		1,271		37,569
Equity		10,656		-		2,320		1,947		14,923
Revenues		11,880		-		391		1,256		13,527
Net profit		4,644		-		23		159		4,826
<u>December 31, 2016</u>										
<u>(Audited)</u>										
Assets	P	35,289	P	-	P	5,406	P	2,472	P	43,167
Liabilities		25,677		-		3,109		626		29,412
Equity		9,612		-		2,297		1,846		13,755
Revenues		10,769		-		156		697		11,622
Net profit		4,087		-		23		98		4,208
<u>December 31, 2015</u>										
<u>(Audited)</u>										
Assets	P	30,885	P	22,971	P	2,667	P	2,359	P	58,882
Liabilities		22,751		19,006		393		575		42,725
Equity		8,134		3,965		2,274		1,784		16,157
Revenues		8,690		7,230		177		695		16,792
Net profit		2,993		1,102		22		109		4,226

* BDO Life is an associate of BDO Unibank Group in 2015. It became a subsidiary when the Parent Bank acquired full ownership in 2016 (see Note 28.4).

13.2 Deposits Under Escrow

Deposits under escrow pertain to the portion of the cash received by the Parent Bank in consideration for its assumption of First e-Bank Corporation's deposits and other liabilities in October 2002. This amount is held in escrow pending compliance by the Parent Bank with certain terms and conditions, particularly the transfer of titles, as stipulated in the Memorandum of Agreement. On August 26, 2016, the Parent Bank received an amount of P4,650 for the partial termination of escrow. Deposits under escrow earned a return on investment of 2.2% and 3.3% in 2017 and 2016, respectively. In 2016 and 2015, BDO Unibank Group and Parent Bank recognized income amounting to P95 and P1,269 (nil in 2017), which is presented as part of Miscellaneous under Other Operating Income account in the statements of income (see Note 23). As of December 31, 2017 and 2016, the BDO Unibank Group and the Parent Bank provided an allowance for impairment both amounting to P400.

13.3 Goodwill

Goodwill represents the excess of the cost of acquisition of the Parent Bank over the fair value of the net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope. This is from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank, Rural Bank of San Juan, Inc., Rural Bank of San Enrique, Inc., BDO RIH, BDO Savings and ONB, which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2014, 2015 and 2016, respectively (see Note 28).

The Parent Bank recognized impairment loss of P2, P4 and P4 in 2017, 2016, and 2015, respectively, to write-down the value of the goodwill to their recoverable amount (see Note 14). The Parent Bank provided impairment losses on some of its goodwill as it does not expect any economic benefit on this asset in the succeeding periods since the branch business grew as a result of the efforts and brand of the Parent Bank and is not a result of the customers of the previous banks acquired. There is no impairment loss recognized on the goodwill at the BDO Unibank Group's financial statements, except those related to the Parent Bank.

13.4 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Bank to establish certain number of branches as an incentive in acquiring The Real Bank (A Thrift Bank), Inc. [TRB] and BDO Savings in addition to the current branches of the acquired banks (see Notes 13.1 and 28.8). There is no impairment loss recognized on the branch licenses at the BDO Unibank Group's financial statements since the impairment will be upon the expiry on 2019 of the term given by the BSP to the Parent Bank in establishing certain number of branches.

13.5 Non-current Assets Held for Sale

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that BDO Unibank Group and the Parent Bank intends to sell within one year from the date of classification as held for sale. No impairment loss was recognized in 2015 to 2017 in both BDO Unibank Group and Parent Bank's financial statements.

13.6 Trademark

Amortization expense on trademark arising from acquisition of Diners Club International credit card portfolio (see Note 28.2) amounted to P33 and P8 in 2017 and 2016, respectively. This is recorded under Miscellaneous expenses under Other Operating Expenses account in the statements of income (see Note 23).

13.7 Others

Amortization expense on computer software licenses amounted to P528, P436 and P285 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P477, P372 and P249 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 23).

Depreciation expense on certain assets amounting to P2, P2 and P43 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P2, P1 and P43 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 23).

In 2016 and 2015, the Parent Bank recognized impairment loss amounting to P15 and P26 (nil in 2017), respectively, to write-down the value of customer list to its recoverable amount (see Note 14). The impairment provision was recognized through direct write-off of the cost of the asset. The customer list was recognized as a result of the Parent Bank's acquisition of a trust business in 2014 (see Note 28.9).

14. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	BDO Unibank Group		Parent Bank	
		2017	2016	2017	2016
Balance at beginning of year:					
AFS securities	9.2	P 4,318	P 3,936	P 3,788	P 3,792
Loans and other receivables	10	28,087	27,659	26,314	26,194
Bank premises	11	512	512	494	494
Investment properties	12	2,069	2,305	1,974	2,211
Other resources	13	2,566	2,553	4,845	4,824
		37,552	36,965	37,415	37,515
Impairment losses - net		6,537	3,749	5,809	2,988
Write-offs		(3,013)	(3,330)	(2,927)	(3,328)
Adjustments		121	141	2,687	5
Foreign currency revaluation		13	237	14	235
Reversals		(3)	(117)	(8)	-
Business combination		-	189	-	-
		P 41,207	P 37,552	P 37,616	P 37,415
Balance at end of year:					
AFS securities	9.2	P 3,330	P 4,318	P 2,650	P 3,788
Loans and other receivables	10	33,057	28,087	30,767	26,314
Bank premises	11	515	512	496	494
Investment properties	12	1,643	2,069	1,564	1,974
Other resources	13	2,662	2,566	2,139	4,845
		P 41,207	P 37,552	P 37,616	P 37,415

Total impairment losses on financial assets amounted to P6,531, P3,789, and P2,970 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P5,807, P3,029, and P2,679 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements.

Total impairment losses (recoveries) on non-financial assets amounted to P6, (P40), and P4 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P2, (P41), and P4 in 2017, 2016, and 2015, respectively, in the Parent Bank's financial statements.

Total allowance for impairment transferred upon consolidation of BDO Life in 2016 and ONB in 2015 amounted to P189 and P752, respectively (see Notes 28.4 and 28.7).

15. DEPOSIT LIABILITIES

The breakdown of this account follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Demand	P 134,931	P 114,284	P 91,592	P 72,579
Savings	1,409,256	1,267,983	1,396,404	1,257,571
Time	<u>576,825</u>	<u>522,937</u>	<u>557,325</u>	<u>502,863</u>
	<u>P 2,121,012</u>	<u>P 1,905,204</u>	<u>P 2,045,321</u>	<u>P 1,833,013</u>

This account is composed of the following (by counterparties):

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Due to other banks:				
Demand	P 1,396	P 1,718	P 1,395	P 1,718
Savings	7,469	2,991	7,466	2,988
Time	<u>4,280</u>	<u>1,358</u>	<u>3,972</u>	<u>1,058</u>
	<u>13,145</u>	<u>6,067</u>	<u>12,833</u>	<u>5,764</u>
Due to customers:				
Demand	133,536	112,566	90,197	70,861
Savings	1,401,787	1,264,992	1,388,939	1,254,583
Time	<u>572,544</u>	<u>521,579</u>	<u>553,352</u>	<u>501,805</u>
	<u>2,107,867</u>	<u>1,899,137</u>	<u>2,032,488</u>	<u>1,827,249</u>
	<u>P 2,121,012</u>	<u>P 1,905,204</u>	<u>P 2,045,321</u>	<u>P 1,833,013</u>

The breakdown of deposit liabilities as to currency is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Philippine pesos	P 1,725,829	P 1,521,183	P 1,671,935	P 1,464,357
Foreign currencies	<u>395,183</u>	<u>384,021</u>	<u>373,386</u>	<u>368,656</u>
	<u>P 2,121,012</u>	<u>P 1,905,204</u>	<u>P 2,045,321</u>	<u>P 1,833,013</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Less than one year	P 1,976,582	P 1,759,153	P 1,906,842	P 1,692,447
One to five years	48,379	62,299	42,428	56,814
Beyond five years	<u>96,051</u>	<u>83,752</u>	<u>96,051</u>	<u>83,752</u>
	<u>P 2,121,012</u>	<u>P 1,905,204</u>	<u>P 2,045,321</u>	<u>P 1,833,013</u>

The BDO Unibank Group's and Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates ranging from 0.0% to 5.3% in 2017, 2016, and 2015. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 22).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's Long-term Negotiable Certificate of Deposits (LTNCD) as of December 31, 2017 and 2016 as follows:

BSP Approval	Effective Rate	Outstanding Balance		Issue Date	Maturity Date
		2017	2016		
June 23, 2017	3.625%	P 11,800	P -	August 18, 2017	February 18, 2023
July 10, 2014	3.75%	7,500	7,500	April 6, 2015	October 6, 2020
October 25, 2013	3.125%	5,000	5,000	December 11, 2013	June 11, 2019
July 4, 2013	3.50%	5,000	5,000	September 12, 2013	September 12, 2020
January 31, 2013	3.80%	5,000	5,000	March 25, 2013	September 25, 2018
May 3, 2012	5.25%	5,000	5,000	October 15, 2012	October 15, 2019
		P 39,300	P 27,500		

The net proceeds from the issuance of LTNCD are intended to diversify the Parent Bank's maturity profile of funding source and to support its business expansion plans.

Effective May 30, 2014, Philippine Peso deposit liabilities, LTNCD under Circular No. 824 and LTNCD under Circular No. 304 of BDO Unibank Group are subject to a reserve requirement of 20%, 7% and 4%, respectively, in compliance with the BSP Circular No. 832 issued on May 27, 2014 (see Note 7).

16. BILLS PAYABLE

This account is composed of the following borrowings from:

	Notes	BDO Unibank Group		Parent Bank	
		2017	2016	2017	2016
Senior notes	16.2	P 50,093	P 30,150	P 50,093	P 30,150
Foreign banks	16.1	48,499	36,545	48,430	36,522
Local banks		15,658	10,334	1,500	-
Deposit substitutes		907	602	907	602
Others		15,327	22,925	4,693	8,526
		P 130,484	P 100,556	P 105,623	P 75,800

The breakdown of this account as to currency follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Foreign currencies	P 106,293	P 76,177	P 105,623	P 75,796
Philippine pesos	24,191	24,379	-	4
	P 130,484	P 100,556	P 105,623	P 75,800

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
One to three months	P 63,243	P 51,456	P 40,386	P 28,825
More than three months to one year	4,271	8,544	2,491	6,425
More than one to three years	57,912	25,643	57,755	25,637
More than three years	5,058	14,913	4,991	14,913
	<u>P 130,484</u>	<u>P 100,556</u>	<u>P 105,623</u>	<u>P 75,800</u>

Bills payable bear annual interest rates of 0.6% to 3.5% in 2017, 1.0% to 6.3% in 2016, and 0.1% to 12.0% in 2015 (see Note 22). Certain bills payable to local banks and the BSP are collateralized by certain receivables from customers and investment securities (see Notes 9.2, 10 and 31).

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 22):

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>BDO Unibank Group</u>			
Senior notes	P 823	P 902	P 1,166
Foreign banks	814	533	335
Local banks	339	223	165
Deposit substitutes	91	11	27
Others	503	605	490
	<u>P 2,570</u>	<u>P 2,274</u>	<u>P 2,183</u>
<u>Parent Bank</u>			
Senior notes	P 823	P 902	P 1,166
Foreign banks	814	533	335
Deposit substitutes	91	11	27
Local banks	3	-	-
Others	146	196	178
	<u>P 1,877</u>	<u>P 1,642</u>	<u>P 1,706</u>

16.1 Foreign Banks

In 2015, the Bank borrowed \$500 through a term loan facility from a syndicate of foreign banks. This transaction was a combination of a re-financing of an existing loan of \$350 and an increase in the transaction amount to \$500 for general financing purposes. The loan facility has a three-year tenor with a floating interest rate payable quarterly. As of December 31, 2017 and 2016, the related syndicated term loan has outstanding balance of nil and P24,770, respectively, net of related debt transaction costs.

16.2 Senior Notes

The Parent Bank issued senior notes as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2017	2016
September 6, 2017	March 6, 2023	2.95%	US\$ 700	P 35,047	P -
October 24, 2016	October 24, 2021	2.63%	300	15,046	14,986
February 16, 2012	February 16, 2017	4.50%	300	-	15,164
				<u>P 50,093</u>	<u>P 30,150</u>

The issuance of senior notes in 2017 and 2016 is part of the Parent Bank's liability management initiatives to tap longer-term funding sources to support its dollar-denominated projects and effectively refinance outstanding bonds.

The net proceeds from the issuance of senior notes in 2012 were used for general funding and relending purposes.

16.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities, which includes both cash and non-cash changes.

BDO Unibank Group

		Foreign Banks	Senior Notes	Local Banks	Deposit Substitutes	Others	Total
Balance as of January 1, 2017	P	36,545	P 30,150	P 10,334	P 602	P 22,925	P 100,556
Cash flows from financing activities							
Additional borrowings		105,134	35,599	74,139	30,328	97,628	342,828
Repayment of borrowings	(	93,479)	(15,586)	(68,790)	(30,159)	(105,228)	(313,242)
Non-cash financing activities							
Interest amortization		500	(70)	25	136	(11)	580
Revaluation	(	201)	-	(50)	-	13	(238)
Balance as of December 31, 2017	P	48,499	P 50,093	P 15,658	P 907	P 15,327	P 130,484

Parent Bank

		Foreign Banks	Senior Notes	Local Banks	Deposit Substitutes	Others	Total
Balance as of January 1, 2017	P	36,522	P 30,150	P -	P 602	P 8,526	P 75,800
Cash flows from financing activities							
Additional borrowings		103,130	35,599	2,381	30,328	1,137	172,575
Repayment of borrowings	(	91,521)	(15,586)	(833)	(30,159)	(4,972)	(143,071)
Non-cash financing activities							
Interest amortization		500	(70)	2	136	(11)	557
Revaluation	(	201)	-	(50)	-	13	(238)
Balance as of December 31, 2017	P	48,430	P 50,093	P 1,500	P 907	P 4,693	P 105,623

17. SUBORDINATED NOTES PAYABLE

The Subordinated Notes (Notes) represent direct, unconditional unsecured and subordinated peso-denominated obligations of the Parent Bank, issued in accordance with the Terms and Conditions under the Master Note. The Notes, like other subordinated indebtedness of the Parent Bank, are subordinated to the claims of depositors and ordinary creditors, are not a deposit, and are not guaranteed nor insured by the Parent Bank or any party related to the Parent Bank, such as its subsidiaries and affiliates, or the Philippine Deposit Insurance Corporation, or any other person. The Notes shall not be used as collateral for any loan made by the Parent Bank or any of its subsidiaries or affiliates. The Notes carry interest rates based on prevailing market rates, with a step-up provision if not called on the fifth year from issue date. The Parent Bank has the option to call the Notes on the fifth year, subject to prior notice to Noteholders. The Notes were used further to expand the Parent Bank's consumer loan portfolio and to refinance an existing issue of Lower Tier 2 debt. The Notes also increased and strengthened the Parent Bank's capital base, in anticipation of continued growth in the coming years.

The issuance of Series 2014-1 Notes was approved by the BOD on March 29, 2014 and was issued on December 10, 2014. The Notes has a principal amount of P10,000 and will mature on March 10, 2025. As of December 31, 2017 and 2016, the outstanding balance of the Notes including accrued interest amounted to P10,030.

Total interest expense on subordinated notes payable included as part of Interest expense on bills payable and other liabilities under the Interest Expense account in the statements of income amounted to P519 in 2017, 2016 and 2015 both in BDO Unibank Group and Parent Bank statements of income (see Note 22).

18. INSURANCE CONTRACT LIABILITIES

This account consists of:

	<u>2017</u>	2016 (As Restated - see Note 2.1)
Legal policy reserves	P 24,602	P 19,531
Policy and contract claims payable	1,051	788
Policyholders' dividends	<u>333</u>	<u>246</u>
	<u>P 25,986</u>	<u>P 20,565</u>

Insurance contract liabilities may be analyzed as follows:

	<u>Insurance Contract Liabilities</u>		<u>Reinsurer's Share of Liabilities</u>		<u>Net</u>	
	2017	2016 (As Restated - see Note 2.1)	2017	2016 (As Restated - see Note 2.1)	2017	2016 (As Restated - see Note 2.1)
Aggregate reserves for:						
Ordinary life policies	P 18,753	P 16,470	P -	P -	P 18,753	P 16,470
Variable unit-linked (VUL) contracts	5,649	2,931	-	-	5,649	2,931
Group life insurance policies	192	130	27	12	165	118
Accident and health policies	8	-	-	-	8	-
Policy and contract claims	1,051	788	36	5	1,015	783
Policyholders' dividends	<u>333</u>	<u>246</u>	<u>-</u>	<u>-</u>	<u>333</u>	<u>246</u>
	<u>P 25,986</u>	<u>P 20,565</u>	<u>P 63</u>	<u>P 17</u>	<u>P 25,923</u>	<u>P 20,548</u>

The movements in legal policy reserves are as follows:

	Legal Policy Reserves				Reinsurer's Share of Liabilities				Net			
	2016				2016				2016			
	(As Restated -				(As Restated -				(As Restated -			
	2017		see Note 2.1)		2017		see Note 2.1		2017		see Note 2.1	
Balance at the beginning of the year	P	19,531	P	14,708	P	12	P	95	P	19,519	P	14,613
Premiums received		6,139		5,852		27		12		6,112		5,840
Liability released for payments of death, maturity and surrender benefits and claims	(	1,439)	(	2,428)	(	12)	(	95)	(	1,427)	(	2,333)
Accretion of investment income or change in unit prices		254		1,059		-		-		254		1,059
Changes in mortality Assumptions		90		-		-		-		90		-
Foreign exchange adjustments		27		340		-		-		27		340
Balance at end of year	P	24,602	P	19,531	P	27	P	12	P	24,575	P	19,519

Reinsurers' share of liabilities is recorded as part of Others under Other Resources in the BDO Unibank Group's statement of financial position (see Note 13).

The movement in Legal policy reserves for the period ended December 31, 2017 and 2016 is recognized as part of Policy reserves, insurance benefits and claims under Other Operating Expenses in the BDO Unibank Group's statements of income (see Note 23).

19. OTHER LIABILITIES

Other liabilities consist of the following:

	Notes	BDO Unibank Group		Parent Bank	
		2017	2016	2017	2016
Accounts payable		P 17,914	P 14,446	P 15,379	P 12,585
Manager's checks		14,160	12,086	14,016	11,938
Bills purchased – contra		9,984	10,486	9,984	10,486
Accrued expenses		9,895	8,234	9,037	7,555
Lease deposits		6,106	5,693	109	104
Outstanding acceptances payable		4,059	3,194	4,059	3,194
Derivatives with negative fair values	9.1, 25(d)	3,750	5,475	1,798	1,818
Premium on deposit fund		3,078	2,533	-	-
Retirement benefit obligation	24.2	2,779	-	2,542	-
Withholding taxes payable		1,825	1,568	1,679	1,451
Capitalized interest and other charges		408	393	358	349
Due to principal		394	385	-	-
Due to BSP and Treasurer of the Philippines		103	81	99	78
Unearned income		20	3	17	-
Others		7,777	6,508	6,913	5,762
		P 82,252	P 71,085	P 65,990	P 55,320

Accounts payable includes the amount pertaining to BDO Unibank Group's ESOP which is equivalent to the cumulative amount of amortized awarded share options and the amounts paid by the eligible senior officers who exercised their options (see Notes 20.7 and 24.3).

The liability for unredeemed reward points amounting to P3,015 and P2,355 as of December 31, 2017 and 2016, respectively, presented as part of Accrued expenses above represents the fair value of points earned which are redeemable significantly for goods or services provided by third parties identified by the Parent Bank as partners in the rewards program (see Note 2.20).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense on certain liabilities amounting to P76, P80 and P7 in 2017, 2016, and 2015, respectively, in BDO Unibank Group's financial statements and P10, P6, and P7 in 2017, 2016, and 2015, respectively, in Parent Bank's financial statements are presented as part of Interest expense on bills payable and other liabilities under Interest Expense account in the statements of income (see Note 22).

20. EQUITY

20.1 Capital Management and Regulatory Capital

On January 15, 2009, the BSP issued Circular No. 639 articulating the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks and maintain adequate capital to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which covered only credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 effectively extending the implementation of ICAAP from January 2010 to January 2011.

In October 2009, BDO Unibank Group presented its ICAAP and submitted the initial draft of its ICAAP document to the BSP. Based on comments from the BSP, BDO Unibank Group subsequently revised its ICAAP document and secured approval from its BOD on January 8, 2011. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

The ICAAP document articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews.

The lead regulator of the banking industry, the BSP, sets and monitors capital requirements for BDO Unibank Group. In implementing current capital requirements, the BSP requires BDO Unibank Group to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The BSP has adopted the Basel 3 risk-based capital adequacy framework effective January 1, 2014, which requires BDO Unibank Group to maintain:

- (a) Common Equity Tier 1 (CET 1) of at least 6.0% of risk-weighted assets;
- (b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
- (c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets; and,
- (d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET 1 Capital.

The regulatory capital is analyzed as CET 1 Capital, Additional Tier 1 Capital and Tier 2 Capital, each adjusted for prescribed regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

BDO Unibank Group's policy is to maintain a strong capital base to promote investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and BDO Unibank Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

At the end of each reporting period, BDO Unibank Group and the Parent Bank has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

Under an existing BSP circular, expanded commercial banks with more than 100 branches are required to comply with the minimum capital requirement of P20,000. As of December 31, 2017 and 2016, the Parent Bank has complied with the above capitalization requirement.

On October 29, 2014, the BSP issued the guidelines on the framework for dealing with domestic systemically important banks (DSIB) that is consistent with the Basel principles. Banks, which are identified as DSIB shall be required to have a higher loss absorbency (HLA). The HLA requirement is aimed at ensuring that DSIBs, have a higher share of their statements of financial position funded by instruments, which increase their resilience as a going concern. The HLA requirement is to be met with CET 1 capital.

Banks identified by the BSP as DSIB will be asked to put up additional CET 1 capital ranging from 1.50% to 3.50%, to be implemented on a staggered basis from January 1, 2017 until January 1, 2019.

BDO Unibank Group's and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS) based on the Basel 3 risk-based capital adequacy framework as of December 31, 2017 and 2016 follows:

	BDO	
	<u>Unibank Group</u>	<u>Parent Bank</u>
<u>December 31, 2017</u>		
Tier 1 Capital		
CET 1	P 291,215	P 291,507
Additional Tier 1	<u> 5,150</u>	<u> 5,150</u>
	296,365	296,657
Tier 2 Capital	<u>27,551</u>	<u>26,767</u>
Total Regulatory Capital	323,916	323,424
Deductions	(<u>29,573</u>)	(<u>57,905</u>)
Total Qualifying Capital	<u>P 294,343</u>	<u>P 265,519</u>
Total Risk-Weighted Assets	<u>P 2,032,004</u>	<u>P 1,919,673</u>
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	14.5%	13.8%
Tier 1 Capital Ratio	13.1%	12.4%
Total CET 1 Ratio	12.9%	12.2%
<u>December 31, 2016</u>		
Tier 1 Capital		
CET 1	P 210,072	P 209,403
Additional Tier 1	<u> 5,150</u>	<u> 5,150</u>
	215,222	214,553
Tier 2 Capital	<u>24,762</u>	<u>24,088</u>
Total Regulatory Capital	239,984	238,641
Deductions	(<u>21,345</u>)	(<u>50,262</u>)
Total Qualifying Capital	<u>P 218,639</u>	<u>P 188,379</u>
Total Risk-Weighted Assets	<u>P 1,769,246</u>	<u>P 1,645,550</u>
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	12.4%	11.4%
Tier 1 Capital Ratio	11.0%	10.0%
Total CET 1 Ratio	10.7%	9.7%

20.2 Capital Stock

Capital stock consists of the following:

	<u>Number of Shares</u>		<u>Amount</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Preferred shares – P10 par value				
Authorized – 2,000,000,000 shares				
Issued, fully paid and outstanding	<u>515,000,000</u>	<u>515,000,000</u>	<u>P 5,150</u>	<u>P 5,150</u>
Common shares – P10 par value				
Authorized – 4,500,000,000 shares				
Issued, fully paid and outstanding:				
Balance at beginning of year	<u>3,649,967,648</u>	<u>3,645,375,218</u>	<u>P 36,500</u>	<u>P 36,453</u>
Issued during the year	<u>719,006,906</u>	<u>4,592,430</u>	<u>7,190</u>	<u>47</u>
Balance at end of year	<u>4,368,974,554</u>	<u>3,649,967,648</u>	<u>P 43,690</u>	<u>P 36,500</u>

20.2.1 Preferred Shares

The following are the features of the BDO Unibank Group and the Parent Bank's preferred shares:

- (a) Perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A shares;
- (b) Convertible to common shares at the option of the holder after five years from the issue date or at the option of BDO Unibank Group at any time after issue date; and,
- (c) Dividend rate is 6.5% per annum of the par value.

On January 7, 2017, the Parent Bank's BOD authorized the conversion of 1,000,000,000 unissued shares of the Parent Bank, consisting of 500,000,000 unissued Series A Preferred Shares and 500,000,000 unissued ordinary Preferred Shares, each with a par value of P10 per share, into 1,000,000,000 common shares with par value of P10 per share. This will provide BDO with the flexibility to issue common shares should the need arise in the future. The conversion is still subject to regulatory approvals. The BSP approved the transaction on December 22, 2017 and endorsed it to the SEC on January 15, 2018. Review by the SEC is still on-going.

20.2.2 Common Shares

The Parent Bank's application for listing of its common shares was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

On September 24, 2016, the Parent Bank's BOD authorized the Parent Bank to raise P60,000 in additional core capital through a stock rights offer. The BSP and the PSE approved the transaction on November 23, 2016 and December 14, 2016, respectively. On January 3, 2017, the Parent Bank fixed the final terms for the stock rights offer which entitled eligible shareholders to subscribe to one common share for every 5.095 common shares held as of January 5, 2017 record date at an offer price of P83.75 per Rights Share. The offer period ran from January 16, 2017 to January 24, 2017. Following the close of the offer period, the Parent Bank successfully completed its stock rights offer and 716,402,886 common shares were issued and subsequently listed on the PSE on January 31, 2017. The issuance resulted in recognition of Additional Paid-in Capital amounting to P52,662, net of related transaction costs totalling to P172. The fresh capital will support the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

<u>Transaction</u>	<u>Subscriber</u>	<u>Issue Date</u>	<u>Number of Shares Issued</u>
IPO	Various	May 21, 2002	908,189,550
Private placement	International Finance Corporation (IFC)	June 21, 2005	31,403,592
Private placement	UOBP	February 8, 2006	22,429,906
BDO-EPCIB Merger	BDO-EPCIB Merger	May 31, 2007	1,308,606,021
Private placement	IFC	August 23, 2007	31,403,592
Private placement	GE Capital International Holdings Corporation	August 20, 2009	37,735,849
Private placement	Multi Realty Development Corporation	April 23, 2010	107,320,482
Private placement	IFC	April 26, 2010	24,033,253
Private placement	IFC Capitalization (Equity) Fund, L.P.	April 26, 2010	136,315,662
Stock dividends	Various	June 8, 2012	78,218,589
Stock rights	Various	July 4, 2012	895,218,832
Private placement	Sybase Equity Investments Corp.	July 20, 2015	64,499,890
Stock options	Various employee	June 6, 2016 to December 31, 2016	4,592,430
Stock Options	Various employee	January 3, 2017 to December 27, 2017	2,604,020
Stock Rights	Various	January 31, 2017	<u>716,402,886</u>
			<u><u>4,368,974,554</u></u>

As of December 31, 2017 and 2016, there are 12,649 and 12,761, respectively, holders of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P164.00 and P112.10 per share as of December 29, 2017 and 2016, respectively (the last trading day in 2017 and 2016).

20.3 BDO American Depositary Receipt Program

On April 18, 2013, the Parent Bank launched its Sponsored Level 1 American Depositary Receipt (ADR) Program by which negotiable securities representing underlying BDO common shares can be traded in the U.S. over-the-counter (OTC) market. This provides flexibility for U.S. investors to trade BDO common shares in their time zone and settle their transactions locally. It is meant to tap the pool of U.S. ADR investors, enhance visibility and global presence and diversify and broaden the Parent Bank's shareholder base. ADRs are quoted and traded in U.S. dollars, and cash dividends received on the underlying shares are paid to investors also in U.S. dollars. The ADR ratio for BDO's sponsored Level 1 ADR Program is 1:10, with each ADR representing ten underlying BDO common shares.

The sponsored Level 1 ADR Program does not necessitate the issuance of new shares as ADRs are traded on the U.S. OTC/secondary market using existing shares, in contrast to the sponsored Level II ADR or sponsored Level III ADR where shares are fully listed on a recognized U.S. exchange (e.g., NYSE, NASDAQ). As such, a Level 1 ADR is not a capital raising transaction, to differentiate it from Level III ADR, which allows the issuer to raise capital through a public offering of ADRs in the U.S.

The sponsored Level 1 ADR is exempt, under U.S. SEC Rule 12g3-2(b), from SEC registration, disclosure requirements and reporting obligations, including Sarbanes-Oxley and U.S. generally accepted accounting principles.

Given its sponsored Level 1 ADR Program, the Bank appointed Deutsche Bank (DB) as the exclusive depository of ADRs for a period of five years. As depository bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker.

As of December 31, 2017 and 2016, 351,492 and 288 ADRs valued at US\$11,170,416 and US\$6,333 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$31.78/share and US\$21.99/share respectively).

20.4 Surplus Free

On December 2, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of December 19, 2017 and paid on December 29, 2017.

On August 26, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,311. The dividends were declared to stockholders of record as of September 13, 2017 and paid on September 29, 2017.

On May 26, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares in the amount of P0.30 per share or a total of P1,310. The dividends were declared to stockholders of record as of June 15, 2017 and paid on June 30, 2017.

On February 24, 2017, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,310. The dividends were declared to stockholders of record as of March 14, 2017 and paid on March 31, 2017.

On February 22, 2017, the BOD of BDO Leasing approved the declaration of cash dividends at P0.20 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P433. The dividends were declared to stockholders of record as of March 10, 2017 and paid on March 29, 2017, of which, total dividends paid to non-controlling interest amounted to P50.

On January 27, 2017, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P340. The dividends were paid on February 17, 2017.

On December 3, 2016, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,095. The dividends were declared to stockholders of record as of December 19, 2016 and paid on December 29, 2016.

On August 27, 2016, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share or a total of P1,094. The dividends were declared to stockholders of record as of September 15, 2016 and paid on September 26, 2016.

On February 27, 2016, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P0.30 per share in respect of the 2015 earnings. On May 28, 2016, the Parent Bank's BOD declared another cash dividend of P0.30 per share. Total dividends are P0.60 per share or P2,188. The dividends were paid on March 28, 2016 and June 27, 2016, respectively.

On February 24, 2016, the BOD of BDO Leasing, a subsidiary of the Parent Bank approved the declaration of cash dividends at P0.20 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P432. The dividends were declared to stockholders of record as of March 11, 2016 and paid on March 30, 2016, of which, total dividends paid to non-controlling interest amounted to P50.

On January 30, 2016, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339. The dividends were paid on February 16, 2016.

On February 25, 2015, the BOD of BDO Leasing approved the declaration of cash dividends at P0.175 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P378. The dividends were declared to stockholders of record as of March 11, 2015 and payable on March 24, 2015, of which, total dividends paid to non-controlling interest amounted to P43.

On January 31, 2015, the Parent Bank's BOD approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P339. BSP approval was obtained on March 5, 2015 and the dividends were paid on April 15, 2015.

On January 10, 2015, the Parent Bank's BOD approved the declaration of cash dividends on common shares at a price of P1.20 per share in respect of the 2014 earnings. On April 24, 2015, the Parent Bank's BOD also declared special cash dividend of P0.90 per share. Total dividends are P2.10 per share or P7,559. The dividends for the 2014 earnings and the special cash dividends were approved by the BSP on March 5, 2015 and June 10, 2015, respectively. All related dividends declared were paid in 2015.

20.5 Surplus Reserves

The Parent Bank appropriated its Surplus Free amounting to P96, P28 and P25 in 2017, 2016 and 2015, respectively, representing insurance fund on losses due to fire, robbery and other cash losses. This was approved by the Parent Bank's President. In 2017, ONB appropriated its Surplus Free amounting to P25 representing insurance fund on losses due to fire, robbery and other cash losses, which was approved by its Chairman.

Also, included in the 2017, 2016 and 2015 surplus reserve are the appropriations made by BDO Securities, BDO Nomura and Armstrong Securities, Inc. totaling P5, P8 and P14, respectively, as part of the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*.

On March 28, 2015, the BOD of BDO Capital approved the appropriation of its surplus free amounting to P1,000 as additional working capital for its underwriting activities and investments. Subsequently, on May 30, 2015, the BOD of BDO Capital approved the reversal thereof amounting to P100. Also, on June 27, 2015, the BOD of BDO Capital approved the reversal of the remaining appropriated retained earnings amounting to P1,900 in connection with the merger with BDO Elite and BDO Savings (see Note 28.3).

In compliance with BSP regulations, 10% of BDO Unibank Group's and the Parent Bank's profit from trust business amounting to P256, P240 and P215 in 2017, 2016 and 2015 respectively, and P190, P182 and P171 in 2017, 2016 and 2015 respectively, is appropriated to surplus reserves (see Note 26).

20.6 Other Reserves

On February 16, 2015, the BOD of Equimark approved the decrease of its authorized capital stock amounting to P67.5 divided into 675,000 common shares with P100 par value per share, of which P27 is to be paid to non-controlling interest. Such redemption of capital stock was approved by the SEC on May 18, 2015.

20.7 ESOP

For options that were vested in 2017 and 2016, BDO Unibank Group issued new common shares of 2,604,020 and 4,592,430, respectively from its authorized capital stock. Prior to 2016, shares for vested options were sourced from the secondary market (see Notes 19 and 24.3).

Set out below are summaries of number of options vested under the plan:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Balance at beginning of year	3,557,111	833,276	2,981,499	666,574
Vested during the year	9,720,328	10,788,464	7,850,278	9,876,464
Exercised during the year	(8,100,156)	(8,064,629)	(7,104,564)	(7,561,539)
Balance at end of year	<u>5,177,283</u>	<u>3,557,111</u>	<u>3,727,213</u>	<u>2,981,499</u>

21. INTEREST INCOME

Interest income consists of the following:

	<u>Notes</u>	BDO Unibank Group		
		2017	2016	2015
Loans and other receivables	10, 25	P 88,178	P 73,171	P 63,836
Trading and investment securities	9	9,691	8,142	7,477
Due from BSP and other banks	7, 8	1,742	696	795
Others		<u>184</u>	<u>28</u>	<u>19</u>
		<u>P 99,795</u>	<u>P 82,037</u>	<u>P 72,127</u>

	<u>Notes</u>	Parent Bank		
		2017	2016	2015
Loans and other receivables	10, 25	P 84,431	P 69,570	P 61,128
Trading and investment securities	9	7,782	6,494	6,743
Due from BSP and other banks	7, 8	1,399	565	635
Others		<u>174</u>	<u>18</u>	<u>13</u>
		<u>P 93,786</u>	<u>P 76,647</u>	<u>P 68,519</u>

22. INTEREST EXPENSE

Interest expense is composed of the following:

	<u>Notes</u>	BDO Unibank Group		
		2017	2016	2015
Deposit liabilities	15	P 14,919	P 13,623	P 12,526
Bills payable and other liabilities	16, 17, 19, 24.2	<u>3,123</u>	<u>2,790</u>	<u>2,640</u>
		<u>P 18,042</u>	<u>P 16,413</u>	<u>P 15,166</u>

	Notes	Parent Bank		
		2017	2016	2015
Deposit liabilities	15	P 14,076	P 12,898	P 12,075
Bills payable and other liabilities	16, 17, 19, 24.2	<u>2,358</u>	<u>2,091</u>	<u>2,163</u>
		<u>P 16,434</u>	<u>P 14,989</u>	<u>P 14,238</u>

23. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	BDO Unibank Group		
		2017	2016 (As Restated - see Note 2.1)	2015 (As Restated - see Note 2.1)
Service charges, fees and commissions	25	P 25,701	P 19,074	P 16,478
Insurance premiums		9,871	8,051	-
Foreign exchange gains		3,412	2,978	2,433
Trust fees	26	3,246	3,123	2,909
Rental	12	1,588	1,475	1,262
Income from assets sold or exchanged	12	798	809	774
Dividend		551	440	459
Trading gains – net	9.1, 9.2	450	1,860	4,740
Miscellaneous – net	13, 28	<u>1,589</u>	<u>3,803</u>	<u>2,785</u>
		<u>P 47,206</u>	<u>P 41,613</u>	<u>P 31,840</u>
	Notes	Parent Bank		
		2017	2016 (As Restated - see Note 2.1)	2015 (As Restated - see Note 2.1)
Service charges, fees and commissions	25	P 21,755	P 15,510	P 13,685
Share in net income of subsidiaries and associates	13.1	4,312	3,657	2,182
Foreign exchange gains		3,072	2,703	2,120
Trust fees	26	2,647	2,491	2,322
Income from assets sold or exchanged	12	751	767	686
Rental	12	534	494	356
Trading gains – net	9.1, 9.2	(405)	1,061	4,167
Dividend		184	132	211
Miscellaneous – net	13, 28	<u>783</u>	<u>679</u>	<u>2,822</u>
		<u>P 33,633</u>	<u>P 27,494</u>	<u>P 28,551</u>

Other operating expenses consist of the following:

		BDO Unibank Group			
		2016			
		(As Restated -			
		see Note 2.1)			
Notes		2017		2015	
Compensation and benefits	24.1	P 27,405	P 24,698	P 21,120	
Fees and commissions		12,095	6,640	4,762	
Occupancy	13.7, 25, 33.2	8,412	7,661	6,675	
Taxes and licenses	12	8,270	7,224	6,683	
Policy reserves, insurance benefits and claims	18	7,463	5,742	-	
Insurance		4,144	3,802	3,300	
Advertising		3,431	2,711	2,155	
Security, clerical, messengerial and janitorial		3,276	2,914	2,628	
Representation and entertainment		1,861	1,594	1,442	
Repairs and maintenance		1,316	1,123	1,036	
Travelling		1,308	1,204	1,059	
Power, light and water		1,058	959	903	
Supplies		943	691	522	
Telecommunication		557	488	420	
Information technology		538	443	427	
Amortization of computer software	13.7	528	444	285	
Litigation on assets acquired		473	408	152	
Freight		307	302	259	
Miscellaneous	13.6	1,480	940	1,316	
		P 84,865	P 69,988	P 55,144	

		Parent Bank			
		2016			
Notes		2017		2015	
Compensation and benefits	24.1	P 23,909	P 21,508	P 19,593	
Fees and commissions		11,372	5,747	4,458	
Taxes and licenses	12	7,222	6,227	5,904	
Occupancy	13.7, 25, 33.2	7,046	6,459	5,723	
Insurance		3,911	3,593	3,181	
Advertising		3,319	2,600	2,026	
Security, clerical, messengerial and janitorial		3,054	2,728	2,521	
Representation and entertainment		1,623	1,401	1,270	
Repairs and maintenance		1,218	1,052	994	
Travelling		1,089	1,003	909	
Power, light and water		953	862	839	
Supplies		827	567	465	
Information technology		510	408	400	
Amortization of computer software	13.7	477	380	249	
Telecommunication		465	384	358	
Litigation on assets acquired		431	378	121	
Freight		285	282	253	
Miscellaneous	13.6	1,218	800	1,130	
		P 68,929	P 56,379	P 50,394	

24. COMPENSATION AND BENEFITS

24.1 Compensation and Benefits

Expenses recognized for compensation and benefits (see Note 23) are presented below.

		BDO Unibank Group		
	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries and wages		P 16,732	P 15,009	P 12,320
Bonuses		5,255	4,608	4,091
Retirement – defined benefit plan	24.2	1,432	1,296	1,211
Social security costs		629	583	503
Employee stock option plan	24.3	518	836	860
Other benefits		2,839	2,366	2,135
	23	<u>P 27,405</u>	<u>P 24,698</u>	<u>P 21,120</u>
		Parent Bank		
	<u>Notes</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries and wages		P 14,432	P 12,811	P 11,330
Bonuses		4,696	4,193	3,799
Retirement – defined benefit plan	24.2	1,248	1,134	1,105
Social security costs		539	500	460
Employee stock option plan	24.3	464	739	860
Other benefits		2,530	2,131	2,039
	23	<u>P 23,909</u>	<u>P 21,508</u>	<u>P 19,593</u>

24.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

BDO Unibank Group and the Parent Bank maintains a fully funded, multi-employer and tax-qualified noncontributory retirement plan that is being administered by the Parent Bank's trust and investment group as trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of 10 years of credited service and late retirement up to age 65, both subject to the approval of Parent Bank's BOD. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2017 and 2016.

The amounts of Retirement benefit obligation (asset) recognized under Other Liabilities (Resources) accounts (see Notes 13 and 19) in the statements of financial position are determined as follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Present value of the DBO	P 25,347	P 21,072	P 23,171	P 19,253
Fair value of plan assets	(22,575)	(21,850)	(20,629)	(20,093)
Deficiency (excess) of plan assets	2,772	(778)	2,542	(840)
Effect of asset ceiling	7	69	-	44
	P 2,779	(P 709)	P 2,542	(P 796)

The movements in the present value of the DBO are as follows:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Balance at beginning of year	P 21,072	P 18,695	P 19,253	P 17,321
Current service cost	1,432	1,296	1,248	1,134
Interest expense	1,159	922	1,059	847
Benefits paid by the plan	(1,252)	(814)	(1,208)	(739)
Addition due to acquisition of a new subsidiary*	-	85	-	-
Remeasurements:				
Actuarial losses (gains) arising from changes in:				
- experience adjustments	13,860	674	13,272	538
- demographic assumptions	(9,699)	23	(9,237)	-
- financial assumption	(1,225)	191	(1,216)	152
Balance at end of year	P 25,347	P 21,072	P 23,171	P 19,253

The movements in the fair value of plan assets are presented below.

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Balance at beginning of year	P 21,850	P 20,146	P 20,093	P 18,626
Contributions paid into the plan	1,533	1,471	1,355	1,355
Interest income	1,210	1,009	1,109	926
Benefits paid by the plan	(1,252)	(814)	(1,208)	(739)
Remeasurement loss - return on plan assets (excluding amounts included in net interest)	(766)	(69)	(720)	(75)
Addition due to acquisition of a new subsidiary*	-	107	-	-
Balance at end of year	P 22,575	P 21,850	P 20,629	P 20,093

* Addition due to acquisition of a new subsidiary pertains to the retirement plan of BDO Life, which was acquired in 2016 (see Note 28.4).

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics is shown below.

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Placements in debt instruments:				
Government bonds	P 7,374	P 8,884	P 6,711	P 8,190
Corporate bonds	4,629	3,957	4,268	3,669
UITFs	4,835	4,015	4,534	3,771
Cash and cash equivalents	2,483	2,495	2,321	2,343
Loans and other receivables	982	180	928	167
Equity instruments	807	735	485	464
Other properties	1,465	1,584	1,382	1,482
	P 22,575	P 21,850	P 20,629	P 20,093

Actual returns on plan assets were P444 and P389 in 2017 and P940 and P851 in 2016 in the BDO Unibank Group and the Parent Bank's financial statements, respectively.

Certain plan assets include BDO Unibank Group's own financial instruments [see Note 25(c)].

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITFs which are at Level 2, loans and other receivables and other properties, which are at Level 3.

The components of amounts recognized in profit or loss and in other comprehensive income of the BDO Unibank Group and the Parent Bank in respect of the defined benefit plan as follows:

	BDO Unibank Group		
	2017	2016	2015
<i>Recognized in profit or loss:</i>			
Current service costs	P 1,432	P 1,296	P 1,211
Interest income	(51)	(87)	(72)
	P 1,381	P 1,209	P 1,139
<i>Recognized in other comprehensive income, net of tax (see Note 29.1):</i>			
Actuarial losses (gains) arising from:			
- experience adjustments	P 9,702	P 472	P 101
- changes in demographic assumptions	(6,790)	16	(292)
- changes in financial assumptions	(857)	134	(91)
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	536	48	420
- changes in the effect of the asset ceiling	(41)	(22)	17
Share in actuarial gains of associates	-	(3)	(8)
	P 2,550	P 645	P 147

	Parent Bank		
	2017	2016	2015
<i>Recognized in profit or loss:</i>			
Current service costs	P 1,248	P 1,134	P 1,105
Interest income	(50)	(79)	(69)
	<u>P 1,198</u>	<u>P 1,055</u>	<u>P 1,036</u>
<i>Recognized in other comprehensive income, net of tax (see Note 29.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	P 9,290	P 377	P 133
- demographic assumptions	(6,466)	-	(275)
- financial assumptions	(851)	106	(57)
Re-measurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	504	53	381
- changes in the effect of the asset ceiling	(32)	(20)	4
	2,445	516	186
Share in actuarial losses (gains) of subsidiaries and associates	(92)	129	(3)
	<u>P 2,353</u>	<u>P 645</u>	<u>P 183</u>

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses account (see Note 23) while interest income are netted against Interest Expense account (see Note 22) in the statements of income of BDO Unibank Group and the Parent Bank.

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Discount rates	5.7%	5.5%	5.70%	5.5%
Expected rate of salary increases	2.0 - 11.0%	9.0%	6.0 - 8.0%	9.0%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 27 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms of maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) *Risks Associated with the Retirement Plan*

The plan exposes BDO Unibank Group and the Parent Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is composed of investment in cash and cash equivalents, UITF, debt and equity instruments, and loans and receivables. Due to the long-term nature of plan obligation, a level of continuing debt securities is an appropriate element of the BDO Unibank Group's long-term strategy to manage the plans effectively.

(ii) *Longevity and Salary Risks*

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) *Other Information*

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below and in the succeeding pages.

(i) *Sensitivity Analysis*

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit asset as of December 31, 2017 and 2016:

<u>Impact on Retirement Benefit Obligation</u>				
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<u>BDO Unibank Group</u>				
<u>December 31, 2017</u>				
Discount rate	+/-1%	(P	1,190) P	1,337
Salary increase rate	+/-1%		1,082 (	985)
<u>December 31, 2016</u>				
Discount rate	+/-1%	(P	703) P	791
Salary increase rate	+/-1%		680 (	621)

<u>Impact on Retirement Benefit Obligation</u>		
<u>Change in Assumption</u>	<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>

Parent Bank

December 31, 2017

Discount rate	+/-1%	(P	982)	P	1,087
Salary increase rate	+/-1%		864	(	798)

December 31, 2016

Discount rate	+/-1%	(P	565)	P	630
Salary increase rate	+/-1%		538	(	496)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

To efficiently manage the retirement plan, BDO Unibank Group through its Compensation Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds or UITFs) with maturities that match the benefit payments as they fall due and in the appropriate currency. BDO Unibank Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2017 and 2016 consists of debt instruments and UITFs, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents and properties. The debt instruments include government bonds and corporate bonds.

There has been no change in the Bank's strategies to manage its risks from previous periods.

(iii) *Funding Arrangements and Expected Contributions*

As of December 31, 2017, the plan of the BDO Unibank Group and the Parent Bank is underfunded by P2,779 and P2,542, respectively, based on the latest actuarial valuation report. While there is no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk when a significant number of employees is expected to retire.

The BDO Unibank Group and the Parent Bank expects to pay P2,845 and P2,542 respectively, as contributions to retirement benefit plans in 2018.

The expected maturity of undiscounted expected benefits payments of BDO Unibank Group and the Parent Bank from the plan for the next ten years is presented as follows:

	BDO Unibank		Parent Bank	
	<u>Group</u>		<u>Parent Bank</u>	
Between one to five years	P	16,786	P	15,866
Between six to ten years		<u>12,018</u>		<u>10,887</u>
	P	<u>28,804</u>	P	<u>26,753</u>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 20.6 to 29.1 years for the BDO Unibank Group and 26.9 years for the Parent Bank.

24.3 ESOP

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2017 and 2016, vested shares totaled 9,720,328 and 10,788,464, respectively for BDO Unibank Group, and 7,850,278 and 9,876,464 shares, respectively for Parent Bank.

The ESOP expense, included as part of Compensation and benefits under Other Operating Expenses in the BDO Unibank Group's statements of income, amounted to P518, P836 and P860 in 2017, 2016, and 2015, respectively, and in the Parent Bank's statements of income, amounted to P464, P739 and P860, respectively (see Note 24.1).

25. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transaction Committee composed of independent directors and non-executive directors, with independent directors comprising majority of the members as required by the BSP. The said Committee exercises oversight role to ensure bank compliance with BSP regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2017 and 2016 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2017	2016	2015	2017	2016
DOSRI Loans	25(a)					
Stockholders		P 78,597	P 16,529	P 12,588	P 51,916	P 11,309
Related Parties Under Common Ownership		3,314	42,812	26,745	2,066	10,333
Officers and Employees		1,504	1,296	1,112	1,860	1,598
Deposit Liabilities	25(b)					
Stockholders		554,530	386,266	339,476	52,886	68,009
Related Parties Under Common Ownership		80,630	403,677	498,553	3,790	6,745
Officers and Employees		349	36	3	93	7
Other Transactions with Associates	25(d)					
Loans and Advances		-	-	5	5,920	3,228
Interest Income		254	88	17	52	20
Related Parties Under Common Ownership						
Rent Expense	25(d)	1,031	915	760	109	103
Key Management Personnel Compensation	25(d)	1,413	1,501	1,494	-	-
Retirement Plan	25(c)	64	109	224	5,058	3,731

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2017 and 2016 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2017	2016	2015	2017	2016
DOSRI Loans	25(a)					
Stockholders		P 78,597	P 16,529	P 12,586	P 51,916	P 11,309
Related Parties Under Common Ownership		3,314	42,812	26,702	2,064	10,330
Officers and Employees		1,500	1,289	1,094	1,853	1,587
Deposit Liabilities	25(b)					
Stockholders		554,530	386,266	339,476	52,886	68,009
Related Parties Under Common Ownership		80,630	403,677	498,553	3,790	6,745
Officers and Employees		349	36	3	93	7
Other Transactions with Subsidiaries	25(d)					
Loans and Advances		69,613	42,035	45,119	8,539	5,960
Derivative Assets		100	742	99	1	22
Derivative Liabilities		1,276	600	574	25	4
Deposit Liabilities		697	699	198	4,398	3,701
Interest Income		232	128	207	9	6
Rent Income		115	96	58	-	-
Service Fees		539	222	65	-	-
Interest Expense		23	13	11	1	-
Rent Expense		9	9	9	-	-
Related Parties Under Common Ownership						
Rent Expense	25(d)	912	820	699	109	103
Key Management Personnel Compensation	25(d)	985	976	1,053	-	-
Retirement Plan	25(c)	64	109	224	5,055	3,728

In the ordinary course of business, the BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain DOSRI as described below and in the succeeding pages.

(a) Loans to Related Parties

Under existing policies of BDO Unibank Group and the Parent Bank, these loans bear interest rates ranging from 2.0% to 3.5% per annum in 2017, 2016, and 2015, which are substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the unencumbered deposit and book value of the investment in BDO Unibank Group and the Parent Bank.

In aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of BDO Unibank Group and the Parent Bank, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computation. As of December 31, 2017 and 2016, the BDO Unibank Group and the Parent Bank is in compliance with these regulatory requirements.

The following additional information relates to the DOSRI loans:

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Total DOSRI loans	P 55,842	P 23,240	P 55,833	P 23,226
Unsecured DOSRI loans	1,573	1,297	1,572	1,295
Past due DOSRI loans	1	-	1	-
Non-performing DOSRI loans	-	-	-	-
% of DOSRI loans to total loan portfolio	3.18%	1.57%	3.28%	1.63%
% of unsecured DOSRI loans to total DOSRI loans	2.82%	5.58%	2.82%	5.58%
% of past due DOSRI loans to total DOSRI loans	0.00%	0.00%	0.00%	0.00%
% of non-performing DOSRI loans to total DOSRI loans	0.00%	0.00%	0.00%	0.00%

DOSRI loans of BDO Unibank Group and the Parent Bank bear annual interest rates of 0.0% to 10.6% in 2017 and 0.0% to 12.0% both in 2016 and 2015, (except for credit card receivables which bear a monthly interest rate of 0.0% to 3.6%).

Total DOSRI loans of BDO Unibank Group and the Parent Bank include loans to officers under the Bank's fringe benefit program. Secured DOSRI loans are collateralized by publicly-listed shares, hold-out on deposits, chattels and real estate mortgages and are payable within one month to 20 years.

Total loan releases and collections in 2017 amounted to P83,415 and P50,813 for BDO Unibank Group and P83,411 and P50,805 for the Parent Bank, respectively. Total loan releases and collections in 2016 amounted to P60,637 and P67,087 for BDO Unibank Group and P60,630 and P66,961 for the Parent Bank, respectively. Total loan releases and collections in 2015, on the other hand, amounted to P40,445 and P58,613 for BDO Unibank Group and P40,382 and P58,593 for the Parent Bank, respectively.

BDO Unibank Group and the Parent Bank assessed that these loans are not impaired in 2017 and 2016.

(b) *Deposits from Related Parties*

Total deposits made by the related parties to BDO Unibank Group and the Parent Bank both amounted to P635,509, P789,979 and P838,032 in 2017, 2016 and 2015, respectively, and bearing interest rates range of 0.0% to 4.32% in 2017 and 0.0% to 5.30% in 2016 and in 2015. The related interest expense from deposits amounted to P2,181 and P2,391 and P1,672 in 2017, 2016, and 2015, respectively (see Note 22).

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group as of December 31, 2017 and 2016 and for each of the three years ended are as follows:

Related Party Category	Amounts of Transaction			Outstanding Balance	
	2017	2016	2015	2017	2016
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 27	P 40
BDO Leasing	-	-	-	1	1
Investment in shares of -					
BDO Unibank, Inc.	-	-	-	26	15
BDO Leasing	-	-	-	2	2
Deposit liabilities (including LTNCDs)					
BDO Unibank, Inc.	-	-	-	5,002	3,673
Trading gain					
BDO Unibank, Inc.	59	105	219	-	-
Interest expense					
BDO Unibank, Inc.	5	4	5	-	-

BDO Unibank Group's retirement fund has transactions directly and indirectly with Parent Bank as of December 31, 2017 and 2016 and for each of the three years ended are as follows:

Related Party Category	Amounts of Transaction			Outstanding Balance	
	2017	2016	2015	2017	2016
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 27	P 40
Investment in shares of -					
BDO Unibank, Inc.	-	-	-	26	15
Deposit liabilities (including LTNCDs)					
BDO Unibank, Inc.	-	-	-	5,002	3,673
Trading gain					
BDO Unibank, Inc.	59	105	219	-	-
Interest expense					
BDO Unibank, Inc.	5	4	5	-	-

Details of the contributions of BDO Unibank Group and Parent Bank, and benefits paid out by the plan to the employees are presented in Note 24.

(d) Other Transactions with Related Parties

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties is shown in the section that follows. These transactions are generally unsecured and payable in cash, unless otherwise stated.

- (i) Transactions with and between subsidiaries have been eliminated in the BDO Unibank Group's financial statements. Significant transactions with subsidiaries are as follows:

(1) Loans and Advances to Subsidiaries

The Parent Bank grants noninterest-bearing advances to subsidiaries for working capital requirements, which are unsecured, payable in cash and without fixed repayment terms. Total advances granted and collected amounted to P85 and P29, P344 and P478 and P417 and P346, in 2017, 2016 and 2015, respectively. Outstanding advances to subsidiaries recognized as part of Accounts receivable under Loans and Other Receivables in the Parent Bank's statements of financial position amounted to P85 and P29 as of December 31, 2017 and 2016, respectively (see Note 10).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P8,454 and P5,931 as of December 31, 2017 and 2016, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position (see Note 10). Total loans granted amounted to P69,528, P41,691 and P44,702 while total loans collected amounted to P67,005, P42,578 and P45,751 for 2017, 2016 and 2015, respectively. These loans are payable in cash with a term between one month to five years. Interest income recognized on these is presented as part of Interest Income in the Parent Bank's statements of income (see Note 21). Interest rate on these loans ranges from 2.0% to 3.5% per annum in 2017, 2016, and 2015.

(2) Income to the Parent Bank

BDO subsidiaries engaged the Parent Bank, under service agreements to provide various support such as maintenance, administration of properties/assets management, supplies procurement, facilities management, accounting functions, loan documentation, safekeeping/custodianship of securities and collateral documents, credit card services, human resources management, information technology needs, internal audit, corporate secretarial services, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. The service agreement shall continue to be in force unless terminated by either party through a written notice of either party at least 30 calendar days prior to the date intended for termination. The services fees are payable in cash at the beginning of each month and shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by the subsidiaries to the Parent Bank. Total service fees are presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 23). There are no outstanding balance arising from these transactions as of December 31, 2017 and 2016.

BDO Life, a former associate of BDO Unibank Group, has an existing Investment Management Agreement with the Parent Bank. For services rendered, BDO Life pays the Parent Bank management fees in cash equivalent to 0.25% per annum of the managed funds and directed investments based on the average month-end market value of the fund and are deducted quarterly from the fund. Total service fees is presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 23). Outstanding balances arising from this as of December 31, 2017 and 2016 is included as part of Accounts receivable under Loans and Other Receivables (see Note 10).

Certain subsidiaries lease office space from the Parent Bank. Total rent collected from the subsidiaries is included as part of Miscellaneous under Other Operating Income account in the Parent Bank's statements of income (see Note 23). The term of the lease is five years and is payable in cash. There are no outstanding receivable from subsidiaries as of December 31, 2017 and 2016.

BDO Capital, BDO Securities and BDOI, have reimbursed the Parent Bank in cash on the actual costs and expenditures in relation to its services amounting to P67, P90 and P82 in 2017, 2016, and 2015, respectively. There are no outstanding receivable from subsidiaries as of December 31, 2017 and 2016.

(3) Expenses of the Parent Bank

The Parent Bank leases space from BDOSHI for its branch operations. Total rent paid is included as part of Occupancy account under Other Operating Expenses account in the Parent Bank statements of income (see Note 23). The lease term is between 10 to 20 years and is payable in cash. There are no outstanding payable to the subsidiary as of December 31, 2017 and 2016.

(4) Derivatives

In 2017 and 2016, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards, interest rate swap and cross currency swaps. As of December 31, 2017 and 2016, the outstanding balance of derivatives assets and liabilities are presented as part of Financial assets at FVTPL under Trading and Investment Securities account (see Note 9.1) and Derivative with negative fair values under Other Liabilities account in the statements of financial position (see Note 19).

(5) Deposit Liabilities

Total deposits made by the subsidiaries to the Parent Bank bear interest rates of 0.0% to 2.5% in 2017, 0.0% to 2.6% in 2016 and 0.0% to 1.5% in 2015. These related interest expense from these deposits are included as part of Interest Expense account on deposit liabilities in the statements of financial position (see Note 22).

- (ii) Other transactions with associates are shown below.

Loans and Advances to Associates

As of December 31, 2017 and 2016, there is an outstanding secured and unsecured interest-bearing loans and advances to associates amounting to P5,920 and P3,228 for the BDO Unibank Group and P5,200 and P2,500 for the Parent Bank, respectively, and are presented as part of Loans and discounts and Accounts receivable under Loans and Other Receivables account in the statements of financial position (see Note 10). These loans are payable in cash between five to 12 years. Total collections on loans and advances amounted to P8, P488 and P13 in 2017, 2016 and 2015, respectively.

Annual interest rate on these loans ranges from 3.0% to 7.7% for the years 2017, 2016 and 2015. The related interest income is presented as part of Interest Income on loans and other receivables in the BDO Unibank Group's statements of income (see Note 21). As of December 31, 2017, 2016 and 2015, there were no impairment losses recognized on these loans and advances.

- (iii) Transaction of the Parent Bank with related parties under common ownership is shown below.

The Parent Bank leases space from related parties for its branch operations. For the years ended December 31, 2017, 2016 and 2015, total rent paid to related parties amounted to P912, P820 and P699, respectively, and is included as part of Occupancy account under Other Operating Expenses (see Note 23). The terms of the lease are from two to five years and is payable in cash. Outstanding balances arising from this transaction amounted to P109 and P103 as of December 31, 2017 and 2016, respectively and is included as part of Accounts payable under Other Liabilities (see Note 19).

- (iv) Key Management Personnel Compensation

The compensation and benefits given to BDO Unibank Group and the Parent Bank's key management are as follows (see Note 24.1):

	BDO Unibank Group		
	2017	2016	2015
Salaries and other benefits	P 1,267	P 1,348	P 1,352
Retirement expense	<u>146</u>	<u>153</u>	<u>142</u>
	<u>P 1,413</u>	<u>P 1,501</u>	<u>P 1,494</u>
	Parent Bank		
	2017	2016	2015
Salaries and other benefits	P 886	P 878	P 950
Retirement expense	<u>99</u>	<u>98</u>	<u>103</u>
	<u>P 985</u>	<u>P 976</u>	<u>P 1,053</u>

26. TRUST OPERATIONS

The following securities and other properties held by BDO Unibank Group in fiduciary or agency capacity (for a fee) for its customers are not included in BDO Unibank Group and the Parent Bank's statements of financial position since these are not resources of the BDO Unibank Group (see Note 33.3).

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Investments	P 1,036,651	P 1,021,927	P 743,955	P 749,768
Others	<u>9,507</u>	<u>7,186</u>	<u>7,806</u>	<u>6,095</u>
	<u>P 1,046,158</u>	<u>P 1,029,113</u>	<u>P 751,761</u>	<u>P 755,863</u>

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

- (a) Investment in government securities which are shown as part of AFS securities (see Note 9.2) with a total face value of P11,008 and P11,249 as of December 31, 2017 and 2016, respectively, in BDO Unibank Group and, P7,830 and P7,650 as of December 31, 2017 and 2016, respectively, in the Parent Bank are deposited with the BSP as security for BDO Unibank Group's faithful compliance with its fiduciary obligations; and,
- (b) A certain percentage of the trust income is transferred to surplus reserves. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of BDO Unibank Group's authorized capital stock. As of December 31, 2017 and 2016, the additional reserve for trust functions amounted to P256 and P240, respectively, for BDO Unibank Group and P190 and P182, respectively, for the Parent Bank, and is included as part of Surplus Reserves account in statements of changes in equity (see Note 20.5).

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P3,246, P3,123 and P2,909 for the years ended December 31, 2017, 2016 and 2015, respectively, in BDO Unibank Group statements of income and P2,647, P2,491, and P2,322 for the years ended December 31, 2017, 2016 and 2015, respectively, in the Parent Bank statements of income (see Note 23).

27. UNIT-LINKED FUNDS

VUL life insurance contracts of BDO Life are life insurance policies wherein a portion of the premiums received are invested in VUL funds, which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value (NAV) per unit, which changes daily depending on the fund's performance.

In 2013, BDO Life obtained the approval from IC to issue VUL products, where payments to policyholders are linked to internal investment funds set up by BDO Life. The VUL funds are managed by the Trust and Investment Group of the Parent Bank.

As of December 31, 2017 and 2016, BDO Life has 12 and 10 VUL funds, respectively. The details of the investment funds, which comprise the assets backing the unit-linked liabilities, are presented in the table below. The assets and liabilities of these investment funds have been consolidated to the appropriate accounts in the BDO Unibank Group's financial statements.

	<u>2017</u>	<u>2016</u>
Assets:		
Cash and cash equivalents	P 62	P 78
Financial assets at FVTPL	5,658	2,916
Other receivables	<u>7</u>	<u>6</u>
	<u>P 5,727</u>	<u>P 3,000</u>
Liabilities and Equity:		
Other liabilities	P 32	P 27
Net assets attributable to unitholders	<u>5,695</u>	<u>2,973</u>
	<u>P 5,727</u>	<u>P 3,000</u>

28. MERGERS AND ACQUISITIONS

28.1 Subscription of Additional Shares in CBN Grupo

On June 27, 2015, the Parent Bank's BOD authorized the investment by BDO Capital of 3,273,000 shares in CBN Grupo for €3. The BSP approved the investment in March 2016. On October 21, 2016, CBN Grupo issued the shares to BDO Capital, making BDO Capital the owner of approximately 96% of the outstanding capital stock of CBN Grupo (see Note 13.1). CBN Grupo was renamed BDO Remit International Holdings B.V. and was registered, thereafter, with The Netherlands Chamber of Commerce on October 24, 2016. The total goodwill recognized in 2016 amounted to P32 and is presented as part of Goodwill under Other Resources on BDO Unibank Group's statements of financial position (see Note 13.3).

28.2 Acquisition of Credit Card Portfolio

On June 14, 2016, the Parent Bank signed an agreement with SB Cards to be the exclusive issuer and acquirer of Diners Club credit cards in the Philippines. The acquisition includes SB Cards' existing Diners Club portfolio and its cardholder base. The agreement took effect on September 30, 2016.

The Parent Bank recognized the acquisition-date fair value of the existing credit card receivables and liabilities assumed and compared the net assets acquired with the cash consideration given up resulting in the recognition of Trademark for the excess relating to the use of Diners Club trade name by the Parent Bank for a period of five years. Presented below is the analysis of the transaction.

Credit card receivables	P 586
Liabilities	(<u>18</u>)
Net asset acquired	568
Cash consideration	(<u>733</u>)
Trademark (see Note 13.6)	<u>P 165</u>

28.3 Three Way Merger among BDO Capital, BDO Savings and BDO Elite

On July 22, 2015, the shareholders of BDO Capital, BDO Savings and BDO Elite approved the merger among the three companies with BDO Capital as the surviving entity. BDO Unibank Group owns 98.82% of BDO Elite, 99.99% of BDO Savings and 100% of BDO Capital.

The SEC approved the merger on June 30, 2016. Approval documents were received only on July 21, 2016; thus, the consolidation took effect on July 31, 2016 (see Note 2.3). In the implementation of the merger, all the shares of the capital stock of BDO Elite and BDO Savings issued and outstanding on the effective date of the merger were cancelled. A total of 7,000,399 new shares of stock of BDO Capital were then issued in exchange for the cancelled BDO Elite and BDO Savings shares of stock, as follows:

- (a) 1,000,000 shares out of the unissued authorized capital stock; and,
- (b) 6,000,399 shares out of the increase in authorized capital stock.

The BDO Elite and BDO Savings shareholders were issued a total of 3,391,113 and 3,609,286 BDO Capital shares, respectively.

28.4 Acquisition of BDO Life

In their respective meetings held on April 24, 2015 and on May 30, 2015, the Parent Bank's BOD and BDO Capital's BOD authorized the termination of the insurance joint venture and bancassurance partnership with the Generali Group.

Pursuant thereto, on June 8, 2015, BDO Unibank Group concluded a Share Purchase Agreement (SPA) with the Generali Group. The SPA provides that upon closing of the transaction, BDO Unibank Group will take full control of BDO Life, a life insurance company, and the Generali Group will take full control of Generali Pilipinas Insurance Company (GPIC), a non-life insurance company that is also owned by GPHCI. As of December 31, 2015, BDO Unibank Group owns 40%, and the Generali Group owns 60%, of the issued and outstanding capital stock of BDO Life.

On June 30, 2016, BDO Unibank Group acquired the remaining 60% of the issued and outstanding capital stock of BDO Life from the Generali Group for a cash consideration and other charges amounting to P2,236, making the latter a wholly-owned subsidiary of the former. The transaction resulted in the recognition of a gain on fair valuation of previously-held interest and gain on bargain purchase (negative goodwill) amounting to P628 and P1,586, respectively, or a total gain on acquisition of subsidiary amounting to P2,214. This is recorded as part of Miscellaneous under Other Operating Income account in the 2016 financial statements of BDO Unibank Group (see Note 23).

BDO Unibank Group is re-focusing its insurance strategy to align with its thrust to solidify its presence in the broad-based middle income market. By assuming full control of BDO Life Assurance's operations, BDO Unibank Group will be able to adapt more readily to the demands of its target markets.

On the date of acquisition, the equity share in BDO Life was re-measured at fair value, as follows:

Fair value	P	2,549
Book value	(	<u>1,921</u>)
Gain on fair valuation of previously-held interest	P	<u>628</u>

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments follows:

Cash and cash equivalents	P	851
Trading and investment securities		25,882
Loans and other receivables		563
Bank premises, furniture, fixtures and equipment		54
Other resources		<u>104</u>
Total resources		<u>27,454</u>
Insurance contract liabilities		17,910
Other liabilities		<u>3,173</u>
Total liabilities		<u>21,083</u>
Net assets acquired		6,371
Fair value of the investment for the previously held interest in BDO Life	(	2,549)
Consideration transferred (for the 60% ownership interest)	(	<u>2,236</u>)
Gain on bargain purchase	P	<u>1,586</u>

Pre-acquisition income arising from the step-up acquisition amounted to P391. Subsequently, GPHCI was renamed to BDO Life Holdings (see Notes 2.3 and 13.1).

On November 24, 2016, the BOD of BDO Life Holdings and BDO Life, at their respective meetings, approved the merger of the two companies, with BDO Life as the surviving entity, and the Plan of Merger. The same were likewise approved by the respective stockholders of the companies on December 3, 2016. The merger was approved by the SEC on September 4, 2017 and was implemented on the same date.

Under the Articles of Merger, the capital stock owned by the Parent Bank and BDO Capital in BDO Life Holdings shall be exchanged for shares in the capital stock of BDO Life on the basis of the net asset value of BDO Life Holdings. BDO Life issued a total of 15,931,324 shares with a par value of P100 per share to the shareholders of BDO Life Holdings in exchange for the net asset of BDO Life Holdings, composed of 15,150,505 shares reacquired by BDO Life as a consequence of the merger, since it was previously wholly-owned by BDO Life Holdings, and 780,819 shares from the unissued authorized capital stock of BDO Life. The shareholdings of the Parent Bank and BDO Capital after the merger is 97.0% and 3.0%, respectively.

28.5 Investment Agreement with Nomura

On June 24, 2015, the BOD of PCIB Securities authorized PCIB Securities to enter in an Investment Agreement (the Agreement) with the Parent Bank and Nomura Holdings, Inc. (Nomura). Pursuant to the Agreement, PCIB Securities shall execute a subscription agreement with Nomura whereby PCIB Securities shall issue 336,274 common shares at a subscription price of P370.34 per share. Such that Nomura shall own 49.0% of the total issued and outstanding capital stock of PCIB Securities. Relative to the Agreement, PCIB Securities shall carry out retail online securities trading, institutional and retail cross-border trading and other securities business.

On January 27, 2016, PCIB Securities executed the subscription agreement with Nomura Asia Investment (Singapore) Pte. Ltd. (a wholly owned subsidiary of Nomura), thereby issuing 336,274 new common shares of PCIB Securities at P370.34 per share, resulting to new percentage of ownership of the Parent Bank to 51.0% and Nomura having 49.0% over PCIB Securities. Subsequently, PCIB Securities was renamed as BDO Nomura.

On July 20, 2017, BDO Nomura's BOD and stockholders approved the increase in its authorized capital stock from P100, divided into 1,000,000 shares with P100 par value per share to P1,000, divided into 10,000,000 shares with P100 par value per share. In relation to the increase in authorized capital stock, BDO Nomura received a cash infusion from the Parent Bank and Nomura Asia Investment (Singapore) Pte. Ltd. amounting to P153 and P147, respectively, for future subscription of additional shares of stock of BDO Nomura with a total par value of P300. The deposit for future stock subscription were recorded as part of Equity investments under Other Resources account in the Parent Bank's 2017 statement of financial position (see Note 13.1). The application for the increase in authorized capital stock was filed with SEC on December 20, 2017 and was subsequently approved on February 5, 2018 (see Note 32.3).

28.6 Joint Venture Investment Agreement with Mitsubishi Motors Philippines Corp. (MMPC), Sojitz Corporation (SJC) and JACCS Co. Ltd. (JACCS)

On January 28, 2016, BDO Leasing entered into a joint venture investment agreement with MMPC, SJC and JACCS to provide financing services to individual and corporate buyers of Mitsubishi Motors vehicles in the Philippines. The joint venture, to be named MAFSC, is seen harnessing the complementary strengths of the partners of the joint venture to take advantage of the sustained growth in vehicle sales on the back of increasing consumer affluence and a growing population. Upon the incorporation of MAFSC on May 31, 2016, BDO Leasing contributed P300 for 3,000,000 common shares, thereby owning 40% of the company while MMPC, SJC and JACCS jointly hold the remaining 60% stake (see Note 13.1).

28.7 Acquisition of One Network Bank, Inc. (A Rural Bank)

On October 25, 2014, the Parent Bank's BOD authorized the purchase of all of the outstanding capital stock of ONB subject to the necessary regulatory approval. The BSP accordingly approved the transfer of up to 100% of the outstanding common stock of ONB to the Parent Bank on March 16, 2015.

Thereafter, on July 20, 2015, the Parent Bank acquired 99.59% of the total issued and outstanding capital stock of ONB in exchange for 64,499,890 common shares of the Parent Bank through a share swap transaction (i.e., BDO crossed in favor of the selling shareholders of ONB and issued an equal number of new shares from its unissued capital stock with a substantial BDO shareholder). Equity investment amounted to P6,685, inclusive of the payment of documentary stamp tax amounting to P9 for the transfer of ONB shares. The acquisition resulted in recognition of Additional Paid-in Capital amounting to P6,028, net of related transaction costs amounting to P3. Subsequently, on November 23, 2015, the Parent Bank acquired an additional 81,134 ONB shares, for cash of P2, thereby increasing its shareholdings in ONB to 99.63%. The total goodwill recognized in 2015 amounting to P2,903 is presented as part of Goodwill under Other Resources on BDO Unibank Group's statements of financial position (see Note 13.3).

As of December 31, 2016, the Parent Bank acquired additional 324,012 ONB common shares from its total issued and outstanding capital stock for cash of P9. These additional purchases of ONB common shares by the Parent Bank increased its total shareholdings in ONB to 99.76%. Total additional goodwill recognized in 2016 amounted to P4.

The acquisition of ONB expands the regional presence of BDO Unibank Group in the countryside, particularly in the Southern Philippines. This also opens up new business opportunities for the BDO Unibank Group in terms of tapping underserved market segments.

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments follows:

Cash and cash equivalents	P	3,294
Trading and investment securities		2,457
Loans and other receivables		20,532
Bank premises, furniture, fixtures and equipment		1,510
Other resources		<u>403</u>
Total resources		<u>28,196</u>
Deposit liabilities		20,920
Other liabilities		<u>3,478</u>
Total liabilities		<u>24,398</u>
Net asset position		3,798
Non-controlling share in equity	(	14)
Cost of investment	(	<u>6,687</u>)
Goodwill (see Note 13.3)	P	<u>2,903</u>

On June 17, 2016, the Parent Bank entered into a Sale and Purchase Agreement with TPG Growth III SF PTE. Ltd (TPG) whereby the latter shall purchase 98,949,533 common shares of ONB (constituting 40%) held by the Parent Bank. The transaction has been approved by the BSP on December 8, 2016 and is still subject to the completion of certain closing conditions as of December 31, 2017.

On December 3, 2016, the Parent Bank's BOD authorized a P1,000 capital infusion into ONB to allow the subsidiary to provide for its ongoing expansion plans and to comply with BSP regulations. The BSP approved the additional equity investment into ONB on August 10, 2017. The Parent Bank on September 13, 2017 subscribed to an additional 32,386,356 of new ONB shares thereby increasing its total shareholdings in ONB to 99.79%.

28.8 Purchase of Assets and Assumption of Liabilities of The Real Bank (A Thrift Bank), Inc.

On August 8, 2014, the Parent Bank and TRB executed a Memorandum of Agreement to transfer the latter's assets and liabilities to the Parent Bank. The BSP approved the transaction on July 2, 2014. The Parent Bank recognized the fair value of assets and liabilities of TRB as presented.

Cash and other cash items	P	97
Due from BSP		797
Due from other banks		49
Trading and other investments		125
Loans and other receivables		978
Premises, furniture, fixtures and equipment		77
Investment properties		358
Other resources		<u>10</u>
Total resources		<u>2,491</u>
Deposit liabilities		6,922
Bills payable		11
Other liabilities		<u>185</u>
Total liabilities		<u>7,118</u>
Net liability position	P	<u><u>4,627</u></u>

As settlement on the net liability position assumed by the Parent Bank, the majority shareholder/s of TRB will shoulder the P2,000 deficiencies, through a term loan covered by acceptable hard assets, while the remaining deficiency is recognized by the Parent Bank as part of Branch licenses as granted by the BSP (see Note 13.4). In 2015, the P2,000 deficiencies were settled through issuance of term loan under contract-to-sell financing. As of December 31, 2017 and 2016, the outstanding balance amounted to nil and P1,916, and is presented as part of Loans and discounts under Loans and Other Receivables account in the statements of financial position (see Note 10).

28.9 Acquisition of Trust Business

On February 21, 2014, the Parent Bank entered into a definitive agreement for the acquisition of the trust business of Deutsche Bank AG's Manila branch (Deutsche) comprising of trust, other fiduciary and investment management activities amounting to P35,751 and presented as part of contingent accounts under Trust department accounts (see Note 33.3). The transaction resulted in the recognition of an intangible asset with indefinite useful life and is presented as Customer lists under Other Resources account in the statements of financial position (see Note 13.7).

29. TAXES

29.1 Current and Deferred Taxes

The components of tax expense for the years ended December 31 follow:

	BDO Unibank Group		
	2017	2016	2015
<i>Reported in profit or loss:</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 8,031	P 5,528	P 3,510
Minimum corporate income tax (MCIT) at 2%	14	16	665
Final taxes at 20%, 15%, 10% and 7.5%	<u>1,371</u>	<u>1,220</u>	<u>1,305</u>
	9,416	6,764	5,480
Deferred tax expense relating to origination and reversal of temporary differences	<u>36</u>	<u>33</u>	<u>221</u>
	<u>P 9,452</u>	<u>P 6,797</u>	<u>P 5,701</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 1,125)	(P 267)	(P 100)
Fair value of AFS securities	20	(21)	(67)
Reversal of revaluation increment	<u>-</u>	<u>-</u>	<u>(8)</u>
	<u>(P 1,105)</u>	<u>(P 288)</u>	<u>(P 175)</u>
	Parent Bank		
	2017	2016	2015
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 30%	P 7,045	P 4,651	P 3,510
Final taxes at 20%, 15%, 10% and 7.5%	<u>978</u>	<u>870</u>	<u>1,086</u>
	8,023	5,521	4,596
Deferred tax expense relating to origination and reversal of temporary differences	<u>218</u>	<u>192</u>	<u>233</u>
	<u>P 8,241</u>	<u>P 5,713</u>	<u>P 4,829</u>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	(P 1,048)	(P 221)	(P 80)
Reversal of revaluation increment	<u>-</u>	<u>-</u>	<u>(8)</u>
	<u>(P 1,048)</u>	<u>(P 221)</u>	<u>(P 88)</u>

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

BDO Unibank Group					
	<u>2017</u>		<u>2016</u>		<u>2015</u>
Tax on pretax profit at 30%	P 11,267	P	9,913	P	9,197
Adjustment for income subjected to lower income tax rates	(379)	(	349)	(	657)
Tax effects of:					
Income exempt from tax	(2,552)	(	2,868)	(	3,076)
Non-deductible expenses	2,545		1,734		891
Deductible temporary differences not recognized	(908)	(	1,022)	(	713)
Net operating loss carryover (NOLCO) not recognized	17		20	(	9)
Application of previously unrecognized MCIT	(4)		-		-
Utilization of previously unrecognized NOLCO	-	(	30)		-
Others	(534)	(	631)		68
Tax expense reported in profit or loss	P 9,452	P	6,797	P	5,701

Parent Bank					
	<u>2017</u>		<u>2016</u>		<u>2015</u>
Tax on pretax profit at 30%	P 10,874	P	8,931	P	8,919
Adjustment for income subjected to lower income tax rates	(484)	(	399)	(	431)
Tax effects of:					
Income exempt from tax	(3,492)	(	3,216)	(	3,653)
Non-deductible expenses	2,259		1,460		740
Deductible temporary differences not recognized	(916)	(	1,021)	(	773)
Others	-	(	42)		27
Tax expense reported in profit or loss	P 8,241	P	5,713	P	4,829

Components of the net deferred tax assets (see Note 13) as of December 31 follow:

Statements of Financial Position					
	BDO Unibank Group		Parent Bank		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	
Deferred tax assets:					
Allowance for impairment	P 6,386	P 6,271	P 5,858	P 5,858	
Unamortized past service costs	1,116	1,338	1,070	1,253	
Retirement obligation	495	-	351	-	
Lease income differential	128	121	129	121	
NOLCO	3	1	-	-	
Others	1	34	-	-	
	8,129	7,765	7,408	7,232	
Deferred tax liabilities:					
Revaluation increment	432	432	431	431	
Changes in fair values of AFS securities	80	60	-	-	
Capitalized interest	50	53	50	53	
Lease income differential	10	54	-	-	
Retirement asset	-	607	-	651	
Others	154	225	-	-	
	726	1,431	481	1,135	
Net deferred tax assets	P 7,403	P 6,334	P 6,927	P 6,097	

Movements in net deferred tax assets for the years ended December 31 follow:

BDO Unibank Group

	Statements of Income		
	2017	2016	2015
Unamortized past service costs	P 222	P 154	P 163
Allowance for impairment	(115)	(117)	-
Lease income differential	(51)	(46)	(42)
Retirement asset (obligation)	23	87	116
Capitalized interest	(3)	(3)	(2)
NOLCO	(2)	17	14
Others	(38)	(59)	(28)
Deferred tax expense	P 36	P 33	P 221

Parent Bank

	Statements of Income		
	2017	2016	2015
Unamortized past service costs	P 183	P 155	P 147
Retirement asset (obligation)	46	89	96
Lease income differential	(8)	(14)	(7)
Capitalized interest	(3)	(3)	(3)
Allowance for impairment	-	(35)	-
Deferred tax expense	P 218	P 192	P 233

	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2017	2016	2015	2017	2016	2015
Movements in actuarial losses	(P 1,125)	(P 267)	(P 100)	(P 1,048)	(P 221)	(P 80)
Movements in fair value of AFS securities	20	(21)	67	-	-	-
Movements in revaluation Increment	-	-	(8)	-	-	8
Deferred tax income	(P 1,105)	(P 288)	(P 175)	(P 1,048)	(P 221)	P 88

BDO Unibank Group is subject to MCIT, which is computed at 2% of gross income, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO and MCIT with the corresponding validity periods follows for BDO Unibank Group (nil for the Parent Bank):

Year	NOLCO	MCIT	Valid Until
2017	P 57	P 13	2020
2016	69	11	2019
2015	<u>2</u>	<u>12</u>	2018
	P 128	P 36	

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2017 and 2016 are as follows:

		BDO Unibank Group			
		2017		2016	
		<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	P	22,088	P 6,626	P 20,579	P 6,174
NOLCO		128	38	717	215
MCIT		36	36	31	31
Others		<u>1,238</u>	<u>371</u>	<u>1,885</u>	<u>565</u>
	P	<u>23,490</u>	<u>7,071</u>	<u>P 23,212</u>	<u>P 6,985</u>
		Parent Bank			
		2017		2016	
		<u>Tax Base</u>	<u>Tax Effect</u>	<u>Tax Base</u>	<u>Tax Effect</u>
Allowance for impairment	P	20,778	P 6,233	P 19,899	P 5,970
Others		<u>1,341</u>	<u>402</u>	<u>1,948</u>	<u>584</u>
	P	<u>22,119</u>	<u>6,635</u>	<u>P 21,847</u>	<u>P 6,554</u>

BDO Unibank Group and the Parent Bank continues claiming itemized deduction for income tax purposes.

29.2 Gross Receipts Tax

On January 29, 2004, RA No. 9238 reverted the imposition of gross receipts tax (GRT) on banks and financial institutions.

On May 24, 2005, the amendments on RA No. 9337 was approved amending, among others, the gross GRT on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

29.3 Documentary Stamp Tax

Documentary stamp tax (DST) (at varying rates) are imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.

On February 17, 2004, RA No. 9243 was passed amending the rates of DST, the significant provisions of which are summarized as follows:

- (a) On every issue of debt instruments, there shall be collected a DST of one peso on each two hundred pesos or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- (b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of 75 centavos on each two hundred pesos, or fractional part thereof, of the par value of such stock.
- (c) On all bills of exchange or drafts, there shall be collected a DST of 30 centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or draft.
- (d) The following instruments, documents and papers shall be exempt from DST:
 - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
 - Loan agreements or promissory notes, the aggregate of which does not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
 - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the affectivity of RA No. 9243;
 - Fixed income and other securities traded in the secondary market or through an exchange;
 - Derivatives including repurchase agreements and reverse repurchase agreements;
 - Bank deposit accounts without a fixed term or maturity; and,
 - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

29.4 Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The BIR issued Revenue Regulations (RR) No. 15-2010 and RR No. 19-2011 on November 25, 2010 and December 9, 2011, respectively, which required certain tax information to be disclosed as part of the notes to the financial statements.

The supplementary information is, however, not a required part of the basic financial statements prepared in accordance PFRS; it is neither a required disclosure under the Philippine SEC rules and regulations covering form and content of financial statements under Securities Regulation Code Rule 68, as amended.

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

30. EARNINGS PER SHARE

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	BDO Unibank Group		
	2017	2016 (As Restated - see Note 2.1)	2015 (As Restated - see Note 2.1)
Net profit attributable to shareholders of the Parent Bank	P 28,070	P 26,234	P 24,917
Dividends on preferred shares	(340)	(339)	(339)
Net profit available to common shares	27,730	25,895	24,578
Divided by the weighted average number of outstanding common shares (in millions)	4,322	3,805	3,768
Basic earnings per share	P 6.42	P 6.81	P 6.52

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	BDO Unibank Group		
	2017	2016 (As Restated - see Note 2.1)	2015 (As Restated - see Note 2.1)
Net profit attributable to shareholders of the Parent Bank	P 27,730*	P 25,895*	P 24,578*
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	4,322	3,805	3,768
Potential common shares from assumed conversion of preferred shares	*	*	*
Potential common shares from assumed conversion of stock option plan	**	**	**
Total weighted average number of common shares after assumed conversion of convertible preferred shares	4,322	3,805	3,768
Diluted earnings per share	P 6.42	P 6.81	P 6.52

* Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be converted.

** Potential common shares from assumed conversion of stock option plan are partially purchased in the secondary market and partially made through primary issuance but do not significantly affect the computation of diluted earnings per share.

Basic earnings per share in the Parent Bank's financial statements were computed as follows:

	Parent Bank		
		2016	2015
		(As Restated -	(As Restated
	<u>2017</u>	<u>see Note 2.1)</u>	<u>see Note 2.1)</u>
Net profit	P 28,006	P 24,057	P 24,900
Dividends on preferred shares	(340)	(339)	(339)
Net profit available to common shares	27,666	23,718	24,561
Divided by the weighted average number of outstanding common shares (in millions)	<u>4,322</u>	<u>3,805</u>	<u>3,768</u>
Basic earnings per share	<u>P 6.40</u>	<u>P 6.23</u>	<u>P 6.52</u>

Diluted earnings per share in the Parent Bank's financial statements were computed as follows:

	Parent Bank		
		2016	2015
		(As Restated -	(As Restated
	<u>2017</u>	<u>see Note 2.1)</u>	<u>see Note 2.1)</u>
Net profit	<u>P 27,666*</u>	<u>P 23,718*</u>	<u>P 24,561*</u>
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	4,322	3,805	3,768
Potential common shares from assumed conversion of convertible preferred shares	*	*	*
Potential common shares from assumed conversion of stock option plan	**	**	**
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<u>4,322</u>	<u>3,805</u>	<u>3,768</u>
Diluted earnings per share	<u>P 6.40</u>	<u>P 6.23</u>	<u>P 6.52</u>

* *Net profit of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be converted.*

** *Potential common shares from assumed conversion of stock option plan are partially purchased in the secondary market and partially made through primary issuance but do not significantly affect the computation of diluted earnings per share.*

31. SELECTED FINANCIAL PERFORMANCE INDICATORS

(a) The following are some measures of BDO Unibank Group and Parent Bank's financial performance:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>BDO Unibank Group</u>			
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	10.2%	12.5%	13.4%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.1%	1.2%	1.3%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	3.5%	3.2%	3.2%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	10.2%	12.7%	13.6%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	31.6%	33.5%	33.8%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	794.3%	968.7%	917.1%
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	894.3%	1,068.7%	1,017.1%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	308.2%	301.3%	302.1%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	19.1%	21.2%	24.0%
Capital to risk resources ratio*:			
Combined credit, market and operational risk	14.5%	12.4%	13.3%

* Computed using balances prepared under PFRS

	2017	2016	2015
<u>Parent Bank</u>			
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	10.2%	11.5%	13.8%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	1.2%	1.2%	1.4%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	3.5%	3.2%	3.2%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	10.2%	11.7%	14.1%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	29.2%	31.5%	32.6%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	748.2%	915.8%	872.4%
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	848.2%	1,015.8%	972.4%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	320.6%	298.6%	308.8%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	22.0%	23.1%	25.7%
Capital to risk resources ratio*:			
Combined credit, market and operational risk	13.8%	11.4%	12.2%

* Computed using balances prepared under PFRS

(b) Secured liabilities and resources pledged as security are shown below.

	BDO Unibank Group		Parent Bank	
	2017	2016	2017	2016
Aggregate amount of secured liabilities	P 2,322	P 1,800	P 907	P 602
Aggregate amount of resources pledged as security	P 4,033	P 4,597	P 1,075	P 780

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

32.1 Dividends

On January 27, 2018, the Parent Bank's BOD approved the declaration of annual cash dividends on preferred shares "Series A" at the rate of 6.5% per annum of the par value for a total dividend of P339. The dividends will be paid within 60 days from dividend declaration date.

32.2 Additional Capital Infusion on ONB

On September 30, 2017, the Parent Bank's BOD authorized an additional P1,000 capital infusion into ONB to support its MSME initiatives and give it additional leeway in its expansion plans. The BSP approved the additional equity investment into ONB on December 13, 2017. The Parent Bank on January 18, 2018 subscribed to an additional 32,386,356 of new ONB shares thereby increasing its shareholdings in ONB to 99.81%.

32.3 Additional Capital Infusion on BDO Nomura

On February 5, 2018, the application for the increase in authorized capital stock of BDO Nomura was approved by the SEC. In relation to this, BDO Nomura received a cash infusion from the Parent Bank and Nomura Asia Investment (Singapore) Pte. Ltd. amounting to P153 and P147, respectively, for future subscription of additional shares of stock of BDO Nomura with a total par value of P300 (see Note 28.5).

33. COMMITMENTS AND CONTINGENCIES

33.1 Litigations

BDO Unibank Group has pending claims and/or is a defendant in various legal actions arising from the ordinary course of business operations. As of December 31, 2017, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

33.1.1 PEACe bonds

On October 18, 2001, the Bureau of Treasury (BTr), through an auction, offered ten-year zero coupon treasury bonds, called the PEACe Bonds, to Government Securities Eligible Dealers. Rizal Commercial Banking Corporation (RCBC) won the bid in the same year and was awarded approximately P35,000 worth of government bonds. The PEACe Bonds were subsequently purchased by investors, including BDO Unibank, who relied in good faith on representations that the same are not subject to 20% Final Withholding Tax (20% FWT).

On July 16, 2004, the Commissioner of Internal Revenue (the Commissioner) ruled that the mere issuance of government debt instruments and securities is deemed as falling within the coverage of deposit substitute irrespective of the number of lenders at the time of origination. Accordingly, government debt instruments and securities are not exempt from taxes.

On October 7, 2011, or nearly 10 years after the auction, the Commissioner upon the request of the Secretary of Finance, issued a ruling stating that the PEACe Bonds are not exempt from the 20% FWT. On October 16, 2011, eight banks that purchased the PEACe Bonds filed a case in the Supreme Court to enjoin the Bureau of Treasury (BTr) and BIR from withholding or collecting the 20% FWT, upon payment at maturity, as well as from enforcing the 2011 ruling. On October 17, 2011, the BIR issued a second ruling stating that the 20% FWT should be imposed upon all subsequent holders of the PEACe Bonds. On October 18, 2011, the Supreme Court unanimously resolved, and issued a temporary restraining order which enjoined the government from implementing 2011 rulings that the PEACe Bonds were subject to 20% FWT. The Supreme Court instructed that the disputed amount should be placed in escrow by the petitioning banks.

On August 16, 2016, the Supreme Court ordered the BTr to immediately release and pay the bondholders the amount of P4,966, representing the 20% FWT on the PEACe bonds, with legal interest of 6% per annum from October 19, 2011 until full payment.

On October 19, 2016, the Respondents filed Motions where they respectfully prayed that the Honorable Court grant them leave to file the Motion for Partial Reconsideration and admit the Motion for Partial Reconsideration. The Respondents also prayed that the Resolution dated August 16, 2016 be partially reconsidered and for judgment to be rendered stating that (1) jurisdiction to hear actions assailing the validity of the exercise of quasi-legislative powers of the Commissioner of Internal Revenue pertains to the regular courts after review by the Secretary of Finance; and, (2) the 6% interest on the withheld amount of P4,966 be deleted or in the alternative, and only when respondents are held liable for interest, computation thereof shall be reckoned from the date of finality of the Decision dated January 13, 2015 at the prevailing market rate of comparable short term government debt securities at the time of payment.

On November 22, 2016, the Supreme Court denied, for lack of merit, the Respondents Motion for Leave to File Motion for Partial Reconsideration, as well as the Motion to Admit Motion for Partial Reconsideration, considering that a second motion for reconsideration is a prohibited pleading. The Supreme Court stated that no further pleadings or motions will be entertained and ordered the entry of judgment.

As of December 31, 2016, the Parent Bank presented the 20% FWT amounting to P690 as part of Accounts receivable account under Loans and Other Receivables in the statement of financial position (see Note 10).

On April 11, 2017, the Parent Bank entered into a Settlement Agreement with the Republic of the Philippines, (acting through the BTr) to settle all claims and put closure to the PEACe Bonds case. Under the terms of the Settlement Agreement:

- The BTr paid the 20% final withholding tax withheld on the PEACe bonds amounting to P690, plus interest of 4% per annum from October 19, 2011 to April 10, 2017 amounting to P151; and,
- The payment was made in the form of 3-Year Retail Treasury Bonds, with interest of 4.25 % per annum.

The 3-Year Retail Treasury Bonds settlement was recognized by the Parent Bank as part of financial assets at FVTPL (see Note 9.1). The interest was recognized as part of Others under Interest Income account (see Note 21) in the 2017 statement of income.

33.1.2 Applicability of RR 4-2011

On March 15, 2011, the BIR issued RR No. 4-2011 regarding the alleged violation relating to the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes.

RR No. 4-2011 essentially prescribed the method of allocation of cost and expenses such that when computing the amount allowable as deduction from regular banking unit operations, all costs and expenses should first be allocated between the regular banking unit and FCDU/expanded FCDU or offshore banking unit.

On April 6, 2015, 19 banks (Petitioners) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Preliminary Injunction, with the Regional Trial Court of Makati. The Parent Bank and BDO Private are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR No. 4-2011. In the Petition, the Petitioners claimed that there is no provision in the National Internal Revenue Code which justifies the issuance of RR No. 4-2011 and that the scope of RR No. 4-2011 unduly expands the power of the BIR to allocate a taxpayer's costs and expenses. The Petitioners also claimed that RR No. 4-2011 limits their rights to claim ordinary and necessary expenses as deductions.

On April 8, 2015, the Regional Trial Court of Makati issued a temporary restraining order, enjoining the BIR from enforcing RR No. 4-2011. Also, on April 27, 2015, the Regional Trial Court of Makati issued a Writ of Preliminary Injunction also enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR No. 4-2011 against the Petitioners, including the issuance of Preliminary Assessment Notice or Final Assessment Notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

The case remains pending as of December 31, 2017.

33.1.3 First e-Bank

In 2002, First e-Bank ("FeB") experienced liquidity problems prompting Philippine Deposit Insurance Corporation ("PDIC") to invite several banks to propose a solution for FeB's bailout. PDIC entered into contract with BDO Unibank, Inc. wherein consideration of the assumption by BDO Unibank of FeB's liabilities in the maximum amount of P10,000, PDIC will provide BDO Unibank P10,000 of Financial Assistance and PDIC will receive FeB's assets to recover said financial assistance.

About P5,000 of the financial assistance was released to BDO Unibank and the remaining P5,000 was deposited in escrow with BDO Trust and Investments Group ("BDO-TIG") in accordance with the escrow agreement dated October 23, 2002 entered into by BDO Unibank, PDIC, and BDO-TIG.

In August 2016, PDIC authorized the release of a total amount of P4,650 from escrow inclusive of proportional interest. However, as of August 26, 2016, the amount of P1,224 remains in escrow, which includes: (i) P602, which covers assets BDO Unibank still considers capable of delivery worth P214 and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon.

Unable to agree on the release of the remaining amount in escrow, on September 20, 2016, the PDIC filed a Complaint for Specific Performance and Damages against BDO, which case was raffled to RTC Makati City Branch 60. On October 14, 2016, BDO filed its Answer to the Complaint affirming that it has assumed P10,000 in liabilities of FeB and is thus entitled to release of the remaining escrow of P1,224.

The case remains pending as of December 31, 2017.

33.1.4 Others

BDO Unibank Group is also a defendant in various cases pending in courts for alleged claims against BDO Unibank Group, the outcomes of which are not fully determinable at present. As of December 31, 2017, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of BDO Unibank Group and will be recognized if and when a final resolution by the courts is made on each claim.

33.2 Leases

BDO Unibank Group leases the premises of its head office and most of its branch offices for periods ranging from one to 30 years from the date of the contracts; terms are renewable upon the mutual agreement of the parties. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the statements of income, amounted to P3,220, P2,846 and P2,569 in 2017, 2016 and 2015, respectively, in BDO Unibank Group's financial statements and P3,012, P2,670 and P2,415 in 2017, 2016 and 2015, respectively, in the Parent Bank's financial statements (see Note 23).

As of December 31, 2017 and 2016, the estimated minimum future annual rentals of BDO Unibank, Inc. and Parent Bank follow:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Within one year	P 2,089	P 2,528	P 1,864	P 2,370
More than one year but not more than five years	12,282	12,532	11,512	11,964
More than five years	<u>4,714</u>	<u>4,788</u>	<u>4,575</u>	<u>4,604</u>
	<u>P 19,085</u>	<u>P 19,848</u>	<u>P 17,951</u>	<u>P 18,938</u>

33.3 Others

In the normal course of BDO Unibank Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in BDO Unibank Group's financial statements. BDO Unibank Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2017 and 2016, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group as a result of the above commitments and contingencies.

Following is a summary of BDO Unibank Group's commitments and contingent accounts:

	Notes	BDO Unibank Group		Parent Bank	
		2017	2016	2017	2016
Trust department accounts	26	P 1,046,158	P 1,029,113	P 751,761	P 755,863
Committed credit lines	4.3.1	303,425	221,579	303,353	221,399
Forward exchange sold		128,650	89,028	116,021	67,344
Forward exchange bought		137,034	80,419	121,647	55,570
Unused commercial letters of credit	4.3.1	47,553	48,108	47,536	48,092
Outstanding guarantees issued		20,221	33,891	20,209	33,879
Interest rate swap receivable		16,481	19,699	6,263	9,791
Interest rate swap payable		16,481	19,699	6,263	9,791
ROP warrants		15,021	15,021	15,021	15,021
Spot exchange sold		14,054	13,224	13,740	12,592
Spot exchange bought		6,546	5,182	6,232	4,550
Bills for collection		5,125	5,090	5,125	5,090
Export letters of credit confirmed		2,351	1,552	2,351	1,552
Late deposits/payments received		1,436	2,584	1,426	2,580
Other contingent accounts		2,643	2,055	2,038	2,036



P&A
Grant Thornton

An instinct for growth™

**Report of Independent Auditors
to Accompany Supplementary
Schedules Required by the
Securities and Exchange
Commission Filed Separately from
the Basic Financial Statements**

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

T +63 2 988 2288

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

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and BDO Unibank, Inc. for the year ended December 31, 2017, on which we have rendered our report thereon dated February 24, 2018. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules (see Table of Contents) of the BDO Unibank Group as of December 31, 2017 and for the year then ended, are presented for purposes of additional analysis in compliance with the requirements of the Securities Regulation Code Rule 68, as amended, and are not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary schedules are the responsibility of management. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: Leonardo D. Cuaresma, Jr.
Partner

CPA Reg. No. 0058647
TIN 109-227-862
PTR No. 6616006, January 3, 2018, Makati City
SEC Group A Accreditation
Partner - No. 0007-AR-4 (until April 30, 2018)
Firm - No. 0002-FR-4 (until April 30, 2018)
BIR AN 08-002511-7-2017 (until June 19, 2020)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until December 31, 2018)

February 24, 2018
Date

MAR 12 2018

Certified Public Accountants

Punongbayan & Araullo is the Philippine member firm of Grant Thornton International Ltd.

Offices in Cavite, Cebu, Davao
BOA/PRC Cert of Reg. No. 0002
SEC Accreditation No. 0002-FR-4

MA. GRACIA A. ARAULLO
RAL CASTILLO

grantthornton.com.ph

BDO Unibank, Inc. and Subsidiaries
SEC Supplementary Schedules
December 31, 2017

Table of Contents

<i>Schedule</i>	<i>Description</i>	<i>Page</i>
A	Financial Assets	<u>2</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)	<u>3 - 4</u>
C	Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements	<u>5</u>
D	Intangible Assets - Other Assets	<u>6</u>
E	Long-Term Debt	<u>7</u>
F	Indebtedness to Related Parties	<u>8</u>
G	Guarantees of Securities of Other Issuers	<u>9</u>
H	Capital Stock	<u>10</u>
SEC Circular 11		
	Reconciliation of Company Retained Earnings for Dividend Declaration	<u>11</u>
	Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2017	<u>12-17</u>

BDO Unibank, Inc. and Subsidiaries
Schedule A - Financial Assets
December 31, 2017

<i>Type of securities</i>	<i>Number of shares or principal amount of bonds or notes</i>		<i>Amount shown on the balance sheet</i>		<i>Valued based on the market quotation at balance sheet date</i>		<i>Income received and accrued</i>
<u>Financial assets at fair value through profit or loss</u>							
Derivatives	131,417,688,609	P	5,023,377,619	P	5,023,377,619	P	475,239,365
Government bonds	17,753,999,178		3,139,308,632		3,139,308,632		35,268,495
Other debt securities	1,685,353,839		2,113,953,775		2,113,953,775		6,064,383
Equity securities	777,112,709		4,432,965,062		4,432,965,062		734,775
<u>Available-for-sale securities</u>							
Government debt	46,011,070,641		55,528,708,064		55,528,708,064		608,239,513
Other debt securities	44,222,143,996		48,159,427,052		48,159,427,052		465,648,383
Equity securities	4,340,508,689		17,330,892,029		17,330,892,029		252,710
<u>Held-to-Maturity</u>							
Government debt securities	156,901,383,140		166,281,985,762		165,847,968,418		1,981,405,327
Other debt securities	30,104,072,706		30,915,836,083		31,362,996,929		371,180,096
			<u>P 332,926,454,079</u>		<u>P 332,939,597,581</u>		<u>P 3,944,033,047</u>

BDO Unibank, Inc. and Subsidiaries
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Affiliates)
December 31, 2017

				Deductions		Ending Balance		
Name and designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current*	Not-current**	Balance at end of period
Amounts Due from Related Parties under Common Ownership:								
Allfirst Equity Holdings Inc ¹	P	3,861,393,875	P 1,008,450,380	P 990,765,625	P -	P -	P -	P -
Sanford Marketing Corporation		2,206,554,167	14,300,000	2,220,854,167	-	-	-	-
Philippine Integrated Meat Corporation		1,268,507,456	65,456,882	65,215,344	-	1,268,748,994	-	1,268,748,994
Sysmart Corporation		618,566,500	779,748,971	779,645,971	-	618,669,500	-	618,669,500
Costa Del Hamilo Inc. ¹		431,335,660	1,421,250	202,526,910	-	-	-	-
SM Lifestyle Entertainment, Inc. ¹		390,192,329	4,904,384	4,904,384	-	-	-	-
HMS Development Corp.		290,863,958	3,143,833	294,007,792	-	-	-	-
Omni Digital Media Ventures Inc ¹		250,946,788	2,830,130	2,812,233	-	-	-	-
Mindanao Shoppers Daily Destination Corp.		200,595,833	-	200,595,833	-	-	-	-
Sy, Henry Sr.		150,286,458	2,560,417	2,434,375	-	150,412,500	-	150,412,500
Russfield Holdings Corp.		100,297,917	350,000	100,647,917	-	-	-	-
Walk EZ Retail Corp.		80,026,667	920,000	80,946,667	-	-	-	-
Metro Main Star Asia Corp		75,063,021	320,669,167	395,732,187	-	-	-	-
Supplies Station Inc.		65,124,132	-	65,124,132	-	-	-	-
Pagasa Philippines Lending Company, Inc.		50,099,519	-	50,099,519	-	-	-	-
Pasig Supermarket, Inc.		50,088,472	-	50,088,472	-	-	-	-
Metro Manila Shopping Mecca Corp.		50,042,014	170,515,000	220,557,014	-	-	-	-
Shoemart Inc.		50,016,667	50,245,833	100,262,500	-	-	-	-
Mindanao Shopping Destination Corp.		30,089,375	-	30,089,375	-	-	-	-
Signature Lines, Inc.		25,022,917	287,500	25,310,417	-	-	-	-
150 Accessories Inc.		22,032,450	119,167	22,151,617	-	-	-	-
CK_Fashion Collection Corp		20,018,333	200,000	20,218,333	-	-	-	-
Surplus Marketing Corporation		20,018,333	-	20,018,333	-	-	-	-
AYK Holdings Inc		14,753,637	68,866	3,069,606	-	-	11,752,897	11,752,897
Tqm Construction Corp.		8,168,109	10,646,849	9,636,520	-	9,178,438	-	9,178,438
Bautista, Sps. Arnold S. and Venus T./Four Sha Integ. Farm		1,989,433	-	327,051	-	1,662,382	-	1,662,382
L.V. Locsin Condominium Corp.		1,128,200	-	1,128,200	-	-	-	-
L.V. Locsin Condominium Corp.		167	-	167	-	-	-	-
KCAL Coal Centre Inc.	-	-	2,529,331	-	-	2,529,331	-	2,529,331
Exponent M Inc.	-	-	2,371,305	4,887	-	2,366,418	-	2,366,418
Crisostomo, Gerardo Contreras	-	-	988,832	32,961	-	955,871	-	955,871
Madison Shopping Plaza Inc.	-	-	200,733,333	200,733,333	-	-	-	-
Mandurriao Star Inc.	-	-	50,183,333	50,183,333	-	-	-	-
Market Strategic Firm Inc.	-	-	270,540,000	270,540,000	-	-	-	-
Meridien Business Leader Inc.	-	-	350,204,167	350,204,167	-	-	-	-
Exponent M Inc.	-	-	-	-	-	1,004	-	1,004
		10,333,222,387	3,314,388,931	6,830,869,342	-	2,054,524,438	11,752,897	2,066,277,335

			Deductions		Ending Balance		
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current*	Not-current**	Balance at end of period
Loans to Officers and Employees:							
Salary Loans	1,084,033,103	1,009,390,593	755,477,694	-	136,003,428	1,201,942,574	1,337,946,002
Home Loans	145,456,181	18,466,606	29,347,420	-	608,006	133,967,361	134,575,367
Auto Loans	129,140,858	60,764,944	59,544,145	-	6,823,596	123,538,060	130,361,657
Credit Card Loans	118,723,672	327,828,710	312,783,373	-	129,884,768	3,884,241	133,769,010
Nestor V. Tan	110,253,034	75,245,026	77,935,866	-	70,528,281	37,033,913	107,562,194
Natividad, Joseph Jason Martinez	1,369,453	-	342,363	-	1,027,090	-	1,027,090
Reyes, Luis Jr.	1,338,928	-	508,581	-	830,346	-	830,346
Tabanao, Dean Arvin D.	1,239,784	-	302,591	-	937,193	-	937,193
Handig, Joeven Y.	1,138,803	-	261,452	-	877,351	-	877,351
Kapuno, Rosalisa Bantog	828,505	-	361,110	-	467,396	-	467,396
Calamiong, Sheryl G.	699,391	-	699,391	-	-	-	-
Lapid, Roberto Estrera	667,542	-	667,542	-	-	-	-
Gulane, Jennifer T.	631,467	-	230,366	-	401,101	-	401,101
Verzola, Sps. Agerico Melecio S. Serietta P.	625,151	-	625,151	-	-	-	-
Agustin, Peter Blair Sarion	522,191	-	289,360	-	232,831	-	232,831
Paguio, Rommel I.	482,253	-	185,086	-	297,166	-	297,166
So, Jennifer Facunda	248,712	-	238,408	-	10,304	-	10,304
Lapid, Roberto Estrera	206,738	-	206,738	-	-	-	-
Abrea, Raymundo B.	161,319	-	161,319	-	-	-	-
Ismael G Estela Jr.	-	8,570,766	48,391	-	8,522,376	-	8,522,376
Jimenez, Frieda Concepcion T	-	1,681,965	525,000	-	1,156,965	-	1,156,965
Zapata, Anne Marie Therese Cruz	-	830,641	55,376	-	775,265	-	775,265
Magrata, Marlon F	-	606,906	113,202	-	493,703	-	493,703
Clementa, Razel V	-	684,975	684,975	-	-	-	-
	1,597,767,084	1,504,071,132	1,241,594,900	-	359,877,167	1,500,366,149	1,860,243,316
Loans to Stockholders:							
Sybase Equity Investments Corporation	10,312,075,972	15,158,332,402	13,066,910,041	-	12,403,498,333	-	12,403,498,333
SM Investments Corporation	996,629,842	11,022,681,313	7,499,446,700	-	-	4,519,864,454	4,519,864,454
Carmen Copper Corporation	-	18,073,345,391	1,513,668,717	-	367,187,497	16,192,489,177	16,559,676,674
Romer Mercantile Inc.	-	19,327,087,239	5,897,762,395	-	1,036,067,230	12,393,257,614	13,429,324,844
Multi Realty Development Corp.	-	4,050,333,333	23,333,333	-	4,027,000,000	-	4,027,000,000
SM Lifestyle Entertainment inc ²	-	14,713,151	14,713,151	-	-	390,192,329	390,192,329
Omni Digital Media Ventures Inc ²	-	48,866,196	9,120,184	-	39,675,800	251,034,897	290,710,697
Costa Del Hamilo Inc. ²	-	4,619,167	4,312,500	-	230,536,667	-	230,536,667
Intercontinental Devt Corp.	-	130,975,000	65,834,167	-	65,140,833	-	65,140,833
Allfirst Equity Holdings Inc ²	-	10,766,005,576	14,645,084,206	-	-	-	-
	11,308,705,814	78,596,958,767	42,740,185,394	-	18,169,106,360	33,746,838,471	51,915,944,831
Total	P 23,239,695,285	P 83,415,419,834	P 50,812,649,636	P -	P 20,583,507,965	P 35,258,957,518	P 55,842,465,483

*Due within one year

**Due beyond one year

¹ Amount collected includes reclass of RPT code tagging

² Amount on additions includes reclass of RPT code tagging

BDO Unibank, Inc. and Subsidiaries
Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements
December 31, 2017

				Deductions				
Name and Designation of debtor		Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current*	Non-current**	Balance at end of period
BDO Leasing & Finance, Inc.	P	2,575,814,780	P 27,749,114,609	P 25,542,049,905	P -	P 4,782,879,484	P -	P 4,782,879,484
BDORO Europe Ltd.		1,552,806,128	315,223,661	52,803,824	-	-	1,815,225,964	1,815,225,964
BDO Capital & Investment Corporation		1,452,292,513	28,344,189,778	28,350,964,281	-	1,445,518,011	-	1,445,518,011
BDO Strategic Holdings, Inc.		152,707,430	7,304,771,373	7,310,418,687	-	76,001,385	71,058,730	147,060,116
BDO Nomura Securities, Inc.		100,068,056	154,402,076	103,595,359	-	516,460	150,358,313	150,874,773
BDO Remit (USA), Inc.		94,876,981	4,918,382,287	4,905,312,079	-	65,375,878	42,571,310	107,947,188
BDO Insurance Brokers, Inc.		28,804,722	34,871,421	28,804,722	-	34,871,421	-	34,871,421
BDO Remit (Japan) Ltd.		1,609,100	637,091,762	632,842,133	-	5,858,730	-	5,858,730
BDO Life Assurance Company, Inc.		-	47,894,874	-	-	47,894,874	-	47,894,874
BDO Remit (Canada) Ltd.		-	107,432,024	106,814,632	-	617,392	-	617,392
Equimark-NFC Development Corp.		-	120,700	-	-	120,700	-	120,700
	P	5,958,979,710	P 69,613,494,565	P 67,033,605,623	P -	P 6,459,654,335	P 2,079,214,317	P 8,538,868,652

**Due within one year*

***Due beyond one year*

BDO Unibank, Inc. and Subsidiaries
Schedule D - Intangible Assets - Other Assets
December 31, 2017

<i>Description</i>			<i>Deductions</i>			<i>Ending balance</i>
	<i>Beginning balance</i>	<i>Additions at Cost</i>	<i>Charged to cost and expenses</i>	<i>Charged to other accounts</i>	<i>Other changes additions (deductions)</i>	
Licenses	P 4,668,514,733	P 711,292,014	(P 541,618,086)	(P 1,733,554)	P 344,643	P 4,836,799,750
Goodwill - net	3,046,178,740	-	(2,234,075)	-	-	3,043,944,666
Customer List - net	487,386,132	-	-	-	-	487,386,132
Trademark	156,750,000	-	(33,000,000)	-	-	123,750,000
Trading Rights	<u>11,349,805</u>	<u>133,929</u>	<u>(240,853)</u>	<u>-</u>	<u>(344,643)</u>	<u>10,898,238</u>
	<u>P 8,370,179,411</u>	<u>P 711,425,943</u>	<u>(P 577,093,014)</u>	<u>(P 1,733,554)</u>	<u>P -</u>	<u>P 8,502,778,786</u>

BDO Unibank, Inc. and Subsidiaries
Schedule E - Long-Term Debt
December 31, 2017

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
<i>Senior Notes</i>					
Senior Notes 1	P 15,045,623,515	P 73,178,656	P 14,972,444,859	2.625%	October 24, 2021
Senior Notes 2	<u>35,047,183,121</u>	<u>329,364,632</u>	<u>34,717,818,489</u>	2.950%	March 6, 2023
	<u>50,092,806,636</u>	<u>402,543,288</u>	<u>49,690,263,347</u>		
Unsecured Subordinated Debt - Tier 2	<u>10,000,000,000</u>	<u>30,021,662</u>	<u>10,000,000,000</u>	5.188%	March 10, 2025
<i>Bills Payable - Others</i>					
Bank of Tokyo, Singapore	<u>5,019,935,241</u>	<u>28,590,473</u>	<u>4,991,344,768</u>	2.343%	January 3, 2020
Development Bank of the Philippines	132,482,500	105,986,000	26,496,500	3.200%	March 27, 2019
Development Bank of the Philippines	<u>18,562,500</u>	<u>14,850,000</u>	<u>3,712,500</u>	3.200%	March 31, 2019
	<u>151,045,000</u>	<u>120,836,000</u>	<u>30,209,000</u>		
The Export-Import Bank of Korea	<u>546,526,029</u>	<u>365,529,779</u>	<u>180,996,250</u>	3.210%	April 22, 2019
<i>Hong Kong</i>					
WELLS FARGO BANK, NATIONAL ASSOCIATION, LONDON BRANCH	2,497,261,916	-	2,497,261,916	2.104%	January 17, 2020
BANK OF AMERICA N.A. SINGAPORE BRANCH	<u>4,994,523,832</u>	<u>-</u>	<u>4,994,523,832</u>	2.422%	August 17, 2020
	<u>7,491,785,749</u>	<u>-</u>	<u>7,491,785,749</u>		
	<u>13,209,292,019</u>	<u>514,956,252</u>	<u>12,694,335,767</u>		
	P 73,302,098,654	P 947,521,202	P 72,384,599,114		

BDO Unibank, Inc. and Subsidiaries
Schedule F - Indebtedness to Related Parties
December 31, 2017

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
------------------------------	---	-------------------------------------

Unconsolidated Subsidiary

NOT APPLICABLE

Other Related Parties

NOT APPLICABLE

BDO Unibank, Inc. and Subsidiaries
Schedule G - Guarantees of Securities of Other Issuers
December 31, 2017

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
---	--	--	--	----------------------------

NOT APPLICABLE

BDO Unibank, Inc. and Subsidiaries
Schedule H - Capital Stock
December 31, 2017

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P10 par value						
Authorized	4,500,000,000					
Issued and outstanding		4,368,974,554	-	2,384,215,871	22,267,747	1,962,490,936
Preferred Shares - P10 par value						
Authorized	2,000,000,000					
Issued and outstanding		515,000,000	-	515,000,000	-	-

BDO Unibank, Inc.
BDO Corporate Center, 7899 Makati Avenue, Makati City

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2017
(Amounts in Millions)

Unappropriated Retained Earnings at Beginning of Year	P 110,564
Prior Year's Outstanding Reconciling Items, net of tax	
Effect of Restatement	(2,770)
Deferred tax income	(<u>7,232</u>)
Unappropriated Retained Earnings Available for	
Dividend declaration at beginning of Year, as Adjusted	<u>100,562</u>
Net Profit realized during the Year	28,006
Non-actual/unrealized income, net of tax	
Equity in net income of associates/joint venture	(P 4,312)
Unrealized foreign exchange gains - net	(1,625)
Fair value adjustment (MTM gains)	(47)
Deferred tax income	(<u>11</u>) (<u>5,995</u>)
Net income actually earned during the period	22,011
Other Transactions During the Year	
Dividend declarations during the period	(5,582)
Appropriations of Retained Earnings during the period	(<u>286</u>) (<u>5,868</u>)
Unappropriated Retained Earnings Available for	
Dividend Declaration at End of Year	<u>P 116,705</u>

BDO UNIBANK, INC. AND SUBSIDIARIES
Schedule of Philippine Financial Reporting Standards and Interpretations
Adopted by the Securities and Exchange Commission and the
Financial Reporting Standards Council as of December 31, 2017

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		☑		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		☑		
Practice Statement Management Commentary			☑	
<i>Philippine Financial Reporting Standards (PFRS)</i>				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	☑		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	☑		
	Amendments to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	☑		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	☑		
	Amendments to PFRS 1: Government Loans	☑		
	Amendments to PFRS 1: Deletion of Short-term Exemptions	☑		
PFRS 2	Share-based Payment	☑		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	☑		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	☑		
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions* (<i>effective January 1, 2018</i>)			☑
PFRS 3 (Revised)	Business Combinations	☑		
	Amendment to PFRS 3: Remeasurement of Previously Held Interests in a Joint Operation (<i>effective January 1, 2019</i>)			☑
PFRS 4	Insurance Contracts	☑		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☑		
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> , with PFRS 4, <i>Insurance Contracts</i> * (<i>effective January 1, 2018</i>)			☑
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	☑		
PFRS 6	Exploration for and Evaluation of Mineral Resources			☑
PFRS 7	Financial Instruments: Disclosures	☑		
	Amendments to PFRS 7: Transition	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	☑		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	☑		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	☑		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	☑		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* (<i>effective when PFRS 9 is first applied</i>)			☑
PFRS 8	Operating Segments	☑		
PFRS 9	Financial Instruments (2014)* (<i>effective January 1, 2018</i>)			
	Amendments to PFRS 9: Prepayment Features with Negative Compensation* (<i>effective January 1, 2019</i>)			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 10	Consolidated Financial Statements	☑		
	Amendments to PFRS 10: Transition Guidance	☑		
	Amendments to PFRS 10: Investment Entities	☑		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* <i>(effective date deferred indefinitely)</i>			☑
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	☑		
PFRS 11	Joint Arrangements	☑		
	Amendments to PFRS 11: Transition Guidance	☑		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations	☑		
	Amendment to PFRS 11: Remeasurement of Previously Held Interests in a Joint Operation <i>(effective January 1, 2019)</i>			☑
PFRS 12	Disclosure of Interests in Other Entities	☑		
	Amendments to PFRS 12: Transition Guidance	☑		
	Amendments to PFRS 12: Investment Entities	☑		
	Amendments to PFRS 10: Investment Entities – Applying the Consolidation Exception	☑		
PFRS 13	Fair Value Measurement	☑		
PFRS 14	Regulatory Deferral Accounts			☑
PFRS 15	Revenue from Contracts with Customers* <i>(effective January 1, 2018)</i>			☑
PFRS 16	Leases* <i>(effective January 1, 2019)</i>			☑
PFRS 17	Insurance Contracts* <i>(effective January 1, 2021)</i>			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Accounting Standards (PAS)</i>				
PAS 1 (Revised)	Presentation of Financial Statements	☐		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☐		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	☐		
	Amendments to PAS 1: Disclosure Initiative	☐		
PAS 2	Inventories			☐
PAS 7	Statement of Cash Flows	☐		
	Amendments to PAS 7: Disclosure Initiative	☐		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	☐		
PAS 10	Events After the End of the Reporting Period	☐		
PAS 11	Construction Contracts			☐
PAS 12	Income Taxes	☐		
	Amendments to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☐		
	Amendments to PAS 12 - Recognition of Deferred Tax Assets for Unrealized Losses	☐		
	Amendment to PAS 12 - Tax Consequences of Dividends* (<i>effective January 1, 2019</i>)			☐
PAS 16	Property, Plant and Equipment	☐		
	Amendments to PAS 16: Bearer Plants	☐		
	Amendments to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization	☐		
PAS 17	Leases	☐		
PAS 18	Revenue	☐		
PAS 19 (Revised)	Employee Benefits	☐		
	Amendments to PAS 19: Defined Benefit Plans - Employee Contributions	☐		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			☐
PAS 21	The Effects of Changes in Foreign Exchange Rates	☐		
	Amendments: Net Investment in a Foreign Operation	☐		
PAS 23 (Revised)	Borrowing Costs	☐		
	Amendment to PAS 23: Eligibility for Capitalization	☐		
PAS 24 (Revised)	Related Party Disclosures	☐		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	☐		
PAS 27 (Revised)	Separate Financial Statements	☐		
	Amendments to PAS 27: Investment Entities	☐		
	Amendments to PAS 27: Equity Method in Separate Financial Statements	☐		
PAS 28 (Revised)	Investments in Associates and Joint Ventures	☐		
	Amendments to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (<i>effective date deferred indefinitely</i>)			☐
	Amendments to PAS 28: Investment Entities - Applying the Consolidation Exception	☐		
	Amendment to PAS 28: Measurement of Investment in Associates at Fair Value through Profit or Loss (<i>effective January 1, 2018</i>)			☐
	Amendment to PAS 28: Long-term Interest in Associates and Joint Venture (<i>effective January 1, 2019</i>)			☐

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			☒
PAS 32	Financial Instruments: Presentation	☒		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☒		
	Amendments to PAS 32: Classification of Rights Issues	☒		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	☒		
PAS 33	Earnings Per Share	☒		
PAS 34	Interim Financial Reporting	☒		
PAS 36	Impairment of Assets	☒		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	☒		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	☒		
PAS 38	Intangible Assets	☒		
	Amendments to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	☒		
PAS 39	Financial Instruments: Recognition and Measurement	☒		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	☒		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	☒		
	Amendments to PAS 39: The Fair Value Option	☒		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☒		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☒		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	☒		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	☒		
	Amendments to PAS 39: Eligible Hedged Items	☒		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	☒		
PAS 40	Investment Property	☒		
	Amendment to PAS 40: Reclassification to and from Investment Property (<i>effective January 1, 2018</i>)			☒
PAS 41	Agriculture			☒
	Amendments to PAS 41: Bearer Plants	☒		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</i>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	☑		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			☑
IFRIC 4	Determining Whether an Arrangement Contains a Lease	☑		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			☑
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			☑
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			☑
IFRIC 9	Reassessment of Embedded Derivatives**	☑		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	☑		
IFRIC 10	Interim Financial Reporting and Impairment	☑		
IFRIC 12	Service Concession Arrangements			☑
IFRIC 13	Customer Loyalty Programmes	☑		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	☑		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	☑		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation**	☑		
IFRIC 17	Distributions of Non-cash Assets to Owners**	☑		
IFRIC 18	Transfers of Assets from Customers**	☑		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	☑		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**	☑		
IFRIC 21	Levies	☑		
IFRIC 22	Foreign Currency Transactions and Advance Consideration (<i>effective January 1, 2018</i>)			☑
IFRIC 23	Uncertainty Over Income Tax Treatments (<i>effective January 1, 2019</i>)			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
SIC-7	Introduction of the Euro			☐
SIC-10	Government Assistance - No Specific Relation to Operating Activities			☐
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers**	☐		
SIC-15	Operating Leases - Incentives	☐		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	☐		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	☐		
SIC-29	Service Concession Arrangements: Disclosures			☐
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	☐		
SIC-32	Intangible Assets - Web Site Costs**	☐		

* These standards will be effective for periods subsequent to 2017 and are not early adopted by BDO Unibank Group.

** These standards have been adopted in the preparation of financial statements but BDO Unibank Group has no significant transactions covered in both years presented.