

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

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

In preparing the financial statements, management is responsible for assessing the 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 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.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the stockholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

Signature: \_\_\_\_\_

**TERESITA T. SY**  
Chairperson

Signature: \_\_\_\_\_

**ROBERTO E. LAPID**  
Vice Chairman and President

Signature: \_\_\_\_\_

**LUIS S. REYES JR.**  
Treasurer

Signed this 12<sup>th</sup> day of April 2021.

**BDO Finance Corporation**  
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12 ADB Avenue, Ortigas Center  
Mandaluyong City 1554  
Tel +632 8840-7000 / 8688-1288

bdo.com.ph

**We find ways®**

20 APR 2021

SUBSCRIBED and SWORN to me before this \_\_\_\_\_ day of \_\_\_\_\_, 2021 affiant exhibiting to me his/her Social Security Number, as follow:

**NAMES**

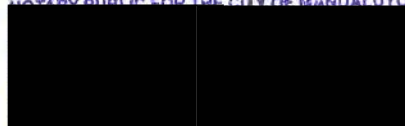
Teresita T. Sy  
Roberto E. Lapid  
Luis S. Reyes Jr.

**SSS NUMBER**



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**KIM BRIGUERA-BACARA**  
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG





**P&A**  
**Grant Thornton**

**FOR SEC FILING**

Financial Statements and  
Independent Auditors' Report

**BDO Finance Corporation**

December 31, 2020 and 2019

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**Punongbayan & Araullo**

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

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## Report of Independent Auditors

**The Board of Directors**  
**BDO Finance Corporation**  
*(A Wholly Owned Subsidiary of*  
***BDO Strategic Holdings, Inc.***)  
12 ADB Avenue, Ortigas Center  
Mandaluyong City

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of BDO Finance Corporation (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statement of cash flows for the year ended December 31, 2020 and for the period December 9 to December 31, 2019, and notes to the 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 Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the periods then ended 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 Company 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.

***Other Matter***

The Company was incorporated and registered with the Securities and Exchange Commission on December 9, 2019 and started commercial operations on October 19, 2020.

***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 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company'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 Company 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 of the group 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.

### **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 20 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue under the Revenue Regulations (RR) No. 15-2010 for the year ended December 31, 2020 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. Such supplementary information is the responsibility of management and is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the Philippine Securities and Exchange Commission. The supplementary information has 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: Jerald M. Sanchez**  
Partner

CPA Reg. No. 0121830  
TIN 307-367-174  
PTR No. 8533241, January 4, 2021, Makati City  
SEC Group A Accreditation  
Partner - No. 121830-SEC (until Dec. 31, 2023)  
Firm - No. 0002 (until Dec. 31, 2024)  
BIR AN 08-002551-041-2019 (until Dec. 15, 2022)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

## Supplemental Statement of Independent Auditors

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**Punongbayan & Araullo**

20<sup>th</sup> Floor, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
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**The Board of Directors**  
**BDO Finance Corporation**  
*(A Wholly Owned Subsidiary of*  
*BDO Strategic Holdings, Inc.)*  
12 ADB Avenue, Ortigas Center  
Mandaluyong City

We have audited the financial statements of BDO Finance Corporation (the Company) for the year ended December 31, 2020, on which we have rendered the attached report dated March 1, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has only one stockholder owning 100 or more shares of the Company's capital stock as at December 31, 2020, as disclosed in Note 16 to the financial statements.

### **PUNONGBAYAN & ARAULLO**



**By: Jerald M. Sanchez**  
Partner

CPA Reg. No. 0121830  
TIN 307-367-174  
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Jul. 24, 2021)

March 1, 2021

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	Notes	2020	2019
<b><u>A S S E T S</u></b>			
CASH IN BANKS	6	P 126,494,160	P 1,000,674,144
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	7	621,394,800	-
LOANS AND OTHER RECEIVABLES - Net	8	7,335,802,999	-
INVESTMENT IN A SUBSIDIARY	9	335,462,413	-
PROPERTY AND EQUIPMENT - Net	10	64,114,351	-
INVESTMENT PROPERTIES - Net	11	3,351,835	-
OTHER ASSETS - Net	12	82,209,511	-
<b>TOTAL ASSETS</b>		<b>P 8,568,830,069</b>	<b>P 1,000,674,144</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
BILLS PAYABLE	13	P 7,069,994,461	P -
ACCOUNTS PAYABLE AND OTHER LIABILITIES	14	358,783,588	19,163,424
LEASE DEPOSITS	15	143,836,120	-
INCOME TAX PAYABLE		3,950,804	-
Total Liabilities		7,576,564,973	19,163,424
CAPITAL STOCK	16	1,000,000,000	1,000,000,000
NET ACCUMULATED ACTUARIAL LOSSES	18, 20	( 33,144,613 )	-
NET UNREALIZED FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVOCI	7, 20	20,171,431	-
RETAINED EARNINGS (DEFICIT)	2	5,238,278	( 18,489,280 )
Total Equity		992,265,096	981,510,720
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>P 8,568,830,069</b>	<b>P 1,000,674,144</b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF PROFIT OR LOSS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND**  
**FOR THE PERIOD DECEMBER 9 TO DECEMBER 31, 2019**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2020</u> <u>(One Year)</u>	<u>2019</u> <u>(One Month)</u>
<b>REVENUES AND INCOME</b>			
Interest and discounts	6, 8	<b>P 115,351,757</b>	P 842,680
Equity share in net earnings of a subsidiary	9	<b>17,962,413</b>	-
Dividend income	7	<b>11,286,017</b>	-
Other income	17	<b><u>16,920,862</u></b>	<u>-</u>
		<b><u>161,521,049</u></b>	<u>842,680</u>
<b>OPERATING COSTS AND EXPENSES</b>			
Interest and financing charges	13, 14, 15	<b>56,749,778</b>	-
Impairment and credit losses	8	<b>44,896,228</b>	-
Taxes and licenses	20	<b>19,838,413</b>	19,133,424
Occupancy and equipment-related expenses	10, 11, 12	<b>4,334,066</b>	-
Miscellaneous		<b><u>4,956,151</u></b>	<u>30,000</u>
		<b><u>130,774,636</u></b>	<u>19,163,424</u>
<b>PROFIT (LOSS) BEFORE TAX</b>		<b>30,746,413</b>	( 18,320,744 )
<b>TAX EXPENSE</b>	20	<b><u>7,018,855</u></b>	<u>168,536</u>
<b>NET PROFIT (LOSS)</b>		<b><u>P 23,727,558</u></b>	( <u>P 18,489,280</u> )

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND**  
**FOR THE PERIOD DECEMBER 9 TO DECEMBER 31, 2019**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2020</u> <u>(One Year)</u>	<u>2019</u> <u>(One Month)</u>
<b>NET PROFIT (LOSS)</b>		<b><u>P 23,727,558</u></b>	<b>( <u>P 18,489,280</u> )</b>
<b>OTHER COMPREHENSIVE LOSS</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurements of post-employment defined benefit plan	18	( 47,349,447 )	-
Fair value gains on financial assets at FVOCI	7	23,899,800	-
Tax income	20	<u>10,476,465</u>	<u>-</u>
		( <u>12,973,182</u> )	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b><u>P 10,754,376</u></b>	<b>( <u>P 18,489,280</u> )</b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND**  
**FOR THE PERIOD DECEMBER 9 TO DECEMBER 31, 2019**  
*(Amounts in Philippine Pesos)*

	<u>Capital Stock</u> (Note 16)	<u>Net Accumulated Actuarial Losses</u> (Notes 18 and 20)	<u>Net Unrealized Fair Value Gains on Financial Assets at FVOCI</u> (Notes 7 and 20)	<u>Retained Earnings (Deficit)</u> (Note 2)	<u>Total</u>
Balance at January 1, 2020	P 1,000,000,000	P -	P -	( P 18,489,280 )	P 981,510,720
Total comprehensive income (loss) for the year	<u>-</u>	<u>( 33,144,613 )</u>	<u>20,171,431</u>	<u>23,727,558</u>	<u>10,754,376</u>
Balance at December 31, 2020	<b><u>P 1,000,000,000</u></b>	<b><u>( P 33,144,613 )</u></b>	<b><u>P 20,171,431</u></b>	<b><u>P 5,238,278</u></b>	<b><u>P 992,265,096</u></b>
Issuance of shares of capital stock	P 1,000,000,000	P -	P -	P -	P 1,000,000,000
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 18,489,280 )</u>	<u>( 18,489,280 )</u>
Balance at December 31, 2019	<b><u>P 1,000,000,000</u></b>	<b><u>P -</u></b>	<b><u>P -</u></b>	<b><u>( P 18,489,280 )</u></b>	<b><u>P 981,510,720</u></b>

*See Notes to Financial Statements.*

**BDO FINANCE CORPORATION**  
*(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)*  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020 AND**  
**FOR THE PERIOD DECEMBER 9 TO DECEMBER 31, 2019**  
*(Amounts in Philippine Pesos)*

	<u>Notes</u>	<u>2020</u> <u>(One Year)</u>	<u>2019</u> <u>(One Month)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit (loss) before tax		P 30,746,413	(P 18,320,744)
Adjustments for:			
Interest received		138,691,417	842,680
Interest and discounts	6, 8	( 115,351,757 )	( 842,680 )
Interest and financing charges	13, 14, 15	56,749,778	-
Impairment and credit losses	8	44,896,228	-
Interest and financing charges paid		( 38,627,185 )	-
Equity share in net earnings of a subsidiary	9	( 17,962,413 )	-
Gain on redemption of financial assets at fair value through profit or loss (FVTPL)	17, 19	( 14,759,008 )	-
Dividend income	7	( 11,286,017 )	-
Depreciation and amortization	10, 11, 12	2,587,192	-
Day one gains - net		( 30,349 )	-
Operating profit (loss) before working capital changes		75,654,299	( 18,320,744 )
Increase in loans and receivables		( 7,392,752,870 )	-
Increase in other assets		( 117,199,327 )	-
Increase in accounts payable and accrued expenses		280,636,405	19,163,424
Increase in lease deposits		143,856,671	-
Cash generated from (used in) operations		( 7,009,804,822 )	842,680
Cash paid for final taxes		( 3,013,462 )	( 168,536 )
Net Cash From (Used in) Operating Activities		( 7,012,818,284 )	674,144
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from redemption of financial assets at FVTPL	19	995,259,008	-
Acquisitions of financial assets at FVTPL	19	( 980,500,000 )	-
Acquisition of financial assets at fair value through other comprehensive income	7, 19	( 597,495,000 )	-
Acquisition of investment in a subsidiary	9, 19	( 317,500,000 )	-
Acquisitions of property and equipment	10	( 6,150,698 )	-
Acquisitions of investment properties	11	( 3,418,978 )	-
Acquisitions of intangible assets	12	( 2,527,188 )	-
Net Cash Used in Investing Activities		( 912,332,856 )	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from availments of bills payable	13	59,523,338,721	-
Payments of bills payable	13	( 52,471,272,880 )	-
Payments of lease liabilities	14	( 1,094,685 )	-
Proceeds from issuance of shares of capital stock	16	-	1,000,000,000
Net Cash From Financing Activities		7,050,971,156	1,000,000,000
<b>NET INCREASE (DECREASE) IN CASH IN BANKS</b>		( 874,179,984 )	1,000,674,144
<b>CASH IN BANKS AT BEGINNING OF PERIOD</b>		1,000,674,144	-
<b>CASH IN BANKS AT END OF PERIOD</b>		<b>P 126,494,160</b>	<b>P 1,000,674,144</b>

**Supplemental Information on Non-cash Investing and Financing Activities –**

In 2020, the Company recognized right-of-use assets and lease liabilities both amounting to P59,894,269 due to lease agreements entered by the Company as a lessee (see Notes 10 and 14).

*See Notes to Financial Statements.*