

**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, 2021 and 2020, 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: 
TERSITA T. SY
Chairperson

Signature: 
MANUEL Z. LOCSIN JR.
Officer-in-Charge

Signature: 
LUIS S. REYES JR.
Treasurer

Signed this 30th day of March 2022.

SUBSCRIBED and SWORN to me before this APR 20 2022 day of _____, 2022 affiant exhibiting to me his/her Social Security Number, as follow:

NAMES

SSS NUMBER

Teresita T. Sy
Manuel Z. Locsin Jr.
Luis S. Reyes Jr.



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SERIES OF 2022

KIM BRIGUERA-DACARA
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, 2021 and 2020

Report of Independent Auditors

Punongbayan & Araullo

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6766 Ayala Avenue
1200 Makati City
Philippines

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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

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, 2021 and 2020, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2021 and for the period 2020, 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, 2021 and 2020, and its financial performance and its cash flows for the years 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.

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, 2021 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: Gerald M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 8852346, January 3, 2022, 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 Aug. 27, 2024)

March 30, 2022



Supplemental Statement of Independent Auditors

Punongbayan & Araullo

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 8988 2288

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, 2021, on which we have rendered the attached report dated March 30, 2022.

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, 2021, as disclosed in Note 16 to the financial statements.

PUNONGBAYAN & ARAULLO

By: Jerold M. Sanchez
Partner

CPA Reg. No. 0121830
TIN 307-367-174
PTR No. 8852346, January 3, 2022, Makati City
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March 30, 2022

BDO FINANCE CORPORATION
(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
<u>ASSETS</u>			
CASH IN BANKS	6	P 86,181,686	P 126,494,160
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)	7	-	621,394,800
LOANS AND OTHER RECEIVABLES - Net	8	7,467,715,233	7,335,802,999
INVESTMENT IN A SUBSIDIARY	9	413,313,292	335,462,413
PROPERTY AND EQUIPMENT - Net	10	43,106,863	64,114,351
INVESTMENT PROPERTIES - Net	11	31,980,843	3,351,835
OTHER ASSETS - Net	12	64,114,054	82,209,511
TOTAL ASSETS		P 8,106,411,971	P 8,568,830,069
<u>LIABILITIES AND EQUITY</u>			
BILLS PAYABLE	13	P 6,167,729,209	P 7,069,994,461
ACCOUNTS PAYABLE AND OTHER LIABILITIES	14	296,370,172	358,783,588
LEASE DEPOSITS	15	480,615,230	143,836,120
INCOME TAX PAYABLE		21,077,912	3,950,804
Total Liabilities		6,965,792,523	7,576,564,973
CAPITAL STOCK	16	1,000,000,000	1,000,000,000
NET ACCUMULATED ACTUARIAL LOSSES	18, 20	(69,355,909)	(33,144,613)
NET UNREALIZED FAIR VALUE GAINS ON FINANCIAL ASSETS AT FVOCI	7, 20	-	20,171,431
RETAINED EARNINGS	2	209,975,357	5,238,278
Total Equity		1,140,619,448	992,265,096
TOTAL LIABILITIES AND EQUITY		P 8,106,411,971	P 8,568,830,069

See Notes to Financial Statements.

BDO FINANCE CORPORATION
(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)
STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
REVENUES AND INCOME			
Interest and discounts	6, 8, 18, 19	P 635,686,694	P 115,351,757
Equity share in net earnings of a subsidiary	9	77,850,879	17,962,413
Dividend income	7	36,513,583	11,286,017
Reversal of impairment losses	8	20,262,971	-
Other income - net	17, 19	39,416,352	16,920,862
		809,730,479	161,521,049
OPERATING COSTS AND EXPENSES			
Interest and financing charges	8, 13, 14, 15	220,149,890	56,749,778
Employee benefits	18	176,490,982	-
Taxes and licenses	20	98,122,043	19,838,413
Occupancy and equipment-related expenses	10, 11, 12	28,122,163	4,334,066
Representation and entertainment		16,900,118	2,053,835
Commissions		8,015,686	314,035
Litigation expense		5,805,272	-
Impairment and credit losses	8, 12	100,970	44,896,228
Miscellaneous		24,174,651	2,588,281
		577,881,775	130,774,636
PROFIT BEFORE TAX		231,848,704	30,746,413
TAX EXPENSE	20	27,111,625	7,018,855
NET PROFIT		P 204,737,079	P 23,727,558

See Notes to Financial Statements.

BDO FINANCE CORPORATION
(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
NET PROFIT		<u>P 204,737,079</u>	<u>P 23,727,558</u>
OTHER COMPREHENSIVE LOSS			
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of post-employment defined benefit plan	18	(45,125,100)	(47,349,447)
Fair value gains (losses) on financial assets at fair value through other comprehensive income	7	(23,899,800)	23,899,800
Tax income	20	<u>12,642,172</u>	<u>10,476,465</u>
		<u>(56,382,728)</u>	<u>(12,973,182)</u>
TOTAL COMPREHENSIVE INCOME		<u>P 148,354,351</u>	<u>P 10,754,376</u>

See Notes to Financial Statements.

BDO FINANCE CORPORATION
(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(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</u> (Note 2)	<u>Total</u>
Balance at January 1, 2021	P 1,000,000,000	(P 33,144,613)	P 20,171,431	P 5,238,278	P 992,265,096
Total comprehensive income (loss) for the year	<u>-</u>	<u>(36,211,296)</u>	<u>(20,171,431)</u>	<u>204,737,079</u>	<u>148,354,352</u>
Balance at December 31, 2021	<u>P 1,000,000,000</u>	<u>(P 69,355,909)</u>	<u>P -</u>	<u>P 209,975,357</u>	<u>P 1,140,619,448</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	<u>P 1,000,000,000</u>	<u>(P 33,144,613)</u>	<u>P 20,171,431</u>	<u>P 5,238,278</u>	<u>P 992,265,096</u>

See Notes to Financial Statements.

BDO FINANCE CORPORATION
(A Wholly Owned Subsidiary of BDO Strategic Holdings, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		P 231,848,704	P 30,746,413
Adjustments for:			
Interest received		657,299,305	138,691,417
Interest and discounts	6, 8, 18, 19	(635,686,694)	(115,351,757)
Interest and financing charges	13, 14, 15	220,149,890	56,749,778
Interest and financing charges paid		(197,963,429)	(38,627,185)
Equity share in net earnings of a subsidiary	9	(77,850,879)	(17,962,413)
Dividend income	7	(36,513,583)	(11,286,017)
Reversal of impairment losses		(20,262,971)	-
Depreciation and amortization	10, 11, 12	18,152,155	2,587,192
Gain on sale of property and equipment	10	(109,264)	-
Gain on pretermination of lease contracts		(155,369)	-
Impairment losses	8, 12	100,970	44,896,228
Day-one gains - net		(56,570)	(30,349)
Gain on redemption of financial assets at fair value through profit or loss (FVTPL)	17, 19	-	(14,759,008)
Operating profit before changes in operating assets and liabilities		158,952,265	75,654,299
Increase in loans and other receivables		(143,038,678)	(7,392,752,870)
Increase in other assets		(17,870,377)	(117,199,327)
Increase (decrease) in accounts payable and other liabilities		(44,399,507)	280,636,405
Increase in lease deposits		336,765,847	143,856,671
Cash generated from (used in) operations		290,409,550	(7,009,804,822)
Cash paid for income and final taxes		(8,004,491)	(3,013,462)
Net Cash From (Used in) Operating Activities		<u>282,405,059</u>	<u>(7,012,818,284)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from redemption of financial assets at fair value through other comprehensive income (FVOCI)	7	597,495,000	-
Acquisitions of property and equipment	10	(1,576,143)	(6,150,698)
Proceeds from disposal of property and equipment	10	531,387	-
Acquisitions of intangible assets	12	154,730	(2,527,188)
Acquisitions of investment properties	11	-	(3,418,978)
Acquisitions of financial assets at FVTPL		-	(980,500,000)
Acquisitions of financial assets at FVOCI	7	-	(597,495,000)
Proceeds from redemption of financial assets at FVTPL		-	995,259,008
Acquisition of investment in a subsidiary	9	-	(317,500,000)
Net Cash From (Used in) Investing Activities		<u>596,604,974</u>	<u>(912,332,856)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of bills payable	13	51,064,875,035	59,523,338,721
Payments of bills payable	13	(51,971,459,709)	(52,471,272,880)
Payments on lease liabilities	14	(12,737,833)	(1,094,685)
Net Cash From (Used In) Financing Activities		<u>(919,322,507)</u>	<u>7,050,971,156</u>
NET DECREASE IN CASH IN BANKS		(40,312,474)	(874,179,984)
CASH IN BANKS AT BEGINNING OF YEAR		<u>126,494,160</u>	<u>1,000,674,144</u>
CASH IN BANKS AT END OF YEAR	6	<u>P 86,181,686</u>	<u>P 126,494,160</u>

Supplemental Information on Non-cash Investing and Financing Activities:

- In 2021 and 2020, the Company recognized right-of-use assets and lease liabilities both amounting to P2,260,740 and P59,894,269, respectively, due to lease agreements entered by the Company as a lessee. In 2021, the Company pre-terminated certain lease agreements amounting to P9,464,052 for right-of-use assets and P9,619,421 for lease liabilities (see Notes 10 and 14).
- In 2021, the Company foreclosed certain properties from its customers which were recognized as acquisitions to Investment properties and as part of Non-current Assets Held for Sale presented as part of Other Assets - net amounting to P29,794,953 and P1,585,596, respectively; in the 2021 statement of financial position (see Notes 11 and 12). No similar transaction occurred in 2020.

See Notes to Financial Statements.