

14 March 2022

SECURITIES AND EXCHANGE COMMISSION

G/F Secretariat Building
PICC Complex, Roxas Boulevard

Attention : **Dir. Vicente Graciano P. Felizmenio Jr.**
Markets and Securities Regulation Department

Re : **BDO LEASING AND FINANCE, INC.**
SEC Reg. No. **97869**

Gentlemen:

We respectfully file the SEC Form 20-IS or Definitive Information Statement (**IS**) of **BDO LEASING AND FINANCE, INC. (BDOLF)** for its Annual Stockholders' Meeting (**ASM**) scheduled on 20 April 2022. We incorporated in this Definitive IS changes which address the comments of the Honorable Commission to the Preliminary IS of BDOLF.

For ease of reference, please see attached the matrix of changes made in the IS.

Thank you.


JOSEPH JASON M. NATIVIDAD
Corporate Secretary

BDO LEASING AND FINANCE, INC.

SEC Form 20-IS Preliminary filed on March 2, 2022

| Checklist of Requirements | Page No. | Remarks | BDOLF Responses |
|---|----------|--|--|
| <p style="text-align: center;">ALTERNATIVE MODE FOR DISTRIBUTING AND PROVIDING COPIES OF THE NOTICE OF MEETING, INFORMATION STATEMENT, AND OTHER DOCUMENTS IN CONNECTION WITH THE HOLDING OF ANNUAL STOCKHOLDERS' MEETING ("ASM") FOR 2021</p> <p style="text-align: center;">THE COMPANY IS ADVISED OF THE NOTICE dated April 20, 2022 RE: ALTERNATIVE MODE FOR DISTRIBUTING and PROVIDING COPIES OF THE NOTICE OF MEETING, INFORMATION STATEMENT, and OTHER DOCUMENTS IN CONNECTION WITH THE HOLDING OF ANNUAL STOCKHOLDERS' MEETING ("ASM") FOR 2020</p> | | | |
| COVER SHEET | | | |
| 8. Date, time and place of the meeting of security holders | | Incomplete, indicate the place of the meeting pursuant to Section 50 of the Revised Corporation Code of the Philippines and Section 15 of the Memorandum Circular No. 6, Series of 2020. | Not applicable as indicated since there will be no physical venue. The Meeting will be held via remote communication or virtually. |
| Part I. | | | |
| A. General Information | | | |
| ITEM 1. DATE, TIME AND PLACE OF MEETING | | | |
| Date, time, place of meeting | | Incomplete, indicate the place of the meeting pursuant to Section 20 of the Revised Corporation Code of the Philippines and Section 15 of the Memorandum Circular No. 6, Series of 2020. | Not applicable as explained above. |
| B. Control and Compensation Information | | | |
| ITEM 4. VOTING SECURITIES & PRINCIPAL HOLDERS | | | |
| Furnish information required by Part IV paragraph (C) | | | |
| (1) Security Ownership of Certain Record and Beneficial Owners of more than 5% | | | |
| (1) Title of class (2) Name, address of record owner and relationship with issuer (3) Name of Beneficial Owner and Relationship with Record Owner (4) Citizenship (5) No. Of Shares (6) Percent | 5 to 6 | Update Information to February 28, 2022 | Kindly see updated information. |

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| (2) Security Ownership of Management | | | | | | | |
| (1) Title of class | (2) Name of Beneficial owner | (3) Amount and Nature of beneficial ownership | (4) Citizenship | (5) Percent | 6 to 7 | Update Information to February 28, 2022 | Kindly see updated information. |
| (4) Description of any arrangement which may result in a change in control of registrant | | | | | | | |
| If a change in control has occurred since the beginning of the last F.Y. | | | | | | | |
| 1. State the name of the person who acquired such control | | | | | | Not complied with. Disclose, if any | Not applicable. Kindly refer to the negative statement. |
| 2. Amount and source of consideration used | | | | | | | |
| 3. Basis of control | | | | | | | |
| 4. Date & description of the transaction(s) which result in the change in control | | | | | | | |
| 5. Percentage of voting securities now beneficially owned directly/indirectly by the person who acquired control | | | | | | | |
| 6. Identify from whom control was assumed | | | | | | | |
| ITEM 5. DIRECTORS & EXECUTIVE OFFICERS | | | | | | Submit a certification that none of the directors and officers works in government and if there is, submit a letter consent from the head of the Department/Agency. | Kindly see attached sworn Secretary's Certification that none of the directors and officers works in government. |
| <i>Information required by Part IV paragraphs (A), (D)(1) and (D)(3) of "Annex C"</i> | | | | | | | |
| (A)(1) Identify Directors, including Independent Directors and Executive Officers | | | | | | The company is advised SEC Memo. Circular No. 4, Series of 2017 re: Term Limit of Independent Directors. (2) Submit updated Certification on the Qualification of Independent Directors pursuant to SEC Memo. Circular No. 5, Series of 2017. | The Company is cognizant of the requirements under SEC Memo. Circular No. 4, Series of 2017 re: Term Limit of Independent Directors. Kindly see attached the Certification on the Qualification of the following nominee Independent Directors: 1. Vicente S. Perez 2. Luis Ma. G. Uranza 3. Ismael G. Estela Jr. Please see also the added statements on Item 6, to include the names of nominees and confirmation of submission of the Certifications by Independent Directors. |
| (3) Significant Employees | | | | | | | Not applicable. Kindly see added negative statement. |
| (a) Names and ages of all Persons who is not an Executive Officer but expected by the registrant to make significant contribution to the business; | | | | | | Not complied any | |
| (b) List of positions and offices such person held or will hold; | | | | | | | |
| (c) Term of office as a Director and the period which it has served; and | | | | | | | |
| (d) Brief description of person's business experience (last five years). | | | | | | | |
| ITEM 6. COMPENSATION OF DIRECTORS & EXECUTIVE OFFICERS | | | | | | | |
| If action to be taken with regard to election, any bonus, profit sharing, pension/retirement plan granting of extension | | | | | | | |

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| of any option, warrant or right to purchase any securities, furnish the following: | | | |
| (1) Summary Compensation Table | | Compensation of each of the Board of Directors and Trustee pursuant to Revised Corporation Code of the Philippine (RCC) Section 29 and Section 49. | The provided Summary Compensation Table reflects the compensation of each members of the Board of Directors including Adviser to the Board for 2021. As noted therein, the amounts include total fees and per diems received by the members of the Board for their attendance in meetings of the Board. Executives of BDO Unibank and BDOLF did not receive any directors' fees nor per diems as directors of the Company. |
| (2) Description of Any Standard Arrangement | | Not complied with, Disclose if any | Not applicable. Kindly see added negative statement. |
| (3) Description of Materials Terms of Any Other Arrangement | | | |
| (4) Description of the Terms and Condition of each of the following: | | | |
| a) Employment Contract between the Registrant and Names Executive Officers | | | |
| b) Compensatory Plan or Arrangement | | | |
| c) Information on all Outstanding Warrants or Options held by Directors, Officers (in tabular form) | | | |
| (5) If price or Stock Warrants or Options are Adjusted or Amended: | | | |
| a) Explanation in Reasonable Detail | | | |
| b) Basis for each Repricing | | | |
| D. Other Matters | | | |
| ITEM 17. AMENDMENTS OF CHARTER, BY-LAWS & OTHER DOCUMENTS | | Incomplete. Comply with the highlighted portion | Kindly see the additional discussion. |
| Brief reason(s) for and the general effect of such amendment | | | |
| ITEM 19. VOTING PROCEDURES | | Indicate if cumulative voting for Directors are allowed. | Kindly see the added discussion mirrored with discussion on Item 4(c) |
| Vote required for approval/election | | | |
| Methods by which votes will be counted | | | |
| Part III. | | | |
| MANAGEMENT REPORT | | | |
| Audited Financial Statements | | Submit 2021 Consolidated Audited Financial Statement (CAFS). | Not applicable. The Company does not have any subsidiary. In 2020, the shares of the Company in BDO Rental were sold and assigned to BDO Finance Corporation. |
| Management's Discussion and Analysis (MD&A) or Plan of Operation (Required by Part III(A) of "Annex C") | | Not complied with, Disclose, if any | None. Please see the added negative statements. |
| (4) Key Variable and Other Qualitative and Quantitative Factors. | | | |
| If Material: | | | |
| (i) Any Known Trends, Events or Uncertainties (Material Impact on Liquidity) | | | |
| (ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation | | | |

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| (iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period. | | | |
| (iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures (v) Any Known Trends, Events or Uncertainties (Material Impact on Sales) | | | |
| (vi) Any Significant Elements of Income or Loss (from continuing operations) | | | |
| (vii) Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%) | | | |
| The term "material" in this section shall refer to changes or items amounting to at least five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors. | | | |
| Market Price of and Dividends required by Part V of Annex C | | | |
| (1) Market Information | | | |
| (a) Identification of the Principal Market or Markets where the Registrant's Common Equity is Traded | | | |
| If principal market is a Stock Exchange in the Philippines or a foreign Exchange: | | | |
| (1) State the name of the Exchange. | | Not complied with | Kindly see added discussion in Item 20. |
| (2) Presentation of the High and Low Sales Prices for Each Quarter within the last two (2) fiscal years and any subsequent interim period for which Financial Statements are required by SRC Rule 68. | | | |
| (b) If the information called for by paragraph (A) of this Part is being presented, the document shall also include the price information as of the latest practicable trading date, and in the case of securities to be issued in connection with an acquisition, business combination or other reorganization, as of the trading date immediately prior to the public announcement of such transaction. | | Comply with the highlighted portion re: include the price information as of the latest practicable trading date | Kindly see added discussion in Item 20. |
| (2) Holders | | | |
| (a) (i) Approximate Number of Holders of Each Class of Common Security as of the latest practicable date but in no event more than 90 days prior to filing of report. | | Not complied with | Kindly see added discussion in Item 20. |
| (ii) Names of the Top Twenty (20) Shareholders of Each Class | | | |
| (iii) Number of Shares Held | | | |
| (iv) Percentage of Total Shares Outstanding Held by Each | | | |
| (3) Dividends | | | |
| (a) Discussion of any Cash Dividends Declared (two most recent years) | | Not complied with, | None. Kindly see negative statement in in |
| (b) Description of any Restriction that Limits the Payment of Dividend on Common Shares | | Disclose, if any | Item 20. |
| (4) Recent Sales of Unregistered or Exempt Securities including Recent Issuance of Securities Constituting an Exempt Transaction | | | |
| (a) Date of sale and the Title and Amount of Securities Sold | | Not complied with, | None. Kindly see negative statement in Item |
| (b) Names of the Underwriters or Identity of Persons to whom the Securities were Sold | | Disclose, if any | 20. |
| (c) If sold for cash: Total Offering Price and Total Underwriting Discounts or Commissions | | | |
| Sold otherwise for cash: State the nature of the transaction and the type and amount of consideration received. | | | |
| (d) Exemption from Registration Claimed - Indicate section of the Code & state briefly the facts relied upon to make the exemption available | | | |
| Discussion on Compliance with leading practice on Corporate Governance | | | |
| a. Evaluation system established by the company to measure or determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance | | Not complied with. | Kindly see added discussion in Item 21. |
| b. Measures being undertaken by the company to fully comply with the adopted leading practices on good corporate governance | | | |
| c. Any deviation from the company's Manual of Corporate Governance. Including a disclosure of the name and position of the person/s involved and sanction/s imposed on said individual | | | |

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| d. Any plan to improve corporate governance of the company | | | |
| AUDITED FINANCIAL STATEMENTS | | | |
| Statement of Management Responsibility on the Financial Statements (as prescribed by SRC Rule 68, As Amended)(Financial Reporting Bulletin No. 1) | | Not submitted | Kindly see attached the appended Audited Financial Statements of the Company, which contain the signed Statement of Management Responsibility. |
| The Management of (name of reporting company) is responsible for the preparation and fair presentation of the financial statements for the year (s) ended (date), including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances. The Board of Directors or Trustees reviews and approves the financial statements and submit the same to the stockholders or members. (Name of Auditing Firm), the independent auditors, appointed by the stockholders has examined the financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed opinion on the fairness of presentation upon completion of such examination. Signature (Printed Name of the (1) Chairman of the Board (2) Chief Executive Officer (3) Chief Financial Officer) | | | |
| ADDITIONAL COMPONENTS OF FINANCIAL STATEMENTS (SRC Rule 68, as amended October 2011) | | | |
| Legal matter paragraph in the Auditor's Report on each components: | | Not submitted | Kindly see Appendix 1, pages 61 and 70 of the appended Audited Financial Statements. |
| Reconciliation of Retained Earnings Available for Dividend Declaration (Part 1,4 (c)) | | | |
| A reconciliation of Retained Earnings available for dividend declaration which shall present the prescribed adjustments as indicated in Annex 68-C | | | |
| A map of the conglomerate or group of companies showing the relationships between and among the company and its ultimate parent company, middle parent, subsidiaries or co-subsidiaries, and associates (Par 4(h)) | | | |
| ADDITIONAL DISCLOSURE REQUIREMENTS | | | |
| Additional disclosures set forth in Annex 68-D shall appear on the face of the balance sheets or related notes and in the Statement of comprehensive income or related notes filed and on the face of the financial statements | | Not submitted | Kindly see Appendix 1 of SEC Supplementary schedules for the Reconciliation of Retained earnings available for dividend declaration and Schedule C of the Supplementary Information Required by the SEC filed separately from the Basic Financial Statement. |
| Disclosures of receivable/payables with related parties eliminated during consolidation (Annex 68-D) | | | |
| ADDITIONAL DISCLOSURE REQUIREMENTS (SRC Rule 68, as amended October 2011) | | | |
| A schedule showing financial soundness indicators in two comparative period as follows: 1) current/liquidity ratios; 2) solvency ratios, debt-to-equity ratio; 3) assets-to-equity ratio; 4) interest rate coverage ratio; 5) profitability ratio and 6) other relevant ratio as the Commission may prescribe. | | Not submitted | Kindly see pp. 72 and 73 of the appended Audited Financial Statements. |
| Undertaking in bold face prominent type to provide without charge to each person solicited, on the written request of any such person, a copy of the registrant's annual report on SEC Form 17-A and shall indicate the name and address of the person to whom such a written request is to be directed. At the discretion of management, a charge may be made for exhibits, provided such charge is limited to reasonable expenses incurred by the registrant in furnishing such exhibits. | | Not complied with | Not applicable. The Company is not soliciting proxy. Nevertheless, please see added statement of the DIS that copies of the Company's Annual report SEC Form 17-A is available free of charge upon request of stockholder. |
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NOTICE OF ANNUAL STOCKHOLDERS' MEETING

Dear Stockholder:

Please be informed that the Annual Meeting of the Stockholders ("ASM") of **BDO LEASING AND FINANCE, INC. (the "Corporation")** will be conducted **VIRTUALLY** on **April 20, 2022**, Wednesday, at **3:00 p.m.**

The Agenda of the meeting is as follows:

- I. Call to Order
- II. Certification of Notice of Meeting and Determination of Existence of Quorum
- III. Approval of the Minutes of the Annual and Special Stockholders' Meetings held on April 12, 2019 and July 21, 2020, respectively
- IV. President's Report and Approval of the Audited Financial Statements of the Corporation as of December 31, 2021
- V. Approval and Ratification of all Acts of the Board of Directors, Board Committees and Management during their respective terms of office
- VI. Election of the Board of Directors
- VII. Appointment of External Auditor
- VIII. Approval of the Amendment of the First Article of the Corporation's Articles of Incorporation to reflect the change in corporate name
- IX. Approval of By-Laws to reflect the change in corporate name
- X. Open Forum
- XI. Other Business that may properly be brought before the meeting
- XII. Adjournment

Each agenda item for approval is explained in the Definitive Information Statement ("DIS"), with brief details and rationale in attached Annex "A".

The Corporation's Board of Directors has fixed **March 16, 2022** as the record date for the determination of stockholders entitled to notice of, participation via proxy and remote communication, and voting *in absentia* at such meeting and any adjournment thereof.

Stockholders of record who wish to participate in the meeting via remote communication and to exercise their vote *in absentia* must notify the Office of the Corporate Secretary via email at <natividad.josephjason@bdo.com.ph>, and submit the required supporting documents no later than **April 10**,

BDO Leasing and Finance, Inc.
39/F BDO Corporate Center Ortigas,
12 ADB Avenue, Ortigas Center,
Mandaluyong City, 1550
Tel. 63(2) 688-1288
Fax +63(2) 635-6453, 635-5811, 635-3898

2022. For the detailed registration and voting procedures, please visit <www.bdo.com.ph/leasing/2022ASM> and refer to the "***Guidelines for Participation via Remote Communication and Voting in Absentia***".

Stockholders of record who wish to appoint a proxy shall submit their duly executed and signed proxies together with other documentary requirements which are set forth in the "***Guidelines for Participation via Remote Communication and Voting in Absentia***" no later than **April 10, 2022** to the Office of the Corporate Secretary at 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City via courier delivery **or** by email to <natividad.josephjason@bdo.com.ph>. Validation of proxies is set on **April 13, 2022, at 10:00 a.m.** at the 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City. Stockholders of record may download and print the proxy form from the Corporation's website <www.bdo.com.ph/leasing/2022proxyform>.

Successfully registered stockholders can cast their votes and will be provided access to the virtual meeting. All documents and information submitted shall be subject to verification and validation by the Office of the Corporate Secretary.

For complete information on the annual meeting, please visit <www.bdo.com.ph/leasing/2022ASM>.



JOSEPH JASON M. NATIVIDAD
Corporate Secretary

**AGENDA
DETAILS AND RATIONALE**

- I. Call to order.** The Chairperson, Ms. Teresita T. Sy, will formally open the 2022 Annual Stockholders' Meeting of BDO Leasing and Finance, Inc. (the "Corporation").
- II. Certification of notice of meeting and determination of existence of quorum.** The Corporate Secretary, Atty. Joseph Jason M. Natividad, will certify that notice requirements for the 2022 ASM have been complied with in accordance with the Corporation's By-Laws, Revised Corporate Code of the Philippines, and the Securities and Exchange Commission ("SEC"), and will attest whether a quorum is present for the valid transaction of the ASM and all the matters included in the Agenda.
- III. Approval of the Minutes of the Annual and Special Stockholders' Meetings held on April 12, 2019 and July 21, 2020, respectively.** The draft minutes were posted on the Company's website within twenty-four (24) hours from adjournment of the meetings and are accessible at the Corporation's website <www.bdo.com.ph/leasing/company-disclosures>. These minutes are subject to stockholders' approval during this year's meeting.
- IV. President's Report and Approval of the Corporation's 2021 Audited Financial Statements.** The Report presents a summary of the performance of the Corporation in 2021. It includes the highlights of the AFS of the Corporation which are incorporated in the Definitive Information Statement (DIS). Copies of AFS were submitted to the SEC and Bureau of Internal Revenue.
- V. Approval and Ratification of all Acts of the Board of Directors, Board Committees and Management during their respective terms of office.** These acts covered by resolutions duly adopted by the Board in the normal course of business pertaining to credit transactions, approving authorities, designation of corporate signatories, regulatory compliances, and similar matters shall be submitted to the stockholders for their ratification. Significant acts and transactions are likewise covered by appropriate disclosures with the SEC and the PSE. These collective acts are the main keys to the successful performance of the Corporation in 2021.
- VI. Election of the Board of Directors.** The nominees for directors for 2022-2023, including independent directors, will be presented to the stockholders for election. The profiles of the nominees will be provided as soon as the Final List of Candidates or Nominees is available at the end of the nomination process and will be included in the Definitive Information Statement.
- VII. Appointment of External Auditor.** With the endorsement of the Audit Committee, the Board approved the reappointment of P&A Grant Thornton as the Company's external auditor for 2022. P&A is one of the top auditing firms in the country and is duly accredited with the Securities and Exchange Commission.

- VIII. Amendment of the First Article of the Corporation's Articles of Incorporation to reflect the change in corporate name.** The Board approved, for confirmation and approval of stockholders, the change of the Corporation's corporate name from "BDO Leasing and Finance, Inc." to "Dominion Holdings, Inc." and the corresponding amendment of the First Article of the Corporation's Articles of Incorporation to reflect such change in corporate name. This is in line with the strategic direction of its principal shareholder to convert the Corporation into a Holding company as previously approved by the Board and the stockholders.
- IX. Amendment of the Corporation's By-Laws to reflect the change in corporate name.** The Board likewise approved, for confirmation and approval of stockholders, the corresponding amendment in the Corporation's By-Laws to reflect the change in corporate name to "Dominion Holdings, Inc."
- X. Other Business that may properly be brought before the meeting.** All other matters that arise after the Notice of Meeting and Agenda have been sent out, or raised throughout the course of the meeting, and which need to be presented to the stockholders for consideration will be taken up under this item. Stockholders may raise such matters as may be relevant or appropriate to the occasion.
- XI. Adjournment.** After consideration of all business, the Chairperson shall declare the meeting adjourned. This formally ends the 2022 Annual Stockholders' Meeting of the Corporation.

PROFILES OF NOMINEES FOR DIRECTORS FOR 2022-2023

INDEPENDENT DIRECTORS

ISMAEL G. ESTELA, JR., 65, Filipino, is presently an Independent Trustee of BDO Foundation, Inc. He was formerly Senior Vice President and Corporate Governance Officer of BDO Unibank, Inc., assigned to Corporate Compliance and Legal Services & Internal Audit Group, and held various directorship positions in BDO Group: BDO Remit (Canada) Ltd., BDO Remit (Japan) Ltd., BDORO Europe Ltd., and Express Padala International, Inc. He was also Head of Transaction Banking doing cash management, electronic banking, and remittance services. He is a Certified Public Accountant (CPA) and holds a Bachelor of Science degree in Accounting from the University of San Carlos.

VICENTE S. PEREZ JR., 63, was elected to the Board of Directors of the Company on April 7, 2017, and is the Chairman of the Company's Risk Management Committee. He is currently an Independent Director of BDO Unibank, Inc., BDO Finance Corporation and DoubleDragon Properties Corp. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte Ltd. Mr. Pérez is currently the Chairman of the Alternergy Group, Philippine renewable power companies in wind, hydro and solar. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments.

Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburgh, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York investment bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization. In September 2020, Mr. Pérez was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines.

Mr. Pérez obtained his Masters in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

ATTY. LUIS MA. G. URANZA, 63, is a member of the Philippine Bar who has been engaged in the practice of law for the last thirty seven (37) years. He earned both his academic degrees in business (B.S.B.A.) and in law (L.I.B.) from the University of the Philippines.

He is currently the Rehabilitation Receiver, appointed by the Securities and Exchange Commission, to oversee the financial recovery of Victorias Milling Co., Inc. which is one of the major sugar millers and refiners in the country whose shares are listed and traded in the Philippine Stock Exchange. Atty. Uranza has also been given similar appointments by the commercial courts of Makati City and the City of Cagayan de Oro to oversee the financial rehabilitation of several other companies.

In the course of his law practice, Atty. Uranza gained proficiency in oil and gas exploration laws and regulations as a result of his membership in the Board of Directors of PNOC-Exploration Corporation which is a government owned and controlled corporation created for the primary purpose of exploring and developing the fossil fuel and natural gas resources of the country. Moreover, the Philippine Government (through its various agencies) has also engaged the professional services of Atty. Uranza as: (a) Special Legal Counsel

of the Presidential Commission on Good Government, (b) Legal Consultant to the Special Presidential Task Force created by Executive Order No. 156 to investigate the tax credit scam at the Department of Finance, and (c) Legal Consultant to the Office of the General Manager of the Manila International Airport Authority. In the private sector, Atty. Uianza is presently an independent director of BDO Private Bank, BDO Life Assurance Company, Inc., BDO Capital & Investment Corporation and BDO Insurance Brokers, Inc. He has previously served as the Corporate Secretary of various banks, financial institutions, and listed companies. His professional experience in the field of litigation is also extensive due to his engagement as trial counsel in notable civil, criminal and administrative cases.

NON-INDEPENDENT DIRECTORS

MELANIE S. BELEN, 61, Filipino, is Senior Vice President of BDO Unibank, Inc. She is currently the Head of Credit Risk Operations, Property Management & Remedial Management. She is concurrently President/Director of BDO Strategic Holdings, Inc. and Ivory Homes, Inc. She is also Director of Taal Land, Inc. and Equimark-NFC Development Corporation. Before joining BDO, she was a Country Vice President of Scholastic Inc. (Grolier International), and Chief Financial Consultant of Healthy Options. Ms. Belen is a Certified Public Accountant (CPA) and holds a Bachelor of Science degree in Commerce from the University of Sto. Tomas, and a Master's degree in Business Management from the Asian Institute of Management.

GENEVA T. GLORIA, 57, Filipino, has more than thirty (30) years experience in the banking industry. She has been with BDO Unibank for more than 19 years and is the Senior Vice President and Head of BDO Remittance. She is also the concurrent director of BDO Network Bank, Inc. and BDO Remit offices located in Hong Kong, Macau, Japan, USA, Canada and the UK. Ms. Gloria's expertise in the remittance industry spans from business development, local and foreign remittance operations, project management to marketing. Ms. Gloria has earned the reputation of having a very deep understanding of the overseas Filipino market for she was once an overseas worker herself. BDO Unibank is BSP's consistent awardee for the Top Commercial Bank in Generating Remittances from overseas Filipinos beginning 2008 to 2010 and again, from 2013 to 2019. This success can be attributed to Ms. Gloria's knowledge of the remittance industry and her ability to maintain a dedicated hardworking team, both locally and abroad. BDO Unibank, through Ms. Gloria, has been supporting the projects of government agencies concerned with the issues of the overseas Filipino market, which includes migration, generation of jobs, financial literacy, as well as events aimed at giving honor to the Filipinos abroad.

LAZARO JEROME C. GUEVARRA, 55, is Senior Vice President. He is the Chief of Staff for the Office of the President and concurrently the Head for the Governance Group, administratively overseeing the Corporate Secretary's Office, Anti-Money Laundering Unit, Legal Services, Compliance, Internal Audit, and Information & Cyber Security Office. Prior to this, he was the Head of Advisory and Mergers & Acquisition Team of BDO Capital & Investment Corporation and was the President of BDO Securities Corporation. He is currently the Chairman/Director of BDO Remit (Canada), Ltd., BDO Remit (Japan), Ltd. and BDO Remit (USA), Inc. He is a Director of BDO Strategic Holdings, Inc., BDORO Europe Ltd., Averon Holdings Corp., SM Keppel Land, Inc., NorthPine Land, Inc. and Nashville Holdings, Inc. He is also a Trustee and Corporate Secretary of BDO Foundation, Inc. Mr. Guevarra is a graduate of the University of the Philippines – School of Economics and has had more than 32 years of experience in banking, financial analysis, and mergers & acquisition.

MANUEL Z. LOCSIN, JR., 64, was elected to the Board of Directors of the Company on May 12, 2021. He was seconded from BDO Unibank, Inc. to the Company as Senior Vice President/Officer-in-Charge on May 1, 2021. He concurrently serves as Director & Officer-in-Charge of BDO Finance Corporation and BDO Rental, Inc. Prior to his secondment from BDO Unibank, Inc., Mr. Locsin was Senior Vice President and Head of Institutional Banking Group-Corporate Banking 1 of BDO Unibank, Inc. since February 2012. He has more than 20 years of experience in credit lending. Prior to BDO, he was with the Account Management Group of Allied Banking Corporation and International Corporate Bank. He holds a Bachelor's Degree in Commerce from De La Salle University.

LUIS S. REYES, JR., 64, was first elected to the Board of Directors of the Company on April 18, 2012 and was appointed as Treasurer on April 23, 2014. He is concurrently the Executive Vice President for Investor Relations and Corporate Planning of BDO Unibank, Inc. He is also the Treasurer of BDO Finance Corporation, Director and Treasurer of BDO Rental, Inc., Director of BDO Strategic Holdings, Inc. and BDORO Europe Ltd., and Chairman of Nashville Holdings, Inc. Before joining BDO, Mr. Reyes was a First Vice President of Far East Bank & Trust Company, Trust Banking Group. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines.

ATTY. ELMER B. SERRANO, 54, is a practicing lawyer specializing in corporate law and is the Managing Partner of the law firm SERRANO LAW.

Mr. Serrano has been awarded "Asia Best Lawyer" by the International Financial Law Review (IFLR) for Banking and Finance, Capital Markets, and Mergers & Acquisitions, one of only two exclusively recognized lawyers in the Philippines. This comes after being consistently recognized as a "Highly Regarded-Leading Lawyer" in the same fields by IFLR. The Legal 500 Asia Pacific also named Mr. Serrano as a "Leading Individual" in Banking & Finance, after constant citation as a "Recommended Lawyer".

Mr. Serrano is a director of 2GO Group, Inc. He is Corporate Secretary of SM Investments Corporation, SM Prime Holdings, Inc., Atlas Consolidated Mining and Development Corporation, as well as subsidiaries of BDO Unibank, Inc. He is also Corporate Secretary of, or counsel to, prominent financial industry organizations, such as the Bankers Association of the Philippines and the Philippine Payments Management, Inc. and the PDS Group of Companies.

Mr. Serrano is a Certified Associate Treasury Professional and was among the top graduates of the Trust Institute of the Philippines in 2001. Mr. Serrano holds a Juris Doctor degree from the Ateneo de Manila University and a BS Legal Management degree from the same university.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

Preliminary Information Statement

Definitive Information Statement

2. Name of Registrant as specified in its charter:

BDO LEASING AND FINANCE, INC.

3. Country of Incorporation: **Philippines**

4. SEC Identification Number: **97869**

5. BIR Tax Identification Code: **000-486-050-000**

6. Address of Principal Office: **No. 12 ADB Avenue, Ortigas Avenue
Ortigas Center, Mandaluyong City 1554**

7. Registrant's Telephone Number, Including Area Code: **(632) 8840-7000**

8. Date, time and place of the annual meeting of the security holders:

Date - **April 20, 2022 (Wednesday)**

Time - **03:00 p.m.**

Place - **N/A.**

The meeting will be conducted virtually and participation will be via remote communication.

9. Approximate date on which the Information Statement is first to be sent or given to security holders:

on or before March 21, 2022

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA:

| | <u>Subscribed and Outstanding</u> | |
|----------------------------|-----------------------------------|------------------------|
| <u>Title of each Class</u> | <u>No. of Shares</u> | <u>Amount in Pesos</u> |
| Common | 2,162,475,312 | Php 2,162,475,312.00 |
| Total | 2,162,475,312 | Php 2,162,475,312.00 |

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes () No () **Philippine Stock Exchange,
Common Shares only
(not commercial papers)**

| |
|---|
| <p>WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.</p> |
|---|

BDO LEASING AND FINANCE, INC.
INFORMATION STATEMENT

THIS INFORMATION STATEMENT IS BEING FURNISHED TO STOCKHOLDERS OF RECORD OF BDO LEASING AND FINANCE, INC. AS OF **MARCH 16, 2022** IN CONNECTION WITH THE ANNUAL STOCKHOLDERS' MEETING. COPIES OF THE INFORMATION STATEMENT WILL BE FIRST SENT OR GIVEN TO SECURITY HOLDERS ON OR BEFORE MARCH 21, 2022.

A. GENERAL INFORMATION

ITEM 1. DATE, TIME AND PLACE OF ANNUAL MEETING OF SECURITY HOLDERS

- (a) Date : **April 20, 2022 (Wednesday)**
- Time : **3:00 p.m.**
- Place : **N/A**
The meeting will be conducted virtually and participation will be via remote communication.
- Mailing Address: **39th Floor, BDO Corporate Center Ortigas
No. 12 ADB Avenue, Ortigas Avenue
Ortigas Center, Mandaluyong City 1554**

- 1.** Approximate date on which the Information Statement is first to be sent or given to security holders: **March 21, 2022**

ITEM 2. DISSENTER'S RIGHT OF APPRAISAL

BDO Leasing and Finance, Inc. (the "**Company**" or the "**Issuer**") respects the inherent rights of shareholders in accordance with law. The Company recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the By-laws of the Company provides that all shares of each class should carry the same rights, and any changes in the voting rights shall be approved by them.

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

- (1) amendment to the articles of incorporation that has the effect of changing or restricting the rights of any stockholder or class of shares, or;
- (2) amendment to the articles of incorporation that has the effect of authorizing preferences in any respect superior to those of outstanding shares of any class;
- (3) amendment to the articles of incorporation that either extends or shortens the term of corporate existence;
- (4) in case of lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code;
- (5) in case of merger or consolidation; or

- (6) in case of investment of corporate funds for any purpose other than the primary purpose of the Company.

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

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

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

- (3) Within ten (10) days after demanding payment for his shares, the dissenting stockholder shall submit to the Company the certificate(s) of stock representing his shares for notation thereon that such shares are dissenting shares. His failure to do so shall, at the option of the Company, terminate his appraisal rights.
- (4) No demand for payment as aforesaid may be withdrawn by the dissenting stockholder unless the Company consents thereto.
- (5) If the corporate action is implemented or effected, the Company shall pay to such dissenting stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of a merger if such be the corporate action involved.
- (6) If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the dissenting stockholder and the Company cannot agree on the fair value of the shares, it shall be appraised and determined by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the Company, and the third by the two (2) thus chosen.
- (7) The findings of a majority of the appraisers shall be final, and their award shall be paid by the Company within thirty (30) days after such award is made. No payment shall be made to any dissenting stockholder unless the Company has unrestricted retained earnings in its books to cover such payment.
- (8) Upon payment of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the Company.

For this meeting, there are no matters to be discussed which would give rise to the right of dissenters to exercise their appraisal right.

ITEM 3. INTEREST OF CERTAIN PERSONS IN OR OPPOSITION TO MATTERS TO BE ACTED UPON

- (a) No director or officer of the Company since the beginning of the last fiscal year has any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon at the meeting.
- (b) No director of the Company has informed in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

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

| Title of Each Class | Number of Shares | Number of Votes Outstanding |
|---------------------|------------------|-----------------------------|
| Common Shares | 2,162,475,312 | One (1) vote per share |

- (b) Record date

Only stockholders of record in the books of the Company as of the close of business on **March 16, 2022** are entitled to notice of, and to vote at, the annual meeting.

- (c) Cumulative voting rights

Each common share of the Company is entitled to one (1) vote (each, a Voting Share/s) for each agenda item presented for stockholder approval, except in the election of directors where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may accumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected. Thus, if there are eleven (11) directors to be elected, each Voting Share is entitled to eleven (11) votes.

Stockholders may nominate directors, subject to pre-qualification by the Nomination Committee, within the period of nomination set forth in the Company's By-laws and relevant regulations. Stockholders as of Record Date may then vote for nominees in accordance with the above rule.

For this year's meeting, the Board of Directors has adopted a resolution allowing stockholders to exercise their right to vote *in absentia*.

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

1. Security ownership of certain record/beneficial owners

As of February 28, 2022, the following are known to the Company to be directly or indirectly the record and/or beneficial owners of more than 5% of the Company's voting securities:

| Title of class | Name and Address of Record Owner & Relationship with Issuer | Name of Beneficial Owner & Relationship with Record Owner | Citizenship | Number of Shares Held | Percentage |
|----------------|---|---|-------------|-----------------------|------------|
| Common | BDO Unibank, Inc. together with its wholly-owned subsidiary BDO Capital & Investment Corporation BDO Corporate Center, 7899 Makati Avenue, Makati City <i>BDO Unibank, Inc. is the</i> | Record and beneficial (affiliate and majority stockholder) | Filipino | 1,914,712,207 | 88.54% |

| | | | | | |
|--------|--|---|--------------|-------------|-------|
| | <i>parent company of the Issuer</i> | | | | |
| Common | PCD Nominee Corp. (“PCD”) 29 th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226 <i>PCD has no relationship with the Issuer except as stockholder. PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares.</i> | Various stockholders No stockholder owns more than 5% of the Company’s voting securities through PCD | Filipino | 173,031,635 | 8.00% |
| | | | Non-Filipino | 584,821 | 0.03% |

The persons authorized to vote the shares of BDO Unibank, Inc. (“**BDO Unibank**”) are Ms. Teresita T. Sy and Mr. Nestor V. Tan.

As of February 28, 2022, the following stockholders own more than 5% of BDO Unibank:

| Title of Class | Name & Address of Record Owner | Citizenship | Number of BDO Shares Held | Percentage |
|---------------------------------------|--|-------------|---------------------------|---------------|
| Common and Preferred | SM Investments Corporation* 10 th Floor, One E-com Center, Harbour Drive, Mall of Asia Complex, CBP-I-A, Pasay City | Filipino | 1,910,780,649* | 38.99% |
| Common | PCD Nominee Corp. (Non-Filipino) 29 th Floor BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226 | Foreign | 1,109,359,242 | 22.64% |
| Common | PCD Nominee Corp. (Filipino) 29 th Floor, BDO Equitable Tower, 8751 Paseo de Roxas, Makati City 1226 | Filipino | 749,992,442** | 15.30% |
| Common and Preferred | Sybase Equity Investments Corporation 10 th Floor L.V. Locsin Building 6752 Ayala Avenue, Makati City | Filipino | 631,410,292* | 12.89% |
| Common | Multi-Realty Development Corporation 10 th Floor L.V. Locsin Building 6752 Ayala Avenue, Makati City | Filipino | 291,513,036* | 5.95% |
| TOTAL (COMMON & PREFERRED) | | | 4,693,055,661 | 95.77% |

* Inclusive of PCD-lodged shares

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

Security ownership of Management

As of February 28, 2022, the total number of shares owned by the directors and Management of the Company as a group is 900 common shares, which is equivalent to 0.000042% of the total outstanding common shares of the Company. The Company’s directors and officers own the following Common Shares:

| Title of Class | Name of Beneficial Owner | Position | Citizenship | No. of Shares | Percentage |
|----------------|------------------------------------|--------------------------------|-------------|---------------|------------------|
| Common | Teresita T. Sy | Chairperson | Filipino | 100 (D) | 0.0000046% |
| Common | Manuel Z. Locsin Jr. | Director and Officer-in-Charge | Filipino | 100 (D) | 0.0000046% |
| Common | Jesse H.T. Andres | Independent Director | Filipino | 100 (D) | 0.0000046% |
| Common | Ma. Leonora V. De Jesus | Independent Director | Filipino | 100 (D) | 0.0000046% |
| Common | Vicente S. Pérez, Jr. | Independent Director | Filipino | 100 (D) | 0.0000046% |
| Common | Luis S. Reyes Jr. | Director, Treasurer | Filipino | 100 (D) | 0.0000046% |
| Common | Nestor V. Tan | Director | Filipino | 100 (D) | 0.0000046% |
| Common | Exequiel P. Villacorta, Jr. | Director | Filipino | 100 (D) | 0.0000046% |
| Common | Walter C. Wassmer | Director | Filipino | 100 (D) | 0.0000046% |
| | Total | | | 900 | 0.000042% |

Directors and officers of the Company are required to report to the Company any acquisition or disposition of the Company's shares within three (3) business days from the date of the transaction. As prescribed by the Disclosure Rules of the PSE, the Company shall disclose to the PSE any acquisition or disposition of its shares by its directors and officers within five (5) trading days from the transaction. Under Section 23 of the Securities Regulation Code ("SRC"), the Company shall likewise disclose to SEC within ten (10) days after the close of each calendar month thereafter, if there has been a change in such ownership of shares by directors and officers at the close of the calendar month and such changes in his ownership as have occurred during such calendar month.

2. Voting Trust

There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with the Company.

3. Changes in Control

There has been no change in control of the Company since the beginning of the last fiscal year to date.

The previously disclosed agreement by BDO Unibank and its subsidiary BDO Capital & Investment Corporation with third party Buyers for the sale of shares in BDOLF did not push through due to non-completion of certain conditions to closing.

ITEM 5. DIRECTORS AND EXECUTIVE OFFICERS

The Board of Directors of the Company (the "**Board**") is empowered to direct, manage and supervise, under its collective responsibility, the affairs of the Company. 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.

Below is the list of the incumbent members of the Board and all persons nominated to be part of the Board, and the corporate officers and their business experience during the past five (5) years:

TERESITA T. SY

Chairperson
71 years old, Filipino

Ms. Sy was elected to the Board of Directors of the Company on September 20, 2005 and currently serves as Chairperson of the Board. She is also the Chairperson of the Board of Directors of BDO Unibank, Inc., where she has been a member since 1977. Concurrently, she serves as the Chairperson and/or Director of various subsidiaries and affiliates of BDO Unibank such as BDO Private Bank, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., and BDO Life Assurance Company, Inc. Ms. Sy also serves as Advisor to the Board of BDO Network Bank, Inc.

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 of SM Retail, Inc. A graduate of Assumption College with a Bachelor of Arts and Science degree in Commerce major in Management, she brings to the board her diverse expertise in banking and finance, retail merchandising, mall and real estate development.

MANUEL Z. LOCSIN, JR.

Director & Officer-in-Charge
64 years old, Filipino

Mr. Locsin was elected to the Board of Directors of the Company on May 12, 2021. He was seconded from BDO Unibank, Inc. to the Company as Senior Vice President/Officer-in-Charge on May 1, 2021. He concurrently serves as Director & Officer-in-Charge of BDO Finance Corporation and BDO Rental, Inc. Prior to his secondment from BDO Unibank, Inc., Mr. Locsin was Senior Vice President and Head of Institutional Banking Group-Corporate Banking 1 of BDO Unibank, Inc. since February 2012. He has more than 20 years of experience in credit lending. Prior to BDO, he was with the Account Management Group of Allied Banking Corporation and International Corporate Bank. He holds a Bachelor's Degree in Commerce from De La Salle University.

LUIS S. REYES, JR.

Director & Treasurer
64 years old, Filipino

Mr. Reyes was first elected to the Board of Directors of the Company on April 18, 2012 and was appointed as Treasurer on April 23, 2014. He is concurrently the Executive Vice President for Investor Relations and Corporate Planning of BDO Unibank, Inc. He is also the Treasurer of BDO Finance Corporation, Director and Treasurer of BDO Rental, Inc., Director of BDO Strategic Holdings, Inc. and BDORO Europe Ltd., and Chairman of Nashville Holdings, Inc. Before joining BDO, Mr. Reyes was a First Vice President of Far East Bank & Trust Company, Trust Banking Group. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines.

NESTOR V. TAN

Director
63 years old, Filipino

Mr. Tan was first elected to the Board of Directors of the Company on January 23, 2007. He is the President and CEO of BDO Unibank, Inc., and concurrently holds the following positions in the BDO Group: Chairmanship of BDO Strategic Holdings, Inc. and BDO Network Bank, Inc.; Vice chairmanships and/or directorships in BDO Leasing and Finance, Inc., BDO Capital & Investment Corporation, BDO Finance Corporation, BDO Life Assurance Company, Inc., BDO Private Bank, Inc., and SM Keppel Land, Inc., and; Trusteeship of BDO Foundation, Inc.

In addition, he is currently the Chairman of the De La Salle University Board of Trustees, Chairman of Bancnet, the operator of the electronic payment system, InstaPay, and the ATM switching utility for Philippine banks, and; Chairman of Mastercard Asia Pacific Advisory Board. He is the past president and chairman, and current 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 in Pittsburgh, PA; Bankers Trust Company in New York, NY; and the Barclays Group in New York and London. He holds a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

EXEQUIEL P. VILLACORTA, JR.

Non-Executive Director

76 years old, Filipino

Mr. Villacorta was first elected to the Board of Directors of the Company on May 24, 2006. He is currently Director of Premium Leisure Corp. and BDO Finance Corporation. He is also a member of the Board of Trustees of Bayan Academy.

Mr. Villacorta was formerly director of Equitable PCI Bank, Inc. from 2005 to 2006, EBC Insurance Brokerage, Inc., Maxicare Healthcare Corporation, and Philab Holdings, Inc. He was also the Chairman of EBC Strategic Holdings Corporation, EBC Investments, Inc., Jardine Equitable Finance Corporation, Strategic Property Holdings, Inc., PCIB Properties, Inc., Equitable Data Center, Inc. and PCI Automation Center, Inc. He was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines. He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCOM; and Adviser to the Board of PCI Capital Corporation. Mr. Villacorta holds a Bachelor of Science degree in Business Administration from De La Salle University and a Master's degree in Business Management from Asian Institute of Management.

WALTER C. WASSMER

Director

63 years old, Filipino

Mr. Wassmer was elected to the Board of Directors of Company on November 17, 1999. He is the Senior Executive Vice President and Head of the Institutional Banking Group of BDO Unibank, Inc. He is also the Director of BDO Capital & Investment Corporation and BDO Finance Corporation. Previously, Mr. Wassmer was the Chairman and Officer-In-Charge of BDO Elite Savings Bank, Inc., (formerly GE Money Bank, Inc.) and held directorships in MMPC Auto Financial Services, Inc., MDB Land, Inc., Mabuhay Vinyl Corporation, and Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). He holds a Bachelor of Science degree in Commerce from De La Salle University.

VICENTE S. PÉREZ, JR.

Independent Director
63 years old, Filipino

Mr. Pérez was elected to the Board of Directors of the Company on April 7, 2017, and is the Chairman of the Company's Risk Management Committee. He is currently an Independent Director of BDO Unibank, Inc., BDO Finance Corporation and DoubleDragon Properties Corp. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte Ltd. Mr. Pérez is currently the Chairman of the Alternergy Group, Philippine renewable power companies in wind, hydro and solar. He was Philippine Energy Secretary from 2001 to 2005. Mr. Pérez briefly served in early 2001 as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments.

Prior to his government service, Mr. Pérez had 17 years banking experience, first in Latin America debt restructuring at Mellon Bank in Pittsburg, and later in debt capital markets in emerging countries at Lazard in London, New York and Singapore. At 35, he became General Partner at New York investment bank Lazard Frères as head of its Emerging Markets Group. He was Managing Director of Lazard Asia in Singapore from 1995 until 1997, when he co-founded Next Century Partners, a private equity firm based in Singapore. In 2005, he was briefly a government appointed director of Philippine National Bank until its privatization. In September 2020, Mr. Pérez was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines.

Mr. Pérez obtained his Masters in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

JESSE H.T. ANDRES

Independent Director
57 years old, Filipino

Atty. Andres was elected to the Board of Directors of the Company on September 20, 2005, and is presently the Chairman of the Corporate Governance Committee, Nomination Committee, and the Related Party Transactions Committee, and a member of the Company's Board Audit Committee and Risk Management Committee. Moreover, he also serves as Independent Director of BDO Network Bank, Inc. He is likewise a Director in Benguet Corporation, a publicly listed company (PLC). In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee for six (6) years. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Since July 1, 2011, he has been the Managing Partner of the Andres Padernal & Paras Law Offices. From 1996 to 2003, he was a Partner at PECABAR Law Offices, where he became Co-Head of the Litigation Department in 2001. He was also Chief of Staff (Undersecretary) of the Office of the Vice-President (2004-2010). Previously, he was Senior Manager of the Philippine Exporters' Foundation, and Board Secretary of the Department of Trade and Industry's Garments and Textile Export Board. Atty. Andres holds a Bachelor of Arts degree in Economics from the School of Economics, University of the Philippines (U.P.) and a Bachelor of Laws degree from the U.P. College of Law.

MA. LEONORA V. DE JESUS

Independent Director
70 years old, Filipino

Ms. De Jesus was first elected to the Board of Directors of the Company on May 12, 2008. She is presently the Chairperson of the Company's Board Audit Committee, and a member of the Corporate Governance Committee, Nomination Committee, and Related Party Transactions Committee. She is also an Independent Director of BDO Network Bank, Inc. and STI Education Systems Holdings, Inc. Ms. De Jesus also serves as Director of Risks, Opportunities Assessment and Management (ROAM), Inc. In addition, she is an accredited SEC trainer on corporate governance. In the past, Ms. De Jesus was an Independent Director of BDO Capital & Investment Corporation, Equitable Savings Bank, PCI Capital Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation. She was formerly the University President of the Pamantasan ng Lungsod ng Maynila and was a professorial lecturer at the University of the Philippines, Diliman, and at the De La Salle Graduate School of Business and Governance. She was also a member of the Board of Governors of the Philippine National Red Cross. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004 and was a member of the cabinets of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She has had trainings in Housing Finance at Wharton School of Business, and Essentials of Portfolio Management at the New York Institute of Finance. She holds Bachelor's, Master's, and Doctorate degrees in Psychology from the University of the Philippines.

JOSEPH JASON M. NATIVIDAD

Corporate Secretary
49 years old, Filipino

Atty. Natividad was appointed Corporate Secretary of the Company on May 31, 2010. He concurrently holds the position of Corporate Secretary of BDO Network Bank Inc. and Agility Group of Companies in the Philippines. He is also the Assistant Corporate Secretary of BDO Insurance Brokers, Inc. He served as Assistant Corporate Secretary of Equitable PCI Bank from September 2006 to June 2007, prior to its merger with Banco de Oro; BDO Capital & Investment Corporation, BDO Securities Corporation, and BDO Rental, Inc. Atty. Natividad is currently a Partner of the Factoran & Natividad Law Offices. He has been in law practice for 23 years, mainly in the fields of corporate law and environmental law. He has a Bachelor's degree in Management, major in Legal Management, from the Ateneo de Manila University, and obtained his Juris Doctor degree from the Ateneo de Manila University School of Law.

MA. CECILIA SALAZAR-SANTOS

Assistant Corporate Secretary
56 years old, Filipino

Atty. Santos was appointed as Assistant Corporate Secretary of the Company since October 1, 2015. She is concurrently the First Vice President and Alternate Corporate Information Officer of BDO Unibank. She is also the Assistant Corporate Secretary of BDO Private Bank, Inc. and BDO Network Bank, Inc. Further, she is the Corporate Secretary of BDO Finance Corporation, BDO Strategic Holdings, Inc., BDO Rental, Inc., Equimark-NFC Development Corporation, Armstrong Securities, Inc., Averon Holdings Corporation, Nashville Holdings, Inc., and Ivory Homes, Inc. She was formerly the Corporate Secretary of BDO Nomura Securities, Inc., and Director and Corporate Secretary of PCI Insurance Brokers, Inc., PCI Management Consultants, Inc., PCI Travel Corporation, The

Executive Banclounge, Inc., and The Sign of the Anvil, Inc. She is currently assigned at the Legal Services and Corporate Secretary Group as Head of the Team providing legal assistance to BDO's Support Groups and Subsidiaries and in managing BDO's Intellectual Property (BDO and BDO-related marks), and as Head of the Team providing corporate secretariat services to BDO Unibank and all its Subsidiaries. In 2017, 2018, 2019, and 2020, she was featured in the World Trademark Review 300 as among the World's Top 300 Leading Trademark Professionals. She holds a Bachelor of Arts degree major in Economics from University of Sto. Tomas and finished law at San Beda College of Law (Dean's Lister).

KATHERINE U. RESARI

Vice President / Compliance and Corporate Governance Officer

Filipino, 47 years old

Ms. Resari was appointed as Compliance and Corporate Governance Officer of the company on March 2, 2021. She is also the Company's Data Protection Officer, Information Security Officer and Corporate Governance Officer. She is concurrently the Risk and Compliance Officer for both BDO Finance Corp. and Bdo Rental, Inc. Prior to joining Bdo Leasing, Ms Resari was a Vice President and Team Head under Credit Policy and Portfolio Review of the Risk Management Group of BDO Unibank for over 5 years. She started her banking career with PCIBank in 1995 under the Officer's Development Program and became an Account Officer in Specialized Lending, Remedial Management and Asset Management. She joined BDO Unibank in 2006 as Account Officer for Remedial Management for corporate and commercial accounts. Ms. Resari graduated from the University of the Philippines Diliman with a Bachelor of Science Degree in Business Administration and obtained her Master's Degree in Business Administration from De La Salle University.

Nomination of Directors

The procedure for nomination of directors shall be as follows:

- All nominations for directors shall be submitted in writing to the Corporate Secretary of the Company from February 18 to March 7, 2022. Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected as a director of the Company.
- All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees in accordance with Rule 38 of the SRC.
- Nominations received from February 18 to March 7, 2022 shall be submitted to the Company's Nomination Committee, which shall determine the qualifications of the nominees for directors and independent directors.
- The Nomination Committee meets at least once a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of the Company.

- The Nomination Committee shall pre-screen the nominees based on their qualifications as provided in the Company’s Manual of Good Corporate Governance and Rule 38 of the SRC.
- The Nomination Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for directors and independent directors. Only nominees whose names appear in the Final List of Candidates shall be eligible for election as either independent or regular directors. No other nomination shall be entertained after the expiration of the period for the submission of nominations. No further nomination shall be entertained or allowed on the floor during the actual meeting of the stockholders (Section 8, Article III, By- laws).

The Nomination Committee is composed of the following members:

1. Jesse Hermogenes T. Andres (Independent Director) – Chairman
2. Ma. Leonora V. De Jesus (Independent Director) – Member
3. Vicente S. Perez Jr. (Independent Director) – Member

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, the Company’s strategic plans, enterprise risks, group structures, business activities, compliance programs, and Corporate Governance Manual. All directors are also encouraged to participate in continuing education programs.

For 2022-2023, below is the final list of nominees for election to the Board of Directors, including nominees for independent directors:

Luis S. Reyes, Jr.
Lazaro Jerome C. Guevarra
Manuel Z. Locsin Jr.
Elmer B. Serrano
Geneva T. Gloria
Melanie S. Belen
Vicente S. Perez Jr. (Independent)
Luis Ma. G. Uranza (Independent)
Ismael G. Estela Jr. (Independent)

The profiles of the nominees are appended to this Definitive Information Statement, including the respective Certifications on the Qualifications and Disqualifications of Independent Directors of nominated independent directors.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the Registrant to become directors or executive officers.

Involvement of Directors and Executive Officers in Certain Legal Proceedings

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

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

- i. bankruptcy petition by or against any business of which such director or senior executive was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
- ii. a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- iii. 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;
- iv. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC 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.

Certain Relationships and Related Transactions

The Company has adopted a comprehensive and extensive policy for its related party transactions in compliance with the regulatory requirements of not only the SEC, but also of the BSP, the Company being majority-owned by a bank. Pursuant to the SEC Memorandum Circular No. 10, series of 2019 (Rules on Material Related Party Transactions for Publicly-Listed Companies), the Company adopted a **Material Related Party Transactions Policy** on October 2019. A copy of the Policy is available in the Company's website.

Related Parties broadly refer to the following: Directors, Officers, Stockholders, Related Interest (DOSRI) as defined under regulations, Subsidiaries, Affiliates and Other Related Parties acting for themselves, as representatives or agents for others, or as guarantors, sureties, endorsers, mortgagors, pledgors, assignors, or in any capacity in which (i) they become obligated or may be obligated to the Company to pay or its equivalent or by any means whatsoever or (ii) there is a transfer of resources, services or obligations between the Company and the Related Party. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

In the ordinary course of business, the Company enter into transactions with BDO Unibank and other affiliates. These transactions are made substantially on the same terms as with 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. Single and aggregated material related party transactions follow strict approval process. The Company's Related Party Transactions Committee composed of independent and non-executive directors, reviews and scrutinizes the terms and conditions of covered transactions to ensure that these are made on an arms-length basis, that no preferential treatment is accorded, and they are negotiated as a regular business transaction in accordance with regulations. These transactions are then elevated to the Company's Board of Directors for confirmation and approval. Directors and officers who have interest in the transactions abstain from participating in the discussion. The details of the deliberations are included in the minutes of the Board and Board Committee meetings. Approved related party transactions are then properly tagged for monitoring and reporting of exposures.

The Company discloses details of material related party transactions in its Annual Stockholders' Meeting and in its Annual Report, and likewise submits advisement reports thereof to regulators as necessary.

Disagreement with a Director

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

There are no other employees who are not Executive Officers who are expected by the Company to make a significant contribution to its business.

ITEM 6. COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

A. Compensation of Directors

Each director is entitled to receive *per diem* allowance for attending board and committee meetings. The Board approves all compensation and remuneration schemes for the senior officers of the Company. As provided by law, the total compensation of directors shall not exceed 10% of the net income before income tax of the Company for the preceding year.

Each member of the Board of Directors and Advisor received the following amounts as Directors/Advisor for the year 2021:

| Name of Director | Amount |
|------------------------------|-----------------------|
| 1. Teresita T. Sy | P 0.00 |
| 2. Nestor V. Tan | 0.00 |
| 3. Roberto E. Lapid | 0.00 |
| 4. Manuel Z. Locsin Jr, | 0.00 |
| 5. Jesse H.T. Andres | 661,111.12 |
| 6. Ma. Leonora V. De Jesus | 661,111.12 |
| 7. Jeci A. Lapus | 333,333.33 |
| 8. Vicente S. Perez Jr. | 655,555.56 |
| 9. Exequiel P. Villacorta Jr | 599,999.99 |
| 10. Antonio N. Cotoco | 0.00 |
| 11. Walter C. Wassmer | 0.00 |
| 12. Luis S. Reyes | 0.00 |
| 13. Edmundo L. Tan (Advisor) | 99,999.99 |
| Total | P 3,011,111.11 |

Above-mentioned amounts include total fees and *per diems* received by the Directors for their attendance in meetings of the Board. Executives of BDO Unibank and BDOLF did not receive any directors' fees nor per diems as directors of the Company.

There is no distinction on the fee for a committee chairman and member. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus, or other forms of emoluments.

The Company may grant to the directors any compensation other than *per diem* upon approval of the shareholders representing at least a majority of the outstanding capital stock.

B. Executive Compensation

It is the objective of the Company to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, the Company 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 the Company:

(1) President and four most highly compensated executive officers

| | Year | Annual Compensation (in Million Pesos) | Other Compensation |
|---|------------------------------|---|-----------------------|
| President (OIC) and four most highly compensated executive officers | 2022 (estimate) | none* | none* |
| | 2021 | none* | none* |
| | 2020 | 24.08** | none |
| | | | |
| Year | Name | | Position/Title |
| 2020 | Roberto E. Lapid | | President |
| | Ma. Theresa M. Soriano | | First Vice President |
| | Rosario C. Crisostomo | | First Vice President |
| | Angelita C. Tad-y | | First Vice President |
| | Frieda Concepcion T. Jimenez | | First Vice President |

* Except for the Corporate Secretary, all the other officers namely OIC, Treasurer, Compliance Officer, and Assistant Corporate Secretary are seconded from BDO Unibank and BDO Finance Corp. and receives their compensation directly from these companies. The Corporate Secretary in turn, is an external counsel retained by BDO Unibank, which directly pays for his compensation.

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

There are no actions to be taken with regard to election, any compensatory plan, contract, or arrangement, bonus or profit-sharing, change in pension/ retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

ITEM 7. INDEPENDENT PUBLIC ACCOUNTANTS

The present external auditor of the Company, the accountancy and auditing firm of **P&A Grant Thornton (“P&A”)**, is recommended for re-appointment as the external auditor of BDOLF for 2022. P&A has been the Company’s Independent Public Accountants for the past five (5) years. P&A was first appointed external auditor of the Company in 2007 and has not resigned, been dismissed, or its services ceased since its appointment. There was no event in the past where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope or procedure.

Representatives of P&A will be present during the annual meeting and will be given the opportunity to make a statement if they desire to do so. They are also expected to respond to appropriate questions if needed.

The Company engaged Mr. Romualdo V. Murcia III, Partner of Punongbayan & Araullo (P&A), for the examination of the Company's financial statements starting year 2019 up to 2021. Previously, the Company engaged Mr. Leonardo D. Cuaresma, Jr., Partner of P&A, for the examination of the Company's 2018 financial statements. The Company is compliant with the rotation requirement of its external auditor's certifying partner as required under Revised SRC Rule 68 (3)(b)(ix).

The Audit Committee approves and proposes for management and Board approval the appointment and removal of the Company's internal and external auditor.

Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was P0.319 Million for the year 2021 and P0.854 Million for the year 2020. These fees cover services rendered by the external auditor for audit of the financial statements and other services in connection with statutory and regulatory filings for fiscal year 2021 and 2020.

Tax Fees and Other Fees

No other fees were paid to the auditing firm of P&A Grant Thornton ("P&A") for the last two (2) fiscal years.

It is the policy of the Company 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 passes upon and approves the Audit Committee's recommendations.

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

1. Ma. Leonora V. De Jesus (Independent Director) – Chairperson
2. Jesse Hermogenes T. Andres (Independent Director) – Member
3. Vicente S. Perez Jr. (Independent Director) – Member

ITEM 8. COMPENSATION PLANS

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

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. AUTHORIZATION OR ISSUANCE OF SECURITIES OTHER THAN FOR EXCHANGE

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

ITEM 10. MODIFICATION OR EXCHANGE OF SECURITIES

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

ITEM 11. FINANCIAL AND OTHER INFORMATION

The Audited Financial Statements of the Company and the Management Report, incorporating the Management's Discussion & Analysis, are attached as Annexes "A" and "B".

Representatives of the Company's external auditor, P&A, are expected to be present at the meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the shareholders. The Company has no material disagreement with P&A on any matter of accounting principle or practices or disclosures in its financial statements.

ITEM 12. MERGERS, CONSOLIDATIONS, ACQUISITIONS AND SIMILAR MATTERS

No action will be presented for shareholders' approval which involves a merger, consolidation, acquisition, or similar matters.

ITEM 13. ACQUISITION OR DISPOSITION OF PROPERTY

No action involving the acquisition or disposition of property of the Company will be presented for shareholders' approval at this annual meeting.

ITEM 14. RESTATEMENT OF ACCOUNTS

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

D. OTHER MATTERS

ITEM 15. ACTION WITH RESPECT TO REPORTS

The following matters with respect to minutes of stockholders of the Company and resolutions adopted by its Board of Directors, will be presented for approval during the stockholders' meeting:

- (a) Minutes of the annual meeting of stockholders held on 12 April 2019 and the special meeting of stockholders on 21 July 2020.
- (b) General ratification of the acts of the Board of Directors and the Management during their term commencing from the date of the last annual stockholders' meeting up to the date of this year's meeting except those already ratified by shareholders during the last special stockholders' meeting.

THESE ACTS COVERED BY RESOLUTIONS DULY ADOPTED BY THE BOARD IN THE NORMAL COURSE OF BUSINESS PERTAINING TO CREDIT TRANSACTIONS, APPROVING AUTHORITIES, DESIGNATION OF CORPORATE SIGNATORIES, REGULATORY COMPLIANCES, AND SIMILAR MATTERS SHALL BE SUBMITTED TO THE STOCKHOLDERS FOR THEIR RATIFICATION. THESE ACTS AND PROCEEDINGS ARE DESCRIBED IN THE MINUTES OF THE BOARD MEETINGS WHICH ARE AVAILABLE FOR INSPECTION AT REASONABLE HOURS ON ANY BUSINESS DAY. SIGNIFICANT ACTS AND TRANSACTIONS ARE LIKEWISE COVERED BY APPROPRIATE DISCLOSURES WITH THE SEC AND THE PSE.

- (c) Approval of the amendment of the First Article of Company's Articles of Incorporation and By-laws

to reflect the change in its corporate name from “BDO Leasing and Finance, Inc.” to “Dominion Holdings, Inc.”

- (d) Amendment of the company’s Articles of Incorporation and By-Laws to reflect the new company name, Dominion Holdings, Inc.

Appended to this Information Statement are the abovementioned minutes of the Annual Stockholders’ Meeting of the Company held on 12 April 2019 and the Special Stockholders’ Meeting of the Company held on 21 July 2020, which fully reflect the proceedings during the meeting in accordance with Section 49 of the Revised Corporation Code, including:

1. a description of the voting and vote tabulation procedures used in the previous meeting, including the engagement and presence of external auditor P&A, which was especially engaged as third-party validator for the meetings;
2. a description of the opportunity given to stockholders to ask questions and a record of the questions asked and answers given; and
3. the list of directors and officers and a description of stockholders who participated in the meeting, duly certified to by the Corporate Secretary, verified by the Company’s Stock Transfer Agent, BDO Stock Transfer, and validated by P&A. The office of the Corporate Secretary has in its custody the full list and names of stockholders who participated in the 2019 Annual Stockholders’ Meeting and the virtual 2020 Special Stockholders’ Meeting.

These minutes were posted in the Company’s website within twenty-four (24) hours from adjournment of the meetings.

For the period ended December 31, 2021, there were no self-dealings or related party transactions by any director which require disclosure.

There is likewise no material information on the current stockholders and their voting rights requiring disclosure.

All stockholders as of Record Date are entitled to vote *in absentia* for this meeting by registering and voting through the Company’s secure online voting facility. For the detailed discussion of stockholders’ voting rights and voting procedures, please refer to Item 19 (Voting Procedures) and the “***Guidelines for Participation via Remote Communication and Voting in Absentia***” appended to this Information Statement.

ITEM 16. MATTERS NOT REQUIRED TO BE SUBMITTED

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

ITEM 17. AMENDMENTS OF CHARTER, BY-LAWS OR OTHER DOCUMENTS

Stockholders have the right to approve or disapprove any proposed amendment to the Articles of Incorporation and By-laws of the Company. Dissenting stockholders may exercise their appraisal rights as set forth in Item 2.

On 01 March 2022, the Board of Directors approved the amendment of the First Article of Company's Articles of Incorporation and its By-laws to reflect the change in its corporate name from "BDO Leasing and Finance, Inc." to "Dominion Holdings, Inc." in line with the strategic direction of its principal shareholder to convert BDOLF into a Holding company as previously approved by the Board and the stockholders.

The name "Dominion Holdings, Inc." will give BDOLF flexibility for its business plans. As disclosed, the principal stockholder is contemplating keeping BDOLF, re-purposed as a holding company, for its own investment purpose or, depending on the terms of outstanding offers, pursue the sale of its shares with other prospective buyers.

These proposed amendments to the Articles of Incorporation require the vote of stockholders representing at least two-thirds (2/3) of the outstanding capital stock while the By-laws amendment require at least a majority of the outstanding capital stock of the Company. The proposed amendments will be presented for stockholder approval during the Annual Stockholders' Meeting.

ITEM 18. OTHER PROPOSED ACTION

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

ITEM 19. VOTING PROCEDURES

Except as otherwise provided by law, each stockholder of record shall be entitled at every meeting of stockholders to one vote for each share of stock standing in his name on the stock books of this Company, which vote may be given personally or by attorney or authorized in writing. In accordance with the process on proxy validation, the instrument authorizing an attorney or proxy to act shall be exhibited to the Corporate Secretary if he shall so request. A majority vote of the shares present and constituting a quorum shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number.

There is no manner of voting prescribed in the By-laws of the Company.

As discussed in Item 4, for this year's meeting, the Board of Directors has adopted a resolution allowing stockholders to exercise their right to vote *in absentia*. Each common share of the Company is entitled to one (1) vote (each, a Voting Share/s) for each agenda item presented for stockholder approval, except in the election of directors where one (1) share is entitled to as many votes as there are directors to be elected. Each stockholder may cast the vote to which the number of shares he owns entitles him, for as many persons as there are to be elected as directors, or he may accumulate or give to one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he may see fit, provided that the whole number of votes cast by him shall not exceed the number of shares owned by him multiplied by the whole number of directors to be elected.

The Corporate Secretary will be principally responsible for counting votes based on the number of shares entitled to vote owned by the stockholders who are present or represented by proxies at the Annual Meeting of the Stockholders. BDO Unibank – Trust and Investments Group, the Company's stock transfer agent, in conjunction with P&A, the Company's external auditor, both independent parties, are tasked to count votes on any matter property brought to the vote of the shareholders, including the election of directors.

For this year’s meeting, the Board of Directors approved the authority of stockholders to vote *in absentia*, the procedures for which are detailed in the “*Guidelines for Participation via Remote Communication and Voting in Absentia*” appended to this Information Statement.

BDO Stock Transfer, the Company’s stock transfer agent, and P&A, specifically engaged for this meeting as third-party tabulator, will be present during the meeting. P&A, an independent party, is tasked to count and tabulate votes on any matter properly brought to the vote of stockholders during the meeting.

ITEM 20. MARKET FOR REGISTRANT’S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The principal market for the Company’s common equity is the Philippine Stock Exchange.

The market prices of the Company’s share are as follows:

| <u>2020</u> | <u>High</u> | <u>Low</u> | <u>2019</u> | <u>High</u> | <u>Low</u> |
|---|-------------|-------------|-------------------------------|-------------|-------------|
| <u>January 24, 2020 (Last trading date)</u> | <u>3.35</u> | <u>3.00</u> | <u>1st quarter</u> | <u>2.29</u> | <u>2.22</u> |
| | | | <u>2nd quarter</u> | <u>2.42</u> | <u>2.32</u> |
| | | | <u>3rd quarter</u> | <u>2.02</u> | <u>2.00</u> |
| | | | <u>4th quarter</u> | <u>2.02</u> | <u>1.84</u> |
| <u>2018</u> | <u>High</u> | <u>Low</u> | <u>2017</u> | <u>High</u> | <u>Low</u> |
| <u>1st quarter</u> | <u>3.21</u> | <u>2.23</u> | <u>1st quarter</u> | <u>3.96</u> | <u>3.95</u> |
| <u>2nd quarter</u> | <u>2.84</u> | <u>2.83</u> | <u>2nd quarter</u> | <u>4.05</u> | <u>3.90</u> |
| <u>3rd quarter</u> | <u>2.58</u> | <u>2.57</u> | <u>3rd quarter</u> | <u>4.08</u> | <u>4.05</u> |
| <u>4th quarter</u> | <u>2.20</u> | <u>2.19</u> | <u>4th quarter</u> | <u>3.89</u> | <u>3.78</u> |

As of January 24, 2020 and December 27, 2019, the closing prices of the Company’s shares was at P3.16 and P1.87, respectively.

On February 13, 2020, the SEC issued an Order of Suspension against BDOLF, suspending its Registration Statement (and Permit to Sell primary securities), the lifting of which is subject to the submission of an Amended Registration Statement (the Order).

The Order was issued in light of the Share Purchase Agreement dated 24 January 2020 entered into by BDO Unibank to sell its controlling stake in BDOLF to third parties and the subsequent amendment of BDOLF’s primary business to a holding company. The SEC ruled that BDOLF’s Registration Statement as a leasing and financing company was no longer true and accurate. Hence, the SEC ordered the suspension and required the filing of an Amended Registration Statement. The SEC furnished the PSE a copy of the Order, and on this basis, the PSE imposed a

trading suspension of BDOLF on February 14, 2020.

As previously disclosed, BDOLF believes that there are no sufficient grounds for Order, especially since BDOLF does not have any ongoing offering to sell its securities to the public. On February 24, 2020, the Company filed its request for reconsideration of the Order and has sought guidance from the SEC on the requirement to amend its Registration Statement, if so required and appropriate under applicable laws and regulations. To date, however, the request is still pending resolution by the SEC.

In view of the trading suspension by PSE, the total number of stockholders of the Company as of February 28, 2022 remains at one thousand one hundred three (1,103). Common shares outstanding in turn, totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings as of February 28, 2021 are as follows:

| <u>Name</u> | <u>No. of Shares Held</u> | <u>% to Total</u> |
|--------------------------------------|---------------------------|-------------------|
| <u>BDO Unibank, Inc.¹</u> | <u>1,914,711,807</u> | <u>88.542597%</u> |
| <u>Various Stockholders (Public)</u> | <u>247,762,505</u> | <u>11.457403%</u> |
| | <u>2,162,475,312</u> | <u>100.00000%</u> |

The top 20 stockholders of the Company as of February 28, 2022 and December 31, 2021 are as follows:

| <u>Name of Stockholders</u> | <u>Securities</u> | <u>Shares Held</u> | <u>Total Outstanding</u> |
|---|-------------------|----------------------|--------------------------|
| <u>BDO Unibank, Inc./Banco De Oro Unibank Inc.*</u> | <u>Common</u> | <u>1,914,711,807</u> | <u>88.542597%</u> |
| <u>PCD Nominee Corporation (Filipino)</u> | <u>Common</u> | <u>247,643,223</u> | <u>11.129%</u> |
| <u>PCI Leasing & Finance, Inc.</u> | <u>Common</u> | <u>62,693,705</u> | <u>2.817%</u> |
| <u>Samuel Uy Chua</u> | <u>Common</u> | <u>21,000,000</u> | <u>0.944%</u> |
| <u>Equitable Computer Services, Inc. A/C Cequit11</u> | <u>Common</u> | <u>12,320,000</u> | <u>0.554%</u> |
| <u>Marylen Castro Mateo</u> | <u>Common</u> | <u>3,795,000</u> | <u>0.171%</u> |
| <u>Jesselen Castro Verzosa</u> | <u>Common</u> | <u>3,795,000</u> | <u>0.171%</u> |
| <u>Samuel Uy Chua</u> | <u>Common</u> | <u>3,011,150</u> | <u>0.135%</u> |
| <u>Constantino Chua</u> | <u>Common</u> | <u>2,497,200</u> | <u>0.112%</u> |
| <u>Equitable Computer Services, Inc.</u> | <u>Common</u> | <u>2,070,200</u> | <u>0.093%</u> |
| <u>Mercury Group of Companies, Inc.</u> | <u>Common</u> | <u>1,089,165</u> | <u>0.049%</u> |

¹ _____
 * Includes shares of affiliate, BDO Capital & Investment Corporation. Number of shares reflects both direct and indirect shareholdings

| <i>Name of Stockholders</i> | <i>Securities</i> | <i>Shares Held</i> | <i>Total Outstanding</i> |
|--|-------------------|--------------------|--------------------------|
| <u>Constantino Chua &/or Willington Chua &/or George W. Chua</u> | <u>Common</u> | <u>1,020,000</u> | <u>0.046%</u> |
| <u>Nardo R. Leviste</u> | <u>Common</u> | <u>759,000</u> | <u>0.034%</u> |
| <u>PCD Nominee Corporation (Foreign)</u> | <u>Common</u> | <u>600,821</u> | <u>0.026%</u> |
| <u>Willington/Constantino Chua</u> | <u>Common</u> | <u>584,430</u> | <u>0.026%</u> |
| <u>Willington Chua</u> | <u>Common</u> | <u>508,530</u> | <u>0.023%</u> |
| <u>Pablo Son Keng Go</u> | <u>Common</u> | <u>455,400</u> | <u>0.02%</u> |
| <u>Wilson Go</u> | <u>Common</u> | <u>438,625</u> | <u>0.02%</u> |
| <u>Lim Chin Ben</u> | <u>Common</u> | <u>425,040</u> | <u>0.019%</u> |
| <u>Sysmart Corporation</u> | <u>Common</u> | <u>358,835</u> | <u>0.016%</u> |
| <u>Abacus Capital & Investment Corp.</u> | <u>Common</u> | <u>303,000</u> | <u>0.014%</u> |

The top 20 stockholders of the Company as of December 31, 2021 are as follows:

| <i>Name of Stockholders</i> | <i>Securities</i> | <i>Shares Held</i> | <i>Total Outstanding</i> |
|--|-------------------|----------------------|--------------------------|
| <u>BDO Unibank, Inc./Banco De Oro Unibank Inc.*</u> | <u>Common</u> | <u>1,914,711,807</u> | <u>88.542597%</u> |
| <u>PCD Nominee Corporation (Filipino)</u> | <u>Common</u> | <u>247,643,223</u> | <u>11.129%</u> |
| <u>PCI Leasing & Finance, Inc.</u> | <u>Common</u> | <u>62,693,705</u> | <u>2.817%</u> |
| <u>Samuel Uy Chua</u> | <u>Common</u> | <u>21,000,000</u> | <u>0.944%</u> |
| <u>Equitable Computer Services, Inc. A/C Cequit11</u> | <u>Common</u> | <u>12,320,000</u> | <u>0.554%</u> |
| <u>Marylen Castro Mateo</u> | <u>Common</u> | <u>3,795,000</u> | <u>0.171%</u> |
| <u>Jesselen Castro Verzosa</u> | <u>Common</u> | <u>3,795,000</u> | <u>0.171%</u> |
| <u>Samuel Uy Chua</u> | <u>Common</u> | <u>3,011,150</u> | <u>0.135%</u> |
| <u>Constantino Chua</u> | <u>Common</u> | <u>2,497,200</u> | <u>0.112%</u> |
| <u>Equitable Computer Services, Inc.</u> | <u>Common</u> | <u>2,070,200</u> | <u>0.093%</u> |
| <u>Mercury Group of Companies, Inc.</u> | <u>Common</u> | <u>1,089,165</u> | <u>0.049%</u> |
| <u>Constantino Chua &/or Willington Chua &/or George W. Chua</u> | <u>Common</u> | <u>1,020,000</u> | <u>0.046%</u> |
| <u>Nardo R. Leviste</u> | <u>Common</u> | <u>759,000</u> | <u>0.034%</u> |
| <u>PCD Nominee Corporation (Foreign)</u> | <u>Common</u> | <u>600,821</u> | <u>0.026%</u> |
| <u>Willington/Constantino Chua</u> | <u>Common</u> | <u>584,430</u> | <u>0.026%</u> |
| <u>Willington Chua</u> | <u>Common</u> | <u>508,530</u> | <u>0.023%</u> |
| <u>Pablo Son Keng Go</u> | <u>Common</u> | <u>455,400</u> | <u>0.02%</u> |
| <u>Wilson Go</u> | <u>Common</u> | <u>438,625</u> | <u>0.02%</u> |

| | | | |
|--|---------------|----------------|---------------|
| <u>Lim Chin Ben</u> | <u>Common</u> | <u>425,040</u> | <u>0.019%</u> |
| <u>Sysmart Corporation</u> | <u>Common</u> | <u>358,835</u> | <u>0.016%</u> |
| <u>Abacus Capital & Investment Corp.</u> | <u>Common</u> | <u>303,000</u> | <u>0.014%</u> |

**Includes shares of affiliate, BDO Capital & Investment Corporation. Number of shares reflects both direct and indirect shareholdings.*

There were no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

ITEM 21. CORPORATE GOVERNANCE

Corporate governance in BDOLF is about effective oversight, strict compliance with regulations, and sustainable value creation to promote the best interest of its various stakeholders.

BDOLF affirms its deep commitment to the highest standards of corporate governance practice firmly anchored on the principles of accountability, fairness, integrity, transparency and performance, consistently applied throughout the institution. BDOLF'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.

BDOLF complies, where appropriate, with the SEC Code of Corporate Governance for Publicly-Listed Companies and with the Enhanced Corporate Governance Guidelines for BSP-Supervised Financial Institutions. It follows, relevant 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 (ACGS) which serve as essential points of reference.

This report describes the highlights of our corporate governance practices throughout the financial year ended December 31, 2021.

Governance Structure

Board of Directors

Responsibility for good governance lies with the Board. It is responsible for providing effective leadership and overall direction to foster the long-term success of the Company. It oversees the business affairs of the Company, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices. It oversees management performance, the enterprise risk management, internal control systems, financial reporting and compliance, related party transactions, continuing director education, and succession plans for the Board and the Chief Executive Officer (CEO)/Officer-in-Charge. It considers sustainability issues related to the environment and social factors as part of its sustainable practices.

The Board is composed of eleven (11) seats with two vacancies as of December 31, 2021² and aided by one Adviser. The members of the Board are all professionals with various expertise in fields relevant to BDOLF's strategic plans such as marketing, strategy formulation, financing regulations, information technology, sustainability, and risk management. It is led by a Non-

Director Mr. Jeci Lapus passed away on July 11, 2021, while Mr. Antonio Cotoco resigned as Director effective December 31, 2021 in view of his retirement from BDO.

Executive Chairperson with three (3) Independent Directors, three (3) Non-Executive Directors, and two (2) Executive Directors who are the Officer-in-Charge³ and Treasurer.

The present composition of the Board exceeds the minimum regulatory standards which require that independent and non-executive directors account for the majority. Independent and Non-Executive Directors of the Company comprise 64% (7 out of 11) of the Board. With 3 seats allocated for Independent Directors or 27%, the Company, a publicly-listed company, complies with Section 22 of the Revised Corporation Code which prescribes that corporations vested with public interest shall have independent directors constituting at least 20% of the Board of Directors. Independent directors chair five (5) of six (6) board committees, namely Risk Management, Board Audit, Corporate Governance, Related Party Transactions, and Nominations Committees. This provides independent and objective judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined.

The Board is aided by one Advisor who is considered as integral part of the Board and whose influence is akin to directors. His opinions and recommendations are taken into consideration by the Board members.

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

For re-election of incumbent directors, the Nominations Committee also considers the results of the most recent annual evaluation of the performance of the Board, Board Committees and peer evaluation made by the Board members and Advisor or by an independent third-party evaluator, attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

In evaluating the suitability of an individual board member and promoting diversity in the composition of the Board, the Nominations Committee annually reviews the Board and Board Committee composition to ensure appropriate balance of skills, competencies, experience of its members, and diversity to ensure the alignment with the new regulations. The Committee recommends to the Board of Directors the slate of nominees for election to the Board of Directors during the Company's annual stockholders' meeting. The Committee takes into account the relevant qualifications of every candidate nominated for election, with competence and integrity as the primary factors, including other criteria such as, among others, physical/ mental fitness, relevant educational and professional background, personal track record, experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without regard to race, gender, ethnic origin, religion, age or sexual orientation.

The Board is also responsible for approving the selection and appointment of a competent

³Mr. Roberto Lapid resigned as President and Vice-Chairman of the Board of the Company on April 30, 2021 and May 12, 2021, respectively upon his retirement from the Company. Mr Manuel Z. Locsin Jr. assumed the position as Officer-in-Charge effective May 1, 2021, and as Board member on May 12, 2021.

executive management led by the Officer-in-Charge including the heads of units who exercise control functions i.e. Chief Compliance Officer, Chief Risk Officer, and Chief Internal Auditor. Fit and proper standards are applied in the selection of key officers and utmost consideration is given to their integrity, technical expertise, and industry experience.

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

During the year, the Board reviewed and approved the Company’s release of the 2020 audited financial statements within 61 days from year end. Its oversight functions include the review of financial performance of senior management and work of the various committees in accordance with their Terms of Reference.

In 2021, the Board approved the appointment of the new Officer-in-Charge Manuel Z. Locsin Jr., vice Roberto E. Lapid who retired from the Company. The Board also approved the appointment of the new Compliance and Corporate Governance Officer Katherine U. Resari, vice Angelita C. Tad-y who was re-assigned as Comptrollership and Operations Head of BDO Finance Corporation.

The Board also appointed Mr. Vicente S. Perez Jr. as Nominations Committee member (vice Antonio N. Cotoco who retired from the Company), and Mr. Exequiel P. Villacorta, Jr. as Related Party Transactions Committee member, vice Mr. Jeci Lapus (who passed away in July 2021).

| <u>2021 Board Meetings</u> | | | | |
|------------------------------------|---|---------------------------------|------------------------------|------------------------|
| <u>Name of Director</u> | <u>Position</u> | <u>No. of Meetings Attended</u> | <u>Total No. of Meetings</u> | <u>% of Attendance</u> |
| <u>Teresita T. Sy</u> | <u>Chairperson</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Roberto E. Lapid *</u> | <u>Vice Chairman and President</u> | <u>5</u> | <u>5</u> | <u>100%</u> |
| <u>Manuel Z. Locsin Jr. **</u> | <u>Executive Director and Officer-in-Charge</u> | <u>3</u> | <u>3</u> | <u>100%</u> |
| <u>Jeci A. Lapus ***</u> | <u>Director</u> | <u>5</u> | <u>8</u> | <u>63%</u> |
| <u>Nestor V. Tan</u> | <u>Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Antonio N. Cotoco****</u> | <u>Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Exequiel P. Villacorta, Jr.</u> | <u>Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Walter C. Wassmer</u> | <u>Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Luis S. Reyes, Jr.</u> | <u>Director and Treasurer</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Ma. Leonora V. De Jesus</u> | <u>Independent Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Jesse H.T. Andres</u> | <u>Independent Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |
| <u>Vicente S. Pérez, Jr</u> | <u>Independent Director</u> | <u>8</u> | <u>8</u> | <u>100%</u> |

*Resigned as Director effective May 12, 2021

**Appointed as Director effective May 12, 2021

***Passed away on July 11, 2021

****Resigned as Director effective December 31, 2021

Improving Board Effectiveness

Board Performance

A yearly self-assessment is conducted focusing on the performance of the Board, directors, Committees and senior management, through the Corporate Governance Committee, using an approved set of questionnaires. The performance evaluation process begins with sending out customized Board Evaluation Questionnaires to each director and advisor. They are required to complete the questionnaire and explain the rationale of their response, the results of which are tabulated and consolidated. The Corporate Governance Officer prepares the overall report and presents this to the Corporate Governance Committee for discussion and endorsement to the Board, including the recommended actions and focus areas to improve effectiveness.

For 2021, the Company conducted its Board Effectiveness Evaluation, in compliance with the SEC Code of Corporate Governance for an annual assessment of Board performance. Part of the engagement is to facilitate a peer and self-evaluation process on the Board, Board Committees, and individual directors. The results thereof are then tallied and reported to the Board. BDOLF is considered as one of the model enterprises for corporate governance in the Philippines. The results of the 2021 Board evaluation and self-assessment showed positive feedback from the Board, Board Committees and individual directors and showed that the Board has been effective and is perceived to have a good mix or diversity given the wide range of experience from various disciplines which enables the Board to function in accordance with its mandate. Priority areas were also identified to further improve the conduct of its business.

BDOLF likewise was a recipient of the Golden Arrow recognition from the ICD based on the 2019 ASEAN Corporate Governance Scorecard (ACGS). The Golden Arrow recognition is a vote of confidence and trust on BDOLF's adherence to good corporate governance.

Continuing Education for Directors

The continuing education program for directors is an ongoing process to ensure the enhancement of their skills and knowledge. Every year, all directors and key officers are given updates and briefings, and are required to attend a corporate governance seminar on appropriate topics to ensure that they are continuously informed of the developments in the business and regulatory environments, including emerging opportunities and risks in the industry. All directors of BDOLF complied with the annual corporate governance training requirement of four (4) hours for 2021. All directors of BDOLF attended the in-house corporate governance seminar facilitated by Gartner Executive Programs last September 1, 2021. It concentrated on the impact of geopolitics on digital business, design and delivery for customer facing digital products and digital leadership.

Succession Planning

Succession planning for the Board and senior management is an important part of the governance process. The Corporate Governance Committee reviews the succession framework and leadership development plans for senior management, which are subsequently approved by the Board. As part of the periodic review, the succession framework is updated and training programs are conducted accordingly.

Remuneration

Our Remuneration policy is geared towards attracting, retaining and motivating employees and members of the Board. The remuneration framework for senior management includes fixed pay, bonuses and the Employee Stock Option Plan (ESOP) as a long term incentive program. A claw back mechanism is in place, where the benefits and rights accruing from the ESOP can be revoked or forfeited, if the eligible employee is terminated from service for cause or in the event of

imposition of an administrative or disciplinary sanction or penalty against the eligible employee at any time during and after the vesting period prior to exercise. It is linked to corporate and individual performance, based on an appraisal of senior management. The five (5) most highly compensated officers are the President, and four (4) First Vice Presidents. All qualified employees may be entitled to an annual merit increase in salary, based on their performance for the immediately preceding year. This has a long-term and compounding effect to the fixed pay, which serves as basis for their retirement benefit. Non-Executive Directors (NEDs) receive per diem for attending board and committee meetings. In addition, the Company grants director fees other than per diem in accordance with law to ensure that the remuneration is commensurate with the effort, time spent and responsibilities of NEDs. There is no distinction on the director's fee for a committee chairman or member.

Dividends

The Company recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. The payment of dividends entails prior board approval of the amount, record and payment dates as recommended by Management based on the BSP, PSE, and SEC rules on declaration of cash dividends. Upon Board approval, necessary disclosures are made in compliance with regulatory requirements. Upon disclosure of a cash dividend declaration, a trading blackout on BDOLF shares is imposed upon BDOLF directors and officers. Dividends are paid within 30 days from date of declaration. The full dividend policy statement is published in the corporate website. Since the company is still in transition, no dividend was paid in 2021.

Related Party Transactions

The Company has established policies and procedures on related party transactions (RPTs) in accordance with BSP and SEC regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention of management potential or actual conflicts of interest, adoption of materiality thresholds, internal limits for individual and aggregate exposures, whistle-blowing mechanisms, and restitution of losses and other remedies for abusive RPTs. The RPT Committee reviews and endorses to the Board for final approval all material RPTs. The Related Party Transactions policy ensures that every related party transaction is conducted in a manner that will protect the Company from any potential conflict of interest. The policy also covers the proper review, approval, ratification and disclosure of transactions between the Company and any of its related parties in compliance with legal and regulatory requirements. The policy also requires that any member of the RPT Committee who has a potential interest in any related party transaction shall abstain from the discussion and endorsement of the related transaction. Likewise, any member of the Board who has interest in the transaction must abstain from the deliberation and approval of such related party transaction. Related party transactions, whose value may exceed 10% of the Company's total assets, require review of an external independent party to evaluate the fairness of its terms and conditions and approval of 2/3 vote of the Board, with at least a majority of the independent directors voting affirmatively. The full version of the Related Party Transactions Policy is published in our corporate website at https://www.bdo.com.ph/sites/default/files/pdf/corporate_governance/Related-Party-Transaction%28RPT%29-Policy-as-of-October-2019.pdf.

Chairperson of the Board

The Chairperson is primarily responsible for leading the Board and ensuring its effectiveness. She provides leadership to the Board, fosters constructive relationships between directors, promotes an

open environment for critical discussions and constructive debate on key issues and strategic matters, and ensures that the Board of Directors exercises strong oversight over the Company's business and performance of senior management. She takes a lead role in ensuring that the Board provides effective governance of the Company and continues to operate at a very high standard of independence with the full support of the directors.

Board Committees

The Board has established six (6) committees to help in discharging its duties and responsibilities. These committees derive their authority from, and report directly to, the Board. Their mandates and scopes of responsibility are set forth in their respective Terms of Reference, which are subjected to annual review and may be updated or changed in order to meet the Board's needs or for regulatory compliance. The number and membership composition of committees may be increased or decreased by the Board as it deems appropriate, consistent with applicable laws or regulations specifically on the majority membership and chairmanship of independent directors in various committees. As of December 31, 2021, five (5) of the six (6) board-level committees are chaired by independent directors.

The standing committees of the Board are as follows:

Executive Committee

- Exercises the power of the Board in the management and direction of the affairs of the Company.
- Acts as the main approving body for loans, credits, advances or commitments and property-related proposals.
- Reviews and recommends for Board approval major credit policies, including delegation of credit approval limits.

The Committee approved and adopted revisions in its Terms of Reference (TOR).

Audit Committee

- Empowered by the Board to oversee the financial reporting process, system of internal control and risk management systems, internal and external audit functions, and compliance with 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 publicly listed companies;
- On internal control and risk management, it monitors and evaluates the adequacy, soundness and effectiveness of the Company's established internal control and risk management systems, policies and procedures including implementation across all units of the Company 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 internal and external auditors, remuneration, approval of terms of audit engagement and payment of fees. It reviews non-audit work of external auditors, if any, ensuring that it would not conflict with their duties or may pose a threat to their independence. It approves the annual audit plan and reviews audit results 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. Annually, it evaluates the performance of the Chief Internal Auditor and internal and external audit functions;

- On compliance, it recommends the approval of the Compliance Charter and reviews annually the performance of the Chief Compliance Officer and the compliance function. It also reviews the annual plans of the Compliance Unit and evaluates the effectiveness of the regulatory compliance framework of the Company to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the BSP and other regulators including replies to such reports for endorsement to the Board for approval.

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

On financial reporting, the Board Audit Committee (BAC) 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 March 1, 2021, it endorsed for approval of the Board the audited financial statements as of December 31, 2020 including the Notes to the Financial Statements. This was approved by the Board and disclosed to the public on March 2, 2021, 61 days from the financial year-end. It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The related internal controls on financial reporting process and compliance with accounting standards, were likewise reviewed.

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

On external audit, it ensured the independence, qualification, and objectivity of the appointed external auditor, which is accredited by the BSP and SEC. On April 28, 2021, it approved and endorsed for approval of the Board the re-appointment of the Bank's external auditor. It reviewed and discussed the content of the engagement letter, audit plan, scope of work, focus areas, composition of engagement team among others, prior to the commencement of audit work. It comprehensively discussed the external audit reports, focusing on internal controls, risk management, governance and matters with financial impact particularly on the changes in accounting and reporting standards. It reviewed Management's Letter as well as Management's response and action taken on the external auditor's findings and recommendations.

On regulatory compliance, it monitored the submission of regulatory and prudential reports, It also reviewed regulatory compliance reports to ensure that the Company complies with the relevant regulatory requirements.

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2020 performance based on its Terms of Reference. The BAC likewise evaluated

the performance of Internal Audit, Compliance and AML department, and External Audit to ensure the effectiveness and achievement of objectives. The BAC also approved and adopted revisions to the Terms of Reference (TOR) of the Committee.

The BAC reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems of the Company based on the report and unqualified opinion obtained from the External Auditor, the overall assurance provided by the Chief Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across BDOLF.

Corporate Governance Committee

- Primarily tasked to assist the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Company;
- Annually, it also oversees the performance evaluation of the Board of Directors, its committees, executive management, peer evaluation of directors, and conducts a self-evaluation of its performance. It provides an assessment of the outcome and reports to the Board the final results of the evaluation including recommendations for improvement and areas to focus on to enhance effectiveness;
- Oversees the continuing education program for directors and key officers and proposes relevant training for them.

During the year, the Corporate Governance Committee facilitated the compliance of the directors of the Company with the regulatory requirement for an annual corporate governance seminar for Directors as part of their continuing education. The seminar focused on the Impact of Geopolitics on digital business, design and delivery for digital products and digital leadership. The Committee continuously monitored the Company's compliance with local and international corporate governance standards. It reviewed and endorsed for Board approval the Company's 2020 Integrated Annual Corporate Governance Report to the SEC, which documents the Company's compliance with the SEC Code of Corporate Governance. It also spearheaded the independent annual Board evaluation survey covering the performance in 2020 of the Board of Directors, Board Committees, Senior Management, each Director, and Board Advisor.

The Committee also approved and adopted the Revised Corporate Governance Manual, the Corporate Governance Report and the Sustainability Report for the SEC Form 17-A Annual Report submission. The CGC also approved and adopted revisions to the Terms of Reference (TOR) of the Committee.

Risk Management Committee

- Is responsible for the oversight of the enterprise risk management program of the Company.
- Is responsible for approving risk appetite levels, risk management policies, and risk tolerance limits to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite. It approves the appropriate strategies for managing and controlling risk exposures, including preventing and/or minimizing the impact of losses if risk becomes real.
- Oversees the implementation and review of the risk management plan, including the system of limits of discretionary authority delegated by the Board of Directors to management under its purview and ensures that immediate corrective actions are taken

- whenever limits are breached.
- Is responsible for evaluating the continued relevance, comprehensiveness and effectiveness of the risk management framework.
- Is also responsible for the appointment/selection, remuneration, performance evaluation, and dismissal of the Chief Risk Officer, and shall ensure that the risk management function has adequate resources and effectively oversees the risk taking activities of the Company.
- Works with the Audit Committee in certifying in the Annual Report the adequacy of the Company's risk management systems and controls.

During the year, the Committee also approved revisions to the Terms of Reference (TOR) of the Risk Management Committee.

Nominations Committee

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

During the year, the NomCom reviewed and endorsed to the Board the various Executive and Director appointments, and approved revisions to the Committee's Terms of Reference (TOR).

Related Party Transactions Committee

- Assists the Board in its oversight of the conduct of all Related Party Transactions (RPTs) to protect the interests of the Company and its stakeholders;
- Ensures proper disclosure of all approved material RPTs in accordance with applicable legal and regulatory requirements .

During the year, the RPTC confirmed the non-material RPT transactions in 2020, and, also approved and adopted revisions to the Terms of Reference (TOR) of the Committee.

Independent Control Functions

Compliance

BDOLF's Compliance Unit, thru the Compliance Officer (CO), oversees the design of the Compliance System and the overall compliance framework of the Company executed through a Compliance Program, and promotes their effective implementation. BDOLF Compliance Unit reports to and is under the direct supervision of the Board Audit Committee. It is responsible for overseeing, coordinating, monitoring and ensuring compliance of the Company with existing laws, rules and regulations through the implementation of the overall compliance system and program

in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training. BDOLF's Compliance System forms the processes, people, policies and other components that, as an integral unit, ultimately drive the Company's initiatives to conform to industry laws, regulations and standards. In line with the Company's initiatives is its commitment to ensure that activities of the Company and its personnel are conducted in accordance with all applicable laws and regulations and industry standards, and this commitment to compliance serves to protect the Company and its stakeholders.

BDOLF Compliance Unit also focuses on the enforcement of the Company's Anti-Money Laundering (AML), Counter-Terrorist Financing (CTF) Program, and Combating Proliferation Financing (CPF), in accordance with the Anti-Money Laundering Law as amended; Terrorism Financing Prevention and Suppression Act, and Anti-Terrorism Act (ATA) and their respective Implementing Rules and Regulations (IRRs). The Company also adheres with BSP and Anti-Money Laundering Council (AMLC) Rules, Regulations and Directives. The AML Program of the Company is articulated in the Company's Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, which covers AML/CTF/CPF policies and information such as: (i) customer on-boarding, (ii) customer risk assessment and due diligence, (iii) handling and monitoring of clients and their transactions, (iv) Covered and Suspicious reporting, (v) record-keeping, (vi) AML/CTF training (vii) AML System and technology platforms, and (vii) Institutional Risk Assessment. Compliance Unit likewise oversees the investigation of suspicious transactions under the auspices of the AML Committee that is comprised of select key senior officers of the Company.

BDOLF Compliance Unit and its compliance program endeavors to protect the Company's franchise, manage compliance risks and simultaneously supports the business goals and growth of the Institution by providing appropriate compliance insights and regulatory guidance to safeguard the Company and its stakeholders.

Internal Audit

The Internal Audit Function covers the entire BDO Group including subsidiaries. It adheres to the principles required by the ISPPIA (International Standard for the Professional Practice of Internal Auditing), COSO Internal Control -Integrated Framework, COBIT5 (Control Objectives for Information and Related Technology), the Internal Audit Definition and Code of Ethics.

It provides assurance and a systematic, disciplined approach to evaluate and improve effectiveness of risk management, internal control, and governance processes. Upholding a commitment to integrity and accountability, Internal Audit provides value to senior management and governing bodies as objective source of independent advice.

Internal Audit reports to the Board of Directors through the Board Audit Committee (BAC) (parent bank and respective subsidiaries). It seeks BAC approval for the annual audit plan, provides updates on accomplishments, reports results of audit conducted and tracks resolution of audit findings.

Consumer Protection Practices

BDOLF's financial consumer protection framework is anchored on disclosure and transparency, protection of client information, fair treatment, effective recourse, and financial education and awareness. The framework ensures that consumer protection practices are embedded in our business and considered in the development and implementation of our products and services.

The Board is primarily responsible in maintaining an effective oversight on the Company's consumer protection policies and programs. Senior management implements the Board-approved strategy and ensures that control mechanisms are in place.

BDOLF's Consumer Assistance Management System reflects the Company's commitment that customers are treated fairly, honestly, and professionally at all stages of their relationship with the Company.

Since the leasing and financing business of BDOLF already ceased in October 2020, there were no customer cases reported for 2021.

Data Privacy

The Company has in place a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Company's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). The Company appointed a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). The Data Privacy Policy, Privacy Statement, and Breach Reporting Procedures were established, including the templates for Consent, Data Sharing Agreement, and Outsourcing Agreement.

Compliance with the SEC Code of Corporate Governance

Publicly-listed companies are advised to disclose in their Annual Report the company's compliance with the Code of Corporate Governance and where there is non-compliance, to identify and explain the reason for such issue. We confirm that as of December 31, 2021, the Company has substantially complied with the recommendations of the Code except for the following: 1) Policy on retirement age of directors; 2) Disclosure of executive remuneration on an individual basis; 3) voting system for majority of non-related party shareholders to approve material related party transactions during shareholders meeting; 4) voting mechanism such as supermajority or "majority of minority" to protect the minority shareholders against actions of controlling shareholder; 5) Non-holding of executive sessions with the Heads of the Control Functions (i.e. Internal audit, compliance and Risk management functions) by Non-Executive Directors; 6) Term Limit of Independent Directors; 7) Ratification by the stockholders of the re-appointment of the external auditor.

On the retirement age of directors, the Board recognizes the fact that chronological age is not the main factor in determining effectiveness of the director in discharging his duties and responsibilities. The wisdom of senior directors is a valuable asset. The Board derives much benefit from their counsel and will continue to utilize them for the benefit of all its Stakeholders. Age discrimination is discouraged by law, as once a director has been elected, removal due solely to age is prohibited. In this regard, the Board decided to hold in abeyance the implementation of a retirement age policy for directors and instead review the individual director's potential contribution to the Company and its Stakeholders, and decide on that basis.

On the voting system for material related party transactions by majority of non-related parties, although a formal voting system is not in place, material RPTs are presented during the annual stockholders meeting, together with the other acts of the Board for ratification by stockholders.. The majority of non-related party shareholders thereby are afforded the mechanism to exercise their votes on material related party transactions.

Similarly, the Company affirms the voting rights of the minority shareholders relative to major corporate acts requiring the approval of at least 2/3 of the shareholders. Moreover, in accordance

with law, the Company recognizes and respects the appraisal right of any shareholder in case of dissenting vote on any approved major corporate actions as applicable. As additional mechanisms to protect minority shareholders, the Company has in place its Related Party Transactions Policy to protect against improper conflict of interest, Personal Trading Policy to prevent insider trading and Whistle Blower to provide a channel for reporting of illegal practices, abuse of authority and fraudulent activity, etc. without fear of reprisal.

In light of the cessation of the Company's leasing and financial operations in 2020, no executive sessions with the Heads of Control Functions (i.e. Internal audit, compliance and Risk management functions) and the Non-Executive Directors were held for the year while the Company is in transition.

On the Term Limit of Independent Directors, Independent Directors Ma. Leonora de Jesus and Atty. Jesse Andres reached the tenor limit of nine years on January 1, 2021. Ms. de Jesus and Atty. Andres are currently serving on holdover capacity in view of the postponement of the Company's 2021 Annual Stockholders' Meeting due to the following as previously disclosed to the public: The ASM deferment is in consideration of the following:

1. Pending request for reconsideration of the order of suspension by the Securities and Exchange Commission (SEC); and
2. The conversion of BDOLF to a holding company and the pending request for the surrender of its secondary license with the SEC.

The next election of directors will be held on the 2022 Annual Stockholders' Meeting scheduled on 20 April 2022.

Finally, the proposed ratification by the stockholders of the re-appointment of the external auditor will also be similarly presented during the upcoming ASM in view of the above postponement of 2021 Annual Meeting.

Looking Ahead

While the Company has already ceased its leasing and financing operations in October 2020 as approved by the Board of Directors and stockholders, the Company's strategic direction is to convert BDOLF into a holding company upon approval by regulators, for investment purposes or, depending on the terms of outstanding offers, pursue the sale of its shares with prospective buyers. As part of the BDO Unibank Group, the Company plans to continue to look at ways to optimize the use of new technologies to strengthen our corporate governance practices while remaining vigilant on the risk of digitization to our business. 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 Company. This is essential going forward as we continue to compete and remain relevant to our various stakeholders. Globally, there is also an increasing call for companies to support the UN Sustainable Development Goals as part of sustainable business performance with emphasis on strategies that promote economic growth, environmental protection, efforts that address a range of social needs and a governance model that considers sustainability issues. The BDO Group continues to be mindful of these and creating a positive impact on sustainability as it continues to report annually on its sustainability performance and contribution to the UN Sustainable Development Goals.

The Company conducts regular monitoring of its and its directors and officers' compliance with its Revised Corporate Governance Manual embodying the pillars best practices of corporate governance as described above. The Company submits every year its Integrated Annual Corporate

Governance Report, which shows that it has substantially complied with the recommendations under the Code of Corporate Governance for Publicly-Listed Companies. The same is also discussed in detail in the Company's Annual Report (SEC Form 17-A).

The Company also keeps itself abreast of relevant regulatory issuances and requirements and global best practices and familiarizes itself with updates and trends even before they are required by local regulations. This is part of the continuing efforts to improve corporate governance of the Company.

NOTE: BDOLF will provide to its stockholders free of charge printed copies of the Company's Annual Report (SEC Form 17-A) upon written request addressed to the Office of the Corporate Secretary at 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City.

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E. SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Makati on 14 March 2022.

BDO LEASING AND FINANCE, INC.

By:



JOSEPH JASON M. NATIVIDAD
Corporate Secretary

ANNEX A



**P&A
Grant Thornton**

FOR SEC FILING

Financial Statements and
Independent Auditors' Report

BDO Leasing and Finance, Inc.

December 31, 2021, 2020 and 2019

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

The management of **BDO Leasing and Finance, Inc.** (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.

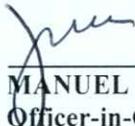
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or 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 members 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: 
MANUEL Z. LOCSIN JR.
Officer-in-Charge

Signature: 
LUIS S. REYES JR.
Treasurer

Signed this 28th day of February 2022

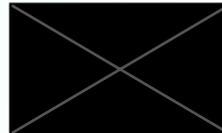
MAR 07 2022

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

NAMES

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

SSS NUMBER



JOB. NO. 65
PAGE NO. 14
BOOK NO. VIII
SERIES OF 202

KIM BRIGUERA-DACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 0204-20
UNTIL JUNE 30, 2022 (B.M. 3795)
IBP LIFETIME ROLL NO. 1010007
PTR NO. 4887544 / 1-3-22 / MANDALUYONG
MCLE NO. VI-0004637
29TH FLR., BDO CORPORATE CENTER ORTIGAS
18 ADB AVE., MANDALUYONG

BDO Leasing and Finance, Inc.
39/F BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City 1554
Tel +632 8688-1288 loc. 65819/65175/45303

Report of Independent Auditors

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

T +63 2 8988 2288

The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of BDO Leasing and Finance, Inc., (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, 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, 2021, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 each of the three years in the period ended December 31, 2021 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.

Material Uncertainty Related to Going Concern

Without qualifying our audit opinion, we draw attention to Notes 1 and 14(q) to the financial statements, which provides relevant information on the restructuring of BDO Unibank Group's leasing business that led to the disposal and assignment of substantially all assets and liabilities of the Company to wind down its leasing and financing operations as of October 16, 2020 and transfer it to BDO Finance Corporation. The disposal of substantially all the Company's assets and liabilities, and transfer of the leasing and financing business resulted in a material uncertainty and significant doubt on the Company's ability to continue as a going concern. However, as stated also in Note 1 to the financial statements, the Company will be re-purposed into a listed holding company of the BDO Unibank Group, upon approval by the regulators. The Company has sufficient liquid assets (in the form of cash and investment in unit investment trust fund) to fund future investments. As of December 31, 2021, the Company is still waiting for the approval of regulators for its application for a license as a holding company. In connection with our audit, we have performed audit procedures to evaluate management's plans and actions as to likelihood of the situation and as to feasibility under the circumstances. Accordingly, the Company's financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. Our opinion is not modified in respect to this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Company's SEC Form 20-1S (Definitive Information Statement), SEC Form 17-A, and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS, SEC Form 17-A and Annual Report 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 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 within the Company 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

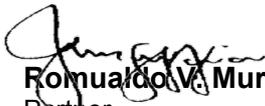
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation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

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. As discussed in Note 15 to the financial statements, the Company presented the supplementary information required by the Bureau of Internal Revenue (BIR) under the Revenue Regulations (RR) No. 15-2010 in a supplementary schedule filed separately from the basic financial statements. RR No. 15-2010 requires the supplementary information to be presented in the notes to the financial statements. The supplementary information for the years ended December 31, 2021 and 2020 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 19 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by the BIR and BSP 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 SEC. 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.

The engagement partner in the audit resulting in this independent auditors' report is Romualdo V. Murcia III.

PUNONGBAYAN & ARAULLO


By: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 23, 2022

Supplemental Statement of Independent Auditors

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

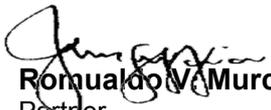
T +63 2 8988 2288

The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

We have audited the financial statements of BDO Leasing and Finance, Inc., for the year ended December 31, 2021, on which we have rendered the attached report dated February 23, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 1,103 stockholders of the Company's common stock as of December 31, 2021.

PUNONGBAYAN & ARAULLO

By: 
Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
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Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 23, 2022

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> |
|--|--------------|-------------------------------|-------------------------------|
| <u>ASSETS</u> | | | |
| CASH AND CASH EQUIVALENTS | 6 | P 15,204,057 | P 115,984,914 |
| FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS | 7 | 5,877,689,641 | 5,752,692,212 |
| LOANS AND OTHER RECEIVABLES - Net | 8 | 127,392,155 | 127,404,781 |
| OTHER ASSETS - Net | | <u>4,032</u> | <u>13,688</u> |
| TOTAL ASSETS | | <u>P 6,020,289,885</u> | <u>P 5,996,095,595</u> |
| <u>LIABILITIES AND EQUITY</u> | | | |
| ACCOUNTS PAYABLE AND OTHER LIABILITIES | 10 | <u>P 8,157,623</u> | <u>P 27,504,751</u> |
| CAPITAL STOCK | 11 | 2,225,169,030 | 2,225,169,030 |
| ADDITIONAL PAID-IN CAPITAL | | 571,095,676 | 571,095,676 |
| TREASURY SHARES | 11 | (81,776,628) | (81,776,628) |
| RETAINED EARNINGS | 11 | <u>3,297,644,184</u> | <u>3,254,102,766</u> |
| Total Equity | | <u>6,012,132,262</u> | <u>5,968,590,844</u> |
| TOTAL LIABILITIES AND EQUITY | | <u>P 6,020,289,885</u> | <u>P 5,996,095,595</u> |

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|---|----------|---------------------|------------------------|-----------------------|
| CONTINUING OPERATIONS | | | | |
| Income | | | | |
| Unrealized fair value gain on unit investment trust fund (UITF) - net | 7 | P 54,997,429 | P 5,692,212 | P - |
| Interest and discounts | 6, 14 | 30,666 | - | - |
| Gain on redemption of UITF | 7 | - | 123,808 | - |
| Other income | 12 | 2,069,009 | - | - |
| | | <u>57,097,104</u> | <u>5,816,020</u> | <u>-</u> |
| Operating costs and expenses | | | | |
| Taxes and licenses | 15 | 11,388,962 | - | - |
| Directors' fees | | 3,011,111 | - | - |
| Litigation/assets acquired expenses | | 422,292 | - | - |
| Occupancy and equipment-related expenses | | 68,000 | - | - |
| Other expenses | 14 | 4,365,249 | - | - |
| | | <u>19,255,614</u> | <u>-</u> | <u>-</u> |
| Profit before tax | | 37,841,490 | 5,816,020 | - |
| Tax income | 15 | 5,699,928 | - | - |
| Net profit from continuing operations | | 43,541,418 | 5,816,020 | - |
| DISCONTINUED OPERATIONS | | | | |
| Income | | | | |
| Interest and discounts | 6, 8, 14 | - | 1,122,305,523 | 1,984,197,637 |
| Gain on sale of loans and receivables | 8, 14 | - | 509,971,258 | 2,736,443 |
| Other income - net | 7, 12 | - | 140,421,331 | 139,854,955 |
| | | <u>-</u> | <u>1,772,698,112</u> | <u>2,126,789,035</u> |
| Operating costs and expenses | | | | |
| Interest and financing charges | | - | 465,867,521 | 1,276,576,934 |
| Impairment and credit losses - net | 8, 9 | - | 398,845,747 | 63,121,104 |
| Employee benefits | 13 | - | 210,453,680 | 238,589,906 |
| Taxes and licenses | 15 | - | 185,097,953 | 286,403,561 |
| Occupancy and equipment-related expenses | | - | 35,485,971 | 53,423,253 |
| Litigation/assets acquired expenses | | - | 7,965,922 | 12,423,503 |
| Director's fees | | - | 4,411,111 | 5,633,333 |
| Other expenses | 14 | - | 70,528,672 | 110,697,178 |
| | | <u>-</u> | <u>1,378,656,577</u> | <u>2,046,868,772</u> |
| Profit before tax | | - | 394,041,535 | 79,920,263 |
| Tax expense | 15 | - | (147,408,072) | (33,190,029) |
| Net profit from discontinued operations | | - | 246,633,463 | 46,730,234 |
| NET PROFIT | | P 43,541,418 | P 252,449,483 | P 46,730,234 |
| Basic and Diluted Earnings Per Share | | | | |
| for Continuing Operations | 16 | P 0.02 | P 0.01 | P - |
| for Discontinued Operations | 16 | - | 0.11 | 0.02 |
| Basic and Diluted Earnings Per Share | 16 | P 0.02 | P 0.12 | P 0.02 |

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | <u>Notes</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|-------------------|----------------|----------------|
| CONTINUING OPERATIONS | | | | |
| Net profit from continuing operations | P | 43,541,418 | P 5,816,020 | P - |
| Other comprehensive income | | - | - | - |
| Total comprehensive income from continuing operations | | 43,541,418 | 5,816,020 | - |
| DISCONTINUED OPERATIONS | | | | |
| Net profit from discontinued operations | | - | 246,633,463 | 46,730,234 |
| Other comprehensive income (loss) | | | | |
| Items that will not be reclassified subsequently to profit or loss | | | | |
| Fair valuation of equity investments at fair value through other comprehensive income (FVOCI): | | | | |
| Fair value gains during the year | 7 | - | 40,808,298 | 194,831,568 |
| Fair value losses on redemption/disposal of financial assets at FVOCI | 7 | - | (71,036,187) | (3,822,951) |
| Remeasurements of post-employment defined benefit plan | | - | 102,696,179 | (15,694,116) |
| Share in other comprehensive loss of an associate accounted for under equity method | | - | - | (413,403) |
| Tax income (expense) | 15 | - | (27,103,605) | 7,202,944 |
| | | - | 45,364,685 | 182,104,042 |
| Items that will be reclassified subsequently to profit or loss | | | | |
| Fair value gains on disposal of debt instruments at FVOCI | 7 | - | (8,862,126) | - |
| Fair value losses (gains) of debt instruments during the year | | - | (5,725,850) | 42,464,563 |
| | | - | (14,587,976) | 42,464,563 |
| Other Comprehensive Income - net of tax | | - | 30,776,709 | 224,568,605 |
| Total comprehensive income from discontinued operations | | - | 277,410,172 | 271,298,839 |
| TOTAL COMPREHENSIVE INCOME | P | 43,541,418 | P 283,226,192 | P 271,298,839 |

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| Notes | Capital Stock | Additional Paid-in Capital | Treasury Shares, At Cost | Net Accumulated Actuarial Losses | Net Unrealized Fair Value Gains (Losses) on Financial Assets at Other Comprehensive Income | Accumulated Share in Other Comprehensive Income of Associate | Retained Earnings | | | Total Equity |
|--|------------------------|----------------------------|--------------------------|----------------------------------|--|--|----------------------|------------------------|------------------------|------------------------|
| | | | | | | | Reserves | Free | Total | |
| Balance at January 1, 2021 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | P - | P - | P - | P - | P 3,254,102,766 | P 3,254,102,766 | P 5,968,590,844 |
| Total comprehensive income from continuing operations | - | - | - | - | - | - | - | 43,541,418 | 43,541,418 | 43,541,418 |
| Balance at December 31, 2021 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | P - | P - | P - | P - | P 3,297,644,184 | P 3,297,644,184 | P 6,012,132,262 |
| Balance at January 1, 2020 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | (P 71,887,325) | P 41,110,617 | P - | P 141,740,833 | P 2,788,876,263 | P 2,930,617,096 | P 5,614,328,466 |
| Total comprehensive income from continuing operations | 7 | - | - | - | - | - | - | 5,816,020 | 5,816,020 | 5,816,020 |
| From discontinued operations: | | | | | | | | | | |
| Total comprehensive income (loss) | | - | - | 71,887,325 | (41,110,617) | - | - | 246,633,463 | 246,633,463 | 277,410,171 |
| Gain on sale of equity securities classified under FVOCI | 7 | - | - | - | - | - | - | 71,036,187 | 71,036,187 | 71,036,187 |
| Reversal of appropriation | 11 | - | - | - | - | - | (141,740,833) | 141,740,833 | - | - |
| Balance at December 31, 2020 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | P - | P - | P - | P - | P 3,254,102,766 | P 3,254,102,766 | P 5,968,590,844 |
| Balance at January 1, 2019 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | (P 60,901,444) | (P 194,857,272) | P 413,403 | P 146,923,871 | P 2,736,962,991 | P 2,883,886,862 | P 5,343,029,627 |
| From discontinued operations: | | | | | | | | | | |
| Total comprehensive income (loss) | | - | - | (10,985,881) | 235,967,889 | (413,403) | - | 46,730,234 | 46,730,234 | 271,298,839 |
| Reversal of appropriation | 11 | - | - | - | - | - | (5,183,038) | 5,183,038 | - | - |
| Balance at December 31, 2019 | P 2,225,169,030 | P 571,095,676 | (P 81,776,628) | (P 71,887,325) | P 41,110,617 | P - | P 141,740,833 | P 2,788,876,263 | P 2,930,617,096 | P 5,614,328,466 |

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019
(Amounts in Philippine Pesos)

| | Notes | 2021 | 2020 | 2019 |
|---|-------|-----------------|---------------------|---------------------|
| CONTINUING OPERATIONS | | | | |
| Cash flows from operating activities | | | | |
| Profit before tax | | P 37,841,490 | P 5,816,020 | P - |
| Adjustments for unrealized fair value gain on unit investment trust fund (UITF) - net | 7 | (54,997,429) | (5,692,212) | - |
| Gain on redemption of UITF | 7 | - | (123,808) | - |
| Operating loss before changes in operating assets and liabilities | | (17,155,939) | - | - |
| Decrease in loans and other receivables | | 5,718,129 | - | - |
| Decrease in other assets | | 9,655 | - | - |
| Decrease in accounts payable and other liabilities | | (19,347,128) | - | - |
| Cash used in operations | | (30,775,283) | - | - |
| Cash paid for final tax | | (5,574) | - | - |
| Net Cash Used in Operating Activities | | (30,780,857) | - | - |
| Cash flows from investing activities | | | | |
| Placement in UITF | 7 | (70,000,000) | (5,847,000,000) | - |
| Redemption of UITF | 7 | - | 100,123,808 | - |
| Net Cash Used in Investing Activities | | (70,000,000) | (5,746,876,192) | - |
| Decrease in cash and cash equivalents from continuing operations | | (100,780,857) | (5,746,876,192) | - |
| DISCONTINUED OPERATIONS | | | | |
| Cash flows from operating activities | | | | |
| Profit before tax | | - | 394,041,535 | 79,920,263 |
| Adjustments for: | | | | |
| Interest and discounts | 8, 14 | - | (1,122,305,523) | (1,984,197,637) |
| Interest received | | - | 1,178,675,357 | 2,104,428,344 |
| Gain on sale of loans and receivables | 8 | - | (509,971,258) | (2,736,443) |
| Interest and financing charges paid | | - | (491,012,764) | (1,367,663,604) |
| Interest and financing charges | | - | 465,867,521 | 1,276,576,934 |
| Impairment and credit losses | 7, 8 | - | 398,845,747 | 63,121,104 |
| Dividend income | 7, 12 | - | (80,727,007) | (159,434,753) |
| Depreciation and amortization | | - | 22,308,328 | 36,026,615 |
| Equity share in net loss (gain) of a subsidiary and an associate | | - | (21,253,147) | 40,605,481 |
| Gain on sale of investment in a subsidiary | | - | (9,496,552) | - |
| Gain on sale of financial assets at fair value through other comprehensive income (FVOCI) | 7 | - | (8,862,126) | - |
| Gain or loss on sale of property and equipment and investment properties | | - | (6,771,162) | (4,664,216) |
| Day-one gains - net | 12 | - | 22,039 | 88,721 |
| Loss on sale of investment in an associate | | - | - | 27,636,973 |
| Reversal of impairment losses | | - | - | (1,308,934) |
| Operating profit before changes in operating assets and liabilities | | - | 209,360,988 | 108,398,848 |
| Decrease in loans and other receivables | | - | 24,652,064,711 | 9,221,933,511 |
| Decrease in other assets | | - | 138,854,958 | 5,224,907 |
| Decrease in accounts payable and other liabilities | | - | (272,029,465) | (31,288,504) |
| Decrease in lease deposits | | - | (4,627,531,463) | (1,918,227,239) |
| Cash generated from operations | | - | 20,100,719,729 | 7,386,041,523 |
| Cash paid for final taxes | | - | (14,172,235) | (14,379,250) |
| Net Cash From Operating Activities | | - | 20,086,547,494 | 7,371,662,273 |
| Cash flows from investing activities | | | | |
| Proceeds from sale and redemption of financial assets at FVOCI | 7 | - | 3,215,413,313 | 637,158,480 |
| Proceeds from disposal of investment in a subsidiary | | - | 317,500,000 | - |
| Receipt of cash dividends | 7, 14 | - | 297,266,103 | 174,985,575 |
| Proceeds from disposal of property and equipment and investment properties | | - | 220,249,284 | 5,891,115 |
| Addition in investment properties | | - | (46,021,902) | (44,337,534) |
| Acquisitions of property and equipment | | - | (2,980,969) | (2,203,575) |
| Proceeds from disposal of investment in an associate | | - | - | 165,630,000 |
| Net Cash From Investing Activities | | - | 4,001,425,829 | 937,124,061 |
| Cash flows from financing activities | | | | |
| Payments of bills payable | | - | (121,897,018,002) | (157,200,602,791) |
| Availments of bills payable | | - | 103,592,542,469 | 148,781,189,911 |
| Payments on lease liabilities | | - | (27,800,465) | (10,702,593) |
| Net Cash Used in Financing Activities | | - | (18,332,275,998) | (8,430,115,473) |
| Net increase (decrease) in cash and cash equivalent from discontinued operations | | - | 5,755,697,325 | (121,329,139) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | | (100,780,857) | 8,821,133 | (121,329,139) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 115,984,914 | 107,163,781 | 228,492,920 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | P 15,204,057 | P 115,984,914 | P 107,163,781 |

Supplemental Information on Non-cash Investing Activities from Discontinued Operations:

- In 2019, the Company recognized Right of use assets as part of Property and Equipment, and Lease liabilities as part of Accounts Payable and Other Liabilities in accordance with PFRS 16, *Leases*, amounting to P26,958,366 and P27,800,465, respectively. In 2020, all Right of Use assets and Lease liabilities were reversed due to pre-termination of leases.
- In 2019, the Company reclassified certain items of Investment Property account to Non-current assets held for sale under Other Assets - net account amounting to P657,236.

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

1.1 Corporate Information

BDO Leasing and Finance, Inc. (the Company) is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (PSE) on January 6, 1997. It operates as a leasing and financing entity, which provides direct leases, sale and leaseback arrangements and real estate leases. Financing products include amortized commercial loans, installment paper purchases, floor stock financing, receivables discounting, and factoring.

The Company is a subsidiary of BDO Unibank, Inc. (BDO Unibank or Parent Company), a universal bank incorporated and doing business in the Philippines. BDO Unibank offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

As a subsidiary of BDO Unibank, the Company is considered a non-bank financial institution whose operations are regulated and supervised by the Bangko Sentral ng Pilipinas (BSP). In this regard, the Company is required to comply with the rules and regulations of the BSP.

The Company's principal office is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

1.2 Status of Operations

On May 25, 2019, the Board of Directors (BOD) of BDO Unibank approved the restructuring of the leasing business of the BDO Unibank Group. The restructuring of BDO Unibank Group's leasing business was undertaken to optimize the financial needs of clients in light of new accounting standards covering lease transactions, PFRS 16, *Leases*, which took effect on January 1, 2019, requiring leases to be recognized on balance sheet similar to a loan facility. As a result, this made lease transactions a less attractive financing option to corporate borrowers. The volume of the leasing business is expected to be affected going forward, thus, no longer appropriate for a listed company.

Under the restructuring process, BDO Finance Corporation (BDO Finance), a new privately held finance company, was incorporated on December 9, 2019 to provide customers continuing access to lease products and services. BDO Finance started operations on October 19, 2020 and assumed the lease transactions booked in the Company to provide business continuity to existing clients.

Furthermore, the Company sold substantially all its assets to BDO Unibank, BDO Finance and other subsidiaries as part of the restructuring as approved by the Company's BOD on January 31, 2020 and its shareholders on July 21, 2020.

In various dates in 2020, the Company's core loans and receivables and investments were disposed of to related parties as part of the Company's action to address the widening liquidity gap as it winds down its operations during the first months of community quarantine brought by COVID-19 pandemic (see Notes 7 and 8).

On October 16, 2020, the Company assigned irrevocably and absolutely to BDO Finance the Company's residual assets and liabilities, including its ownership of 250,000,000 common shares held in its subsidiary, BDO Rental becoming a wholly owned subsidiary of BDO Finance (see Note 14).

The Company will be re-purposed into a listed holding company of the BDO Unibank Group. The Company has sufficient liquid assets (in the form of cash and investment in unit investment trust fund) to fund future investments after the approval of regulators for its application for a license as a holding company. Accordingly, the financial statements have been prepared assuming that the Company will continue as a going concern entity which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Management has determined that no material uncertainty on the Company exists.

1.3 Approval of Financial Statements

The accompanying financial statements of the Company for the year ended December 31, 2021 (including the comparative financial statements as of December 31, 2020 and for the years ended December 31, 2020 and 2019) were authorized for issue by the Company's BOD on February 23, 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company 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 asset, liability, income and expense. The measurement bases are more fully described in the accounting policies in the succeeding pages.

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents the statement of comprehensive income separately from the statement of income.

In relation to the effective transfer in 2020 of BDO Rental to BDO Finance, the Company has ceased to consolidate the balances from financial statements and has no longer presented consolidated financial statements and the segment reporting in the notes to the financial statements. The amounts presented and the discussion in the succeeding notes pertain only to the financial condition and results of operations of the Company alone.

In relation to the transition of the Company's leasing and financing operations to BDO Finance, separate analyses of continuing operations and discontinued operations were presented in the financial statements particularly for statement of income, statement of comprehensive income and statement of cash flows. Moreover, all notes to the financial statements indicating 2021 balances pertain to continuing operations while the remaining amounts relate to discontinued operations (see also Note 2.7). Further, in 2021 as discussed in the preceding paragraph, the Company has no longer presented consolidated financial statements given that its only subsidiary was already disposed in 2020.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, the functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using the functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

The Company did not adopt amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2021, as it is not applicable to the Company. Discussed below and in the succeeding page are the relevant information about amendments to existing standards subsequent to 2021 which were not adopted early.

- (a) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract* (effective January 1, 2022)
- (b) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, only PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities* which are effective from January 1, 2022, is relevant to the Company
- (c) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective January 1, 2023)
- (d) PAS 1 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective January 1, 2023)

- (e) PAS 8 (*Amendments*), *Accounting Estimates – Definition of Accounting Estimates*
(January 1, 2023)

2.3 Financial Instruments

Financial assets and financial liabilities are recognized when the entity becomes a party to the contractual provisions of the instrument.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are incremental or directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the profit or loss.

(a) *Classification, Measurement and Reclassification of Financial Assets*

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

(i) *Financial Assets at Amortized Cost*

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

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,
- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

Where the business model is to hold assets to collect contractual cash flows, the Company assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement [see Note 3.1(b)].

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss (FVTPL).

The Company's financial assets at amortized cost are presented in the statement of financial position as Cash and Cash Equivalents and Loans and Other Receivables. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less, readily convertible to known amounts of cash.

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

The Company's accounts for financial assets at fair value through other comprehensive income (FVOCI) if the assets meet the following conditions:

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

At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading or as mandatorily required to be classified as FVTPL. The Company has designated all its unit investment trust funds (UITF) as financial assets at FVTPL.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value, including the foreign exchange component, are recognized in other comprehensive income, net of any effects arising from income taxes, and are reported as Net Unrealized Gains (Losses) (NUGL) on Financial Assets at FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in NUGL on Financial Assets at FVOCI account is not reclassified to profit or loss but is reclassified directly to Retained Earnings account, except for those debt securities classified as FVOCI wherein cumulative fair value changes are reclassified to profit or loss.

Any dividends earned on holding equity instruments are recognized in profit or loss as part of Other Income account, when the Company's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and, the amount of the dividend can be measured reliably, unless the dividends clearly represent recovery of a part of the cost of the investment.

(iii) *Financial Assets at Fair Value Through Profit or Loss*

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorized at FVTPL, if any. Further, irrespective of business model, financial assets whose contractual cash flows are not SPPI are accounted for at FVTPL. Also, equity securities are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in the statement of income, if any. The fair values of these financial assets are determined by reference to active market transactions or using a valuation technique where no active market exists.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will take effect only at the beginning of the next reporting period following the change in the business model.

(b) *Effective Interest Rate Method and Interest Income*

Interest income is recorded using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and interest-bearing financial instruments at FVOCI. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR is calculated by taking into account any discount or premium on acquisition, fees and costs that are an integral part of EIR. The Company recognizes interest income using a rate of return that represents the best estimate of a constant rate of return over the expected life of the loan. Hence, it recognizes the effect of potentially different interest rates charged at various stages, and other characteristics of the product life cycle (including prepayments, penalty interest and charges).

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

The Company calculates interest income by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets.

For financial assets that have become credit-impaired subsequent to initial recognition [see Note 2.3(c)], interest income is calculated by applying the effective interest rate to the net carrying amount of the financial assets (after deduction of the loss allowance). If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying a credit-adjusted EIR to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

(c) *Impairment of Financial Assets*

At the end of the reporting period, the Company assesses its expected credit losses (ECL) on a forward-looking basis associated with its financial assets carried at amortized cost and debt instruments measured at FVOCI. No impairment loss is recognized on equity investments. The Company considers a broader range of information in assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

The Company measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments for which they are measured as 12-month ECL:

- debt securities that are identified to have 'low credit risk' at the reporting date; and,
- other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.

For these financial instruments, the allowance for credit losses is based on 12-month ECL associated with the probability of default of a financial instrument in the next 12 months (referred to as 'Stage 1' financial instruments). When there has been a significant increase in credit risk subsequent to the initial recognition of the financial asset, a lifetime ECL (which are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial asset) will be recognized (referred to as 'Stage 2' financial instruments). 'Stage 2' financial instruments also include those loan accounts and facilities where the credit risk has improved and have been reclassified from 'Stage 3'. A lifetime ECL shall also be recognized for 'Stage 3' financial instruments, which include financial instruments that are subsequently credit-impaired, as well as purchased or originated credit impaired (POCI) assets.

The Company's definition of credit risk and information on how credit risk is mitigated by the Company are disclosed in Note 4.3.

Measurement of ECL

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – it is an estimate of likelihood of a borrower defaulting on its financial obligation (see Note 4.3) over a given time horizon, either over the next 12 months (12-month PD) or over the remaining lifetime (lifetime PD) of the obligation.
- *Loss given default (LGD)* – it is an estimate of loss arising in case where a default occurs at a given time (either over the next 12 months or 12-month LGD, or over the remaining lifetime or lifetime LGD). It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral. It is presented as a percentage loss per unit of exposure at the time of default.

- *Exposure at default (EAD)* – it represents the gross carrying amount of the financial instruments subject to the impairment calculation; hence, this is the amount that the Company expects to be owed at the time of default over the next 12 months (12-month EAD) or over the remaining lifetime (lifetime EAD). In case of a loan commitment, the Company shall include the undrawn balance (up to the current contractual limit) at the time of default should it occur, unless the drawdown after default will be mitigated by the normal credit risk management actions and policies of the Company.

The measurement of the ECL reflects: (i) an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; (ii) the time value of money; and, (iii) reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Company's detailed ECL measurement, as determined by the management, is disclosed in Note 4.3.

(d) *Derecognition of Financial Assets*

(i) *Modification of Loans*

When the Company derecognizes a financial asset through renegotiation or modification of contractual cash flows of loans to customers, the Company assesses whether or not the new terms are substantially different to the original terms. The Company considers, among others:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;
- Whether any substantial new terms are introduced that will affect the risk profile of the loan;
- Significant extension of the loan term when the borrower is not in financial difficulty;
- Significant change in the interest rate;
- Change in the currency the loan is denominated in; and/or,
- Insertion of collateral, other security or credit enhancements that will significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Company derecognizes the financial asset and recognizes a “new” asset at fair value, and recalculate a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Company also assesses whether the new financial asset recognized is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments.

Differences in the carrying amount are recognized as gain or loss on derecognition of financial assets in profit or loss. As to the impact on ECL measurement, the expected fair value of the “new” asset is treated as the final cash flow from the existing financial asset at the date of derecognition. Such amount is included in the calculation of cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original EIR of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Company recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognize a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows of the original EIR (or credit-adjusted EIR for POCI financial assets). As to the impact on ECL measurement, the derecognition of the existing financial asset will result in the expected cash flows arising from the modified financial asset to be included in the calculation of cash shortfalls from the existing financial asset.

(ii) *Derecognition of Financial Assets other than Modification*

A financial asset (or where applicable, a part of a financial asset or part of a group of financial assets) is 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and a collateralized borrowing for the proceeds received.

(e) *Classification and Measurement of Financial Liabilities*

Financial liabilities pertain to accounts payable and other liabilities (except tax-related payables).

Financial liabilities are recognized when the Company becomes a party to the contractual terms of the instrument. All interest-related charges are included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

- *Accounts Payable and Other Liabilities* are initially recognized at their fair values and subsequently measured at amortized cost less settlement payments.
- *Dividend Distributions to Shareholders* are recognized as financial liabilities upon declaration by the Company.

(f) *Derecognition of Financial Liabilities*

Financial liabilities are derecognized from 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.

2.4 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 the Company currently has legally enforceable right to set-off 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 a 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.

2.5 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they 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.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the 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, possible inflows of economic benefits to the Company that does 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 the Company 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.

2.6 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.

Treasury shares are stated at the cost of reacquiring such shares.

Net accumulated actuarial losses arise from the remeasurement of post-employment defined benefit plan.

NUGL losses on financial assets at FVOCI pertain to cumulative mark-to-market valuation.

Accumulated share in other comprehensive income of an associate pertains to changes resulting from the Company's share in other comprehensive income of associate or items recognized directly in the associates' equity.

Retained earnings reserves pertain to the appropriation of the Retained Earnings – Free account, brought about by cases when the ECL on 'Stage 1' loan accounts computed under the requirements of PFRS 9, *Financial Instruments* is less than the 1% General Loan Loss Provision (GLLP) required by the BSP. This is in pursuant to BSP Circular No. 1011, *Guidelines on the Adoption of PFRS 9*, which requires financial institutions to set up GLLP equivalent to 1% of all outstanding 'Stage 1' on the statement of financial position. As at December 31, 2020, the Company appropriately reversed such appropriation since all of its loans and receivables subject to 1% GLLP were already sold (see Note 11.5).

Retained earnings free represents all current and prior period results as reported in the statement of income, reduced by the amounts of dividends declared.

2.7 Other Income and Expense Recognition

Revenue is recognized only when (or as) the Company satisfy a performance obligation by transferring control of the promised services to the customer.

A contract with a customer that results in a recognized financial instrument in the Company's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15, *Revenues from Contracts with Customers*. In such case, the Company first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then apply PFRS 15 to the residual part of the contract. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. All finance costs are reported in profit or loss on accrual basis.

Before the restructuring, the Company also earns service fees related to the Company's factoring receivables which are supported by contracts and approved by the parties involved. These revenues are accounted for by the Company in accordance with PFRS 15.

For revenues arising from various financing services which are to be accounted for under PFRS 15, the following provides information about the nature and timing of satisfaction of performance obligations in contracts with customers and the related revenue recognition policies:

- (a) *Service fees* – Service fees related to the factoring of receivables are recognized as revenue at the point when services are rendered, i.e., when performance obligation is satisfied. This account is included under Other Income account in the statement of income.
- (b) *Income from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the control and title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This account is included under Other Income account in the statement of income.

2.8 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI 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.

2.9 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan, defined contribution plan and other employee benefits which are recognized as follows:

(a) Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, 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 reporting period are discounted to their present value.

(b) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of reporting period. They are included in the Account Payable and Other Liabilities account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement. Compensated absences convertible to monetary consideration accruing to employees qualified under the retirement plan are now funded by the Company through its post-employment retirement fund. Accordingly, the related Accounts Payable and Other Liabilities account previously set-up for the compensated absences is reversed upon contribution to the retirement fund.

(c) *Employee Stock Option Plan*

BDO Unibank Group grants stock option plan to its senior officers (from vice president up), including the officers of the Company, for their contribution to the Company's performance and attainment of team goals. The stock option plan gives qualified employees the right to purchase BDO Unibank's shares at an agreed strike price. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management and is determined based on the Company's performance in the preceding year and amortized over five years (vesting period) starting from date of approval of the BOD. The number of officers qualified at the grant date is regularly evaluated (at least annually) during the vesting period and the amount of stock option is decreased in case there are changes in the number of qualified employees arising from resignation or disqualification.

Liability recognized on the stock option plan for the amount charged by the BDO Unibank Group attributable to the qualified officers of the Company is included in Accrued taxes and other expenses under Accounts Payable and Other Liabilities account in the statement of financial position and the related expense is presented in Employee Benefits account under Operating Costs and Expenses in the statement of income (see Notes 10 and 13).

2.10 *Income Taxes*

Tax expense recognized in profit or loss comprises current tax and deferred 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 using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. 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 deductible temporary differences 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 have been enacted or substantively enacted at the end of the 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 the Company 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 the Company 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.

2.11 Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to equity holders of the Company by the weighted average number of common shares subscribed and issued during the year, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period. The Company does not have dilutive common shares.

2.12 Related Party Transactions and Relationships

Related party transactions are transfer of resources, services or obligations between the Company 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 parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and (d) the Company's retirement plan.

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

Transactions amounting to 10% or more of the total assets based on the latest audited consolidated financial statements that were entered into with related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the board of directors, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited consolidated financial statements, the same board approval would be required for the transaction(s) that meets and exceeds the materiality threshold covering the same related party.

2.13 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the 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 JUDGEMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgements and estimates that affect the amounts reported in the financial statements and related notes. Judgements 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.

3.1 Critical Management Judgements in Applying Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

(a) Evaluation of Business Model Applied in Managing Financial Instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument, or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

If more than an infrequent sale is made from a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with the HTC business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

In relation to the BDO Unibank Group's leasing business, in various dates in 2020, the Company disposed of all core loans and receivables as it wound down its operations (see Note 1.2). Such disposal is not consistent with the HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2020, further evaluation of the Company's HTC business model is no longer done (see Note 7). No similar transaction transpired in 2021.

(b) *Testing the Cash Flow Characteristics of Financial Assets and Continuing Evaluation of the Business Model*

In determining the classification of financial assets under PFRS 9, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made from portfolio of financial assets carried at amortized cost, if any, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows.

In 2020, there were disposals made by the Company [see Notes 1.2, 3.1(a) and 7]. No similar transaction transpired in 2021.

(c) *Recognition of Provisions and Contingencies*

Judgement is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.5 and disclosures on relevant provisions are presented in Note 14.

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 each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Estimation of Allowance for ECL*

The measurement of the allowance for ECL on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses).

(b) *Determining Realizable Amount of Deferred Tax Assets*

The Company 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 asset to be utilized. In 2020, the management has derecognized all its deferred tax assets related to the tax bases of assets and liabilities sold and transferred as part of the restructuring of BDO Unibank Group's leasing business. As of December 31, 2021 and 2020, there were unrecognized deferred tax assets or liabilities arising from temporary differences at the end of the reporting period as it is unlikely to be recovered in the future.

4. **RISK MANAGEMENT**

With its culture of managing risk prudently within its capacity and capabilities, the Company will pursue its strategy and business plans to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its regulators.

The Company 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 Company 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 Company's goal is to remain a strong company that is resilient to possible adverse events. Hence, the Company ensures:

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

For credit risk, market risk, and liquidity risk, the Company 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 Company's activities and transactions.

Risk management 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 Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the RMC is responsible for approving risk appetite levels, policies and risk tolerance limits related to credit portfolio risk, market risk, liquidity risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security and cyber-security risk, data privacy risk and social risk to ensure that current and emerging risk exposures are consistent with the Company's strategic direction and overall risk appetite.

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

The Company operates an integrated risk management system to address the risks it faces in its activities.. The Risk Management Unit (RMU), which reports to the RMC, is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Company's activities across the different risk areas (i.e., credit, market, liquidity, interest rate and operational risks, including business continuity risk, IT risk, information security, cyber-security, and data privacy risk, to optimize the risk-reward balance and maximize return on capital. RMU also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the Company is exposed.

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 Company's business. The goal of the risk management process is to ensure rigorous adherence to the Company'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 Foreign Exchange Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates on financial assets arise from a portion of the Company's cash and cash equivalents which are denominated in United States (U.S.) dollars. In August 2021, the Company sold all its dollar denominated cash in bank.

The Company's foreign currency denominated financial assets and financial liabilities translated into Philippine pesos at the closing rate at December 31, 2021 and 2020 pertains only to Cash and cash equivalents amounting to nil and P38,246,601 in 2021 and 2020, respectively.

On December 31, 2020, the currency exchange rates used to translate U.S. dollar denominated financial assets and financial liabilities to the Philippine pesos is approximately P48.02.

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Company's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate. It assumes a +/-19.7% change and +/-16.0% change of the Philippine peso/U.S. dollar exchange rate as on December 31, 2021 and 2020, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months at a 99% confidence level.

The sensitivity analysis is based on the Company's foreign currency financial instruments held at the end of 2020. Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Company's currency risk.

4.2 Interest Rate Risk

On December 31, 2021 and 2020, the Company has no material exposure to changes in interest rates since there are no outstanding loans and other receivables.

4.3 Credit Risk

As of December 31, 2021, the Company's financial assets that are subject to credit risk are related only to cash and cash equivalents and other receivables, in the form of creditable withholding taxes. In general, the Company regularly monitors the credit quality of these financial assets and incorporates this information into its credit risk controls and policies.

In 2020, prior to the disposal of the Company's loans and lease receivables, the Company's financial assets subject to credit risk consisted of lease and loan portfolios, cash and cash equivalents and other receivables. Credit risk is the risk that the counterparty in a transaction may default and arises from lending, treasury, and other activities undertaken by the Company. For loans and lease receivables, the RMU 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 Company's credit policies and procedures are adequate to meet the demands of the business. The Company 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 is secured from the Executive 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.

Loan classification and credit risk rating are an integral part of the Company'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.

In addition to the above, credit portfolio review is another integral part of the Company'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 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 the Company using internal credit ratings.

4.3.1 Credit Quality Analysis

The following table sets out information about the credit quality of its Cash and Cash Equivalents and Loans and Other Receivables. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. In 2021 and 2020, the Company has no financial instruments that are purchased or originated credit impaired assets.

The following table shows the exposure to credit risk as of December 31 for each internal risk grade and the related allowance for impairment:

| | <u>Stage 1</u> | <u>Stage 2</u> | <u>Stage 3</u> | <u>Total</u> |
|----------------------------------|----------------------|----------------|--------------------|----------------------|
| <u>2021</u> | | | | |
| Cash and cash equivalents | | | | |
| Grades AAA to B: Current* | <u>P 15,204,057</u> | <u>P -</u> | <u>P -</u> | <u>P 15,204,057</u> |
| Other receivables | | | | |
| Grades AAA to B: Current* | <u>P 127,392,155</u> | <u>P -</u> | <u>P -</u> | <u>P 127,392,155</u> |
| <u>2020</u> | | | | |
| Cash and cash equivalents | | | | |
| Grades AAA to B: Current* | <u>P 115,984,914</u> | <u>P -</u> | <u>P -</u> | <u>P 115,984,914</u> |
| Other receivables | | | | |
| Grades AAA to B: Current* | <u>P 124,759,367</u> | <u>P -</u> | <u>P 2,645,414</u> | <u>P 127,404,781</u> |

*No expected credit loss allowance

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable institutions with high quality external credit ratings.

4.3.2 Concentrations of Credit Risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (net of allowance) at the reporting date is shown below.

| | <u>2021</u> | | <u>2020</u> | |
|--|--|--|--|--|
| | <u>Cash and Cash Equivalents</u> | <u>Loans and Other Receivables</u> | <u>Cash and Cash Equivalents</u> | <u>Loans and Other Receivables</u> |
| Concentration by sector: | | | | |
| Financial intermediaries | <u>P 15,204,057</u> | <u>P -</u> | <u>P 115,984,914</u> | <u>P -</u> |
| Other community, social and personal activities | <u>-</u> | <u>127,392,155</u> | <u>-</u> | <u>127,404,781</u> |
| | <u>P 15,204,057</u> | <u>P 127,392,155</u> | <u>P 115,984,914</u> | <u>P 127,404,781</u> |

4.3.3 *Amounts Arising from Expected Credit Losses*

At each reporting date, the Company assesses whether Loans and Other Receivables are credit-impaired (referred to as Stages 2 and 3 financial assets). A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. The Company measures credit risk using PD, LGD and EAD.

(a) *Significant Increase in Credit Risk*

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the Company based on changes in credit quality since initial recognition of the financial asset. A financial asset that is not credit-impaired on initial recognition is classified as 'Stage 1', with credit risk continuously monitored by the Company as its ECL is measured at an amount equal to the portion of lifetime ECL that results from possible default events within the next 12 months. If an SICR since initial recognition is identified, the classification will be moved to 'Stage 2' but is not yet deemed to be credit-impaired. Such assessment is based on the following criteria in determining whether there has been a significant increase in credit risk: (i) qualitative indicators, such as net losses, intermittent delays in payment or restructuring; and (ii) quantitative test based on movement in risk rating and PD. The borrowers can be moved to Stage 1 upon completion of the seasoning period which shall be 6 months of continuous payment with no incident of past due.

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

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

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

(i) Credit Risk Grading

The Company allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

The credit grades are defined and calibrated such that the risk of default increases exponentially at each higher risk grade so, for example, the difference in the PD between an AAA and AA rating grade is lower than the difference in the PD between a B and B- rating grade.

(ii) Generating the Term Structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Company collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information from external credit reference agencies is also used. The Company employs statistical models to analyze the data collected and generate the term structure of PD estimates.

(iii) Determining Whether Credit Risk has Significantly Increased

The Company assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the borrower. What is considered significant varies across financial assets of the Company. The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Company's risk management processes that may not otherwise be fully reflected in its quantitative analysis on a timely basis. This will be the case for exposures that meet certain heightened risk criteria, such as net loss, significant drop in risk ratings, and intermittent delays in payments.

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

(b) Definition of Default

The Company considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Company; or,

- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

In assessing whether a borrower is in default, the Company considers indicators that are qualitative (e.g., breaches of covenant) and, quantitative (overdue or non-payment).

Inputs into the assessment of whether a financial instrument is in default as well as their significance may vary over time to reflect changes in circumstances.

(c) *Forward-looking Information*

The Company incorporates FLI into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Company has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The relevant macro-economic variables for selection generally include, but are not limited to, gross domestic product, growth rate, unemployment rate, foreign exchange rate, stock market index, oil prices and interest rates. Predicted relationships between the key macro-economic indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 10 to 15 years.

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

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

(d) *Measurement of ECL*

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

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

The methodology of estimating PDs is discussed in Note 4.3.3(a)(ii) under the heading "Generating the term structure of PD".

LGD is the magnitude of the likely loss if there is a default. The Company estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. LGD estimates are recalibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Company derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Company measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Company considers a longer period. The maximum contractual period extends to the date at which the Company has the right to require repayment of an advance or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

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

(e) *Loss Allowance*

In 2020, the Company performed recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the Company and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the probability of default could either be dictated by their statistical significance in the model or economic significance. Inputs are updated to ensure that models are robust, predictive, and reliable.

The following tables show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument in 2020 (not applicable in 2021).

| | Stage 1 | Stage 2 | Stage 3 | Total |
|---|---------------|---------------|----------------|----------------|
| Receivables from customers – corporate | | | | |
| Balance at January 1 | P 44,467,353 | P 11,404,611 | P 418,366,178 | P 474,238,142 |
| Transfer to: | | | | |
| Stage 1 | 345,251 | (345,251) | - | - |
| Stage 2 | (600,344) | 1,212,754 | (612,410) | - |
| Stage 3 | (5,623,861) | (10,949,041) | 16,572,902 | - |
| Net remeasurement of loss allowance | (5,108,516) | 2,945,516 | 253,235,908 | 251,072,908 |
| New financial assets originated | 6,041,601 | 1,513,566 | 7,712,735 | 15,267,902 |
| Derecognition of financial assets | (39,521,484) | (5,782,155) | (675,875,785) | (721,179,424) |
| Write-offs | - | - | (19,399,528) | (19,399,528) |
| Balance at December 31 | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> |
| Receivables from customers – consumer | | | | |
| Balance at January 1 | P 21,725,851 | P 4,523,626 | P 65,043,023 | P 91,292,500 |
| Transfer to: | | | | |
| Stage 1 | 1,510,692 | (157,518) | (1,353,174) | - |
| Stage 2 | (1,931,663) | 1,931,663 | - | - |
| Stage 3 | (4,408,764) | (3,500,717) | 7,909,481 | - |
| Net remeasurement of loss allowance | 69,041,166 | 56,850,097 | 79,616,481 | 205,507,744 |
| New financial assets originated | 7,004,312 | 3,002,261 | - | 10,006,573 |
| Derecognition of financial assets | (92,941,594) | (62,649,412) | (151,215,811) | (306,806,817) |
| Balance at December 31 | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> |
| Other receivables | | | | |
| Balance at January 1 | (P 198,824) | P - | P 29,147,851 | P 28,949,027 |
| Derecognition of financial assets | 198,824 | - | (29,147,851) | (28,949,027) |
| Balance at December 31 | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> |

As of December 31, 2020, the Company has written-off certain accounts amounting to P19,399,528 (see Note 8). No similar transaction transpired in 2021.

4.3.4 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to fulfill commitments to lend, or to meet any other liquidity commitments. The Company manages its liquidity needs by holding sufficient liquid assets of appropriate quality to meet funding requirements, manage and control liquidity gaps through Maximum Cumulative Outflow (MCO) limits, regular liquidity stress testing to ensure positive cashflow across all identified stress scenarios, and establishment of a Liquidity Contingency Plan, to ensure adequate liquidity under both business-as-usual and stress conditions. The Company carefully monitors scheduled debt servicing payments for short-term and long-term financial liabilities as well as cash outflows due in its day-to-day activities.

Presented below are the financial assets and financial liabilities as of December 31, 2021 and 2020 analyzed according to when these are expected to be recovered or settled.

| | One to Three Months | Three Months to One Year | One to Three Years | More Than Three Years | Total |
|--|---------------------------|--------------------------------|--------------------------|-----------------------------|-----------------------|
| 2021 | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | P 15,204,057 | P - | P - | P - | P 15,204,057 |
| Financial assets at FVTPL | 5,877,689,641 | - | - | - | 5,877,689,641 |
| Loans and other receivables | 127,392,155 | - | - | - | 127,392,155 |
| | <u>P6,020,285,853</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P6,020,285,853</u> |
| Financial liabilities | | | | | |
| Accounts payable and other liabilities | <u>P 8,157,623</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P 8,157,623</u> |

| | <u>One to Three Months</u> | <u>Three Months to One Year</u> | <u>One to Three Years</u> | <u>More Than Three Years</u> | <u>Total</u> |
|---|------------------------------------|---|-----------------------------------|--------------------------------------|-----------------------|
| <u>2020</u> | | | | | |
| Financial assets | | | | | |
| Cash and cash equivalents | P 115,984,914 | P - | P - | P - | P 115,984,914 |
| Financial assets at FVTPL | 5,752,692,212 | - | - | - | 5,752,692,212 |
| Loans and other receivables | <u>127,404,781</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>127,404,781</u> |
| | <u>P5,996,081,907</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P5,996,081,907</u> |
| Financial liabilities | | | | | |
| Accounts payable and other liabilities | <u>P 27,504,751</u> | <u>P -</u> | <u>P -</u> | <u>P -</u> | <u>P 27,504,751</u> |

4.3.5 Write-offs

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery of the financial asset. Indicators that there is no reasonable expectation of recovery include: cessation of enforcement activity; and, where the Company's recovery method is through foreclosure of collateral and the value of the collateral is less than the outstanding contractual amounts of the financial assets to be written-off. The Company still have enforceable right to receive payment even if the financial assets have been written off except in certain cases.

4.4 Price Risk

The Company is exposed to the changes in the market values of financial assets at FVTPL held as of December 31, 2021 and 2020. The Company manages its risk by identifying, analyzing, and measuring relevant or likely market price risks. To manage its price risk arising from its financial assets at FVTPL, the Company does not concentrate its investment in any single counterparty.

If the prices of financial assets at FVTPL changed by +/-0.08% at December 31, 2021, then profit or loss would have increased/decreased by P4,422,221 in 2021. Moreover, if the prices of financial assets at FVTPL changed by +/-0.09% at December 31, 2020, then profit or loss would have increased/decreased by P5,172,300 in 2020. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant.

5. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

5.1 Carrying Amounts and Fair Values by Category

The following table summarizes by category the carrying amounts and fair values of financial assets and financial liabilities. Where fair value is presented, such fair value is determined based on valuation techniques described below.

| | <u>Carrying Amounts</u> | <u>Fair Values</u> |
|---|-------------------------------|-------------------------------|
| <u>2021</u> | | |
| Financial Assets | | |
| At amortized cost: | | |
| Cash and cash equivalents | P 15,204,057 | P 15,204,057 |
| Loans and other receivables | <u>127,392,155</u> | <u>127,392,155</u> |
| | 142,596,212 | 142,596,212 |
| Financial assets at FVTPL | <u>5,877,689,641</u> | <u>5,877,689,641</u> |
| | <u>P 6,020,285,853</u> | <u>P 6,020,285,853</u> |
| Financial Liabilities | | |
| At amortized cost – | | |
| Accounts payable and other liabilities | <u>P 8,157,623</u> | <u>P 8,157,623</u> |
| | | |
| | <u>Carrying Amounts</u> | <u>Fair Values</u> |
| <u>2020</u> | | |
| Financial Assets | | |
| At amortized cost: | | |
| Cash and cash equivalents | P 115,984,914 | P 115,984,914 |
| Loans and other receivables | <u>127,404,781</u> | <u>127,404,781</u> |
| | 243,389,695 | 243,389,695 |
| Financial assets at FVTPL | <u>5,752,692,212</u> | <u>5,752,692,212</u> |
| | <u>P 5,996,081,907</u> | <u>P 5,996,081,907</u> |
| Financial Liabilities | | |
| At amortized cost – | | |
| Accounts payable and other liabilities | <u>P 27,504,751</u> | <u>P 27,504,751</u> |

The methods and assumptions used by the Company in estimating the fair value of the financial instruments are as follow:

(i) *Cash and Cash Equivalents*

The fair values of cash and cash equivalents approximate carrying amounts given their short-term maturities.

(ii) *Loans and Other Receivables*

The estimated fair value of loans and other receivables represents the discounted amount of estimated future cash flow expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

(iii) *Financial Assets at FVTPL*

The fair value of financial assets at FVTPL which is related to unit investment trust fund is determined based on the net asset value per unit as published by the related bank.

(iv) *Accounts Payable and Other Liabilities*

Fair values approximate carrying amounts given the short-term maturities of the liabilities.

5.2 Fair Value Measurement and Disclosures

5.2.1 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 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 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 the Company 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.

5.2.2 Financial Instrument Measured at Fair Value

The following table shows the fair value hierarchy of the Company's class of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2021 and 2020.

| | <u>Note</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---------------------------------|-------------|----------------|-----------------------|----------------|-----------------------|
| <u>December 31, 2021</u> | | | | | |
| Financial assets at FVTPL – | | | | | |
| Unit investment trust fund | 7 | <u>P -</u> | <u>P5,877,689,641</u> | <u>P -</u> | <u>P5,877,689,641</u> |
| <u>December 31, 2020</u> | | | | | |
| Financial assets at FVTPL – | | | | | |
| Unit investment trust fund | 7 | <u>P -</u> | <u>P5,752,692,212</u> | <u>P -</u> | <u>P5,752,692,212</u> |

The Company have no financial liabilities measured at fair value as of December 31, 2021 and 2020.

There were neither transfers made between Levels 1 and 2 nor changes in Level 3 instruments in both years.

5.2.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The following summarizes the fair value hierarchy of the Company'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.

| | <u>Notes</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|--------------|-----------------------------|-------------------|-----------------------------|-----------------------------|
| <u>December 31, 2021</u> | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents | 6 | <u>P 15,204,057</u> | <u>P -</u> | <u>P -</u> | <u>P 15,204,057</u> |
| Loans and other receivables | 8 | <u>-</u> | <u>-</u> | <u>127,392,155</u> | <u>127,392,155</u> |
| | | <u><u>P 15,204,057</u></u> | <u><u>P -</u></u> | <u><u>P 127,392,155</u></u> | <u><u>P 142,596,212</u></u> |
| <i>Financial liabilities:</i> | | | | | |
| Accounts payable and other liabilities | 10 | <u>P -</u> | <u>P -</u> | <u>P 8,157,623</u> | <u>P 8,157,623</u> |
| <u>December 31, 2020</u> | | | | | |
| <i>Financial assets:</i> | | | | | |
| Cash and cash equivalents | 6 | <u>P 115,984,914</u> | <u>P -</u> | <u>P -</u> | <u>P 115,984,914</u> |
| Loans and other receivables | 8 | <u>-</u> | <u>-</u> | <u>127,404,781</u> | <u>127,404,781</u> |
| | | <u><u>P 115,984,914</u></u> | <u><u>P -</u></u> | <u><u>P 127,404,781</u></u> | <u><u>P 243,389,695</u></u> |
| <i>Financial liabilities:</i> | | | | | |
| Accounts payable and other liabilities | 10 | <u>P -</u> | <u>P -</u> | <u>P 27,504,751</u> | <u>P 27,504,751</u> |

There have been no significant transfers among Levels 1 and 2 in the reporting periods.

Summarized below are the information on how the fair values of the Company's financial assets and financial liabilities are determined.

(a) Financial Instruments in Level 1

Cash and cash equivalents consist primarily of funds in the form of Philippine currency notes and coins held in the Company's bank. Cash is measured at face value; hence, the carrying amount approximates the fair value given their short-term maturities. Cash and cash equivalents are tagged under Level 1 since it is fungible and readily available for use.

(b) Financial Instruments in Level 2

The fair value of financial instruments not traded in an active market is determined by using valuation techniques or by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. The Company has no financial instruments measured at Level 2.

(c) Financial Instruments in Level 3

The Company classifies financial instruments such as Accounts payable and other receivables, have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

5.2.4 Fair Value Measurement for Non-Financial Assets

As of December 31, 2021 and 2020 the Company's non-financial asset pertains to Prepaid documentary stamp tax which is measured under Level 3.

5.3 Offsetting of Financial Instruments

Currently, all financial assets and financial liabilities are settled on a gross basis; however, each party of the lease agreement will have the option to settle such amount on a net basis in the event of default of the other party. As such, as of December 31, 2021 and 2020, the Company has no financial assets and liabilities with offsetting arrangement.

6. CASH AND CASH EQUIVALENTS

The Company reported cash and cash equivalents amounting to P15,204,057 and P115,984,914 in 2021 and 2020, respectively.

Cash in banks earn interest at rates based on daily bank deposit rates. Cash equivalents represent a special savings account and time deposit with maturity of 90 days and annual interest rates ranging from 0.05% to 0.06% in 2021, 0.13% to 0.25% in 2020 and 0.3% to 2.0% in 2019.

7. FINANCIAL ASSETS AT FVTPL AND FINANCIAL ASSETS AT FVOCI

In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000 worth of unit investment trust fund (UITF) securities from BDO Unibank's Trust & Investment Group (BDO TIG), respectively. P100,000,000 of which was redeemed on December 29, 2020 resulting in a gain on redemption amounting to P123,808 under Income in the 2020 statement of income from continuing operations (see Note 14). No similar transaction transpired in 2021. For the years ended December 31, 2021 and 2020, such investment earned unrealized fair value gain of P54,997,429 and P5,692,212, respectively, recognized as unrealized fair value gain on UITF account under Income in the statements of income from continuing operations.

As of December 31, 2021 and 2020, the Company has no investments under FVOCI. In various dates in 2020, the Company sold its financial assets at FVOCI as follows (see also Note 14):

| <u>Date of Sale</u> | <u>Financial Asset at FVOCI</u> | <u>Counterparty</u> | <u>Proceeds</u> | <u>Carrying Value</u> | <u>Gain (Loss)</u> |
|---------------------|---------------------------------|---------------------|-----------------|-----------------------|--------------------|
| April 2, 2020 | 8990 Holdings Bonds | BDO Unibank | P 945,434,641 | P 937,220,000 | P 8,214,641 |
| April 6, 2020 | Sta. Lucia Bonds | BDO Unibank | 200,647,485 | 200,000,000 | 647,485 |
| July 22, 2020 | Smart Notes | BDO Life | 1,471,656,187 | 1,400,000,000 | 71,656,187 |
| October 15, 2020 | SMC Shares | BDO Finance | 597,495,000 | 597,495,000 | - |
| October 16, 2020 | Others | BDO Unibank | 180,000 | 800,000 | (620,000) |

In 2020, the Company realized P8,862,126 gain on sale from its debt securities (bonds) classified as FVOCI. Such is presented as part of Other income under discontinued operations (see Note 12). For equity securities classified as FVOCI, gains on sale amounting to P71,036,187 were reclassified directly to Retained Earnings account. No similar transaction transpired in 2021.

Dividend income earned from these financial assets are recorded as Dividend income account under Other Income in the statements of income (see Note 12).

The Company recognized fair value gains (losses) for FVOCI securities amounting to (P39,402,554) and P236,321,518, in 2020 and 2019, respectively (nil in 2021). The fair values of these financial assets have been determined based on quoted prices in active markets and reported in Other income under discontinued operations (see Note 5).

8. LOANS AND OTHER RECEIVABLES

As of December 31, 2021 and 2020, the Company has no outstanding loans and receivables from customers after it has sold and assigned its receivable after the complete restructuring that transpired in 2020. The loans and receivables presented in the statements of financial position amounting to P127,392,155 and P127,404,781 for 2021 and 2020, respectively, pertains mostly to accumulated creditable withholding taxes receivable of the Company.

In 2021, the Company reported interest income from Cash and cash equivalents amounting to P30,666 under Continuing operations. Interest and discounts in the statements of income under Discontinued operations consist of interest on:

| | <u>2020</u> | <u>2019</u> |
|----------------------------------|------------------------|------------------------|
| Loans and receivables financed | P 595,458,462 | P 1,019,341,522 |
| Finance lease receivables | 505,957,993 | 890,983,575 |
| Financial assets at FVOCI | 18,450,224 | 71,451,000 |
| Interest on defined benefit plan | 918,370 | 1,965,727 |
| Cash and cash equivalents | <u>1,520,474</u> | <u>455,813</u> |
| | <u>P 1,122,305,523</u> | <u>P 1,984,197,637</u> |

Interest income recognized under Discontinued operations on impaired loans and receivables amounted to P20,907,570 in 2020 and P16,814,054 in 2019 (nil in 2021).

The changes in the allowance for impairment are summarized below.

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|----------------------|----------------------|
| Balance at beginning of year | P 594,479,669 | P 550,622,724 |
| Impairment losses during the year | 400,553,810 | 63,474,733 |
| Reversal of impairment losses | (975,633,951) | - |
| Accounts written-off | <u>(19,399,528)</u> | <u>(19,617,788)</u> |
| Balance at end of year | <u>P -</u> | <u>P 594,479,669</u> |

The nil amount of allowance reported by the Company is due to the reversal of impairment losses in 2020 as a result of the disposal of related loans and receivables.

As approved by the Company's Related Party Committee and BOD, in various dates in 2020, the Company disposed of its core loans and receivables to BDO Unibank, BDO Life and BDO Finance with aggregate amounts of P14,125,382,405, P1,276,081,451, and P7,669,959,699, respectively, to address the widening liquidity gap during the COVID-19 pandemic and as it winds down operations (see Note 14). Such disposal is not consistent with the Company's HTC business model; however, since there were no remaining core loans and receivables as at December 31, 2021, further evaluation of the Company's HTC business model is no longer performed. The total resulting gain on disposal of core loans and receivables amounted to P509,971,258, which is presented as Gain on sale of loans and receivables under Discontinued operations in the 2020 statement of income (see Note 14). No similar transaction transpired in 2021.

In 2020, the BOD approved the write-off of certain loans and receivable financed and finance lease receivables with a total amount P19,399,528.

9. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment in 2020 are summarized below.

| | <u>Note</u> | | |
|------------------------------|-------------|---|-----------------------|
| Balance at beginning of year | | | |
| Loans and other receivables | 8 | P | 594,479,669 |
| Investment properties | | | 23,626,575 |
| Other assets | | | <u>1,541,913</u> |
| | | | <u>619,648,157</u> |
| Impairment losses-net | | | 400,553,810 |
| Write-offs | | (| 19,399,528) |
| Reversals | | (| 619,011,991) |
| Disposals | | (| <u>381,790,448)</u> |
| | | | <u>(619,648,157)</u> |
| Balance at end of year: | | | |
| Loans and other receivables | 8 | | - |
| Investment properties | | | - |
| Other assets | | | <u>-</u> |
| | | P | <u>-</u> |

There was no impairment recognized in 2021.

10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

| | <u>2021</u> | <u>2020</u> |
|-------------------------------------|---------------------------|----------------------------|
| Accounts payable | P 8,134,698 | P 8,565,592 |
| Accrued taxes and other expenses | 22,122 | 10,605,059 |
| Withholding taxes payable | 803 | 7,552,161 |
| Other liabilities | <u>-</u> | <u>781,939</u> |
| | <u>P 8,157,623</u> | <u>P 27,504,751</u> |

On October 16, 2020, the Company agreed to assign irrevocably and absolutely to BDO Finance certain accounts payables and other liabilities with total carrying amount of P244,591,355 (see Note 14).

In 2020, Other liabilities include, among others, payroll related accounts (SSS payable, HDMF payable and Philhealth payable).

Accounts payable and other liabilities have maturities within one year. Management considers the carrying amounts of accounts payable and other liabilities recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

11. EQUITY

11.1 *Capital Management Objectives, Policies and Procedures*

The Company's capital management objectives are:

- to provide an adequate return to shareholders by pricing products commensurately with the level of risk; and,
- to ensure the Company's ability to continue as a going concern.

The Company sets the amount of capital in proportion to its overall financing structure and the Company manages the capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Company's capital and overall financing as of December 31, 2021 and 2020 are shown below.

| | <u>2021</u> | <u>2020</u> |
|------------------------------------|-------------------------------|------------------------|
| Total equity | P 6,012,132,262 | P 5,968,590,844 |
| Cash and cash equivalents | (<u>15,204,057</u>) | (<u>115,984,914</u>) |
| Net capital | <u>P 5,996,928,205</u> | <u>P 5,852,605,930</u> |
| Overall financing (total equity) | <u>P 6,012,132,262</u> | <u>P 5,968,590,844</u> |
| Capital-to-overall financing ratio | <u>1.00:1.00</u> | <u>0.98:1.00</u> |

As of December 31, 2021 and 2020, the Company complies with this minimum paid-up capital requirement. All branches were already closed and ceased its leasing and financing operations as of December 31, 2020 (see Note 1.2).

11.2 *Preferred Shares*

The Company has 200,000 authorized preferred shares at P100 par value a share with the following features:

- (a) Issued serially in blocks of not less than 100,000 shares;
- (b) No pre-emptive rights to any or all issues on other disposition of preferred shares;
- (c) Entitled to cumulative dividends at a rate not higher than 20% yearly;
- (d) Subject to call or with rights for their redemption, either mandatory at a fixed or determinable date after issue; and,
- (e) Non-voting, except in cases expressly provided for by law.

None of these authorized preferred shares have been issued as of December 31, 2021 and 2020.

11.3 Common Shares

As of December 31, 2021, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718 are issued and outstanding.

11.4 Retained Earnings – Free

The Company's retained earnings are restricted to the extent of the cost of the treasury shares amounting to P81,776,628, share in net earnings of subsidiary and an associate as of the end of the reporting periods.

11.5 Retained Earnings – Reserves

As at December 31, 2020, the Company appropriately reversed the appropriation for GLLP totaling P141,740,833 since all of its loans and receivables subject to 1% GLLP were already sold.

11.6 Track Record of Registration of Securities

On January 6, 1997, the Company was listed with the PSE with 106,100,000 additional common shares and 15,120,000 existing common shares with par value of P1.00 per share. The listing was approved by the SEC in May 1996. As of December 31, 2021, the Company's number of shares registered totaled 3,400,000,000 with par value of P1.00 per share and closed at a price of P1.87 in 2021.

On January 27, 2020, the PSE approved the request of the Company for the voluntary trading suspension of its shares. This is to allow the investing public an equal access to the information about the Share Purchase Agreement entered by BDO Unibank on January 24, 2020 for making informed decisions.

As of December 31, 2021, the trading of the Company's shares remains suspended due to the Order of Suspension issued by the SEC requiring amendment of Company's registration statement. The Company has contested the suspension order on the absence of grounds and has requested the lifting of such as early as February 24, 2020, immediately before the quarantines arising from the pandemic. The Company's request for lifting of the suspension or for guidance from the SEC is still pending resolution with the SEC as of date of release of the 2021 financial statements.

12. OTHER INCOME

In 2021, the Company reported the realized foreign exchange translation gain amounting to P1,550,970, realized gain on sale of dollar-denominated currency amounting to P310,681 (see Note 14), and miscellaneous income amounting to P207,358 reported as Other income under Continuing operations. Other income presented under Discontinued operations for 2020 and 2019 consists of the following:

| | <u>Notes</u> | <u>2020</u> | <u>2019</u> |
|--|--------------|----------------------|----------------------|
| Dividend income | 7 | P 80,727,007 | P 159,434,753 |
| Gain on sale of investment in subsidiary | | 9,496,552 | - |
| Gain on sale of financial assets | 7 | 8,862,126 | - |
| Gain on sale of investment properties | | 6,771,162 | 4,664,216 |
| Day-one gains – net | | 22,039 | 88,721 |
| Loss on sale of investment in an associate | | - | (27,636,973) |
| Miscellaneous – net | 14 | <u>34,542,445</u> | <u>3,304,238</u> |
| | | <u>P 140,421,331</u> | <u>P 139,854,955</u> |

Dividend income pertains to income earned from investments in Smart Note and SMC shares.

Day-one gains – net represent the fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits), net of the day one losses on initial recognition of the residual value receivables under finance lease.

13. EMPLOYEE BENEFITS

Expenses recognized for salaries and employee benefits for the Company under discontinued operations are presented below.

| | <u>Note</u> | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------|----------------------|----------------------|
| Salaries and wages | | P 123,255,227 | P 134,907,121 |
| Bonuses | | 42,555,095 | 46,237,348 |
| Retirement – defined benefit plan | | 18,607,236 | 17,834,293 |
| Fringe benefits | | 12,481,875 | 13,980,197 |
| Social security costs | | 4,910,713 | 4,700,460 |
| Employee stock option plan | 14 | 3,491,587 | 14,824,728 |
| Other benefits | | <u>5,151,947</u> | <u>6,105,759</u> |
| | | <u>P 210,453,680</u> | <u>P 238,589,906</u> |

After the completion of restructuring in 2020, the Company has terminated its employees and transferred its former employees to BDO Finance. In 2021, the Company did not incur any employee benefits expense.

14. RELATED PARTY TRANSACTIONS

The Company's related parties include BDO Unibank, related party under common ownership, key management personnel and the retirement benefit fund as described below.

The summary of the Company's transactions with its related parties in 2021, 2020 and 2019 and is shown below.

| Related Party Category | Notes | Amount of Transaction | | |
|---|----------|-----------------------|-----------------|---------------|
| | | 2021 | 2020 | 2019 |
| Ultimate parent company (BDO Unibank) | | | | |
| UITF placement | 7, (n) | P 70,000,000 | P 5,847,000,000 | P - |
| Unrealized fair value gains | 7, (n) | 54,997,429 | 5,692,212 | - |
| Realized gain on dollar-denominated cash deposits | (r) | 310,681 | - | - |
| Service fees | (f) | 124,900 | 125,200 | 124,600 |
| Interest income on savings and demand deposits | 6, (a) | 30,666 | 1,510,459 | 366,758 |
| Interest expense on bills payable | (b) | - | 11,477,345 | 34,420,535 |
| Interest expense on lease liability | (c) | - | 1,398,636 | 2,197,373 |
| Depreciation | (c) | - | 11,833,555 | 12,987,388 |
| Gain on pre-termination of lease contract | (c) | - | 963,423 | - |
| Management fees | (d) | - | 14,685,000 | 16,020,000 |
| Sale of receivables | (q) | - | 14,125,382,405 | 5,801,302,702 |
| Gain on sale of receivables | (q) | - | 381,866,343 | - |
| Ultimate parent company (BDO Unibank) | | | | |
| Service charges and fees | (e) | - | - | 13,354,500 |
| Sale of financial assets under FVOCI | (q) | - | 1,138,020,000 | - |
| Gain on sale of debt securities under FVOCI | (q) | - | 8,862,126 | - |
| Loss on sale of equity securities under FVOCI | (q) | - | (620,000) | - |
| Employee stock option plan | 2.9, 13 | - | 3,491,587 | 14,824,728 |
| Gain on redemption of UITF | 7, (n) | - | 123,808 | - |
| Sale of foreclosed assets– net | (q) | - | 212,801,131 | - |
| Subsidiary (BDORI)* | | | | |
| Dividend income | (f) | - | 200,000,000 | - |
| Management fees | (d) | - | 330,000 | 360,000 |
| Rent income | (c) | - | 60,500 | 66,000 |
| Under common ownership | | | | |
| Service and charges fees | (g), (k) | - | 2,147,655 | 3,671,102 |
| Interest expense on bills payable | (l) | - | - | 203,274,566 |
| Insurance expense | (m) | - | 244,314 | 833,011 |
| Sale of receivables | (p), (q) | - | 8,946,041,150 | 232,155,542 |
| Gain on sale of receivables | (p), (q) | - | 128,104,914 | 2,736,443 |
| Sale of financial assets under FVOCI | (p), (q) | - | 1,997,495,000 | - |
| Gain on sale of equity securities under FVOCI | (p), (q) | - | 71,656,187 | - |
| Other related parties | | | | |
| Loans | (o) | - | 40,045,801 | 198,710,788 |
| Key management personnel | | | | |
| Short-term benefits | (h) | - | 47,221,000 | 57,406,000 |
| Post-employment benefits | (h) | - | 9,170,953 | 8,304,137 |
| Loans to officers | (h) | - | 1,909,534 | 3,713,735 |

*Only until October 16, 2020

Below is the summary of the outstanding balances with each related party as of December 31, 2021 and 2020.

| <u>Related Party Category</u> | <u>Notes</u> | <u>Outstanding Balance</u> | |
|--|--------------|----------------------------|---------------|
| | | <u>2021</u> | <u>2020</u> |
| Ultimate parent company (BDO Unibank) | | | |
| Savings and demand deposits | 6, (a) | P 15,204,057 | P 115,984,914 |
| UITF | 7, (n) | 5,877,689,641 | 5,752,692,212 |
| Under common ownership | | | |
| Accounts payable | (g) | - | 5,240,246 |
| Retirement benefit fund | | | |
| Shares of stock | (i) | - | 1,642,931 |

- (a) The Company maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2021 and 2020, savings and demand deposit accounts maintained with BDO Unibank are reported as Cash and Cash Equivalents account in the statements of financial position. These deposits generally earn interest at annual rates of 0.06% in 2021 and 0.13% in 2020 and 2019. Interest income earned on these deposits in 2021, 2020 and 2019 is included as part of Interest and Discounts account under Revenues in the statements of income.
- (b) The Company obtains short-term bills payable from BDO Unibank with annual interest rates ranging from 3.0% to 4.8% and 4.6% to 6.8% in 2020 and 2019, respectively. Total bills availments and payments amounted to P1,527,350,000 and P1,521,455,000, respectively, in 2020, and P14,004,560,540 and P14,929,473,235, respectively, in 2019. No outstanding balance as of December 31, 2020. Interest expense incurred on these bills payable in 2020 and 2019 is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income. The Company did not obtain bills payable in 2021.
- (c) The Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from three to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Company and BDO Unibank. The related interest expense incurred on lease liability and depreciation of Right-of-use are included as part of Interest and financing charges and Occupancy and equipment related expenses, respectively, under Operating Costs and Expenses account in the statements of income. Before the restructuring, the Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental is presented as part of Other Income-net account in the Company's statements of income (see Note 12). In 2020, in line with the restructuring process, the Company pre-terminated all its leases with BDO Unibank which resulted in a recognition of gain on pre-termination as part of Miscellaneous income under Other Income account for the 2020 statement of income (see Note 12). There were no outstanding receivables and payables on these transactions as of the end of 2021 and 2020.

(d) In 2019, the Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Company for certain management services that the former provides to the latter. Management fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. Also, the Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income-net account in the Company's statements of income (see Note 12). There are no outstanding receivables and payables on these transactions as of the end of 2021 and 2020.

As part of the restructuring of Company's leasing business, the service level agreement of Company with BDO Unibank was terminated in 2020. Accordingly, the Company also terminated the service level agreement with BDO Rental.

(e) In 2019, the Company sold portion of its receivables to BDO Unibank. The Company charged BDO Unibank for service charges and fees which is presented as part of Other income account in the 2019 statement of income. There were no outstanding receivable and payable on these transactions as of the end of 2021 and 2020.

(f) The Company entered into an agreement with BDO Unibank on stock transfer services. Service fees paid by the Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There were no outstanding receivable and payable on these transactions as of the end of 2021 and 2020.

(g) The Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for services related to the Company's issuance of short-term commercial papers. Service charges and fees paid by the Company to BDO Capital amounting to P94,777 for 2020 and P2,076,200 for 2019 are included as part of Other Expenses account under Operating Costs and Expenses in the statements of income. No similar transaction in 2021 and no outstanding payables on this transaction as of the end of 2021 and 2020.

(h) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of income of the Company. In 2021, the Company has no longer recognized short-term employee benefits because it has no employees after the restructuring of the Company was completed in 2020. On the other hand, the short-term employee benefits amounting to P47,221,000 in 2020 and P57,406,000 in 2019 include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. Further, retirement benefits expense amounted to P9,170,953 in 2020 and P8,304,137 in 2019 (nil in 2021).

In 2020 and 2019, the Company also granted loans to officers, which are secured by mortgage on the property, bear interest at a range a 7.0% to 9.0% per annum, with terms ranging from three to five years. There were no outstanding loans to officers as of December 31, 2021 and 2020.

(i) On October 16, 2020, the Company's retirement fund was transferred to BDO Finance [see Notes 13 and 14(q)]. The retirement fund holds, as an investment, 519,915 shares of stock of the Company as of December 31, 2021 and 2020, which has a market value of P3.16 per share.

(j) In 2020, BDO Rental declared cash dividends amounting to P200,000,000 (received in 2020).

- (k) The Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred amounting to P2,052,878 in 2020 and P1,594,902 in 2019 and are included as part of Miscellaneous under Other Income account in the statements of income (see Note 12). No similar transaction in 2021 and no outstanding payables on this transaction as of the end of 2021 and 2020.
- (l) The Company obtained unsecured, short-term bills payable from BDO Strategic Holdings Inc. and SM Prime Holdings, Inc with annual interest rates ranging from 4.9% to 6.4% and 3.9% to 6.3%, respectively, in 2019 (nil in 2021 and 2020). Total availments and payments amounted to P5,324,300,000 and P6,323,800,000, respectively, in 2019 (nil in 2021 and 2020) for BDO Strategic Holdings Inc. Total availments and payments amounted to P32,000,000,000 and P34,000,000,000 respectively, in 2019 (nil in 2021 and 2020) for SM Prime Holdings, Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the statements of income.
- (m) In 2020, the Company paid BDO Life for group life insurance of the Company's employees. Insurance paid by the Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in the statements of income. No similar transaction transpired in 2021. There were no outstanding receivables and payables on this transaction as of the end of 2021 and 2020.
- (n) In 2021 and 2020, the Company purchased P70,000,000 and P5,847,000,000, worth of UITF from BDO TIG, respectively. The P100,000,000 of the securities purchased in 2020 was redeemed on December 29, 2020 (see Note 7).
- (o) The Company also granted loans to other related parties, which bear interest with a range of 4.2% to 11.0% per annum in 2020 and 2019 (nil in 2021). There were no outstanding loans to other related parties as of December 31, 2021 and 2020.
- (p) In 2019, the Company sold portion of its receivables to BDO Life. In various dates in 2020, in line with the restructuring of BDO Unibank Group's leasing business to optimize the financial needs of clients in line with PFRS 16, the Company sold its core loans and receivables to BDO Life, BDO Finance and BDO Unibank. The related gain on sale of loans and receivables is presented under Revenues in the 2020 statement of income [see Notes 8 and 14(q)]. There is no outstanding receivable on these transactions as of the end of 2020. No similar transaction transpired in 2021.

On various dates in 2020, the Company disposed portion of its financial assets at FVOCI to BDO Unibank and BDO Life. The related gain on sale is presented separately under Revenues in the statements of income (see Note 7) for debt securities while for equity securities gains (losses) were booked to Retained Earnings.

In October 2020, the Company agreed to assign, transfer and convey certain foreclosed assets to BDO Unibank with a total carrying value of P212,801,131 as of September 30, 2020. No gain or loss was recognized in this transaction. There is no outstanding receivable on this transaction as of December 31, 2021 and 2020.

- (q) On various dates in 2020, the Company disposed portion of its core loans and receivables to BDO Finance with aggregate carrying amounts of P7,669,959,699 resulting to a recognition of gain on sale of loans and receivables totaling P89,493,034 which is presented separately under Revenues in the statements of income [see Notes 8 and 14(q)].

On October 12, 2020, the Company sold its 100% ownership interest in BDO Rental to BDO Finance with a total equity value of P308,003,448 which resulted to a recognition of gain on sale of investment in subsidiary totaling P9,496,552 as part of Other income account in the statements of income (see Note 12). On October 15, 2020, the Company sold its SMC preferred shares classified as FVOCI to BDO Finance with aggregate carrying amounts of P597,495,000 (see Note 7). No gain or loss was recognized on the sale. On October 16, 2020, the Company agreed to assign irrevocably and absolutely to BDO Finance certain other assets and other liabilities with total proceeds equal to carrying value of P39,012,330 and P244,591,355 respectively. The transaction resulted to outstanding payable to BDO Finance and is recorded as part of Accounts payable and other liabilities account in the statements of financial position.

The table below summarizes the carrying amounts of other assets and other liabilities sold to BDO Finance on October 16, 2020.

| | <u>Notes</u> | |
|--------------------------------|--------------|----------------------|
| Other Assets: | | |
| Accounts receivables – net | 8 | P 13,723,392 |
| Prepaid expenses | | 3,963,200 |
| Property and equipment – net | | 6,088,373 |
| Retirement assets | 13, 14(i) | 14,358,936 |
| Other intangible asset – net | | 773,234 |
| Other assets | | <u>105,195</u> |
| | | <u>P 39,012,330</u> |
| Other Liabilities: | | |
| Accounts payable | | P 169,082,140 |
| Accrued other expenses payable | | 13,648,196 |
| Unapplied advance payments | | 15,301,329 |
| Deferred income tax payable | | (36,161,681) |
| Other liabilities | | <u>82,721,371</u> |
| | | <u>P 244,591,355</u> |

Other liabilities include, among others, taxes, insurance, mortgage and other fees.

- (r) In 2021, the Company sold dollar-denominated cash deposits amounting to USD796,619 at P50.36 exchange rate (Php40,117,733) to BDO Unibank. This transaction resulted in a realized gain of P310,681 and is recorded as part of Other income account under Continuing operations in the 2021 statement of income (see Note 12).

15. TAXES

15.1 Taxes and Licenses

This account is composed of the following:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|-----------------------|----------------------------|----------------------|----------------------|
| Local taxes | P 9,961,872 | P 13,735,853 | P 13,314,156 |
| Documentary stamp tax | 520,470 | 88,463,570 | 173,366,260 |
| Gross receipts tax | 29,089 | 76,759,057 | 87,651,428 |
| Others | <u>877,531</u> | <u>6,139,473</u> | <u>12,071,717</u> |
| | <u>P 11,388,962</u> | <u>P 185,097,953</u> | <u>P 286,403,561</u> |

15.2 Current and Deferred Taxes

On March 26, 2021, Republic Act (R.A.) No. 11534, *Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act*, as amended, was signed into law and shall be effective beginning July 1, 2020. The following are the major changes brought about by the CREATE Act that are relevant to and considered by the Company.

- regular corporate income tax (RCIT) rate was reduced from 30% to 25% starting July 1, 2020;
- minimum corporate income tax (MCIT) rate was reduced from 2% to 1% starting July 1, 2020 until June 30, 2023; and,
- the allowable deduction for interest expense is reduced from 33% to 20% of the interest income subjected to final tax.

As a result of the application of the lower RCIT rate of 25% starting July 1, 2020, the current income tax expense and income tax payable, as presented in the 2020 annual income tax return (ITR) of the Company, would be lower by P5,726,192 than the amount presented in the 2020 financial statements and such amount was charged to profit or loss.

The components of tax expense (income) from the discontinued operations for the years ended December 31 follow:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|----------------------|---------------------|
| <i>Reported in statements of income</i> | | | |
| Current tax expense: | | | |
| MCIT at 1% in 2021; 2% in 2020 and 2019 | P 20,690 | P 22,753,979 | P 18,335,362 |
| Adjustment in 2020 income taxes due to change in income tax rate | (5,726,192) | - | - |
| Final tax at 20% | <u>5,574</u> | <u>14,172,235</u> | <u>14,379,250</u> |
| | <u>(5,699,928)</u> | <u>36,926,214</u> | <u>32,714,612</u> |
| Deferred tax expense relating to origination and reversal of temporary differences | | | |
| | <u>-</u> | <u>110,481,858</u> | <u>475,417</u> |
| | <u>(P 5,699,928)</u> | <u>P 147,408,072</u> | <u>P 33,190,029</u> |

Reported in statements of comprehensive income

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|-------------------|------------------------------|---------------------------|
| Deferred tax income (expense) on: | | | |
| Net actuarial losses | P - | (P 30,808,854) | P 4,708,235 |
| Unrealized fair value gains on financial assets at FVOCI | <u>-</u> | <u>3,705,249</u> | <u>2,494,709</u> |
| Net deferred tax income (expense) | <u>P -</u> | <u>(P 27,103,605)</u> | <u>P 7,202,944</u> |

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of income follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|--|-----------------------------|-----------------------------|----------------------------|
| Tax on pretax profit at 25% in 2021 and 30% in 2020 and 2019 | P 9,460,373 | P 119,957,266 | P 23,976,079 |
| Adjustment for income subjected to lower tax rate | (2,092) | 5,485,246 | (7,192,794) |
| Adjustment in 2020 income taxes due to change in income tax rate. | (5,726,192) | - | - |
| Tax effects of: | | | |
| Deductible temporary differences not recognized | - | (167,143,718) | (10,991) |
| Reversal of deferred tax liability | - | 110,481,858 | - |
| Unrecognized deferred tax assets on: | | | |
| Net operating loss carry-over (NOLCO) | 3,727,677 | 51,297,526 | - |
| MCIT | 20,690 | 22,753,979 | - |
| Non-deductible interest expense | - | 2,792,167 | 7,683,271 |
| Non-deductible expense | 568,973 | 4,272,394 | 34,985,015 |
| Non-taxable income | <u>(13,749,357)</u> | <u>(2,488,646)</u> | <u>(26,250,551)</u> |
| | <u>(P 5,699,928)</u> | <u>P 147,408,072</u> | <u>P 33,190,029</u> |

In 2020, all net deferred tax assets were derecognized since the management assessed that these will not be realized in the future periods.

The Company has no deferred income in profit or loss or other comprehensive income in 2021. The components of deferred tax income in profit and loss and in other comprehensive income for the years ended December 31, 2020 and 2019 follow:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------------------|---------------------------|
| <i>In profit or loss:</i> | | |
| Deferred tax assets: | | |
| Allowance for impairment on: | | |
| Loans and discounts | (P 93,882,068) | P 393,765 |
| Accounts receivable | (8,684,708) | (382,774) |
| Investment properties and non-current assets held-for-sale | (7,550,547) | (394,088) |
| Retirement benefit obligation | <u>-</u> | <u>(726,407)</u> |
| | <u>(110,117,323)</u> | <u>(1,109,504)</u> |
| Deferred tax liability – Others | <u>(364,535)</u> | <u>634,087</u> |
| Net deferred tax expense | <u>(P 110,481,858)</u> | <u>(P 475,417)</u> |

In other comprehensive income:

| | <u>2020</u> | <u>2019</u> |
|---|-----------------------|--------------------|
| Deferred tax income (expense) on: | | |
| Net actuarial losses | (P 30,808,854) | P 4,708,235 |
| Unrealized fair value gains on financial assets at FVOCI | <u>3,705,249</u> | <u>2,494,709</u> |
| Net deferred tax income (expense) | <u>(P 27,103,605)</u> | <u>P 7,202,944</u> |

The Company is subject to MCIT, which is computed at 1% of gross income, as defined under tax regulations or RCIT, whichever is higher. In 2021, 2020 and 2019, the Company claimed itemized deductions in computing for its income tax due.

In 2021 and in prior years, the Company has not recognized deferred tax assets on certain temporary differences, NOLCO and other tax credits since management believes that the future income tax benefits will not be realized within the availment period, as defined under the tax regulations.

Presented below are the details of the Company's remaining NOLCO, which can be claimed as deductions from taxable income within three to five years from the year the tax loss is incurred.

| <u>Year Incurred</u> | <u>Original Amount</u> | <u>Applied Amount</u> | <u>Expired Amount</u> | <u>Remaining Amount</u> | <u>Valid Until</u> |
|--------------------------|----------------------------|---------------------------|---------------------------|-----------------------------|------------------------|
| 2021 | P 14,910,709 | P - | P - | P 14,910,709 | 2026 |
| 2020 | <u>172,289,847</u> | <u>-</u> | <u>-</u> | <u>172,289,847</u> | 2025 |
| | <u>P187,200,556</u> | <u>P -</u> | <u>P -</u> | <u>P187,200,556</u> | |

Presented below are the details of the Company's remaining MCIT for the years 2021 and 2020.

| <u>Year Incurred</u> | <u>Original Amount</u> | <u>Applied Amount</u> | <u>Expired Amount</u> | <u>Remaining Amount</u> | <u>Valid Until</u> |
|--------------------------|----------------------------|---------------------------|---------------------------|-----------------------------|------------------------|
| 2021 | P 20,690 | P - | P - | P 20,690 | 2024 |
| 2020 | <u>17,027,786</u> | <u>-</u> | <u>-</u> | <u>17,027,786</u> | 2023 |
| | <u>P 17,048,476</u> | <u>P -</u> | <u>P -</u> | <u>P 17,048,476</u> | |

15.3 Supplementary Information Required Under Revenue Regulation (RR) No. 15-2010

The Bureau of Internal Revenue (BIR) issued RR No. 15-2010 which required certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under the Revised Securities Regulation Code Rule 68.

The Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

16. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

| | <u>2021</u> | <u>2020</u> | <u>2019</u> |
|---|----------------------|----------------------|----------------------|
| Net profit from: | | | |
| continuing operations | P 43,541,418 | P 5,816,020 | P - |
| discontinued operations | <u>-</u> | <u>246,633,463</u> | <u>46,730,234</u> |
| Net profit | 43,541,418 | 252,449,483 | 46,730,234 |
| Divided by the weighted average number of outstanding common shares – net* | <u>2,162,475,312</u> | <u>2,162,475,312</u> | <u>2,162,475,312</u> |
| Basic earnings per share | <u>P 0.02</u> | <u>P 0.12</u> | <u>P 0.02</u> |

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2021 and 2020.

17. CONTINGENT LIABILITIES AND COMMITMENTS

In the ordinary course of business, the Company incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2021, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Company's financial position and results of operations.

18. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analyzed according to contractual maturity and settlement dates.

| | <u>2021</u> | | | <u>2020</u> | | |
|---|----------------------------|----------------------------|------------------------|----------------------------|----------------------------|------------------------|
| | <u>Within One Year</u> | <u>Beyond One Year</u> | <u>Total</u> | <u>Within One Year</u> | <u>Beyond One Year</u> | <u>Total</u> |
| <i>Assets:</i> | | | | | | |
| Cash and other cash items | P 15,204,057 | P - | P 15,204,057 | P 115,984,914 | P - | P 115,984,914 |
| Financial assets at FVTPL | 5,877,689,641 | - | 5,877,689,641 | 5,752,692,212 | - | 5,752,692,212 |
| Loans and other receivables – | | | | | | |
| Other receivables | 127,392,155 | - | 127,392,155 | 127,404,781 | - | 127,404,781 |
| Other assets | <u>4,032</u> | <u>-</u> | <u>4,032</u> | <u>13,688</u> | <u>-</u> | <u>13,688</u> |
| | <u>P 6,020,289,885</u> | <u>P -</u> | <u>P 6,020,289,885</u> | <u>P 5,996,095,595</u> | <u>P -</u> | <u>P 5,996,095,595</u> |
| <i>Liabilities:</i> | | | | | | |
| Accounts payable and other liabilities | <u>P 8,157,623</u> | <u>P -</u> | <u>P 8,157,623</u> | <u>P 27,504,751</u> | <u>P -</u> | <u>P 27,504,751</u> |

19. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below are the supplementary information required by the BSP to be disclosed as part of the notes to financial statements based on BSP Circular 1075, *Amendments to Regulations on Financial Audit of Non-Bank Financial Institutions*.

(a) *Selected Financial Performance Indicators*

The following are some indicators of the Company's financial performance:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|-------------|
| Return on average equity: | | |
| $\frac{\text{Net income after income tax}}{\text{Average total capital accounts}}$ | 0.73% | 4.46% |
| Return on average assets: | | |
| $\frac{\text{Net income after income tax}}{\text{Average total assets}}$ | 0.72% | 1.29% |
| Net interest margin: | | |
| $\frac{\text{Net interest income}}{\text{Average interest earning assets}}$ | 0.01% | 10.66% |

(b) *Capital Instruments Issued*

As of December 31, 2021 and 2020, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718, are issued and outstanding.

(c) *Significant Credit Exposures for Loans*

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

(d) *Credit Status of Loans*

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

(e) *Analysis of Loan Portfolio as to Type of Security*

There were no outstanding receivables from customers as of December 31, 2021 and 2020.

(f) *Information on Related Party Loans*

There were no related party loans as of December 31, 2021 and 2020.

There are no assets pledged by the Company as security for liabilities in 2021 and 2020.

(g) *Contingencies and Commitments Arising from Off-balance Sheet Items*

As of December 31, 2021 and 2020, there were no material commitments and contingent accounts arising from transactions not given recognition in the statements of financial position.



**Report of Independent Auditors
to Accompany Supplementary
Information 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 8988 2288

**The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.**

(A Subsidiary of BDO Unibank, Inc.)

39th Floor, BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City

We have audited the financial statements of BDO Leasing and Finance, Inc. for the year ended December 31, 2021, on which we have rendered our report thereon dated February 23, 2022. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary information (see List of Supplementary Information) is presented for purposes of additional analysis in compliance with the requirements of Revised Securities Regulation Code Rule 68, and is not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of the Company's management. 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: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 23, 2022

BDO Leasing and Finance, Inc.
SEC Supplementary Schedules
December 31, 2021

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</u> |
| C | Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements | <u>4</u> |
| D | Long-Term Debt | <u>5</u> |
| E | Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies) | <u>6</u> |
| F | Guarantees of Securities of Other Issuers | <u>7</u> |
| G | Capital Stock | <u>8</u> |

Other Required Information

Reconciliation of Company Retained Earning for Dividend Declaration

Map Showing the Relationship Between the Company and its Related Parties

Schedule of Financial Soundness Indicators

1 Under SEC Rule 68.1, public companies are required to submit only the schedules that are relevant to the company considering the specific requirements for each schedule.

2 Indicate N/A if the schedule is not applicable. For purposes of this Illustrative FS, schedules marked N/A are also presented at the end of this Appendix to provide engagement teams with the templates for the said schedules (see pages 17, 20 & 21).

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule A - Financial Assets
December 31, 2021
(Amount in Philippine Pesos)

| <i>Name of issuing entity and association of each issue</i> | <i>Number of Shares</i> | <i>Amount shown on the balance sheet (ii)</i> | <i>Valued based on the market quotation at balance sheet date (iii)</i> | <i>Income received and accrued (should tally with AIR)</i> |
|--|-------------------------|---|---|--|
| <i>Financial assets at fair value through profit or loss</i> | | | | |
| BDO Unibank Inc. Trust and Investment Group | 5,817,000,000 | 5,877,689,641 | 5,877,689,641 | - |
| GRAND TOTAL | | 5,877,689,641 | 5,877,689,641 | - |
| Total Financial assets at fair value through profit or loss | | 5,877,689,641 | 5,877,689,641 | - |

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2021

(Amount in Philippine Pesos)

| <i>Name and designation of debtor</i> | <i>Type of Loan</i> | <i>Balance at beginning of period</i> | <i>Additions</i> | <i>Deductions</i> | | <i>Ending Balance</i> | | <i>Balance at end of period</i> |
|---------------------------------------|---------------------|---------------------------------------|------------------|--------------------------|----------------------------|-----------------------|--------------------|---------------------------------|
| | | | | <i>Amounts collected</i> | <i>Amounts written off</i> | <i>Current</i> | <i>Not current</i> | |
| | | | | | | | | |

- nothing to report -

BDO LEASING AND FINANCE, INC.

(A Subsidiary of BDO Unibank, Inc.)

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2021

(Amount in Philippine Pesos)

Deductions

| Name and Designation of debtor | Balance at beginning of period | Additions | Amounts collected (i) | Amounts written off (ii) | Current | Non-current | Balance at end of period |
|--------------------------------|--------------------------------|-----------|-----------------------|--------------------------|---------|-------------|--------------------------|
|--------------------------------|--------------------------------|-----------|-----------------------|--------------------------|---------|-------------|--------------------------|

- nothing to report -

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule D - Long-Term Debt
December 31, 2021
(Amount in Philippine Pesos)

| <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> |
|--|---------------------------------------|--|---|----------------------|----------------------|
|--|---------------------------------------|--|---|----------------------|----------------------|

- nothing to report -

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule E - Indebtedness to Related Parties
December 31, 2021
(Amount in Philippine Pesos)

| <i>Name of related party</i> | <i>Balance at beginning of period</i> | <i>Balance at end of period</i> |
|------------------------------|---------------------------------------|---------------------------------|
|------------------------------|---------------------------------------|---------------------------------|

- nothing to report -

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule F - Guarantees of Securities of Other Issuers
December 31, 2021
(Amount in Philippine Pesos)

| <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> |
|---|--|--|--|----------------------------|
|---|--|--|--|----------------------------|

- nothing to report -

BDO LEASING AND FINANCE, INC.
(A Subsidiary of BDO Unibank, Inc.)
Schedule G - Capital Stock ⁽¹⁾
December 31, 2021
(Amount in Philippine Pesos)

| <i>Title of Issue ⁽²⁾</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 ⁽³⁾</i> | <i>Directors, officers and employees</i> | <i>Others</i> |
| Preferred Shares | 200,000 | - | - | - | - | - |
| Common shares | 3,400,000,000 | 2,162,475,312 | | 1,914,711,807 | 152,915 | 247,610,590 |
| BDO Unibank Inc. | | | | 1,914,711,807 | | |

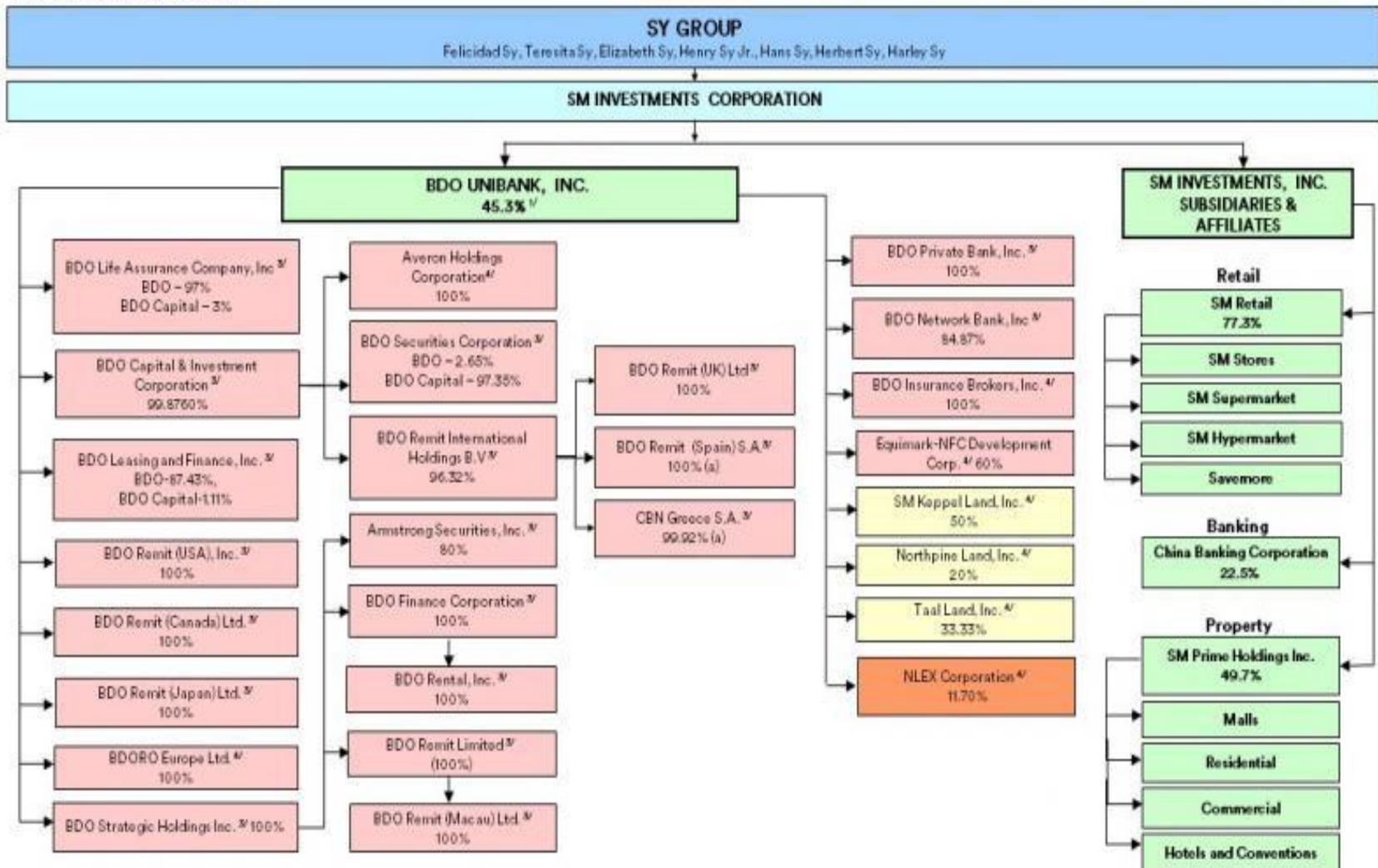
*Determination of number of shares and outstanding

| | |
|------------------------------|----------------------|
| Number of shares issued | 2,225,169,030 |
| Less shares held in treasury | 62,693,718 |
| | <u>2,162,475,312</u> |

BDO Leasing and Finance, Inc.
Ortigas Center, Mandaluyong City
Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2021

| | | |
|---|----------|------------------------------------|
| Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year | P | 3,254,102,766 |
| Net Profit Per Audited Financial Statements | | <u>43,541,418</u> |
| Unappropriated Retained Earnings Available for Dividend Declaration at End of Year | P | <u><u>3,297,644,184</u></u> |

BDO Unibank, Inc. Group Map
As of December 31, 2021



^V SMIC's effective ownership as of December 31, 2021 (includes direct & indirect ownership)

^M Entities related to BDO through common ownership/directorship/officership

^N Financial entities

^O Non-Financial entities

(a) For dissolution / under liquidation

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



Report of Independent Auditors on Components of Financial Soundness Indicators

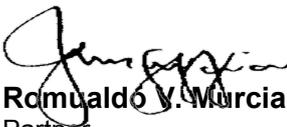
The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of BDO Unibank, Inc.)
39th Floor, BDO Corporate Center Ortigas
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Mandaluyong City

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

T +63 2 8988 2288

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of BDO Leasing and Finance, Inc., for the year ended December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, on which we have rendered our report thereon dated February 23, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purposes of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Company's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

PUNONGBAYAN & ARAULLO

By: 
Rdmualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 8852339, January 3, 2022, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-4 (until Sept. 4, 2022)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2019 (until Sept. 4, 2022)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 23, 2022

BDO Leasing and Finance, Inc.
Financial Ratios
December 31, 2021 and 2020
(Amounts Philippine Pesos)

| | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
|---|----------------------|----------------|---------------|-------------|
| I. Current/liquidity ratios | | | | |
| Current ratio | | | | |
| <u>Total current assets</u> | <u>6,020,305,395</u> | 5,996,095,595 | 738.00 | 218.00 |
| Total current liabilities | 8,157,623 | 27,504,751 | | |
| Acid Test Ratio | | | | |
| <u>Quick assets</u> | <u>6,020,305,395</u> | 5,996,095,595 | 738.00 | 218.00 |
| Total current liabilities | 8,157,623 | 27,504,751 | | |
| II. Solvency ratios; debt-to-equity ratios | | | | |
| Solvency ratio | | | | |
| <u>(After tax net profit + Depreciation)</u> | <u>43,556,928</u> | 776,820,366 | 5.34 | 28.24 |
| Total liabilities | 8,157,623 | 27,504,751 | | |
| Debt-to-equity ratio | | | | |
| <u>Total liabilities</u> | <u>8,157,623</u> | 27,504,751 | 0.00 | 0.00 |
| Total equity | 6,012,147,772 | 5,968,590,844 | | |
| III. Asset-to-equity ratio | | | | |
| Asset-to-equity ratio | | | | |
| <u>Total assets</u> | <u>6,020,305,395</u> | 5,996,095,595 | 1.00 | 1.00 |
| Total equity | 6,012,147,772 | 5,968,590,844 | | |
| IV. Interest coverage ratio | | | | |
| Interest coverage ratio | | | | |
| <u>Earnings before interest and taxes</u> | <u>37,841,490</u> | 934,539,829 | - | 1.78 |
| Interest expense | - | 524,018,733 | | |
| V. Profitability ratios | | | | |
| Net profit margin | | | | |
| <u>Net Profit</u> | <u>43,556,928</u> | 252,448,103 | 76.29% | 10.67% |
| Interest income + Other operating income | 57,097,104 | 2,367,036,222 | | |
| Return on equity | | | | |
| <u>Net profit</u> | <u>43,556,928</u> | 252,448,103 | 0.73% | 4.36% |
| Average equity | 5,990,369,308 | 5,791,459,655 | | |
| Return on assets | | | | |
| <u>Net profit</u> | <u>43,556,928</u> | 252,448,103 | 0.72% | 1.37% |
| Average assets | 6,008,200,495 | 18,471,975,485 | | |

| VI. Others | <u>2021</u> | <u>2020</u> | <u>2021</u> | <u>2020</u> |
|--|----------------------|----------------------|-------------|-------------|
| Total real estate investments to Assets | | | | |
| <u>Total investment properties</u> | - | - | - | - |
| Total assets | 6,020,305,395 | 5,996,095,595 | | |
| Loans to Assets | | | | |
| <u>Total loans and other receivables</u> | <u>127,407,665</u> | <u>127,404,781</u> | 2.12% | 2.12% |
| Total assets | 6,020,305,395 | 5,996,095,595 | | |
| DOSRI to Net worth | | | | |
| Receivables from Directors, Officers, <u>Stakeholders and Related Interests</u> | - | - | - | - |
| Total equity | 6,012,147,772 | 5,968,590,844 | | |
| Amount of receivable from a single corporation to Total receivables | | | | |
| <u>Loan to a single corporation</u> | - | - | - | - |
| Total loans and other receivables | 127,407,665 | 127,404,781 | | |

ANNEX B

Management's Discussion and Analysis or Plan of Operation

2021 Compared to 2020

As approved by its Board of Directors and stockholders, the Company implemented the sale of the Company's assets to BDO Unibank and other affiliates as part of the restructuring of the leasing business of BDO Group and the conversion of the Company into a holding company. Following the effectivity of IFRS 16, the Company projected a decline in the volume of leasing transactions and a decline in revenue from the leasing and financing business. The Company has thus approved its transition into an investment holding company in order to afford the Company flexibility to pursue more financially viable businesses.

As approved by the Company's Related Party Committee and Board of Directors, in various dates in 2020, the Company sold for valuable consideration and on arms' length basis its core loans and receivables to BDO Unibank, BDO Life and BDO Finance with aggregate amounts of P14.13 billion, P1.28 billion, and P7.70 billion. The total resulting gain on disposal of core loans and receivables amounted to P509.97 million.

In 2021, the Company generated Php55 million in investment income generated from the fair value gain of its investments in Unit Investment Trust Funds (UITFs). With total expenses P19.3 million, the Company ended the year with net income of Php43.54 Million. Compared to 2020, net income dropped by 83% from P252.4 million, as the previous year's result was still based on a balance sheet prior to the full implementation of the Company's restructuring of its leasing business.

As of December 31, 2021, total assets remain the same at P6.0 billion, of which P5.8 billion was invested in UITFs. Stockholders' equity stood at P6.0 billion.

The Company's five (5) key performance indicators are as follows:

| | December 2021 | December 2020 |
|----------------------|---------------|---------------|
| Current Ratio | 738.0:1 | 218.0:1 |
| Quick asset ratio | 738.0:1 | 218.0:1 |
| Debt to Equity Ratio | 0.00:1 | 0.00:1 |
| Net Profit Margin | 76.29% | 10.66% |
| Return on Equity | 0.73% | 4.36% |

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) increased from last year's 218.01:1. Debt to equity ratio, computed as total liabilities divided by total equity, is nil in both years. Net Profit Margin which is computed as net income over gross revenue rose to 76.29%. Return on Equity, which is net income over average equity, dropped to 0.73% in 2021.

2020 Compared to 2019

Gross income for the year ended December 31, 2020 was P2,367.1 million, a decrease of P664.8 million, or 21.9%, from P3,031.9 million in 2019. Interest and discounts were at P1,123.0 million, down by P861.5 million or 43.4% from P1,984.5 million in 2019. Rent Income in 2020 amounted to P583.0 million, a decline of P261.6 million or 31.0% from P844.6 million in 2019. The decrease in Interest Income and Rent Income was the result of the sale of substantially all of the Company's assets to BDO Unibank, BDO Finance and other subsidiaries as part of the restructuring process of the Group's leasing business. As of December 31, 2020, substantially all of BDOLF's lease and loan portfolio has already been sold.

Meanwhile, Service fee and other income rose to P661.1 million, an increase of P458.3 million or 226% from last year's P202.8 million. The increase was mainly due to the gain on sale of receivables to BDO Unibank, BDO Finance & other subsidiaries.

Interest and financing charges for 2020 amounted to P526.0 million, consisting mainly of finance charges from borrowings of P517.6 million, interest expense on lease deposits of P6.4 million and interest

expense on lease liability of P1.4. The decrease of P871.7 million in financing charges is attributed to the restructuring of the company's leasing business, where Bills Payable were paid off in October 2020. Interest expense on leased deposits in 2020 amounted to P6.4 million or a decrease of P1.3M from last year's P7.7 million. Interest expense on lease liability went down to P1.4 million from P2.2 million last year.

Total provisions for impairment losses increased from P6.2 million in 2019 to P399.1 million in 2020. This was due to the expected delinquencies as a result of pandemic.

Taxes and licenses amounted to P199.8 million for the year ended December 31, 2020, a decline of P109.7 million, or 35.4% from the P309.5 million reported for the year ended December 31, 2019. The decrease was attributable to the reduction in Bills Payable in 2020 as a result of BDOLF's restructuring.

Salaries and employee benefits expense amounted to P214.9 million in 2020 as compared to P244.2 million in 2019. Occupancy and equipment related expenses for the year ended December 31, 2020 amounted to P538.0 million, a decrease of P273.9 million, or 33.7% from December 2019's P811.9 million.

Litigation/assets acquired expenses amounted to P8.0 million in 2020, a decrease of P4.4 million from P12.4 million in 2019.

Other expenses decreased to P70.9 million in 2020 as compared to P111.1 million in 2019.

The Company registered a net income of P252.3 million for the year ended December 31, 2020.

Total assets amounted to P6.0 billion in December 31, 2020, a decrease of P24.9 billion from P30.9 billion as of December 2019. BDOLF sold substantially all of its assets to BDO Unibank, BDO Finance and other subsidiaries. On the other hand, The Company purchased P5,747 million worth of unit investment trust funds (UITFs) in 2020. Other receivables balance amounting P127.3 million are mainly from Creditable withholding tax of P121.7 million to be applied to future income tax payments.

The Company also assigned irrevocably and absolutely to BDO Finance certain accounts payable and other liabilities. The remaining balance of Accounts Payable and Other Liabilities account amounting P27.5 million includes, among others, withholding taxes payable, accrued taxes and other expenses payable and payroll related accounts.

Stockholders' equity stood at P6.0 billion.

The Company's five (5) key performance indicators are as follows:

| | <u>December 2020</u> | <u>December 2019</u> |
|----------------------|----------------------|----------------------|
| Current Ratio | 218.01:1 | 0.36:1 |
| Quick asset ratio | 218.01:1 | 0.36:1 |
| Debt to Equity Ratio | 0.00:1 | 4.88:1 |
| Net Profit Margin | 10.67% | 1.54% |
| Return on Equity | 4.36% | 0.85% |

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) increased from last year's 0.36:1 and 0.36:1, respectively. Debt to equity ratio, computed as total liabilities divided by total equity was 0 in 2020. Net Profit Margin which is computed as net income over gross revenue, went up due to higher income. Return on Equity, which is net income over average equity, rose to 4.36% in 2020.

Policy on Revenue Recognition – Other Income

Income that are one off such as gain on sale of dollar denominated cash deposit are recognized as Other Income. These are recognized as they are earned.

Key Variable and Other Qualitative and Quantitative Factors

As approved by the Company's Board of Directors (BOD) on January 31, 2020 and its shareholders on July 21, 2020, BDOLF's core loans and receivables and investment were sold to related parties on various dates in 2020, as part of the Company's restructuring process.

The Company's licenses to operate five branches were surrendered to and revoked by SEC effective October 2020. The Company's main certificate of authority to operate as a financing company was likewise surrendered to the SEC in November 2020, the effectivity of which is subject to the amendment of the Company's Articles of Incorporation to reflect its new primary purpose as a holding company.

The Company ceased to operate as a leasing and financing company effective October 19, 2020.

Internal and External Sources of Liquidity

From January to September 2020, the Company relied on revenue from operations and borrowings from creditor banks for its source of liquidity.

The sale of substantially all assets of the Company was used to pay-off or retire all credit obligations. The residual cash was placed in Unit Investment Trust Funds (UITFs).

There are no events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Financial Statements

The financial statements of the Company which will be included in the 2021 Annual Report to Stockholders are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

There are no material changes from period to period of the financial statements of the Company.

Information On Independent Accountant

Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was P0.319 million for the year 2021 and P0.854 million for the year 2020. These fees cover services rendered by the external auditor for audit of the financial statements and other services in connection with statutory and regulatory filings for fiscal year 2021 and 2020.

(b) Tax fees and other fees

No other fees were paid to the auditing firm of Punongbayan & Araullo, CPAs (P&A) for the last two (2) fiscal years.

- (c) The Board Audit Committee has the oversight responsibility over the audit function and activities of Internal and External auditors. It provides assurance that (a) financial disclosures made by the management as presented in the Internal Auditor's report reasonably reflect the financial condition; the results of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended and whether modifications are necessary.

The Board Audit Committee has the responsibility to select and recommend to the Board the External Auditors. It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board for approval. It reports to the Board audit-related matters requiring the Board's action.

(2) Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

In 2021 and 2020, the auditing firm of P&A has been appointed as the Company's Independent Public Accountant. There was no event in the past where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope and procedures.

BDO LEASING AND FINANCE, INC.
ANNUAL STOCKHOLDERS' MEETING
April 20, 2022 at 3:00 p.m.

Guidelines for Participating via Remote Communication and Voting *in Absentia*

The 2022 virtual Annual Stockholders' Meeting (**ASM**) of BDO Leasing and Finance, Inc. (**BDOLF**) is scheduled on **April 20, 2022 (Wednesday) at 3:00 p.m.** with the end of trading hours of the Philippine Stock Exchange on **March 16, 2022 (Record Date)** as the record date set by the Board of Directors for the determination of stockholders entitled to the notice of, to attend, and to vote at such meeting and any adjournment thereof.

The ASM will be broadcasted via livestreaming accessible to registered participants. Stockholders will be allowed to register, attend, participate and vote via remote communication or *in absentia* pursuant to Sections 23 and 57 of the Revised Corporation Code of the Philippines.

Step 1. Pre- SSM Registration/Validation/Voting Procedures

Stockholder must notify the Office of the Corporate Secretary of their intention to participate in the ASM via remote communication or to exercise their right to vote *in absentia* by sending the documentary requirements with transmittal letter addressed to the Office of the Corporate Secretary, 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City VIA COURIER/PERSONAL DELIVERY OR scanned copies of these documents by EMAIL to <natividad.josephjason@bdo.com.ph> with return-receipt.

The following complete/accurate documentary requirements with transmittal letter MUST BE SENT TO AND RECEIVED by the Office of the Corporate Secretary no later than April 10, 2022:

• ***For Certificated Individual Stockholders***

1. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active e-mail address and contact number of stockholder
4. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from BDOLF's website <www.bdo.com.ph/leasing/2020proxyform>.

If sending via email, attachments should be clear copies in JPG or PDF format. with each file size no larger than 2MB.

• ***For Certificated Multiple Stockholders or Joint owners***

1. A clear copy of the ALL stockholders' valid government-issued IDs (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details, preferably with residential address
2. Stock certificate number/s
3. A valid and active email address and contact number of authorized representative
4. Proof of authority of stockholder voting the shares signed by the other registered stockholders, for shares registered in the name of multiple stockholders (need *not* be notarized)
5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from BDOLF's website <www.bdo.com.ph/leasing/2022proxyform>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- **For Certificated Corporate/Partnership Stockholders**
 1. Secretary's Certification of Board resolution attesting to the authority of representative to participate by remote communication for, and on behalf of the Corporation/Partnership
 2. Stock certificate number/s
 3. A clear copy of the valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) of stockholder's authorized representative showing photo, signature and personal details, preferably with residential address
 4. A valid and active email address and contact number of authorized representative
 5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from BDOLF's website <www.bdo.com.ph/leasing/2022proxyform>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

- **For Stockholders with Shares under PCD Participant/Broker Account**
 1. Certification from broker as to the number of shares owned by stockholder
 2. A clear copy of the stockholder's valid government-issued ID (such as passport, driver's license, or unified multipurpose ID) showing photo, signature and personal details,
 3. Secretary preferably with residential address
 4. A valid and active email address and contact number of stockholder or proxy
 5. If appointing a proxy, duly accomplished and signed proxy indicating the votes on the agenda items. Proxy form can be downloaded from BDOLF's website <www.bdo.com.ph/leasing/2022proxyform>.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

Stockholders will receive an e-mail reply from BDOLF's Office of the Corporate as soon as practicable. The Office of the Corporate Secretary's email reply will either confirm successful registration and provide the link/meeting details to BDOLF's 2022 ASM OR require submission of deficient documents. If you have not received any email reply, please call tel. no. 8840-7694.

Important Reminder: Please refrain from sending duplicate and inconsistent information/documents as this can result in failed registration. All documents/information shall be subject to verification and validation by BDOLF.

Step 2: Voting in Absentia Procedure

Stockholders who have successfully registered shall be notified via email from the Office of the Corporate Secretary of their log-in credentials for the ASM. Registered stockholders can then cast their votes for specific items in the agenda by accomplishing the BDOLF's 2022 ASM Ballot Form. The ballot form can be accessed and downloaded from BDOLF's website <www.bdo.com.ph/leasing/ASMBallot>.

1. Upon accessing and downloading the ballot, the stockholder can vote on each agenda item on the ballot print-out. A brief description of each item for stockholders' approval are appended as Annex A to the Notice of Meeting.
 - 1.1 A stockholder has the option to vote "Yes", "No", or "Abstain" on each agenda item for approval.
2. Once the stockholder has finalized his vote, he can proceed to submit his ballot by sending in JPG or PDF format to <natividad.josephjason@bdo.com.ph> no later than April 10, 2022.

If sending via email, attachment/s should be clear copies in JPG or PDF format, with each file size no larger than 2MB.

Step 3: Virtual ASM

The ASM will be broadcasted live and stockholders who have successfully registered can participate via remote communication. Details of the meeting will be sent to stockholders in the emails provided by BDOLF. Instructions on how to access the broadcast will also be posted at <www.bdo.com.ph/2022ASM>.

Video recordings of the ASM will be adequately maintained by the Company and will be made available to participating stockholders upon request. Stockholders may access the recorded webcast of the ASM by sending an email request addressed to <natividad.josephjason@bdo.com.ph>.

Open Forum

During the virtual meeting, the Company will have an Open Forum, during which, the meeting's moderator will read and where representatives of the Company shall endeavor to answer as many of the questions and comments received from stockholders as time will allow.

Stockholders may send their questions in advance by sending an email bearing the subject "ASM 2022 Open Forum" to <natividad.josephjason@bdo.com.ph>. A section for stockholder comments/questions or a "chatbox" shall also be provided in the broadcasting platform.

The Company will endeavor to address separately via email those questions/comments received but not entertained during the Open Forum due to time constraints.

For any clarifications, please contact our Office of the Corporate Secretary through <natividad.josephjason@bdo.com.ph>.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) SS.

CERTIFICATION

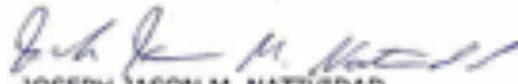
I, **JOSEPH JASON M. NATIVIDAD**, Filipino, of legal age and with office address at the 21st Floor, BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City, under oath, do hereby certify that:

1. I am the duly appointed Corporate Secretary of **BDO LEASING AND FINANCE, INC. (BDOLF)**, a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with business address at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City, and in that capacity, I have custody of the corporate records of BDOLF;

2. As Corporate Secretary and based on the corporate records on file, I hereby certify that none of the Directors, Independent Directors, Officers and Employees of BDOLF, and none of the nominees for election as Directors and Independent Directors of BDOLF, has been elected to any Government position, or appointed to any Government department, agency, bureau or office, that would disqualify them from serving as director, independent director, officer or employee of the company.

3. I am executing this certificate for whatever legal purpose it may serve.

IN WITNESS WHEREOF, I have hereunto affixed my signature this day MAR 10 2022 at CITY OF MAKATI, Philippines.


JOSEPH JASON M. NATIVIDAD
Corporate Secretary

SUBSCRIBED AND SWORN to before me this day of MAR 10 2022 at Makati City, affiant exhibiting to me his 

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Atty. CHRISTINE JOY K. TAN

Appointment No. M-336

Notary Public until

JUN 30 2022

21/F BDO Towers Valero, 8741 Paseo de Roxas

Salcedo Village, Makati City 1226

Roll No. 57195

IBP No. 145381, 08 January 2021, Makati City

PTR No. 8535989, 06 January 2021, Makati City

MCLE Compliance No. VI-0015458, 20 November 2018

BDO Leasing and Finance, Inc.
39/F BDO Corporate Center Ortigas
12 ADB Avenue, Ortigas Center
Mandaluyong City 1554
Tel +632 8688-1288 loc. 65819/65715/45303

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **VICENTE S. PÉREZ, JR.**, Filipino, of legal age and a resident of X after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **BDO LEASING AND FINANCE, INC.** ("BDOLF") and have been its independent director since April 7, 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|----------------------|-----------------------|-------------------|
| | PLEASE SEE ATTACHED | |
| | | |
| | | |
| | | |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of BDOLF, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of BDOLF and its subsidiary/ies, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|--|-----------|---------------------------|
| | NONE / NA | |
| | | |
| | | |

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case maybe):

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|---------------------------------|--------------------------------|--------|
| | NONE / NA | |
| | | |
| | | |

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the (head of the agency/department) to be an independent director in BDOLF, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of BDOLF of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of MAR 11 2022, at CITY OF MAKATI


 VICENTE S. PÉREZ, JR.
 Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 11 2022 at CITY OF MAKATI
 affiant personally appeared before me and exhibited to me his  

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 Atty. CHRISTINE JOY TAN
 Appointment No. M-336
 Notary Public until JUN 30 2022
 21/F BDO Towers Valero, 8741 Paseo De Roxas
 Salcedo Village, Makati City 1226
 Roll No. 57195
 IBP No. 145381, 08 January 2021, Makati City
 PTR No. 8535969, 06 January 2021, Makati City
 MCLE Compliance No. VI-0015458, 20 November 2018

| Directorships of Vicente S. Pérez Jr | | |
|---|------------------------|--------------------------------------|
| Company | Position | Period of Service (up to present) |
| Alternergy Group of Companies | | |
| Alternergy Philippine Holdings Corporation | President | August 21, 2008 |
| Alternergy Philippine Investments Corporation | President | August 28, 2009 |
| Alternergy Tanay Wind Corporation | President | August 25, 2011 |
| Alternergy Holdings Corporation | Chairman | June 18, 2009 |
| Pililla AVPC Corporation | President | August 22, 2013 |
| Alternergy Mini Hydro Holdings Corporation | Chairman | January 30, 2013 |
| Alternergy Hydro Partners Corporation | Chairman | December 18, 2013 |
| Ibulao Mini Hydro Corporation | Chairman | April 19, 2016 |
| Kiangan Mini Hydro Corporation | Chairman | November 14, 2014 |
| Green Energy Supply Solutions, Inc. | Chairman | November 10, 2016 |
| Alternergy Holdings Ltd. | Director | December 19, 2017 |
| SolarPacific Energy Corporation | President | January 30, 2013 |
| Kirahon Solar Energy Corporation | Chairman & President | November 5, 2013 |
| Solar Pacific CitySun Corporation | President | June 26, 2015 |
| Merritt Advisory Partners, Inc. | Chairman | August 22, 2005 |
| Merritt Partners Pte Ltd (Singapore) | Chairman | November 18, 2005 |
| Merritt Holdings Pte Ltd | Director | February 14, 2020 |
| NCP Advisors Philippines, Inc. | Chairman | December 18, 1996 |
| QBL ECO Corporation | President | August 26, 2011 |
| Kadluan Management Corporation | Chairman | May 2005 |
| Kadluan Properties, Inc. | Chairman | April 23, 1993 |
| Clean Climate Professionals, Inc. | Chairman | August 16, 2016 |
| Vespers Holdings Corporation | President | February 13, 2018 |
| MAVI Beverage Distribution Corporation | President | April 16, 2019 |
| Independent Directorships | | |
| Singapore Technologies Telemedia Pte Ltd. (Singapore) | Non-Executive Director | September 1, 2006 |
| STT Communications Ltd. (Singapore) | Non-Executive Director | September 1, 2006 |
| Double Dragon Properties Corp. | Independent Director | February 17, 2014 |
| BDO Unibank, Inc. | Independent Director | April 22, 2019 |
| BDO Leasing and Finance, Inc. | Independent Director | April 7, 2017 |
| BDO Finance Corporation | Independent Director | December 9, 2019 |
| NGOs Foundations | | |
| Worldwide Fund for Nature (WWF) - China | Trustee | April 19, 2017 |
| Worldwide Fund for Nature (WWF) - U.S. | Board Member | Oct 2017-Oct 2020 |
| Asian Conservation Foundation, Inc | President | May 22, 2008 |
| Bhutan Foundation | National Council | April 2, 2014 |
| Philippine Map Collectors Society | Treasurer | January 1, 2015 |
| Advisory Boards | | |
| Center for Business & Environment at Yale (CBEY) | Advisory Board | March 25 2009 |
| New Zealand Trade Enterprise (Beachheads Network) | Advisor | November 1, 2016 |
| Pictet Clean Energy Fund | Advisory Board | October 2010 |

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **ISMAEL G. ESTELA, JR.**, Filipino, of legal age and residing at [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **BDO LEASING AND FINANCE, INC.** ("**BDOLF**").
2. I am affiliated with the following companies or organizations:

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|----------------------|-----------------------|----------------------------|
| BDO Foundation, Inc. | Independent Trustee | June 3, 2020 up to present |
| | | |
| | | |
| | | |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of **BDOLF**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **BDOLF** and its subsidiary/ies, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|--|---------|------------------------|
| NONE | NONE | NONE |
| | | |
| | | |

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case maybe):

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|------------------------------|-----------------------------|--------|
| NONE | NONE | NONE |
| | | |
| | | |

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the _____ to be an independent director in **BDOLF**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.

7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **BDOLF** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this 10th day of March 2022 at Makati City


ISMAEL G. ESTELA, JR.
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 11 2022 at CITY OF MAKATI affiant personally appeared before me and exhibited to me his Passport No. _____ with _____ issued at _____ on _____

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Atty. MARIA FELICIA T. ZANTUA
Appointment No. M-364
Notary Public extended until JUN 30 2022
per Supreme Court En Banc Resolution dated 22 June 2021
(B.M. No. 3795)
21/F BDO Towers Valero, 8741 Paseo de Roxas
Salcedo Village, Makati City 1226
Roll No. 58016
IBP Lifetime Member No. 12574, Laguna
PTR No. 6535993, 06 January 2021, Makati City
MCLE Compliance No. VI-0014829, 13 November 2018

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **LUIS MA. G. URANZA**, Filipino, of legal age and residing at [REDACTED] after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of **BDO LEASING AND FINANCE, INC. ("BDOLF")**.
2. I am affiliated with the following companies or organizations:

| COMPANY/ORGANIZATION | POSITION/RELATIONSHIP | PERIOD OF SERVICE |
|--------------------------------------|-------------------------|--------------------|
| Law Firm of Uranza & Associates | Partner | 1989 up to present |
| Victorias Milling Co., Inc. | Rehabilitation Receiver | 2003 up to present |
| Pinoy Care Health System Inc. | Rehabilitation Receiver | 2012 up to present |
| C.U.Y. Hauling Services | Rehabilitation Receiver | 2016 up to present |
| BDO Life Assurance Company, Inc. | Independent Director | 2018 up to present |
| BDO Insurance Brokers, Inc. | Independent Director | 2020 up to present |
| BDO Capital & Investment Corporation | Independent Director | 2020 up to present |
| BDO Private Bank, Inc. | Independent Director | 2021 up to present |

3. I possess all the qualifications and none of the disqualifications to serve as an independent director of **BDOLF**, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to the following director/officer/substantial shareholder of **BDOLF** and its subsidiary/ies, other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)

| NAME OF DIRECTOR/OFFICER/ SUBSTANTIAL SHAREHOLDER | COMPANY | NATURE OF RELATIONSHIP |
|--|---------|---------------------------|
| NONE | NONE | NONE |
| | | |
| | | |

5. To the best of my knowledge, I am not subject of any pending criminal or administrative investigation or proceeding / I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be):

| OFFENSE CHARGED/INVESTIGATED | TRIBUNAL OR AGENCY INVOLVED | STATUS |
|---------------------------------|--------------------------------|--------|
| NONE | NONE | NONE |
| | | |
| | | |

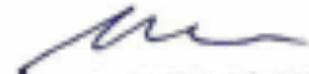
6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from the NOT APPLICABLE to be an independent director in **BDOLF**, pursuant to Office of the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules.
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of **BDOLF** of any changes in the abovementioned information within five (5) days from its occurrence.

Done, this _____ day of MAR 10 2022, at CITY OF MAKATI


LUIS M. G. URANZA
Affiant

SUBSCRIBED AND SWORN to before me this _____ day of MAR 10 2022 at CITY OF MAKATI
affiant personally appeared before me and exhibited to me 

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ATTY. HOPE JAN D. CASTILLO-CANDIDO
Appointment No. M-331
Notary Public extended until JUN 30 2022
per Supreme Court En Banc Resolution dated 22 June 2021
(B.M. No. 3795)
21/F BDO Towers Valero, 8745 Piedad de Roxas
Salcedo Village, Makati City 1226
Rol No. 52589
IBP No. 145369, 08 January 2021, Makati City
PTR No. 8535971, 06 January 2021, Makati City
MCLE Compliance No. VI-0029068, 06 March 2019

**MINUTES OF THE
ANNUAL MEETING OF STOCKHOLDERS**

BDO LEASING AND FINANCE, INC.

**HELD ON FRIDAY, APRIL 12, 2019, AT 10:10 A.M.
AT THE FRANCISCO SANTIAGO HALL, MEZZANINE FLOOR, SOUTH TOWER
BDO CORPORATE CENTER, 7899 MAKATI AVENUE, MAKATI CITY**

NUMBER OF SHARES HELD BY SHAREHOLDERS:

| | | |
|---|---|---------------|
| Number of Total Outstanding Shares | - | 2,162,475,312 |
| Present In Person or Represented By Proxy, and Participant Brokers | - | 1,914,923,894 |
| Percentage of the Total Shares Represented By Proxies & In-Person | - | 88.55% |
| Absent | - | 247,551,418 |

DIRECTORS PRESENT:

| | |
|---------------------------------|---------------------------|
| Ms. Teresita T. Sy | Chairperson |
| Mr. Roberto E. Lapid | Vice Chairman & President |
| Atty. Jesse H. T. Andres | Independent Director |
| Mr. Antonio N. Cotoco | Director |
| Ms. Ma. Leonora V. De Jesus | Independent Director |
| Mr. Jeci A. Lapus | Non-Executive Director |
| Mr. Vicente S. Pérez, Jr. | Independent Director |
| Mr. Nestor V. Tan | Director |
| Mr. Exequiel P. Villacorta, Jr. | Non-Executive Director |
| Mr. Walter C. Wassmer | Director |

ALSO PRESENT:

| | |
|---------------------------------|---|
| Atty. Edmundo L. Tan | Adviser to the Board |
| Atty. Joseph Jason M. Natividad | Corporate Secretary |
| Mr. Agerico Melecio S. Verzola | First Vice President/Marketing Head |
| Ms. Angelita C. Tad-y | First Vice President/Chief Risk & Compliance Officer |
| Ms. Rosalisa B. Kapuno | Vice President/Comptrollership |
| Mr. Leonardo D. Cuaresma, Jr. | Engagement Partner, P&A Grant Thornton |
| Mr. Renato P. David, Jr. | Audit and Assurance Manager, P&A Grant Thornton |
| Ms. Kryslene Kae C. Urbi | Audit and Assurance-In-Charge, P&A Grant Thornton |

DIRECTOR ABSENT:

| | |
|------------------------|----------------------|
| Mr. Luis S. Reyes, Jr. | Director & Treasurer |
|------------------------|----------------------|

I. Call to Order

Ms. Teresita T. Sy, Chairperson, called the Annual Stockholders' meeting to order at 10:10 in the morning. On behalf of BDO Leasing and Finance, Inc. (the "Corporation") and Management, she expressed her gratitude to the stockholders for their continued support to the Corporation. The Chairperson then requested Mr. Nestor V. Tan to act as Chairman of the Meeting and to preside over the same.

Atty. Joseph Jason M. Natividad, Corporate Secretary, recorded the minutes of the meeting.

II. Certification of Notice and Quorum

The Chairman of the meeting verified with the Corporate Secretary whether notices of the annual meeting of the stockholders had been sent to the Corporation's stockholders. Atty. Joseph Jason M. Natividad, Corporate Secretary, replied that notices of the meeting, together with the agenda and the QR Code for the Definitive Information Statement (DIS), were sent by personal delivery or mail beginning March 20, 2019 to the stockholders of record as of February 27, 2019, in accordance with Article II, Section 2 of the By-Laws in relation to Paragraphs 3 and 11 of SRC Rule 20 of the Amended Implementing Rules and Regulations of the Securities Regulation Code.

The Corporate Secretary certified that based on the record of attendance, present for the meeting were stockholders, in person or by proxy, and participant brokers, holding a total of 1,914,923,894 shares, equivalent to 88.55% of the total 2,162,475,312 outstanding shares of the Corporation, and that one common share carries one vote. The Corporate Secretary therefore certified that there was a quorum present and that the meeting was regularly and lawfully convened for the transaction of business for which it was called. He recorded the minutes of the proceedings

The Corporate Secretary likewise manifested that Punongbayan & Araullo, Grant Thornton (P&A), represented by Mr. Leonardo D. Cuaresma, Jr., Partner, had been appointed to count and validate the votes cast at the meeting, in accordance with the voting procedures disclosed in the Definitive Information Statement provided to the stockholders as of record date.

III. Approval of the Minutes of the Annual Stockholders' Meeting held on April 13, 2018

The Chairman of the meeting stated that the next item in the agenda was the reading and approval of the minutes of the annual meeting of shareholders held on April 13, 2018. He manifested that copies of the Minutes were included in the Definitive Information Statement (DIS) distributed to all stockholders of record, and have been made available for examination during office hours at the Office of the Corporate Secretary and at the Corporation's website [www.bdo.com.ph/subsidiaries/leasing/company disclosures](http://www.bdo.com.ph/subsidiaries/leasing/company%20disclosures).

Upon motion duly made and seconded, the minutes of the annual stockholders' meeting held on April 13, 2018 had been approved and the following resolution had been passed and adopted:

Stockholders' Resolution No. 2019-01

RESOLVED, That the Stockholders of BDO Leasing and Finance, Inc. approve, as they hereby approve, the Minutes of the Annual Stockholders' Meeting held on April 13, 2018.

The Chairman of the meeting then instructed the Corporate Secretary to have the minutes of the meeting reflect the tabulation of all votes cast, including proxies that have cast their votes in favor of the approval of the minutes of the last annual stockholders' meeting, and to note the stockholders that have chosen to abstain on voting for, or have chosen to vote against, the approval of the said minutes.

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the approval of the Minutes of the Annual Stockholders' Meeting held on April 13, 2018:

| Total Outstanding Shares | Total Votes Cast | Votes in favor | Votes against | Abstentions |
|--------------------------|------------------|-------------------------|---------------|-------------|
| 2,162,475,312 | 1,914,923,894 | 1,914,923,894 (100%) | 0 | 0 |

Accordingly, shareholders owning 1,914,923,894 voting shares or 100% of the total number of voting shares represented at the meeting, approved the Minutes of the Annual Stockholders' Meeting held on April 13, 2018, no shareholder voted against or abstained in the approval.

IV. President's Report and Approval of the Audited Financial Statements of the Corporation as of December 31, 2018

The Chairman of the meeting then gave the floor to the Vice Chairman and President, Mr. Roberto E. Lapid, to present his report on the Corporation's results of operations for the year 2018, and the programs and prospects for 2019.

Mr. Roberto E. Lapid, Vice Chairman and President, rendered his report to the Stockholders.

Philippine Economy in 2018

Mr. Lapid reported that in 2018, Philippine GDP grew at 6.2%. While this was lower than the GDP posted in 2016 and 2017, it was still among the highest growth rates in the region. Accompanying this growth were certain global and domestic events that affected the economy like the hike in US interest rates that resulted in capital flight, the tightening in domestic liquidity, depreciation of the peso, and decline of the local stock market. In addition, global oil prices went up and food shortages, particularly on the basic staple rice, were experienced. It was also in 2018 when the TRAIN Law took effect. All of these resulted in a spike in inflation, causing the Bangko Sentral ng Pilipinas (BSP) to increase policy rates by 175 basis points. The Corporation, in particular, was affected by the rapid increase in the lending rates of banks and the higher documentary stamp taxes (DST), which resulted in the accelerated increase in funding costs as compared to the portfolio yields.

Review of Company Performance

Mr. Lapid was pleased to report that despite the challenges mentioned, the Corporation had another successful run in 2018.

By leveraging BDO Unibank's extensive network and taking advantage of the multitude of opportunities associated with regional economic expansion, particularly within the transport industry, the Corporation registered a net income of P330.7 Million which was at par with what the target for 2018. Compared to the previous year however, the Corporation's net income was lower mainly due to the impact of the additional documentary stamp taxes under the Train Law and the increase in BDOLF's interest expense by 38%.

Despite these challenges, the Corporation was able to sustain the total lease-loan portfolio at P34 Billion and kept the Total Assets above P41 Billion. In particular, BDOLF's finance leases grew by 9% and the provincial portfolio increased by 11% year-on-year, in line with the Corporation's strategy to tap fast growing and rapidly urbanizing areas outside Metro Manila.

During the year, BDOLF was given an above average issuer credit rating of "PRS Aa minus" from the Philippine Ratings Services Corporation in recognition of the Corporation's continuing strength and financial stability.

In July 2018, the Corporation was also awarded as one of the Top 20 publicly-listed companies in the Philippines that earned high scores in the 2017 ASEAN Corporate Governance Scorecard based on the local assessment conducted by the Institute of Corporate

Directors (ICD), an SEC-appointed domestic ranking body. Of the 5 publicly-listed companies which garnered awards from the banking sector, BDOLF was the only financing company while the 4 others were universal banks led by BDO Unibank.

Programs and Prospects for 2019

Mr. Lapid informed the shareholders that as a subsidiary of BDO Unibank, the nation's largest bank, BDOLF was well poised for future growth. He then presented to the shareholders the following strategies of the Corporation for 2019:

- The Corporation will strengthen relationships by partnering with corporate clients to secure their financial and equipment needs;
- Maximize lending opportunities from tech companies with lease requirements for IT and hardware infrastructure;
- Optimize the balance sheet while maintaining balanced portfolio growth and good credit quality;
- Increase efficiencies covering transactional and post transactional processes; and
- Develop and engage team members thru continuous training in order to improve overall customer experience.

The report is hereto attached as **Annex "A"** and made an integral part hereof.

V. Open Forum

After the Vice Chairman & President's presentation, the Chairman of the meeting opened the floor to give the stockholders the opportunity to ask questions or give comments regarding the President's Report, the Financial Statements of the Corporation, or related matters.

Atty. Vina Marie S. Villarroya, proxy holder, inquired on the withdrawal of the Corporation from its joint venture with Mitsubishi Automotive Finance Services, Inc. Mr. Lapid replied that the joint venture was not generating sufficient scale as was expected when the agreement was signed. Thus, BDOLF made the decision to exit the joint venture. The Corporation would instead focus on its core business of equipment leasing and finance.

Another proxy holder, Atty. Bettina Rayos del Sol, inquired on what specific strategies or measures were being done by Management to improve BDOLF's profitability. Mr. Lapid explained that Management was trying to manage the combined impact of rising funding costs and additional taxes on commercial paper issuances, which adversely affected the margins of BDOLF. The Corporation's loan transactions carried fixed interest rates for 3-5 years while funding sources were mostly short-term in nature. With rising interest rates in 2018, the Corporation's funding cost increased at a much faster pace than its earning assets, resulting in the compression of margins. Mr. Lapid added that BDOLF was trying to grow its business volumes at a faster pace to be able to book earning assets at today's higher interest rates, and was also applying higher interest rates on repricing/maturing transactions.

Atty. Nicole V. Kalingking, proxy holder, inquired if the Corporation would move aggressively to get a share of the government's jeepney modernization program which would open opportunities to banks and finance companies. Mr. Lapid replied that the Corporation was the first leasing and finance company to have granted an approval to a private firm for this purpose. In a meeting with the Department of Transportation (DOTr) and the Land Transportation Franchising and Regulatory Board (LTFRB) in January 2019, together with several other financial institutions, Management pointed out several concerns and issues with emphasis on LTFRB's issuance of a provisional authority or temporary franchise which would be a prelude to the granting of a regular franchise. Furthermore, the DOTr is still finalizing the "route rationalization" which is vital in the issuance of LTFRB franchise to jeepney cooperatives and corporations. Unless these are addressed by the government, BDOLF cannot aggressively underwrite loan applications.

After the discussions were concluded, there being no other questions from the floor, Mr. Erwin D. Iloso, proxy holder, moved for the notation and approval of the Report on the Results of the Operations of the Corporation for the year ended December 31, 2018, and the Audited Financial Statements for the same period.

Mr. Dawn C. Cruz, proxy holder, seconded the motion. There being no objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2019-02

RESOLVED, That the Stockholders do hereby note and approve the Report on the Results of the Operations of BDO Leasing and Finance, Inc. (BDOLF) for the year ended December 31, 2018, and the Audited Financial Statements as of December 31, 2018.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of all votes cast, including proxies that have cast their vote in favor of the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2018, and the Audited Financial Statements for the same period, to note the stockholders that have chosen to abstain on voting for, or have voted against, the approval of the aforesaid Reports and the Audited Financial Statements.

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2018, and the Audited Financial Statements for the same period:

| Total Outstanding Shares | Total Votes Cast | Votes in favor | Votes against | Abstentions |
|--------------------------|------------------|-------------------------|---------------|-------------|
| 2,162,475,312 | 1,914,923,894 | 1,914,923,894 (100%) | 0 | 0 |

Accordingly, shareholders owning 1,914,923,894 voting shares or 100% of the total number of voting shares represented at the meeting, noted and approved the President's Reports and the Audited Financial Statements of the Corporation for the fiscal year ending December 31, 2018, no shareholder voted against or abstained in the approval.

VI. Approval and Ratification of All Acts and Proceedings of the Board of Directors, the Board Committees and Management during their Respective Terms of Office

The next item in the agenda was the approval and ratification of all acts and proceedings of the Board of Directors, the Board Committees and Management, including significant related party transactions, for the year 2018 until the date of the 2019 Annual Stockholders' Meeting.

Mr. Arlo C. Atentar, proxy holder, moved that all the acts, including approvals of significant related parties' transactions, proceedings of the Board of Directors, the acts of the duly constituted committees, the acts of the Management, and the acts of the officers of the Corporation, up to the date of the 2019 Annual Stockholders' Meeting be, in all respects, confirmed, ratified and approved.

Thereafter, Ms. Melanie Ann C. Cuevas, proxy holder, seconded the motion. There being no further questions or objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2019-03

RESOLVED, That all the acts, including approvals of significant related parties' transactions, and proceedings of the Board of Directors, the acts of the duly constituted committees, the acts of the Management

and the officers of BDO Leasing and Finance, Inc. (the "Corporation") in carrying out and promoting the purposes, objects, and interests of the Corporation, up to the date of the Annual Stockholders' Meeting (April 12, 2019), are confirmed, ratified and approved and hereby made the acts and deeds of the Corporation.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of all votes cast, including proxies that have cast their votes in favor of the ratification and confirmation of all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF, including approvals of significant related parties' transactions, up to the date of the Annual Stockholders' Meeting, and to note the proxies that have chosen to abstain on voting for, or have voted against, the ratification and confirmation of all the acts and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF, including approvals of significant related party transactions, up to the date of the Annual Stockholders' Meeting (April 12, 2019).

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the ratification and confirmation of all the acts, including approvals of significant related parties' transactions, and proceedings of the Board of Directors, its duly constituted committees, the acts of Management and officers of BDOLF up to the date of the Annual Stockholders' Meeting:

| Total Outstanding Shares | Total Votes Cast | Votes in favor | Votes against | Abstentions |
|---------------------------------|-------------------------|-------------------------|----------------------|--------------------|
| 2,162,475,312 | 1,914,923,894 | 1,914,923,894 (100%) | 0 | 0 |

Accordingly, shareholders owning 1,914,923,894 voting shares or 100% of the total number of voting shares represented at the meeting, approved and ratified all the acts of the Board of Directors, its duly constituted committees, and Management, including approvals of significant related party transactions, during their respective terms of office, no shareholder voted against or abstained in the approval.

VII. Election of the Board of Directors

The Chairman of the meeting then announced that the next item on the agenda was the election of the regular and independent members of the Board of Directors for the ensuing year and until the next succeeding annual stockholders meeting of the Corporation. The Chairman of the meeting also informed all the stockholders in attendance of the mandatory requirement of electing independent directors.

Atty. Jesse H. T. Andres, Independent Director and Chairman of the Nominations Committee (the "Committee") of the Corporation, informed the stockholders that the following nominations have been received and passed upon by the Committee during the prescribed nomination period from February 13, 2019 to February 28, 2019, and that the Committee found the following nominees to possess all the qualifications and none of the disqualifications for election as regular and independent directors, respectively, of BDOLF:

Nominees for Regular Directors

1. Antonio N. Cotoco
2. Roberto E. Lapid
3. Jeci A. Lapus
4. Luis S. Reyes, Jr.
5. Teresita T. Sy
6. Nestor V. Tan
7. Exequiel P. Villacorta, Jr.
8. Walter C. Wassmer

Nominees for Independent Directors:

9. Jesse H. T. Andres
10. Ma. Leonora V. De Jesus
11. Vicente S. Pérez, Jr.

BDO Unibank nominated the regular directors, while Ms. Mannelte D. Vicente, a stockholder of the Corporation, nominated the three (3) Independent Directors.

Ms. Joyce R. Lacsinto, proxy holder, manifested that since the nomination period had expired and closed, and there were eleven (11) nominees for the eleven (11) seats in the Corporation's Board of Directors, he moved that the Corporate Secretary be directed to cast all unqualified votes in favor of the foregoing individuals respectively nominated as regular and independent directors.

Mr. Gerard L. Songco, proxy holder, seconded the motion. Thereafter, there being no further question or objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2019-04

RESOLVED, That the following be, as they are hereby elected directors of BDO Leasing and Finance, Inc. for a period of one (1) year, and to act as such until their successors are duly elected and qualified:

Regular Directors:

1. Antonio N. Cotoco
2. Roberto E. Lapid
3. Jeci A. Lapus
4. Luis S. Reyes, Jr.
5. Teresita T. Sy
6. Nestor V. Tan
7. Exequiel P. Villacorta, Jr.
8. Walter C. Wassmer

Independent Directors:

9. Jesse H. T. Andres
10. Ma. Leonora V. De Jesus
11. Vicente S. Pérez, Jr.

The Chairman of the meeting congratulated all the elected Directors and directed the Corporate Secretary that the minutes reflect a tabulation of all votes cast, including the votes of the stockholders who have chosen to vote for, or abstain on voting for, or have chosen to vote against, the above-named nominees as regular and independent directors, respectively, of the Corporation.

Based on the tally made by P&A, the following were the results of the voting by poll, showing the number of the votes cast and received by the nominees:

| Nominees | Total Outstanding Shares | Votes in favor | Voted against | Abstentions |
|-----------------------------|---------------------------------|-----------------------|----------------------|--------------------|
| Teresita T. Sy | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Roberto E. Lapid | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Jesse H. T. Andres | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Antonio N. Cotoco | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Ma. Leonora V. De Jesus | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Jeci A. Lapus | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Vicente S. Pérez, Jr. | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Luis S. Reyes, Jr. | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Nestor V. Tan | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Exequiel P. Villacorta, Jr. | 2,162,475,312 | 1,914,923,894 | 0 | 0 |
| Walter C. Wassmer | 2,162,475,312 | 1,914,923,894 | 0 | 0 |

VIII. Appointment of External Auditor

The next item in the agenda was the appointment of the external auditor of BDOLF for the year 2019.

The Chairman of the meeting informed the stockholders that the Board Audit Committee of BDOLF had recommended the re-appointment of the Accountancy and Auditing Firm of Punongbayan & Araullo, Grant Thornton (P&A) as external auditor of BDOLF for the year 2019.

Ms. Juliene E. Teodoro, proxy holder, moved that the Accountancy and Auditing Firm of Punongbayan and Araullo, Grant Thornton (P&A) be appointed as the external auditor of BDOLF for the year 2019, and that the Board of Directors be authorized to determine the terms of said external auditor's professional engagement.

Atty. Vina Marie S. Villarroya, proxy holder, seconded the motion. There being no objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2019-05

RESOLVED, That the Accountancy and Auditing Firm of Punongbayan & Araullo, Grant Thornton (P&A), be, as it is hereby appointed as the external auditor of BDOLF for 2019;

RESOLVED FURTHER, That the Board of Directors of BDOLF or such person or persons duly authorized by the Board, be, as it/he is hereby authorized to determine the terms of engagement of the external auditor, to sign, execute and deliver the agreement and other documents pertaining to such engagement, and generally, to perform all acts necessary or appropriate to carry out the foregoing resolution and the intent hereof.

The Chairman of the meeting then directed the Corporate Secretary to have the minutes reflect the tabulation of votes cast, including proxies that have cast their votes in favor of the appointment of Punongbayan & Araullo, Grant Thornton (P&A) as external auditor of BDOLF for the year 2019, and to note the stockholders that have chosen to abstain on voting for, or have voted against, the appointment of Punongbayan & Araullo, CPA (P&A), as external auditor of BDOLF for the year 2019.

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the appointment of Punongbayan & Araullo, CPA (P&A), as external auditor of BDOLF for the year 2019:

| Total Outstanding Shares | Total Votes Cast | Votes in favor | Votes against | Abstentions |
|--------------------------|------------------|-------------------------|---------------|-------------|
| 2,162,475,312 | 1,914,923,894 | 1,914,923,894 (100%) | 0 | 0 |

Accordingly, shareholders owning 1,914,923,894 voting shares or 100% of the total number of voting shares represented at the meeting, approved the appointment of Punongbayan & Araullo, Grant Thornton (P&A) as the Corporation's external auditor for 2019, no shareholder voted against the approval.

IX. Adjournment

There being no further business to transact, Mr. Arlo C. Atentar, proxy holder, moved to adjourn the meeting.

Ms. Melanie Ann C. Cuevas, proxy holder, seconded the motion.

There having been no objection to the motion, the meeting was thereupon adjourned at 10:31 in the morning.

CERTIFIED CORRECT:

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY

ATTESTED:

TERESITA T. SY
CHAIRPERSON

**MINUTES OF THE
SPECIAL MEETING OF THE TOCKHOLDERS OF**

BDO LEASING AND FINANCE, INC.

**Held on Tuesday, 21 July 2020 at 10:00 am
(via Remote Communication)**

NUMBER OF SHARES HELD BY SHAREHOLDERS:

| | | |
|---|---|---------------|
| Number of Total Outstanding Shares | - | 2,162,475,312 |
| Total number of shares represented in Person, By Proxy, and Participant Brokers | - | 1,914,819,322 |
| Attendance Percentage | - | 88.55% |

DIRECTORS PRESENT:

| | |
|------------------------------------|-----------------------------|
| TERESITA T. SY | Chairperson of the Board |
| ROBERTO E. LAPID | Vice Chairman and President |
| JESSE HERMOGENES T. ANDRES | Independent Director |
| ANTONIO N. COTOCO | Director |
| MA. LEONORA V. DE JESUS | Lead Independent Director |
| JECI A. LAPUS | Non-executive Director |
| VICENTE S. PÉREZ, JR. | Independent Director |
| NESTOR V. TAN | Director |
| LUIS S. REYES, JR. | Director and Treasurer |
| EXEQUIEL P. VILLACORTA, JR. | Non-executive Director |
| WALTER C. WASSMER | Director |

ALSO PRESENT:

| | |
|----------------------------------|-----------------------------------|
| JOSEPH JASON M. NATIVIDAD | Corporate Secretary |
| MA. CECILIA S. SANTOS | Assistant Corporate Secretary |
| ANGELITA C. TAD-Y | Chief Risk and Compliance Officer |
| ELMER B. SERRANO | Corporate Information Officer |

I. Call to Order

The meeting opened with an invocation followed by the Philippine National Anthem. The host then acknowledged the presence of all directors and key officers of **BDO Leasing and Finance, Inc.** (the **Corporation**), with certain directors and officers attending the meeting from the BDO Corporate Center in Makati City and some directors joining remotely.

Ms. Teresita T. Sy, Chairperson of the Board, welcomed stockholders to the Special Stockholders' Meeting of the Corporation, streaming live via Webex Events. The Chairperson then called the meeting to order and requested Mr. Nestor V. Tan, Director, to preside over the proceedings.

Atty. Joseph Jason M. Natividad, Corporate Secretary, recorded the minutes of meeting.

II. Certification of Notice and Quorum

Before proceeding with the meeting, Mr. Tan requested the Corporate Secretary to certify to the posting and publication and existence of a quorum.

The Corporate Secretary certified that, in compliance with the rules issued by the Securities and Exchange Commission, notice of the meeting, the Definitive Information Statement, along with the Corporation's "Guidelines for Participation via Remote Communication and Voting *in Absentia*" were uploaded via PSE EDGE on 01 July 2020 and posted on the Corporation's website beginning 02 July 2020. Further, the Corporate Secretary certified that the same notice of meeting was published in the Philippine Daily Inquirer and in the Manila Bulletin, both in print and online formats.

The Corporate Secretary also certified that based on record of attendance, stockholders attending in person, by proxy, and stockholders who have registered to remotely join the virtual meeting, represent **1,914,819,322** common shares, representing **88.55%** of the issued and outstanding capital stock of the Corporation as of record date of 1 July 2020. He then certified that a quorum was present for the transaction of business by the stockholders.

The Corporate Secretary announced that Punongbayan & Araullo (P&A) Grant Thornton has been engaged as third-party tabulator of votes cast for the meeting. He also informed participants that the meeting will be recorded.

III. Sale of all or Substantially all of the Assets and Liabilities of the Corporation

Mr. Tan proceeded to the first item in the agenda which is the approval of the sale of all or substantially all of the assets of the Corporation. He then asked the Corporate Secretary to discuss the item briefly.

The Corporate Secretary stated that as part of the proposed transition and repurposing of the Corporation into a holding company, the Board of Directors has approved the sale and disposition of all or substantially all of the assets of the Corporation, which include its financial and leasing assets.

As detailed in the DIS provided to stockholders, these assets of the Corporation will be sold on a cash basis and on arm's length terms to BDO Finance Corporation and other BDO affiliates, for a consideration equal to at least the book value of these assets.

The Corporate Secretary also informed the stockholders that consistent with the Corporation's Material Related Party Transactions Policy, P&A Grant Thornton has been engaged as an independent third-party appraiser to determine the fairness of the asset valuation.

The Corporate Secretary stated for the record that all unqualified votes cast for each item for approval shall be counted in favor of the matter under consideration.

He then announced that based on the tabulation, **99.99%** of stockholders present voted in favor of the approval. Below is the tally of votes:

| In Favor | | Against | | Abstain | |
|-----------------|---------------|----------------|---|----------------|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 1,914,712,207 | 88.54% | 0 | 0 | 0 | 0 |

With the above votes in favor, the following resolution was passed and adopted:

Stockholders' Resolution No. 2020-01

"RESOLVED, that **BDO LEASING AND FINANCE, INC.** (the **Corporation**) be authorized to transfer all of its assets and liabilities to **BDO Finance Corporation** or any other affiliate as may be designated by BDO Unibank, Inc., such assets and liabilities including but not limited to the finance and leasing assets of the Corporation, its loan receivables, and the entire equity investment of the Corporation in BDO Rental, Inc.;

"RESOLVED, FURTHER, that **Nestor V. Tan, Vice Chairman**, with full power of delegation, be authorized and empowered to represent the Corporation, and to sign, execute and deliver all contracts and documents, and to do any and all acts, which may be required, necessary or proper in connection with the foregoing resolution, under such terms and conditions appropriate and beneficial to the Corporation."

IV. Amendment of the First Article of the Corporation's Articles of Incorporation

Mr. Tan then moved on to the next items in the agenda, which are related to the change in business direction of the Corporation. He requested the Corporate Secretary to first discuss the amendment of the First Article of the Corporation's Articles of Incorporation.

The Corporate Secretary stated that the amendment of the First Article of the Corporation's Articles of Incorporation is to reflect the change in its corporate name from "BDO Leasing and Finance, Inc." to "United Platinum Holdings Corporation".

Mr. Tan asked the Corporate Secretary to announce the results of voting. The Corporate Secretary announced that based on the tabulation, **99.99%** of stockholders present voted in favor of the approval. Below is the tally of votes:

| In Favor | | Against | | Abstain | |
|-----------------|---------------|----------------|---|----------------|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 1,914,712,207 | 88.54% | 0 | 0 | 0 | 0 |

V. Amendment of the Second Article of the Corporation's Articles of Incorporation

The next item in the agenda is the amendment of the Second Article of the Corporation's Articles of Incorporation.

The Corporate Secretary explained that the amendment will change the primary and secondary purposes of the Corporation, which will effectively convert it from a leasing and financing company to a holding company. Details of these proposed amendments were discussed in Item 17 of the DIS distributed to the stockholders prior to the meeting.

The Corporate Secretary announced that based on the tabulation, **99.99%** of stockholders present voted in favor of the approval. Below is the tally of votes:

| In Favor | | Against | | Abstain | |
|-----------------|---------------|----------------|---|----------------|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 1,914,712,207 | 88.54% | 0 | 0 | 0 | 0 |

VI. Amendment of the Third Article of the Corporation's Articles of Incorporation

Mr. Tan proceeded to the next item which is the amendment of the Third Article of the Corporation's Articles of Incorporation.

The Corporate Secretary stated that this amendment will reflect the proposed change in the Corporation's principal office address from No. 12 ADB Avenue, Ortigas Center, Mandaluyong City to Unit 1204, Galleria Corporate Center, EDSA cor. Ortigas Ave., Brgy. Ugong Norte, Quezon City.

The Corporate Secretary announced that based on the tabulation, **99.99%** of stockholders present voted in favor of the approval. Below is the tally of votes:

| In Favor | | Against | | Abstain | |
|---------------|---------------|---------------|---|---------------|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 1,914,712,207 | 88.54% | 0 | 0 | 0 | 0 |

VII. Amendment of By-Laws to Reflect Change in Name

The next item in the agenda is the amendment of the Corporation's By-Laws. The Corporate Secretary explained that the amendment is merely to reflect the change of name to "United Platinum Holdings Corporation" as approved earlier.

The Corporate Secretary announced that based on the tabulation, **99.99%** of stockholders present voted in favor of the approval. Below is the tally of votes:

| In Favor | | Against | | Abstain | |
|---------------|---------------|---------------|---|---------------|---|
| No. of Shares | % | No. of Shares | % | No. of Shares | % |
| 1,914,712,207 | 88.54% | 0 | 0 | 0 | 0 |

With the above votes in favor of approval, the following resolutions were passed and adopted:

Stockholders' Resolution No. 2020-02

"RESOLVED, that **BDO LEASING AND FINANCE, INC.** (the **Corporation**) be authorized to amend its Articles of Incorporation and By-laws as follows:

- (1) To change the corporate name from BDO LEASING AND FINANCE, INC. to UNITED PLATINUM HOLDINGS CORPORATION, and to amend the title and the First Articles of its Articles of Incorporation as follows:

"AMENDED ARTICLES OF INCORPORATION OF
UNITED PLATINUM HOLDINGS CORPORATION"
xxx

"FIRST – That the name of the corporation shall be:

UNITED PLATINUM HOLDINGS CORPORATION"

- (2) To amend the title of its By-laws to reflect the change in corporate name as follows:

"AMENDED BY-LAWS
OF
UNITED PLATINUM HOLDINGS CORPORATION"

xxx

- (3) To change the primary and secondary purposes of the Corporation from that of a financing company to a holding company, and to amend the Second Article of its Articles of Incorporation to reflect this change of corporate purpose as follows:

PRIMARY

To invest in, purchase, or otherwise acquire and own, hold, use, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose of real and personal property of every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities or obligations of any corporation or corporations, association or associations, domestic or foreign, for whatever lawful purpose or purposes the same may have been organized and to pay therefor in money or by exchanging shares of stock of this corporation or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, contracts, or obligations, to receive, collect and dispose of the interest, dividends, and income arising from such property; and to possess and exercise in respect thereof all the rights, powers and privileges of ownership, including all voting powers of any stock so owned; to carry on and manage the general business of any company.

SECONDARY

1. **To borrow or raise money from not more than nineteen (19) lenders, including stockholders, necessary to meet the financial requirements of its business by the issuance of bonds, promissory notes and other evidence of indebtedness, and to secure the repayment by mortgage, pledge, deed of trust or lien upon the properties of the Corporation or to issue, pursuant to law, shares of its capital stock, debentures and other evidence of indebtedness in payment for properties acquired by the Corporation or for money borrowed in the prosecution of its lawful activities;**
2. **To invest and deal with the money and properties of the Corporation in such manner as may, from time to time, be considered wise or expedient for the advancement of its interests and to sell, dispose of or transfer the business, properties and goodwill of the Corporation or any part thereof, for such consideration and under such terms as it shall see fit to accept;**
3. **To aid, in any manner, any corporation, association, or trust estate, domestic or foreign, or any firm or individual, in which any shares of stocks, bonds, debentures, notes, securities and evidence of indebtedness, contracts or obligations of which are held by or for the Corporation, directly or indirectly or through other corporations or otherwise;**

4. **To enter into any lawful arrangement for sharing profits, union of interest, unitization or farm-out agreement, reciprocal concession, or cooperation, with any corporation, association, partnership, syndicate, entity, person or governmental, municipal or public authority, domestic or foreign, in the carrying on of any business or transaction deemed necessary, convenient or incidental to carrying out any of the purpose of the Corporation;**
 5. **To acquire or obtain from any government or authority, national, provincial, municipal or otherwise, or any corporation, company, partnership or person, such charter, contracts, franchise, privileges, exemption, licenses and concessions as may be conducive to any of the objects of the Corporation;**
 6. **To assume or undertake or guarantee or secure, whether as solidary obligor, surety or guarantor or in any other capacity and either on its general credit or on the mortgage or pledge of any of its property, the whole or any part of the liabilities and obligations of any of its stockholders, subsidiaries or affiliates or any person firm association or corporation, whether domestic or foreign and whether a going concern or not engaging in or previously engaged in a business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for the purposes of the Corporation.**
 7. **To establish and operate one or more branch offices or agencies, and to carry on any or all of its operations and business without any restrictions as to place or amount, including the right to hold, purchase or otherwise acquire, lease, mortgage, pledge and convey or otherwise deal in and with real and personal property anywhere within the Philippines; and**
 8. **To conduct and transact any and all lawful activities, and to do or cause to be done, any one or more of the acts and things herein enumerated, or which shall at any time appear conducive to, or expedient for, the protection or benefit of the Corporation.**
- (4) To change the principal office address of the Corporation 39/F BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City to Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City and to amend the Third Article of the Articles of Incorporation as follows:

“THIRD: That the place where the principal office of the corporation shall be at **Unit 1204, Galleria Corporate Center, EDSA corner Ortigas Ave., Brgy. Ugong Norte, Quezon City.**”

“**RESOLVED, FINALLY**, that any one (1) of the President, Corporate Secretary or any Director of the Corporation be authorized and empowered to submit or cause the submission of copies of the Amended Articles of Incorporation and Amended By-laws of the Corporation, certified by a majority of the directors and the Corporate Secretary, to the Securities and Exchange Commission, to sign, execute and deliver any and all documents and deeds,

and to do any and all acts, necessary and proper, to give the foregoing resolutions force and effect.”

VIII. Open Forum

Mr. Tan then opened the Question and Answer portion of the meeting. All stockholders of record were allowed to submit questions in advance via email, and through the chat box of the meeting livestream. Mr. Tan assured the stockholders that those questions not entertained due to time constraints will be answered via email.

The Chairman requested Mr. Luis S. Reyes, Jr., Director and Treasurer, to read some of the questions received from the stockholders.

Mr. Reyes read the first question. The question reads, “What does the Corporation intend to do with its leasing business?”

Mr. Tan answered that the Corporation will no longer carry out its leasing business and that it will be converted into a holding company as earlier approved, subject to SEC approval. He explained that the effectivity of PFRS 16 in 2019, which requires leases to be recognized on-balance sheet for borrowers/clients, prompted the BDO Group to decide to carry on its leasing business through a privately-held entity, BDO Finance Corporation. This in turn prompted the proposal to repurpose the Corporation.

Mr. Reyes then read the next question, which reads, “In connection with the Share Purchase Agreement dated 24 January 2020, what is the Buyers’ plan for the Corporation?”

Mr. Tan responded that the buyers will operate the Corporation as a holding company.

Mr. Reyes read the last question. It reads, “What is the status of the Order of Suspension of the Securities and Exchange Commission (SEC) and when is the closing date of the sale?”

Mr. Tan answered that the Corporation has sought reconsideration of the Suspension Order and engaged the SEC on this matter. As of this point, the request for reconsideration is still pending resolution, which was also delayed by the pandemic. He further stated that the Corporation believes that there is no ground for the suspension of its Registration Statement since both the Corporation and BDO Unibank have consistently been upfront and have made full, timely and fair disclosures regarding the sale of its shares in the Corporation, including all the steps leading to it.

Mr. Tan also stressed that minority shareholders are protected in the process with their vested appraisal rights. The Buyers will also have to carry out a Mandatory Tender Offer, which will allow existing shareholders to sell their shares in case they do not want to stay on as shareholders of the repurposed company.

As regards the closing date, Mr. Tan informed the stockholders that the target closing is in October 2020.

IX. Other Matters

Mr. Tan inquired if there were other matters that could properly be taken up at the meeting. The Corporate Secretary confirmed that there were none.

X. Adjournment

There being no further business to transact, Mr. Tan thanked everyone who joined the meeting wished everyone good health. Thereafter, the meeting was adjourned.

CERTIFIED CORRECT:

JOSEPH JASON M. NATIVIDAD
Corporate Secretary

ATTESTED BY:

TERESITA T. SY
Chairperson