Certified True Copy
For BDO UNIBANK, INC.
HONG KONG BRANCH
(Incorporated in the Philippines with limited liability)

SHARLENE S. SOO
Authorized Signature(s)

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

REPUBLIC OF THE PHILIPPINES)
CITY OF MAKATI) S. S.

SECRETARY'S CERTIFICATE

I, **EDMUNDO L. TAN**, being the Corporate Secretary of **BDO UNIBANK, INC. (BDO Unibank)**, a universal bank organized and existing under and in accordance with the laws of the Republic of the Philippines, with business address at BDO Towers Valero, 8741 Paseo de Roxas, Salcedo Village, Makati City, do hereby certify that –

1. In my capacity as Corporate Secretary of BDO Unibank, I have custody of the minutes book of BDO Unibank which contains the minutes of the meetings of the Board of Directors;

2. At the regular meeting of the Board of Directors of BDO Unibank held on February 24, 2023, at which meeting a quorum was present and acting throughout, the following resolution was unanimously adopted and approved:

Resolution No. 031-2023

"RESOLVED, That the Board of Directors of BDO Unibank, Inc. approve and confirm, as it hereby approves and confirms, the Audited Financial Statements of BDO Unibank, Inc. and its Subsidiaries as of December 31, 2022, a copy of which is attached as Annex "A" to the minutes and made an integral part of this Resolution."

3. Chairperson Teresita T. Sy, Director, President & CEO Nestor V. Tan, Lead Independent Director Dioscoro I. Ramos, Independent Directors Estela P. Bernabe and Vicente S. Pérez, Jr., and Director Josefina N. Tan attended said February 24, 2023 regular Board Meeting in person while Vice Chairman Jesus A. Jacinto, Jr., Independent Director George T. Barcelon and Directors Jones M. Castro, Jr. and Walter C. Wassmer attended the meeting through videoconferencing, and aforementioned directors unanimously adopted and approved the above said resolution. Independent Director Vipul Bhagat was not present at said meeting.

4. The above-quoted resolution has not been revoked or rescinded and continues to be in full force and effect.

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

IN WITNESS WHEREOF, I have hereunto affixed my signature this MAR 0 1 2023 at Makati City, Philippines.

EDMUNDO L. TAN
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this MAR 0 1 2023 at Makati City, Philippines, affiant exhibited to me his Tax Identification No. 132-173-235, and Passport No. P0749156C, with validity up to June 30, 2032, issued at DFA-Manila.

NOTARY PUBLIC

Doc. No. 58
Page No. 13
Book No. II
Series of 2023.

Atty. ALEJANDRO M. TUPAS, III
Appointment No. M-212; Notary Public until 31 December 2023
Roll No. 55349; IBP Lifetime Member No. 013125, Quezon City
PTR No. 9566763, 03 January 2023, Makati City
MCLE Compliance No. VII-0011590, 28 February 2022
21/F, BDO Towers Valero, 8741 Paseo de Roxas,
Salcedo Village, Makati City

BDO Unibank, Inc.
BDO Towers Valero
8741 Paseo De Roxas
Salcedo Village
Makati City 1226
Philippines
Swift Code BNORPHMM
Tel +632 8840-7000

bdo.com.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **BDO Unibank, Inc. and Subsidiaries (the BDO Unibank Group)** and of **BDO Unibank, Inc. (the Parent Bank)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 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 BDO Unibank Group and the Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BDO Unibank Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the BDO Unibank Group and the Parent Bank's financial reporting process.

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

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

Teresita T. Sy
Chairperson of the Board

Nestor V. Tan
President & Chief Executive Officer

Dalmacio D. Martin
Treasurer

Signed this 24th day of February 2023

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SHARLENE S. SOO
Authorized Signature(s)

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

BDO Unibank, Inc.
BDO Towers Valero
8741 Paseo De Roxas
Salcedo Village
Makati City 1226
Philippines
Swift Code BNORPHMM
Tel +632 8840-7000

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SUBSCRIBED and SWORN to before me this 24th day of February, 2023 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number	Date Issued/Place Issued/Expiration Date
1. Teresita T. Sy	Passport No. – P6453728B SSS No. – 03-2832705-4	03.09.2021/DFA NCR East/03.08.2031
2. Nestor V. Tan	Passport No. – P5830111B CTC No. – 26721696	11.23.2020/ DFA NCR East/11.22.2030 01.30.2023/Makati City
3. Dalmacio D. Martin	Passport No. – P9695951B CTC No. – 26695793	04.21.2022/ DFA Manila/04.20.2032 01.16.2023/Makati City

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

Doc. No. 76
Page No. 13
Book No. II
Series of 2023

Atty. MARIA FELICIA T. ZANTUA
Appointment No. M-214; Notary Public until 31 December 2023
Roll No. 58016; IBP Lifetime Member No. 12574, Laguna
PTR No. 9566766, 03 January 2023, Makati City
MCLE Compliance No. VII-0014924, 6 April 2022
21/F, BDO Towers Valero, 8741 Paseo de Roxas,
Salcedo Village, Makati City

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For BDO UNIBANK, INC.
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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

P&A Grant Thornton

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

35 YEARS
Shaping a Vibrant Tomorrow

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

T +63 2 8988 2288

Report of Independent Auditors

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For BDO UNIBANK, INC.
HONG KONG BRANCH
(Incorporated in the Philippines with limited liability)

SHARLENE S. SOO
Authorized Signature(s)

The Board of Directors and Stockholders
BDO Unibank, Inc.
BDO Corporate Center
7899 Makati Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BDO Unibank Group and of the Parent Bank as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

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Key Audit Matters

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

The following are the key audit matters identified in our audit of the financial statements of the BDO Unibank Group and the Parent Bank:

(a) Valuation of Loans and Other Receivables

Description of the Matter

The BDO Unibank Group and the Parent Bank are required to recognize allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model in accordance with PFRS 9, *Financial Instruments*. As of December 31, 2022, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P2,696,901 million and P2,621,221 million, respectively, net of allowance for impairment of P76,360 million and P74,000 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 66% and 67% of the BDO Unibank Group and the Parent Bank's total resources, respectively.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining how much impairment loss is required to be recognized in the financial statements. These judgment and estimates are disclosed in the BDO Unibank Group's and the Parent Bank's accounting policies in Notes 2 and 3 to the financial statements.

The BDO Unibank Group and the Parent Bank use an ECL model in determining the impairment of their loans and other receivables. The assessment of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations of the related counterparties. Furthermore, the BDO Unibank Group and the Parent Bank incorporated forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition and the measurement of ECL. The BDO Unibank Group and the Parent Bank have identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, have estimated relationships between macro-economic variables, credit risk and credit losses.

The significant judgments applied and the subjectivity of estimates used by management have further heightened due to the unprecedented impact of COVID-19 pandemic to the BDO Unibank Group's and the Parent Bank's loans and receivables. Further, BDO Unibank Group and the Parent Bank consider the current and forecasted macroeconomic variables in determining the appropriate overlay and in updating the probability of default and loss given default. Accordingly, the BDO Unibank Group and the Parent Bank have recognized in 2022 impairment losses on loans and other receivables amounting to P16,414 million and P15,665 million, respectively, based on the ECL model used by the BDO Unibank Group and the Parent Bank by considering the current credit status of the loans and receivables and the potential delinquencies brought about by the current economic condition.

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and other receivables, and the related credit risk are included in Notes 4 and 11 to the financial statements.

How the Matter was Addressed in the Audit

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

- testing the design and operating effectiveness of relevant general and application controls across the processes, as assisted by our own Information Technology specialists, over the loan classification into stages, and the calculation and recognition of the allowance for impairment;
- evaluating appropriateness of the BDO Unibank Group's and the Parent Bank's credit policy and loan impairment process as approved by the Board of Directors;
- on a sample basis, evaluating the appropriateness of the credit risk ratings of loans to assess appropriateness of credit risk monitoring;
- assessing the appropriateness of the BDO Unibank Group's and the Parent Bank's design of the ECL impairment model;
- evaluating the inputs and assumptions, as well as the formulas used in the development of the ECL models for each of the loan portfolio. This includes assessing the completeness and appropriateness of the formula and inputs used in determining the probability of default, loss given default and exposure at default;
- for forward-looking information used, evaluating whether the forecasted macro-economic factors, which include gross domestic product growth, unemployment rates and core inflation rates were appropriate. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates as well as the impact of these variables to the ECL;
- assessing the borrowers' repayment abilities by examining payment history for selected loan accounts; and,
- on selected non-performing loan accounts, evaluating the management's forecast of recoverable cash flows based on agreed restructuring agreement, actual payment pattern after the restructuring, valuation of collaterals and estimates of recovery from other sources of collection.

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

(b) Valuation of Financial Instruments

Description of the Matter

In general, the fair valuation of the financial instruments of the BDO Unibank Group and the Parent Bank is computed with reference to external sources and readily available market value. The fair valuation of financial instruments of the BDO Unibank Group and the Parent Bank is considered a key area of focus in our audit due to the use of inputs from external sources in computing the market value of some financial instruments with no readily available market value. To the extent practicable, certain financial instruments are measured using models with observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

As of December 31, 2022, the derivative financial assets and derivatives with negative fair values of the BDO Unibank Group that are carried at fair value amounted to P8,613 million and P7,809 million, respectively, while that of the Parent Bank amounted to P3,468 million and P3,636 million, respectively. The debt and equity investments at Level 2 and Level 3 amounted to P6,224 million for the BDO Unibank Group and P482 million for the Parent Bank.

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

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- testing of design and operating effectiveness of relevant controls over the valuation process including the valuation method and assumption used by the BDO Unibank Group and the Parent Bank on the financial instruments, particularly the measurement of derivative financial instruments as assisted by our own Information and Technology specialists.
- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources;
- recomputing the fair values based on the inputs and compared with the market values reported by the BDO Unibank Group and the Parent Bank; and,
- reviewing the appropriateness of the method used in fair market valuation.

(c) Carrying Value of Goodwill and Other Intangible Assets with Indefinite Useful Lives

Description of the Matter

The BDO Unibank Group has goodwill of P4,535 million, with allowance for impairment of P1,514 million, as of December 31, 2022, and the significant portion of which relates to the acquisition of BDO Network Bank, Inc. (BDO Network). Furthermore, the BDO Unibank Group and the Parent Bank have other intangible assets with indefinite useful lives amounting to P3,525 million and P3,522, respectively.

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

This annual impairment testing of goodwill and other intangible assets with indefinite useful lives for impairment is considered to be a key audit matter because the management's process in assessing the recoverability of the intangible assets is complex. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill and other intangible assets with indefinite useful lives are allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimates for forecasted statement of financial position and net profit of CGUs, terminal value growth rates and discount rate.

The BDO Unibank Group's disclosures about goodwill and other intangible assets are included in Notes 2, 3 and 15 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill and other intangible assets with indefinite useful lives included, among others, evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the forecasted statement of financial position and statement of income as well as the discount and growth rates used. We have involved our Firm valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs. In addition, we recalculated the value-in-use of the CGUs and compared it with the carrying amount. We also reviewed the BDO Unibank Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets with indefinite useful lives. Furthermore, our audit of the financial statements of BDO Network as of and for the year ended December 31, 2022 did not identify events or conditions that may cast significant doubt on BDO Network's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 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.

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BDO Unibank Group's and the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BDO Unibank Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the BDO Unibank Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BDO Unibank Group and the Parent Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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GEORGE T. BARCELON
Independent Director
BDO Unibank, Inc.

P&A Grant Thornton

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in 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 31 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under 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, 2022 and 2021 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by BIR and BSP is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC.

The engagement partner on the audits 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. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2023

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2022 ANNUAL REPORT

BDO 2022 ANNUAL REPORT

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Our Purpose

Corporate Mission

To be the preferred bank in every market we serve.

Corporate Vision

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

Core Values

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

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

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

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



Corporate Profile

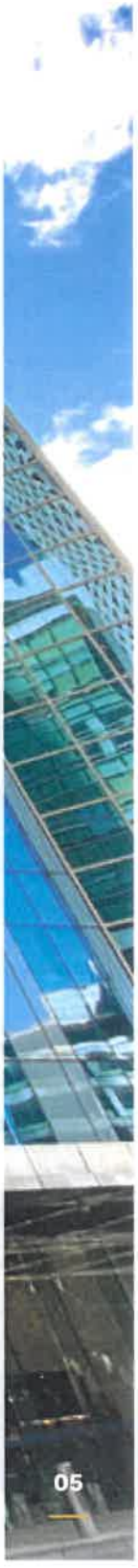
BDO is a full-service universal bank in the Philippines, providing a complete array of industry-leading products and services including Lending (corporate and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Retail Cash Cards, Corporate Cash Management and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

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. Its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. The Bank has the largest distribution network with over 1,600 operating branches and more than 4,600 ATMs nationwide. BDO has 16 international offices (including full-service branch offices in Hong Kong and Singapore) spread across Asia, Europe, North America, and the Middle East.

The Bank also offers digital banking solutions to make banking easier, faster, and more secure for its clients.

Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continued expansion into new markets. As of December 31, 2022, BDO is the country's largest bank in terms of total resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network nationwide.

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



Message from the Chairperson



"We will carry on with our financial innovation across our businesses as we respond to the evolving needs of our clients."

Dear Clients and Shareholders,

The year 2022 was both a challenging and fruitful period for the Bank. I am proud of what BDO has accomplished despite the challenges and uncertainty during the year.

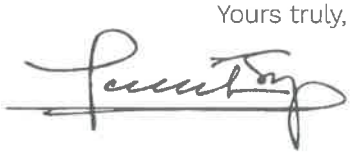
The Bank continued to focus on its role of supporting clients' banking needs, through the diverse range of products and services we offer. For our corporate clients, we remained at the forefront of assisting them with their working capital needs and financing their expansion plans as they support the country's recovering economy.

We ended the year with healthy financial results, registering a record net profit of ₱57.1 billion with a strong and well-capitalized balance sheet. We have exceeded pre-pandemic business volumes, and further expanded our reach to serve more clients in underserved and unbanked areas.

Moving forward to 2023, we will carry on with our financial innovation across our businesses as we respond to the evolving needs of our clients. We will continue to strengthen cybersecurity at the enterprise level and contribute to the development of rural communities by providing them access to banking services.

I would like to extend my sincere appreciation to the members of the Board, the management, and all the employees of BDO for upholding the We Find Ways brand of service. And to our valued clients and shareholders, thank you for finding your way to BDO.

Yours truly,



Teresita T. Sy
Chairperson

Message from the President and CEO



"While the past three years have been challenging, it has reminded us of who we are as an organization."

Dear Fellow Shareholders,

The year 2022 can be best described as a year of transition. We saw the first half of the year hampered by further lockdowns while the second half saw a gradual opening up of the economy as the pandemic concerns started to wane. However, the second half also saw the effects of the Russia/Ukraine conflict taking its toll: supply chain bottlenecks, volatile commodity prices, rising inflation, rising interest rates and a depreciating peso. Nevertheless, we managed to navigate through these challenges. Year-end results have already surpassed pre-pandemic numbers, exhibiting the Bank's ability to quickly recover from the aftermath of the pandemic or any setback.

Our net income grew 33% year on year to ₱57.1 billion, a testament to the strength of our franchise and the collective effort of our entire BDO team. Strategically, we continue to expand our footprint across the archipelago. Our goal is to make banking, specifically our products and services, more convenient and accessible for our clients. In particular, our community banking and agency banking arms, BDO Network Bank and Cash Agad respectively, are now available in more locations throughout the country, ready to serve the underbanked and the unbanked.

We expanded our wealth capabilities to cater to the different life stages of the affluent. Complemented by our Hong Kong and Singapore operations, we made available to clients international investment and booking options appropriate to their needs and risk preferences.

Our investments in our IT capabilities have allowed us to transition into a modern architecture platform with improved speed, reliability, and flexibility. These IT innovations have resulted in better and faster service for our clients and in better processes for our workforce. Customers can now do fully automated straight-through branch transactions, perform cardless biometrics-based ATM withdrawals, and open accounts digitally. We continue to provide our clients the optimal combination of a physical and digital banking experience, so they can use the channel they are most comfortable with.

These are but a few of the major initiatives we embarked on to future-proof the Bank.

While the past three years have been challenging, it has reminded us of who we are as an organization. It reinforced our resiliency and our fidelity to our shared values of excellence, customer focus and teamwork. We remain optimistic about the future. We continue to find ways for our clients, intensify efforts to aid the development of communities we are in, and contribute further to nation-building. BDO remains committed to and constantly builds for the future.

Sincerely,

Nestor V. Tan
President and CEO

2022 at a Glance



Making banking services more accessible, easier to use, and operationally efficient

Sustained roll-out of digital enhancements and self-service technologies such as:

- Paperless, straight-through processing capability for all BDO Unibank branches
- Cardless ATM transaction processing via biometrics authentication and QR code

BDO Pay for all

- BDO Pay is the country's first bank-backed mobile wallet that links a customer's CASA, debit and credit card accounts in one wallet, allowing customers to quickly make digital payments and other transactions as well as easily manage their finances.
- Providing access to non-BDO clients strengthens BDO Pay's market reach, especially in the unbanked segment.





STILL THE COUNTRY'S BIGGEST BANK

₱57.1 billion
Net Income

₱4.1 trillion
Total Resources

₱3.2 trillion
Total Deposits

₱2.6 trillion
Gross Customer Loans

₱1.8 trillion
Consolidated Trust Assets Under Management

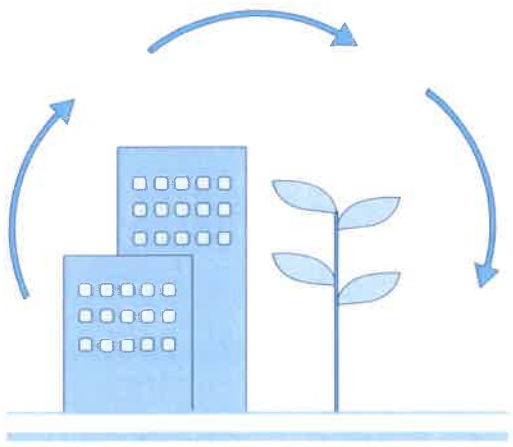
₱461.5 billion
Capital

1,652
branches and banking offices
including foreign branches in Hong Kong and Singapore

4,655
ATMs
nationwide

Pioneering and leading sustainable products and/or service offerings

- ₱52.7 billion ASEAN Sustainability Bond issue in January 2022, by far the largest issuance by any Philippine financial institution
- USD100 million Blue Bond, the first thematic Blue Bond issuance by a commercial bank in Southeast Asia with the International Finance Corporation (IFC) as sole investor



Awards and Recognition

BEST MANAGED BANK IN THE PHILIPPINES: BDO UNIBANK
The Asian Banker Leadership Achievement Awards 2022

BEST CASH MANAGEMENT BANK IN THE PHILIPPINES
Alpha Southeast Asia 16th Annual Best Financial Institution Awards 2022

ASSET MANAGEMENT COMPANY OF THE YEAR, PHILIPPINES
The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF and Asset Servicing Providers 2022

BDO CAPITAL: BEST INVESTMENT BANK IN THE PHILIPPINES
Global Finance World's Best Investment Bank Awards 2022

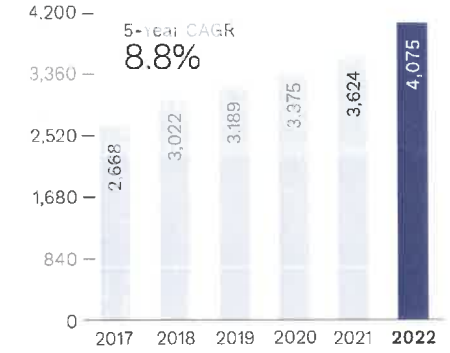
BDO PRIVATE BANK: BEST DIGITAL PRIVATE BANK IN THE PHILIPPINES
Asiamoney Private Banking Awards 2022

BDO NETWORK BANK: MARKETING & BRAND INITIATIVE OF THE YEAR – PHILIPPINES
Asian Banking & Finance Retail Banking Awards 2022

TOP SUSTAINABILITY ADVOCATES IN ASIA
Asia Corporate Excellence & Sustainability Awards (ACES) 2022

Financial Highlights

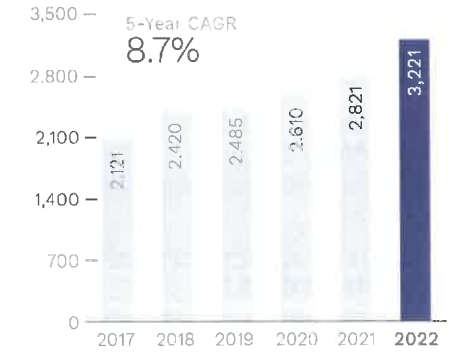
Resources
(in billion Php)



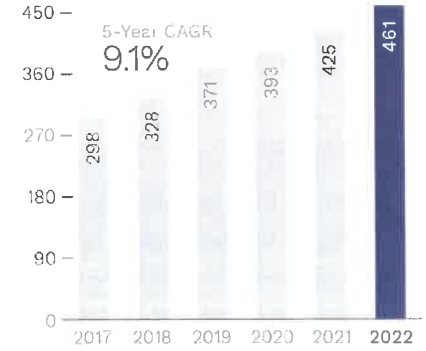
Gross Customer Loans
(in billion Php)



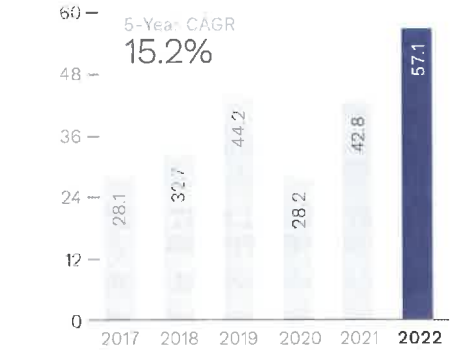
Deposit Liabilities
(in billion Php)



Capital Funds
(in billion Php)



Net Income*
(in billion Php)



2022 NET INCOME

₱57.1 billion

Up 33% YoY

* attributable to shareholders of the parent bank

FINANCIAL & OPERATING HIGHLIGHTS

	CONSOLIDATED			PARENT BANK		
	2022	2021	Change	2022	2021	Change
BALANCE SHEET (in billion Php)						
Resources	4,074.7	3,623.7	12%	3,900.3	3,466.0	13%
Trading and Investment Securities	722.8	616.3	17%	606.8	498.0	22%
Liquid Assets	1,392.3	1,168.2	19%	1,265.8	1,037.9	22%
Gross Customer Loans	2,613.8	2,400.2	9%	2,537.6	2,351.6	8%
Deposits	3,220.9	2,820.9	14%	3,141.0	2,751.7	14%
Equity[1/]	461.5	424.5	9%	459.9	423.5	9%
INCOME STATEMENT (in billion Php)						
Net Interest Income	149.2	131.3	14%	139.9	123.9	13%
Non-Interest Income	71.5	61.4	17%	50.1	40.6	23%
Gross Operating Income	220.8	192.7	15%	190.0	164.5	16%
Operating Expenses	131.2	119.9	9%	104.1	93.6	11%
Pre-provision Profit	89.6	72.8	23%	85.9	70.9	21%
Allowance for Credit Losses	16.4	17.1	-4%	15.6	16.8	-7%
Net Profit[2/]	57.1	42.8	33%	57.0	42.7	34%
FINANCIAL PERFORMANCE INDICATORS						
Profitability						
Return on Average Common Equity	13.0%	10.5%		13.0%	10.5%	
Return on Average Equity	12.9%	10.4%		12.9%	10.4%	
Return on Average Assets	1.5%	1.2%		1.5%	1.3%	
Margins and Liquidity						
Net Interest Margin	4.1%	4.0%		4.1%	4.0%	
Gross Customer Loans to Deposit Ratio	81.2%	85.1%		80.8%	85.5%	
Liquid Assets to Total Assets	34.2%	32.2%		32.5%	29.9%	
Liquidity Coverage Ratio	140.7%	145.4%		141.2%	145.9%	
Net Stable Funding Ratio	123.9%	123.5%		123.5%	123.1%	
Cost Efficiency						
Cost to Income Ratio	59.4%	62.2%		54.8%	56.9%	
Cost to Average Assets Ratio	3.4%	3.4%		2.8%	2.8%	
Asset Quality						
NPL Ratio[3/]	1.9%	2.8%		1.9%	2.7%	
NPL Cover[4/]	166.7%	111.2%		170.9%	113.5%	
Capital and Leverage						
CET 1 Ratio[5/]	13.4%	13.6%		12.8%	13.1%	
Tier 1 Ratio[5/]	13.6%	13.8%		13.0%	13.3%	
Capital Adequacy Ratio[5/]	14.5%	14.7%		14.0%	14.2%	
Countercyclical Buffer[6/]	0.0%	0.0%		0.0%	0.0%	
Basel III Leverage Ratio	9.8%	10.3%		9.4%	9.9%	
Assets to Equity	8.8x	8.5x		8.5x	8.2x	
DISTRIBUTION NETWORK AND MANPOWER						
Branches and Offices	1,652	1,544	7%	1,199	1,193	1%
ATMs[7/]	4,655	4,484	4%	4,655	4,152	12%
Employees	39,323	38,873	1%	32,304	32,314	0%
Officers	20,275	19,805	2%	15,293	15,165	1%
Staff	19,048	19,068	0%	17,011	17,149	-1%
SHAREHOLDER INFORMATION						
Market Value						
Share Price (in Php)[8/]	105.70	100.58	5%			
Market Capitalization (in billion Php)	556.42	529.33	5%			
Valuation						
Basic Earnings per Share (in Php)[8/]	10.77	8.07	34%			
Diluted Earnings per Share (in Php)[8/]	10.72	8.05	33%			
Book Value per Share (in Php)[8/]	86.08	79.39	8%			
Price-Earnings Ratio	9.8x	12.5x				
Price to Book Value	1.2x	1.3x				
Dividends						
Cash Dividends Paid to Common Shareholders (in billion Php)	9.9	5.3		9.9	5.3	
Cash Dividends per Common Share (in Php)[9/]	2.20	1.20				
Stock Dividends Paid to Shareholders	20.0%	0.0%				
Dividend Payout Ratio[10/]	17.4%	12.3%				
Dividend Yield[11/]	1.8%	1.1%				

Notes:
All financial data are based on SEC format unless otherwise indicated

1/ Total capital accounts, inclusive of non-controlling interest and preferred shares
2/ Net Income attributable to shareholders of the parent bank
3/ Per BSP Circular 941
4/ Per BSP Circular 1011
5/ Based on audited financial statements
6/ Currently set at 0% by the BSP per Circular 1024 Section 1
7/ On-site, off-site and mobile ATMs only, does not include Cash Accept Machines (CAMs) and Self-Service Teller Machines (STMs)
8/ 2021 was adjusted to account for the 20% stock dividend paid-out on December 29, 2022
9/ Unadjusted for the 20% stock dividend paid in December 2022; 2022 includes a special cash dividend of Php1.00 per share
10/ Cash dividends paid during the year divided by net profit for the year
11/ Cash dividends per common share paid during the year divided by average daily closing price for the year

Market Overview

Economic Environment

Philippine Gross Domestic Product (GDP) grew 7.6% in 2022, above the government's 6.5-7.5% target range, representing an acceleration from the 5.7% GDP growth registered in 2021. Private consumption expenditures rose by 8.3% last year as the continued easing of COVID-19 related quarantine protocols and mobility restrictions spurred further recovery in discretionary spending.

Expanded vaccine coverage coupled with a substantial decline in COVID-related hospitalization allowed the government's COVID-19 Inter-Agency Task Force (IATF) to recommend lifting restrictions on mass gatherings and capacity levels for indoor establishments in place since the start of the pandemic. The IATF also oversaw the removal of quarantine and testing requirements for fully vaccinated international travelers and returning overseas Filipinos as well as a return to in-person classes in all public and private schools. The sustained easing of COVID-19 related health protocols triggered a rebound in consumer spending in sectors particularly hard-hit by the pandemic. For the year, expenditures related to clothing and footwear, transport, and restaurants and leisure were up 4.6%, 16.5%, and 27.4%, respectively.

Investment spending recorded growth of 16.8% buoyed by increasing inventory levels (333.8%), renewed construction activities (12.7%), and investments in durable equipment (9.3%). On the supply side, the agricultural and fisheries sector grew 0.5%, the industrial sector 6.7%, and the services sector 9.2%, with the latter particularly benefitting from the government's relaxation of mobility restrictions. The industrial sector was led primarily by growth from construction activities (12.7%) while the services sector was supported by food service activities (31.8%) and the transportation and storage sub-sectors (23.9%).

The Philippine economy registered a healthy rebound in consumption and investment activity despite elevated inflation and volatile financial markets. Headline Philippine CPI inflation rose to 5.8% representing a 13-year high on the back of pandemic-induced global supply bottlenecks and elevated commodity prices particularly aggravated by the onset of the Russia-Ukraine military conflict. Furthermore, global central banks' aggressive monetary policy tightening in response to inflation concerns increased volatility in financial markets. For the year, benchmark 1-year US Treasury bond yields widened from 0.4% to 4.7% as the United States Federal Reserve hiked policy rates by 425 basis points. Higher USD rates in turn put pressure on Emerging Market currencies such as the Philippine Peso, which depreciated by 10.5% against the dollar. The combination of a strong USD, elevated commodity prices, and a reversion of imports volumes to pre-pandemic trends also resulted in a deterioration of the Philippines' trade balance. The country's trade deficit stood at USD58.3 billion in 2022, widening from the USD42.2 billion gap in 2021.

Regulatory Environment

The Bangko Sentral ng Pilipinas (BSP) raised its policy rate from 2.0% to 5.5% over the course of the year. The BSP reversed accommodative monetary policies in place for much of the COVID-19 pandemic (BSP lowered policy rates by 125 basis points after the onset of the pandemic with policy rates kept at 2.0% for 18 months) to mitigate risks related to broadening inflation expectations as well as Peso depreciation. The BSP also raised its overnight lending and deposit rates by 350 basis points to 6.0% and 5.0%, from 2.5% and 1.5%, respectively. The BSP nonetheless decided to maintain the temporary two percent monthly cap on credit card rates first implemented in November 2020 under Circular No. 1098 as part of the government's pandemic relief measures.

Fiscal policy was also less accommodative in 2022 with the decline in pandemic related stimulus spending. The national government reduced the budget deficit to ₱1.6 trillion from the previous year's ₱1.7 trillion. The issuance of government securities was likewise reduced from ₱3.6 trillion in 2021 to ₱3.0 trillion in 2022.

Last year also saw the election of Ferdinand Marcos Jr. as the 17th President of the Republic of the Philippines, succeeding Rodrigo Duterte. During his first State of the Nation Address to Congress, President Marcos highlighted the need for policies sustaining the recovery of the economy from the impact of the COVID-19 pandemic. The Marcos administration's economic priorities include achieving food and energy security, improving fiscal discipline, and accelerating infrastructure development. President Marcos intends to continue the flagship "Build, Build, Build" infrastructure program of the Duterte administration but with increased accommodation of public-private partnerships. In this regard, the Marcos administration amended the Build-Operate-Transfer (BOT) Law's implementing rules and regulations (IRR) in order to improve the balance between public interest and the objectives of the private sector. Furthermore, the National Economic Development Agency (NEDA) is also pushing for a PPP Act that addresses remaining ambiguities in the BOT Law while speeding up the process for reviewing and implementing PPP projects.

Outlook for 2023

Global central banks' implementation of aggressive monetary tightening to address inflation risks is likely to significantly dampen global economic activity. However, the Philippine economy's reliance on domestic consumption drivers rather than goods exports should provide relative resiliency in a slowing global growth backdrop especially with the full benefits from complete removal of COVID-19 related quarantine protocols likely to be only evident in 2023. Furthermore, the expected slowdown in global growth should also eventually reduce global inflation risks. Commodity prices already ended 2022 well-off recent peaks with Dubai crude oil prices down 39.7% from 12-month highs on expectations of weakening global demand.

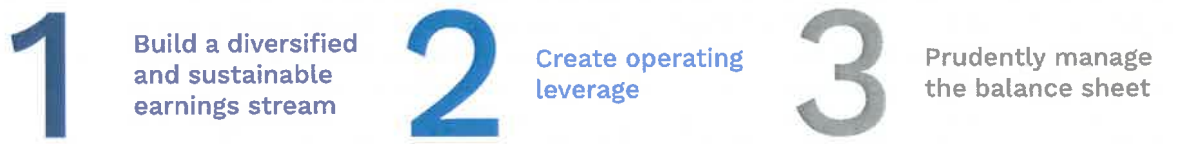
Slowing inflation should allow central banks such as the US Federal Reserve and the Bangko Sentral ng Pilipinas room to balance inflation versus growth more constructively. While the BSP has yet to signal policy rate cuts in the near term, the Philippine central bank nonetheless expects Philippine year-over-year headline inflation to be back within their 2.0-4.0% target range by the third quarter of 2023. Slowing global inflation and falling commodity prices may also help narrow the Philippines' trade and current account deficits. The Marcos administration is also looking to reduce the budget deficit as a percentage of gross domestic product (GDP) from an estimated 6.9% in 2022 to 6.1% in 2023 through a combination of fiscal consolidation measures. The longer-term target is to bring the budget deficit as a percentage of GDP back down to pre-pandemic levels (3.4% in 2019) by year 2028.

Our Strategy

BDO's overall strategy focuses on building a strong business franchise to achieve diversity and sustainability of earnings over the long-term.

THE BANK'S STRATEGY IS FOCUSED ON THREE (3) CORE AREAS, NAMELY:

- Building a diversified and sustainable earnings stream on the back of strong businesses, wide market coverage and a strong client acquisition and service culture;
- Creating operating leverage by building an operating platform that supports growth and scalability, complemented by digital enablers; and
- Prudently managing its balance sheet by conservatively provisioning for risk assets, managing the mix of current and long-term funding sources and ensuring sufficient capital to support growth.



Risk Management

With its culture of managing risk prudently within its capacity and capabilities, the BDO Unibank Group will pursue its strategy and business plans to provide consistent quality service to its customers, to achieve its desired long-term target returns to its shareholders, and satisfy or abide by the needs of its other stakeholders, including its depositors and regulators.

Risk Management Principles



Overall Risk Management Culture and Philosophy

The Bank believes that, as there are opportunities, there are associated risks. The objective is not to avoid risks totally, but to adequately and consistently evaluate, manage, control and monitor the risks, and ensure that the Bank is duly compensated for all risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

Risk Appetite and Strategy

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

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

The Bank operates an enterprise-wide risk management framework to address the risks it faces in its banking activities. The Bank ensures that credit, market, interest rate, and liquidity risks are within Board-approved operating limits. Operational risk, legal, regulatory and compliance risks, and reputational risks are invariably managed by the development of both a strong "control culture" and an effective internal control system that constantly monitors and updates operational policies and procedures with respect to the Bank's activities and transactions.

Bank-Wide Risk Governance Structure

Risk management at BDO begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors (the Board), which is responsible for establishing and maintaining a sound risk management system. The Board 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 Board has constituted the Risk Management Committee as the Board-level committee responsible for the oversight of the enterprise risk management program. Considering the importance of appropriately addressing credit risk, the Board has also constituted the Executive Committee. The Executive Committee is responsible for approving credit-specific transactions, while the Risk Management Committee is responsible for approving risk appetite levels, policies, and risk tolerance limits related to credit portfolio risk, liquidity risk, market risk, interest rate risk, operational risk (including business continuity risk, IT risk, information security risk, data privacy risk, and social media risk), consumer protection risk, and environmental & social risk, to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.

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

As part of the enterprise-wide risk management framework, the Risk Management Group, which reports to the Risk Management Committee, is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e., credit risk, liquidity risk, market risk, interest rate risk in the banking book, operational risk including business continuity risk, IT risk, information security risk, and data privacy risk, as well as environmental & social risks) to optimize the risk-reward balance and maximize return on capital, in line with the Bank's risk management mission. The Risk Management Group also has the responsibility of recommending, to the appropriate body, risk policies across the full range of risks to which the Bank is exposed.

Risk Management Process

The evaluation, analysis, and control performed by the Risk Function, in conjunction with the Risk Takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified, and analyzed in the light of its potential effect on the Bank's business. The goal of the risk management process is to ensure rigorous adherence to the Bank's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

Risk Oversight Framework



Areas of Oversight

- Credit Risk
- Liquidity Risk
- Market Risk
- Interest Rate Risk
- Operational Risk
  - Business Continuity Risk
  - IT Risk
  - Information Security Risk
  - Data Privacy Risk
  - Social Media Risk
- Consumer Protection Risk
- Environmental & Social Risks

Performance Review and Report on Operations

2022 Financial Performance

Key highlights:

- Strong results continue across all core businesses; earnings are broad-based and diversified
- Full-year ROE at 13% with 4Q ROE further improving to 15.3%
- Balance sheet is solid with very comfortable capital position; asset quality improving with ample provisioning
- Challenges remain, posed by supply constraints, higher inflation, tighter external liquidity, interest rate and FX volatility, and geopolitical strains but the Bank remains alert to these challenges

BDO Unibank, Inc.'s (BDO) net income increased to ₱57.1 billion for the full year 2022 vs. ₱42.8 billion in 2021, driven by robust growth across its core businesses. This led to a Return on Average Common Equity (ROCE) of 13.0% for the year, improving to 15.3% for the fourth quarter. This compares favorably to the ROCE of 10.5% in 2021 and the pre-pandemic result of 12.8% in 2019.

Gross customer loans went up by 9% year-on-year on broad-based growth due to the economic reopening. Total deposits rose by 14%, with net interest income growing by 14% to ₱149.2 billion.

Non-interest income climbed by 17% to ₱71.5 billion bolstered by the strong performance of our service businesses as well as trading and FX gains from client flows.

Positive operating leverage continued, with revenues up by 15% versus an operating expense growth of 9%.

Asset quality improved further, with Non-Performing Loan (NPL) ratio dipping to 1.95% and NPL coverage strengthening to 167%.

Total capital expanded to ₱461.5 billion, with Capital Adequacy Ratio (CAR) and Common Equity Tier 1 (CET1) Ratio both comfortably above regulatory minimum levels at 14.5% and 13.4%, respectively. Book value per share rose by 9% to ₱86.20 Year on Year (YOY).

While macroeconomic challenges remain with persistent inflation and foreign exchange and interest rate volatility, BDO believes that its established business franchise and strong balance sheet will allow the Bank to surmount near-term risks and capitalize on structural growth opportunities to attain long-term sustainable growth.

2022 ACHIEVEMENTS

₱57.1 billion
Net Income

9%
Loan Portfolio Growth

14%
Total Deposits Growth

₱149.2 billion
Net Interest Income

₱71.5 billion
Non-Interest Income

₱461.5 billion
Total Capital Base

Report on Operations

The Philippine economy, unshackled from pandemic-related mobility restrictions, grew strongly in 2022 despite headwinds from higher inflation and interest rates. The banking sector likewise recorded healthy growth, with system-wide loans surpassing pre-pandemic levels.

For its part, BDO continued to implement its core strategies in 2022. The Bank ensured access to its products and services using the combination of physical branches and digital capabilities. Branch expansion continued at both the commercial bank and rural bank platforms, with particular focus in the underserved areas through BDO Network Bank. New digital capabilities were likewise implemented, meant to enhance customer experience and improve operational efficiency.

Overall, these created a stronger business franchise for the Bank, further solidifying BDO's position as the industry leader.

LENDING

₱1.3 trillion
Corporate Loans

₱692 billion
Middle Market Loans

₱599 billion
Consumer Loans

79%
BDO Network Bank Loan Portfolio Growth

Lending

BDO saw resurgent demand from all sectors, buoyed in part by improved business activities and higher prices of commodities and raw materials. Loans to top corporates went up by 7% to ₱1.3 trillion, while loans to the middle market segment expanded by 8% to ₱692 billion.

Consumer loans grew by 14% to ₱599 billion, in line with better mobility, economic reopening, and resumption of overseas Filipino workers (OFWs) deployment. Credit cards led the pace as billings and receivables expanded by double-digit levels on strong discretionary spending in retail, dining, travel (airline), and e-commerce. Home mortgage loans aimed mainly at the medium-cost housing segment remained resilient with an 8% rise. However, auto loans have lagged in recovery due to supply constraints from a global chip shortage, even as new loans take-up grew 29% driven by increased vehicle requirements with the return of most employees to their workplace and the resumption of physical classes in schools.

The loan portfolio of BDO Network Bank (BDONB) surged by 79% to ₱68 billion on the back of increased business and consumer activities with economic reopening. Salary loans to government employees and lending to micro, small, and medium-sized enterprises (MSMEs) soared by 88% and 18%, respectively, on increased bookings from existing and new clients. The rollout of new branches and loan offices greatly improved accessibility for customers in underserved communities, thereby driving the growth in loan bookings and low-cost Current Account/Savings Account (CASA) deposits.

Delinquencies improved, despite the uptrend in interest rates. NPL levels have stabilized to gradually declining across all segments and now covered by higher provisioning ratios.

Deposit-taking

BDO continued to expand its distribution network, with 108 new branches and offices opened in 2022, most of which are located in rural and provincial areas to extend the Bank's presence in underserved markets. As of end-December 2022, the Bank's consolidated domestic branch network reached 1,650, complemented by over 4,600 Automated Teller Machines (ATMs).

Subsequently, with increasing mobility and branch traffic back to pre-pandemic levels, the Bank gradually resumed weekend banking operations.

The Bank also instituted paperless self-service technologies to enhance clients' banking experience, shorten transaction turnaround time, and improve operational efficiency.

By blending the digital experience with physical access, BDO is able to effectively serve its broad customer base depending on their preference. Clients can use the channel they are most comfortable with, while providing the capability for human touchpoints when necessary. This aspect of customer service translates to building long-term client-bank relationships over time.

With the best and widest combination of physical and digital networks, the Bank generated 14% higher deposits to ₱3.2 trillion, buoyed by the 5% hike in Current Account/Savings Account (CASA) deposits. CASA now comprises over 79% of total deposits and serves as a stable source of low-cost funding, leading to BDO having the lowest funding cost in the industry despite upward pressure from higher market rates.

BDO's unparalleled network also provides a base for cross-selling various financial and insurance products to a large client base, advancing fee income-generating opportunities for the Bank's various service-based businesses.

DEPOSIT-TAKING

₱3.2 trillion
Total Deposits

5%
CASA Deposits Growth

79%
CASA Ratio

1,650
Total Domestic Branches (Consolidated)

Over
4,600
ATMs Nationwide

Treasury and Capital Markets

BDO posted solid results in its treasury business. Trading gains benefited from increasing client-related transaction flows in line with the economic reopening. Net interest income likewise posted strong gains driven by skillful handling of market volatility to enhance yields and quality of its fixed income holdings amid rising interest rates. The Bank continued to diversify its funding sources while supporting ESG initiatives through the issuances of its ₱52.7 billion ASEAN Sustainability Bond in January and the USD100 million Blue Bond in May of 2022. Both transactions allowed the Bank to secure funding for eligible sustainable and climate finance-linked projects.

The Bank (through its subsidiary BDO Capital) completed more deals in 2022 versus 2021, capitalizing on its extensive market coverage, experience across a broad range of industries, and superior distribution capability. BDO Capital was involved in most of the public and private equity, structured finance, advisory, and mergers and acquisitions deals, counseling clients on how to navigate volatile markets amid promising business opportunities.

TREASURY

ESG Issuances:

₱52.7 billion
ASEAN Sustainability Bond

USD100 million
Blue Bond

WEALTH MANAGEMENT

₱1.8 trillion
Consolidated Trust Assets Under Management

38%
AUM Market Share

Wealth Management

BDO's wealth management approach allows it to craft bespoke investment and management services across the client spectrum — from the Mass Affluent to the High Net Worth (HNW) and to the Ultra-High Net Worth (UHNW) — depending on need, lifestyle, and aspirations. Through BDO Private Bank, BDO Prime, BDO Trust and Investments, and BDO Securities, BDO is able to service clients across the wealth spectrum.

The challenging environment of 2022 highlighted the value to clients of proper advice on their investment portfolios. However, for the most part, investors remained cautious in 2022 and preferred direct investments in fixed income products that offered attractive yields. Nevertheless, consolidated trust assets under management (AUM) posted a growth of 3% to ₱1.8 trillion, representing over 38% of the market and reinforcing BDO's dominant position in terms of AUM.

BDO Wealth's resilient performance can be attributed to deeper client engagement, wider market coverage, and enhanced access to curated investment products and portfolio monitoring tools. In addition, access to global investment products were made through BDO's Singapore and Hong Kong branches and via BDO Private Bank's and BDO Prime's open architecture model.

INSURANCE

30%
Non-Life Insurance Commissions Growth

93%
Non-Life Insurance Renewal Persistency

15%
Life Insurance New Business APE Growth

Insurance

The Bank's insurance businesses posted faster growth with increased face-to-face customer engagement and busier business and consumer activities following the lifting of mobility restrictions and the reopening of the economy.

Non-life insurance (through BDO Insure) recorded close to 30% year-on-year expansion in sales revenues (commissions), with both retail and corporate segments beating 2021 results by 42% and 25%, respectively. New and repeat customers from the institutional and consumer lending units, as well as referrals from branches, drove the growth in 2022. Renewal persistency remained stable at 93%, with existing customers serving as the largest source of new business, helped by responsive claims service and electronic delivery and payment channels that provided flexibility and convenience to clients.

Life insurance, through BDO Life, recorded a 5% growth in total premiums, outperforming the industry through September 30, 2022. The industry suffered from declining demand for Single Pay Variable Life (VL) investment-linked products due to volatile equity and bond market conditions. BDO Life, with a more balanced business mix of Traditional Protection and VL products, weathered the industry downturn with in-force premiums and sales up by 15% as measured by New Business Annualized Premium Equivalent or NBAPE. While bancassurance sales were affected by the Omicron wave in early 2022, BDO Life eventually recovered as the Bank's branches gradually normalized operations, paving the way for the resumption of branch foot traffic. A successful "Plan B" marketing campaign that instilled higher awareness on the value of life insurance protection, most especially in times of uncertainty, also bolstered sales. As a result, the life insurance business retained its leading position in traditional protection and ranked fourth (4th) in NBAPE and fifth (5th) in total premiums through September 30, 2022.

Technology Investments

After substantially completing the foundational side of its IT infrastructure upgrade with the conclusion of the first phase of the NextGen IT Transformation Program in April 2021, the Bank sustained its investments in 2022 by slowly moving its key applications into a plug-and-play and cloud-centric IT infrastructure that is agile, scalable, secure, and resilient. New and enhanced product capabilities were also introduced to enrich the customer experience, broaden market reach, and improve efficiency and productivity.

In 2022, BDO instituted a new Customer Relationship Management (CRM) system allowing for a single customer view and simplifying the onboarding process for clients, lessening Know-Your-Customer (KYC) processes and other documentary requirements, and permitting the Bank to utilize data analytics to cross-sell suitable products and services.

In the branches, implementation of the End-to-End Customer Journey program continued with the full rollout of the QR code processing system. Approximately 80% of over-the-counter transactions can now be processed straight-through. Client take-up has been positive as well with about 80% preferring to use the system over manual methods. Several channels for deposit account opening were made available for faster onboarding: branch-assisted, self-service through kiosks and tablets on-site, or online. A Queue Management System (QMS) was also set up for paperless transaction processing as well as the option to book an appointment online and receive a Quick Response (QR) code for branch visits. Additionally, the Bank enabled the QR feature in more ATM terminals permitting cardless ATM withdrawals. New machines, internally called Universal Machine (UM) terminals that allow check deposit and passbook updates, were rolled out and are due for phased rollout in 2023.

On the digital products front, BDO revamped the User Interface and User Experience Design (UI/UX) as well as content and messaging in all its mobile and web applications to make the customer experience more simple, seamless, and secure.

For the InstaPay platform (small-ticket interbank fund transfers), the Bank opened up new features on top of Person-to-Person (P2P) transactions to service the growing needs of digital customers. These include payment of personal purchases to BDO merchants (Person-to-Merchant or P2M) and bills payment to BDO billers or merchants (Person-to-Biller or P2B).

For BDO Pay, the Bank added a mobile wallet access feature. BDO Pay is the country's first bank-backed mobile wallet, making everyday payments flexible, quick, and easy. BDO Deals, which highlights the latest promotions available for BDO Credit and Debit cardholders, was also incorporated in the BDO Pay application.

While actively engaging in social media to market its various products and services and keeping its depositors and clients updated on various developments, the Bank has likewise been aggressively promoting anti-scam campaigns to build awareness and educate customers on what fraudsters do and how scams have evolved so that their accounts are better protected.

What's Ahead

The Philippines is expected to continue posting strong economic numbers in 2023, with government forecasting GDP growth of 6-7%. While this forecast is lower compared to the 7.6% result for 2022, the Philippines is expected to remain among the fastest-growing economies in the ASEAN region. This is on the back of resilient consumption spending despite persistent high inflation. Continued global reopening combined with a slowdown in developed economies is also expected to benefit the Philippines in terms of lower commodity prices, increased deployment of overseas Filipino workers, and more inflows of foreign visitors.

Given this backdrop, the Bank intends to continue with its core strategies of: 1) building a diversified and sustainable earnings stream, 2) creating operating leverage, and 3) prudently managing its balance sheet.

The core banking businesses will continue to grow and expand its market coverage, supported by an operating platform of digital enablers. The Bank will likewise ensure its balance sheet is adequately protected with ample provisions and supported by sufficient capital.

With continued growth opportunities for the Philippines, the Bank intends to capitalize on its strong business franchise, extensive distribution network, digital capabilities, and sound balance sheet to deliver superior quality earnings and position the Bank for long-term sustainable growth.

Corporate Governance

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

BDO Unibank, Inc. 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. BDO's good market reputation has been built on the solid foundation of an ethical corporate culture and responsible business conduct, underpinned by a well-structured and effective system of governance.

BDO 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, 2022.

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 Bank. It oversees the business affairs of the Bank, reviews the strategic plans and performance targets, financial plans and budgets, key operational initiatives, capital expenditures, acquisitions and divestments, annual and interim financial statements, and corporate governance practices. It also periodically reviews the Bank's corporate mission and vision and ensures their continuous alignment with the Bank's strategic plans. 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). It considers sustainability issues related to the environment and social factors as part of its sustainable banking practices.

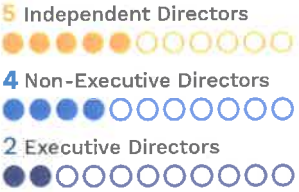
Board Composition

The Board is composed of eleven (11) members and aided by five (5) advisors. It is led by a Non-Executive Chairperson with five (5) Independent Directors, three (3) Non-Executive Directors, and two (2) Executive Directors who are the Vice Chairman and the President & CEO.

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 Bank comprise 82% (9 of 11) of the Board. With five (5) of 11 Board seats allocated for independent directors, the Bank goes beyond the 1/3 minimum requirement of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. Independent directors chair eight (8) of nine (9) board committees, namely Risk Management, Board Audit, Corporate Governance, Related Party Transactions, IT Steering, Nominations, Compensation, and Trust. This provides independent, objective, and balanced judgment on significant corporate matters and ensures that key issues and strategies are objectively reviewed, constructively challenged, thoroughly discussed and rigorously examined.

Board Snapshot

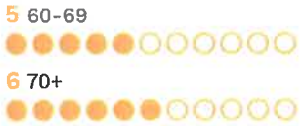
DIRECTOR INDEPENDENCE



DIRECTOR DIVERSITY



DIRECTOR AGE



BOARD SKILL DIVERSITY



The Board advisors are considered as integral parts of the Board whose influence are akin to directors. Their opinions and recommendations are taken into consideration by the Board members. The presence of a female Board advisor provides an independent view of the Bank and complements the three (3) female non-executive directors in the Board, one of whom is an independent director.

In 2022, the following changes in board membership and advisor composition occurred:

- Appointment of Mr. Vipul Bhagat as Independent Director on January 8, 2022 in place of Atty. Gilberto C. Teodoro, Jr., Independent Director, who resigned from the Board of Directors effective October 7, 2021;
- Election of Mr. Walter C. Wassmer as Non-Executive Director on April 22, 2022 in place of Atty. Jose F. Buenaventura, Independent Director, whose term ended on April 22, 2022 and was subsequently appointed as Advisor to the Board; and
- Appointment of Senior Associate Justice Estela P. Bernabe (Ret.) as Independent Director on July 31, 2022 in place of Mr. Christopher A. Bell-Knight, Non-Executive Director, who resigned from the Board of Directors and was subsequently appointed as Advisor to the Board.

Screening of Directors

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. Annually, before the re-election of the directors in the Annual Stockholders' Meeting, it evaluates the balance, skills, knowledge and experience of the existing Board and the requirements of the Bank. The result of the evaluation determines the role and key attributes 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 as done with the appointment of two (2) new independent directors and election of a new non-executive director in 2022. The Nominations Committee recommends the most suitable candidate to the Board for appointment or election as director.

For reelection 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 advisors or by an independent third-party evaluator, attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board.

Board Diversity

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.

Board Snapshot

STRONG INDEPENDENT OVERSIGHT

Independent directors chair eight of nine board committees, namely Risk Management, Board Audit, Corporate Governance, Related Party Transactions, IT Steering, Nominations, Compensation, and Trust.

2022 BOARD MEETINGS

Directors	No. of Meetings Attended	Total No. of Meetings	% Rating
Teresita T. Sy	15	15	100.00%
Jesus A. Jacinto, Jr.	13	15	86.67%
George T. Barcelon	15	15	100.00%
Estela P. Bernabe [1]	4	4	100.00%
Vipul Bhagat	13	15	86.67%
Jose F. Buenaventura [2]	7	7	100.00%
Christopher A. Bell-Knight [3]	11	11	100.00%
Jones M. Castro, Jr.	14	15	93.33%
Vicente S. Pérez, Jr.	14	15	93.33%
Dioscoro I. Ramos	15	15	100.00%
Josefina N. Tan	15	15	100.00%
Nestor V. Tan	15	15	100.00%
Walter C. Wassmer [4]	8	8	100.00%

[1] Appointed effective July 31, 2022
[2] Term ended on April 22, 2022
[3] Resigned as Director effective July 31, 2022
[4] Elected on April 22, 2022

The Committee recommends to the Board of Directors the slate of nominees for election to the Board of Directors during the Bank'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 and mental fitness, relevant educational and professional background, personal track record, experience and 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.

As part of the Board's commitment to continually promote and observe diversity in its membership, it ensures that the members of the Board have expertise in fields relevant to BDO's business and strategic plans. The present members of the Board have extensive experiences in banking, credit management, investment management, accounting and finance, insurance, legal management, business management, strategy formulation, bank regulations including anti-money laundering, information technology, sustainability, and risk management. More than half of the board members have foreign educational and/or work experiences, which bring global perspectives to the board. In 2022, a foreign director and a female independent director joined the Board on January 8, 2022 and July 31, 2022, respectively, thus further enhancing diversity in the Bank's Board.

Considering the changes done, complexity and scope of the Bank's business, the Board believes that its current size and composition provide sufficient diversity among its directors, foster critical discussion, and promote balanced decision-making. 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.

Selection and Appointment of Senior Executive Management

The Board is also responsible for approving the selection and appointment of a competent executive management led by the President and CEO 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 banking industry experience.

Review of Bank's Mission, Vision, and Strategic Plans

The Board, being the highest governance body, is responsible for approving and updating the Bank's mission, vision, objectives and strategies on a continuing basis and in overseeing management's implementation thereof which takes into account the Bank's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In the Bank's Annual Officers' Meeting on March 19, 2022 which was attended by the majority of the Board of Directors of the BDO Group, the Bank's mission and vision statements were revisited versus the accomplishment of the strategic plans of the Bank. The Board actively engages in the affairs of the Bank and keep up with material changes in the Bank's business and regulatory environment and ensures that the Bank has beneficial influence on the economy. The Board also approves and

oversees the implementation of policies governing major areas of the Bank's operations. The Board holds special meetings as may be necessary to discuss strategic matters and critical concerns.

During the year, the Board approved, reviewed, and oversaw the Bank's financial budget and capital funding, business targets and strategies, quarterly declaration of dividends, and the release of the 2021 audited financial statements within 59 days from year end. Its oversight functions include the review of operational and financial performance of senior management and work of the various committees in accordance with their Terms of Reference. The Board also discussed macroeconomic outlook pre- and post-national election, including the current state of COVID-19 and the ongoing global inflation and their impact on the bank strategies. As part of its strategy to build strong business franchise, the Board approved the additional equity investment and capital infusion by BDO Unibank into BDO Network Bank in response to the latter's strong salary and MSME loan growth. It also approved the increase in the Bank's authorized capital stock (common shares) from 5.5 billion to 8.5 billion shares, and the amendment to the Bank's Articles of Incorporation to reflect the increase.

Sustainability Initiatives

The Board also oversaw matters related with sustainability. It approved the issuance of its maiden Blue Bond amounting to US$100 million, through an investment from the International Finance Corporation, to expand financing for projects that help prevent marine pollution and preserve clean water resource, while supporting the country's climate goals. The Board also approved the addition of blue category to the Bank's Sustainable Finance Framework to support the country's blue economy while establishing a new asset class in the Philippine debt market. It also approved the Bank's Energy Transition Finance Statement in support of the Paris Agreement and the Philippines' Nationally Determined Contributions (NDCs).

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 Bank engaged Isla Lipana & Co./PwC Philippines (PwC) anew as external facilitator for the Bank's 2021 Board Effectiveness Evaluation (BEE). The results from the directors' and board advisors' assessment responses show that the Board has healthy and positive dynamics, indicating that the Board works well as a group. The Board is also diverse in terms of expertise, experience and perspectives, which is key for a well-governed bank. The results further indicate strong oversight and engagement by the Board with senior management. The Board also approves and monitors appropriate key performance indicators for senior management, which are aligned to the Bank's strategic plan, and oversees management's conduct of the Bank's business to assess if it is being properly managed, and intervenes as needed. The Chairperson, Vice-Chairperson, Lead Independent Director, and the President and CEO also demonstrated strong leadership in their respective roles. The Board Committees, on the other hand, generally exhibited high level of engagement with and oversight of senior management.

The appointment of Director Estela P. Bernabe on July 31, 2022 addressed the recommendation of PwC to consider further improving the gender diversity of the Bank's Board.

In 2022, the Corporate Governance Committee endorsed to the Board the continuous engagement of the services of an external facilitator for its yearly self-assessment. To the Committee, engaging an independent party every year, rather than every three years as recommended by the Securities and Exchange Commission, provides more governance inputs to the Board and allows comparability and continuity of aspects examined. The Bank reappointed PwC as external facilitator for the 2022 Board Effectiveness Evaluation (BEE). PwC facilitated a peer and self-evaluation process on the Board, Board Committees, and individual directors.

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 banking industry.

All of the directors of BDO Unibank complied with the annual corporate governance training requirement of four (4) hours in 2022. Eight (8) directors of BDO Unibank, along with members of senior management, attended its in-house corporate governance seminar held on July 20, 2022. Keynote speaker Prof. Kishore Mahbubani of the Asia Research Institute, National University of Singapore provided valuable insights on geopolitical risk in the face of fierce geopolitical contest among world superpowers and the continuing rise of Asia and the ASEAN. S&P Global, on the other hand, talked about sustainability and the role of boards, with focus on climate change and biodiversity challenges that companies are facing today.

Two (2) directors attended the corporate governance seminars facilitated by the Institute of Corporate Directors last August 3, October 28, and December 9, 2022, which covered advanced corporate governance training, anti-money laundering updates, diverse and inclusive policies, and ESG strategy. One (1) director attended the corporate governance seminar facilitated by the Risks, Opportunities, Assessment and Management (ROAM), Inc., with topics on corporate governance regulatory updates, global and regional trends, and personal liability of directors and officers under the law.

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. For succession planning in the Board, it has adopted the nine-year term limit of Independent Directors as a way to refresh the Board membership progressively and in an orderly manner.

The Bank's Succession Planning Policy not only includes the identification of key roles and talents, but also the assessment and building of the organization's bench strength. It has adopted a talent management program that identifies the appropriate development interventions and program to ensure that potential successor is ready to assume the next key leadership/critical position in the Bank.

Remuneration of Directors and Senior Management

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 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 most highly compensated officers are the President and CEO, and four Senior Executive 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 receive per diem for attending board and committee meetings. In addition, the Bank 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. The total remuneration of each member of the Board is disclosed in the Bank's Definitive Information Statement and SEC Form 17-A (Annual Report).

Dividends

The Bank recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. The Bank has been paying a regular cash dividend of ₱0.30 per share per quarter, or an annual equivalent of ₱1.20 per share. On April 22, 2022, the Board approved the declaration of a special cash dividend on common shares of the Bank in the amount of ₱1.00 per share to all stockholders of record as of May 6, 2022 and was paid out on May 31, 2022. Beginning the first quarter of 2023, a regular cash dividend of ₱0.75 per share shall be paid.

On March 26, 2022, the Board approved and endorsed for stockholders' approval the declaration of stock dividends equivalent to 20% of the Bank's outstanding capital stock in relation to the increase in its authorized capital stock (common shares) from 5.5 billion to 8.5 billion shares. 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 BDO shares is imposed upon BDO directors and officers. Dividends are paid within 30 days from date of declaration. The full dividend policy statement is published on the corporate website.

Related Party Transactions

The Bank has established policies and procedures on related party transactions (RPT) 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 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 applies to BDO Unibank, Inc. and its subsidiaries and affiliates, as applicable, to ensure that every related party transaction is conducted in a manner that will protect the Bank from any potential conflict of interest. The policy also covers the proper review, approval, ratification, and disclosure of transactions between the Bank 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 Bank'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. In 2022, no transaction qualified under the materiality threshold as defined in SEC Memorandum Circular No. 10 (Series of 2019) or the Rules on Material Related Party Transactions for Publicly-Listed Companies.

The full version of the Related Party Transactions Policy is published on our corporate website.

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 Bank's business and performance of senior management. She takes a lead role in ensuring that the Board provides effective governance of the Bank and continues to operate at a very high standard of independence with the full support of the directors.

Independent and Non-Executive Directors' Meeting

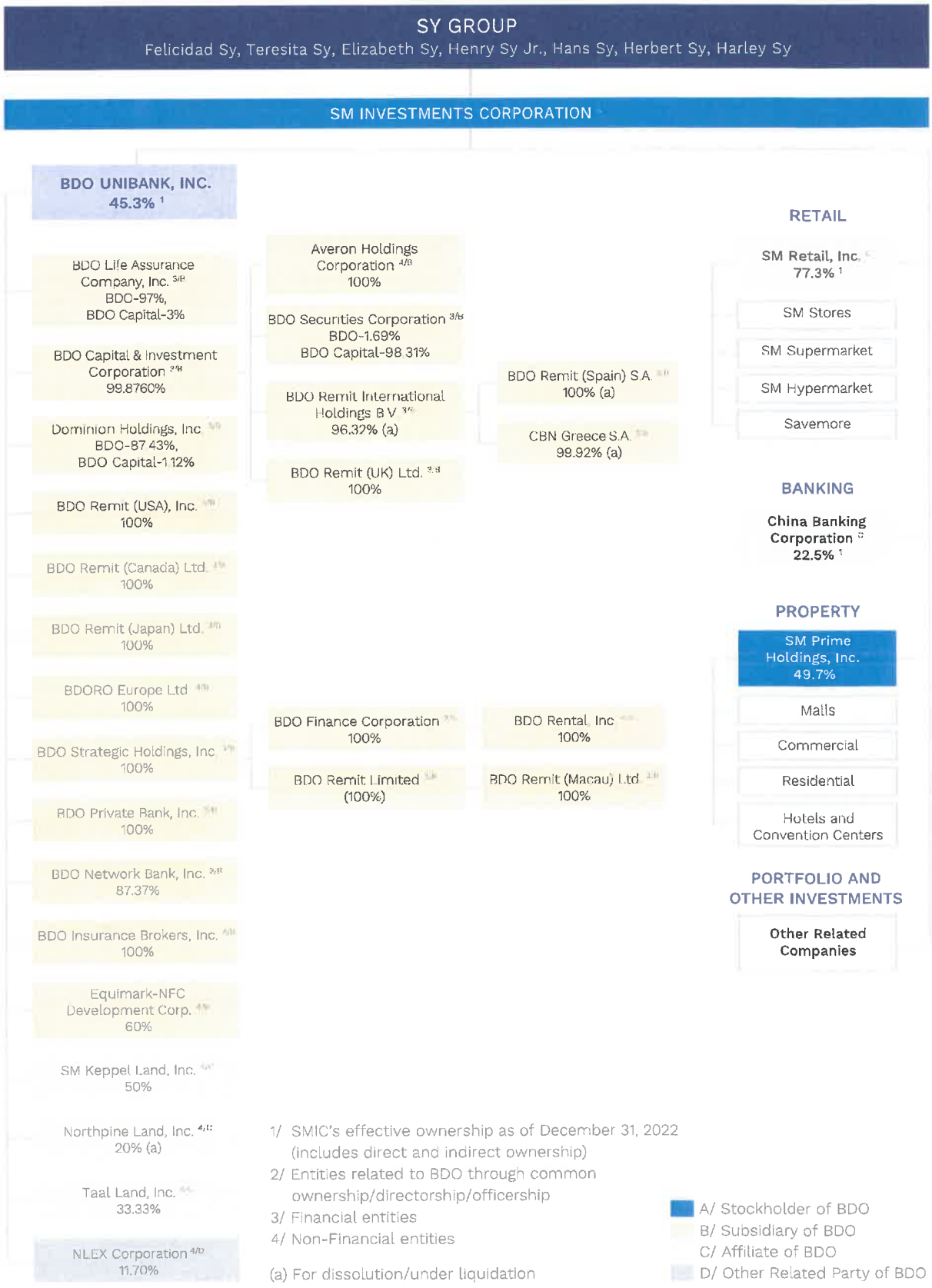
Regular meetings are held by Independent and Non-Executive Directors (INED) with the heads of the control functions (i.e. Chief Risk Officer, Chief Compliance Officer, and Chief Internal Auditor) as well as the external auditor, without the presence of management or any bank executive, to discuss various matters or issues outside the Board Audit Committee and Risk Management Committee meetings. The INED also meet with the heads of business and operating units to understand further and engage in deeper discussions with the Bank management. The meetings are chaired by the Lead Independent Director.

In 2022, the INED conducted three (3) sessions and the results of these sessions were discussed with the Bank's Executive Directors in three (3) separate sessions.

BDO Conglomerate Structure

BDO Unibank, Inc. Group Map

As of December 31, 2022



Major Stockholders

As of December 31, 2022, the following are known to BDO Unibank, Inc. (BDO) to be the direct or indirect beneficial owners of more than 5% of BDO's voting securities:

Title of Class	Name	Citizenship	Percentage
Common and Preferred	SM Investments Corporation (SMIC)	Filipino	38.98%*
Common	PCD Nominee Corporation	Filipino	19.50%**
Common	PCD Nominee Corporation	Foreign	18.46%
Common and Preferred	Sybase Equity Investments Corporation (SEIC)	Filipino	12.88%*
Common	Multi-Realty Development Corporation (MRDC)	Filipino	5.95%*

* Inclusive of PCD-lodged shares

** Exclusive of PCD-lodged shares of SMIC, SEIC, and MRDC

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

Security Ownership of Directors

As of December 31, 2022, the following are known to BDO to be the record and/or beneficial owners of BDO's voting securities:

Name of Director	Position/Type of Directorship	No. of Years as Director	Total No. of Direct and Indirect Shares Held as of December 31, 2022	Percent to Total Outstanding Shares
Teresita T. Sy	Chairperson/ Non-Executive Director	1st term: 28 2nd term: 15	640,233	0.0109%
Jesus A. Jacinto, Jr.	Vice Chairman/ Executive Director	26	296,386	0.0051%
Nestor V. Tan	President & CEO/ Executive Director	24	18,738,130	0.3186%
Dioscoro I. Ramos	Lead Independent Director	6	244,560	0.0042%
George T. Barcelon	Independent Director	3	241,201	0.0041%
Estela P. Bernabe	Independent Director	5 months	1	0.0000%
Vipul Bhagat	Independent Director	11 months	1	0.0000%
Vicente S. Pérez, Jr.	Independent Director	3	36,000	0.0006%
Jones M. Castro, Jr.	Non-Executive Director	10	14,401	0.0002%
Josefina N. Tan	Non-Executive Director	1st term: 4 2nd term: 15	1,063,605	0.0181%
Walter C. Wassmer	Non-Executive Director	8 months	1,580,338	0.0269%

Board of Directors



Teresita T. Sy

Chairperson
Non-Executive Director
Filipino, 72 years old

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



Jesus A. Jacinto, Jr.

Vice Chairman
Executive Director
Filipino, 75 years old

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



Nestor V. Tan

President & Chief Executive Officer
Executive Director
Filipino, 64 years old

Nestor V. Tan is the President and CEO of BDO Unibank, Inc. He was elected to the Board of Directors on June 27, 1998. In addition to his role in BDO Unibank, Inc., he also 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 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 (4) 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.



Dioscoro I. Ramos

Lead Independent Director
Filipino, 64 years old

Dioscoro I. Ramos was elected to the Board of Directors of BDO Unibank, Inc. on January 9, 2016 and was appointed Lead Independent Director on April 23, 2021. Mr. Ramos concurrently holds Independent Director positions in BDO Private Bank, Inc. and BDO Securities Corporation. Mr. Ramos has been the Chief Executive Officer & Chief Investment Officer of RY&S Investments Ltd., Hong Kong since September 28, 2012. He was Head of Asia Financials Investment Research of Goldman Sachs Asia, LLC, Hong Kong from 1994 to 2011, and appointed Managing Director in 1998 and Partner in 2006. Prior to that, he was with Mellon Bank, N.A. with postings in Pittsburgh, Philadelphia, New York, and Hong Kong. Mr. Ramos is a Certified Public Accountant. He holds a Bachelor of Science degree in Business Administration and Accountancy, *cum laude*, from the University of the Philippines; and a master's degree in Business from Wharton School, University of Pennsylvania.



George T. Barcelon

Independent Director
Filipino, 73 years old

George T. Barcelon was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently the President of the Philippine Chamber of Commerce and Industry (PCCI). He is the visionary behind Integrated Computer Systems, Inc. (ICS), one of the Top 1000 companies based in the Philippines, dedicated to providing effectual IT Solutions for small to large-scale businesses and institutions. For 45 years, ICS has provided its customers with technological expertise and quality services. As the president of a company with 400 employees whose success depends on uncompromising leadership, imagination, and careful quality control, Mr. Barcelon seeks to promote the values of Integrity, Commitment, and Service Quality, the cornerstones upon which ICS was built. He is also a member of the Rotary Club of Makati, Philippines; and a board member of the Cardinal Medical Charities Foundation, Inc. in San Juan City, Philippines. Mr. Barcelon graduated *cum laude* from De La Salle University, Manila and received a bachelor's degree in Chemical Engineering.



Estela P. Bernabe

Independent Director
Filipino, 70 years old

Estela P. Bernabe was appointed as Independent Director of BDO Unibank, Inc. effective July 31, 2022. She was Senior Associate Justice of the Supreme Court of the Philippines. She served the Judiciary as Justice of the Court of Appeals, Regional Trial Court Judge of Makati City, Metropolitan Trial Court Judge of the same city, and as Technical Assistant in the Office of the Court Administrator, Supreme Court of the Philippines. She also worked in various private and government offices, namely, China Banking Corporation, Paramount Finance Corp., National Home Mortgage and Finance Corp. and Bernabe Perlas Morte and Associates. She has over 40 years of experience in public and private legal practice. She earned her Bachelor of Science degree in Commerce (Banking and Finance) and graduated *magna cum laude* from St. Paul College of Manila, and obtained her law degree from the Ateneo de Manila University College of Law, graduating as class salutatorian.

She is also an Independent Director of San Miguel Food and Beverage, Inc. effective August 3, 2022, and was elected member of the Board of Trustees of the Foundation for Liberty and Prosperity last December 6, 2022.



Vipul Bhagat

Independent Director
American, 60 years old

Vipul Bhagat was appointed as Independent Director of BDO Unibank, Inc. on January 8, 2022. Prior to this, he was an Independent Board Advisor of BDO. He was formerly the Deputy Head in the Public-Private Partnership (PPP) Advisory Services Department at the International Finance Corporation (IFC) in Washington, D.C., and was responsible for strategic sectors, including climate-friendly projects. Previous to this, Mr. Bhagat was stationed in Asia for over eleven (11) years, most recently as Regional Head for PPP Advisory Services in South Asia (based in India), where he successfully launched and significantly grew the business advising Governments in the region on PPPs in infrastructure and social sectors and facilitating investment flows for projects. Mr. Bhagat has deep knowledge of the Philippines having been previously the Country Manager of IFC for the Philippines. He has been engaged in extensive operational work in infrastructure portfolio, advisory activities, financial sector investments, private sector investment banking, consulting and finance operations. Mr. Bhagat holds a master's degree in Business Administration from The Wharton School of the University of Pennsylvania and a bachelor's degree from the American University, Washington, D.C. He is also a designated Chartered Financial Analyst and a Certified Public Accountant.



Jones M. Castro, Jr.

Non-Executive Director
Filipino and American,
73 years old

Jones M. Castro, Jr. was elected to the Board of Directors of BDO Unibank, Inc. on April 20, 2012. He was Lead Independent Director of BDO Unibank from December 7, 2013 to April 23, 2021. Mr. Castro has 49 years of banking expertise, with 42 years of international banking experience. From 2009 to 2011, Mr. Castro was the Area Head for South and Southeast Asia of Wells Fargo Bank, San Francisco. As Area Head, Mr. Castro had responsibility for 12 countries and managed 11 overseas offices with a total of 102 team members, and US$3 billion in loans. From 2006 to 2009, Mr. Castro was Regional Head for Latin America 1, including the Caribbean, of the Wachovia Bank, Miami, and likewise had responsibility for 25 countries, 3 overseas offices, 30 team members, and a US$1.8-billion loan portfolio. From 2005 to 2006, he was Executive Vice President and International Banking Group Head of the Union Bank of California, San Francisco. From 1990 to 1994, he was Senior Vice President – Controller of Bank of California, San Francisco, and from 1994 to 1997, he was its Senior Vice President of Strategic Planning in Office of the President. Mr. Castro is currently Trustee of PhilDev USA and PhilDev S & T Foundations, and is a Fellow at the Institute of Corporate Directors. Mr. Castro obtained his bachelor's degree in Applied Mathematics in Economics and graduated *cum laude* from Harvard University. He received his master's degree in Business Administration, Accounting & Finance from Stanford University.



Vicente S. Pérez, Jr.

Independent Director
Filipino, 64 years old

Vicente S. Pérez, Jr. was elected Independent Director of BDO Unibank, Inc. on April 22, 2019. He is currently Chairman of Alternergy, a wind, solar and run-of-river power developer and an Independent Director of DoubleDragon Corporation (formerly DoubleDragon Properties Corporation), a real estate developer. He is also a Non-Executive Director of Singapore Technologies Telemedia Pte, Ltd., the Temasek holding company for telecom, data centers and mobile technology. He is a member of the Advisory Boards of Bhutan Foundation, New Zealand Trade and Enterprise, Geneva-based Pictet Clean Energy Fund, and the Yale Center for Business and the Environment. In September 2020, he was appointed Honorary Consul of the Kingdom of Bhutan in the Philippines. 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. Mr. Pérez obtained an MBA 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 at the Yale School of Management.



Josefina N. Tan

Non-Executive Director
Filipino, 77 years old

Josefina N. Tan was Director of Banco de Oro Universal Bank (now BDO Unibank, Inc.) from February 3, 2001 to August 2005. She then became a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO Unibank in May 2007. Ms. Tan was re-elected to the Board of Directors of BDO Unibank (then Banco de Oro – EPCI, Inc.) on July 27, 2007. Concurrently, she is Board Advisor of BDO Private Bank, Inc. She is also Chairperson of the Board of Miriam College, Trustee and Corporate Secretary of the Development Center for Finance, and Trustee of the Laura Vicuña Foundation. She is also Treasurer of the Equestrian Order of the Holy Sepulchre of Jerusalem. Ms. Tan served as President and Director of BDO Private Bank, Inc. from August 29, 2003 to April 17, 2017. She was also Executive Vice President of the former Far East Bank & Trust Co.; Director and President of FEB Leasing & Finance Corporation; Executive Director and Trustee of FEB Foundation, Inc.; Executive Vice President of FEB Investments, Inc. until 2000; and Director of Research & Publication of the Ateneo Graduate School of Business. Ms. Tan holds a Bachelor of Arts degree with a major in Communication Arts from Maryknoll College, and a master's degree in Business Administration from the Ateneo Graduate School of Business.



Walter C. Wassmer

Non-Executive Director
Filipino, 65 years old

Walter C. Wassmer was elected to the Board of Directors of BDO Unibank, Inc. (BDO) on April 22, 2022. Prior to his election as Director of BDO, Mr. Wassmer was Senior Executive Vice President and Head of the Institutional Banking Group of BDO. He was previously Chairman and Officer-in-Charge of BDO Elite Savings Bank, Inc., formerly GE Money Bank, Inc. (A Savings Bank), and held directorships in BDO Leasing and Finance, Inc., BDO Finance Corporation, BDO Capital & Investment Corporation, MMPC Auto Financial Services Corporation, MDB Land, Inc., Mabuhay Vinyl Corporation, and Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). He was also appointed as Senior Board Adviser of First Philippine Holdings Corporation on November 10, 2022. He holds a Bachelor of Science degree in Commerce from De La Salle University.

CORPORATE SECRETARY



Edmundo L. Tan

Filipino, 77 years old

Edmundo L. Tan has been serving as Corporate Secretary of BDO Unibank, Inc. since July 27, 2007, and of BDO Private Bank, Inc. since February 2012. He was formerly Director of BDO Leasing and Finance, Inc. and subsequently served as Advisor to the Board. Atty. Tan sits on the Boards of Directors of the following companies: APC Group, Inc. (Director from 2000 to present, Corporate Secretary from 2000 to 2016); Philippine Global Communications, Inc. (Director from 2000 to present, Corporate Secretary from 2000 to 2010); and Aragorn Power and Energy Corporation (Director from 2005 to present, Corporate Secretary from 2005 to 2012). Atty. Tan is also currently a Director of PRC MAGMA Resources, Inc. (2010 to present) and of Ortigas Land Corporation (formerly OHI, July 2012 to present). He was elected Director of Sagittarius Mines, Inc. in March 2016, and Director of Concrete Aggregates Corporation on December 12, 2019. In July 2017, he was elected President of the Philippine Dispute Resolution Center, Inc. (PDRCI), a non-stock, non-profit organization which he co-founded.

Atty. Tan is the Managing Partner of Tan Acut Lopez & Pison Law Offices (1993 to present). Formerly, he was a Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices; a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices; and an Associate in Cruz Villarin Ongkiko Academia & Durian Law Offices. Atty. Tan holds a Bachelor of Arts degree from De La Salle College, Bacolod, and a bachelor's degree in Law from the University of the Philippines.

ADVISORS TO THE BOARD



Christopher A. Bell-Knight



Jose F. Buenaventura



Corazon S. de la Paz-Bernardo



Jose T. Sio



Harley T. Sy

Senior Management



Joseph Albert L. Gotuaco
Head, Central Operations



Rolando C. Tanchanco
Head, Consumer Banking



Jaime C. Yu
Head, Branch Banking



Gerard Lee B. Co
Co-Head, Institutional Banking



Lucy Co Dy
Comptroller



Eduardo V. Francisco
President, BDO Capital & Investment Corporation



Jesus Antonio S. Itchon
President, BDO Network Bank, Inc.



Jeanette S. Javellana
Co-Head, Institutional Banking



Dalmacio D. Martin
Treasurer



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



Cecilia Luz L. Tan
Lead Co-Head, Institutional Banking



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



Evelyn L. Villanueva
Head, Risk Management



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



Rafael G. Ayuste, Jr.
Head, Trust and Investments



Geneva T. Gloria
Head of Remittance, Transaction Banking Group



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



Frederic Mark S. Gomez
Head, Information Technology



Lazaro Jerome C. Guevarra
Chief of Staff, Office of the President



Carlo B. Nazareno
Head of Cash Management Services, Transaction Banking Group



Estrellita V. Ong
Chief Internal Auditor



Evelyn C. Salagubang
Head, Human Resources



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



Federico P. Tancongco
Chief Compliance Officer

The relevant qualifications/experience, age and nationality of senior management officers may be found in SEC Form 17-A: Annual Report that is posted on our corporate website.

Board Committees

The Board has established nine (9) 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, 2022, eight (8) of nine (9) board-level committees are chaired by Independent Directors.

The standing committees of the Board are as follows:

Executive Committee

FUNCTIONS:

- Exercises the power of the Board in the management and direction of the affairs of the Bank.
- 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.

During the year, it approved loans and credit facilities, leases and sales of acquired assets, credit policies, write-offs, resolutions of remedial or problem accounts, leases and acquisitions of branch sites within its Board-delegated authority.

Chairperson:

Teresita T. Sy

Members:

Jesus A. Jacinto, Jr.
Josefina N. Tan
Nestor V. Tan
Walter C. Wassmer
Member beginning April 29, 2022
Edmundo S. Soriano

Executive Committee	No. of Meetings Attended	Total No. of Meetings
Teresita T. Sy	50	53
Jesus A. Jacinto, Jr	29	53
Josefina N. Tan	53	53
Nestor V. Tan	46	53
Walter C. Wassmer	32	37
Edmundo S. Soriano	49	53

Board Audit Committee

FUNCTIONS:

- Empowered by the Board to oversee the financial reporting process, 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 Bank's established internal control and risk management systems, policies and procedures including implementation across all units of the Bank to provide reasonable assurance against fraud or other irregularities and material misstatement or loss.
- On internal and external audit, it recommends the appointment, reappointment, and removal of the 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 Group including the Anti-Money Laundering Department (AMLD), and evaluates the effectiveness of the regulatory compliance framework of the Bank to ensure that these are consistently applied and observed throughout the institution. It reviews the report of examination of the Bangko Sentral ng Pilipinas 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 Bank's quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 23, 2022, it endorsed for approval of the Board the Bank's audited financial statements as of December 31, 2021

Chairman:

Vicente S. Pérez, Jr.
(Independent Director)
Member until April 22, 2022
Chairman beginning April 22, 2022

Jose F. Buenaventura
(Independent Director)
Chairman until April 22, 2022

Members:

Vipul Bhagat
(Independent Director)
Member beginning April 22, 2022

Jones M. Castro, Jr.

Advisors:

Christopher A. Bell-Knight
Estela P. Bernabe
Corazon S. de la Paz-Bernardo
Jose F. Buenaventura
Jesus A. Jacinto, Jr.

Board Audit Committee	No. of Meetings Attended	Total No. of Meetings
Vicente S. Pérez, Jr.	12	13
Jose F. Buenaventura	4	4
Vipul Bhagat	7	9
Jones M. Castro, Jr.	12	13

including the Notes to the Financial Statements. This was approved by the Board on February 24, 2022 and disclosed to the public on February 28, 2022, 59 days from the financial year-end, following the best practice requirement of the ASEAN Corporate Governance Scorecard (ACGS). It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. 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 2022 and 2023 Internal Audit risk-based audit plans after a thorough review of its scope, as well as changes to the plan, audit methodology, budget, manpower resources and the appointments/assignments of key audit officers during the year. It also reviewed and approved on April 20, 2022 the External Quality Assessment Review Plan of the Internal Audit activities by the independent third-party assessor and reviewed the results of such assessment on August 17, 2022. 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 also assessed the performance of the Chief Internal Auditor and the internal audit function. 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. The Committee is satisfied that the internal audit function has adequate resources to perform its function effectively.

On external audit, it reviewed and approved the 2022 Audit Plans of the external auditor to ensure the adequacy of its scope and coverage and appropriateness of the timelines. On March 16, 2022, it approved and endorsed for approval of the Board the engagement with the Bank's external auditor for its non-audit role as Board of Canvassers in the voting in the bank's Annual Stockholders Meeting on April 22, 2022. It reviewed and discussed the content of the engagement letter, scope of work, composition of engagement team among others, prior to the commencement of the non-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.

In overseeing the compliance function, it reviewed and approved the new internal work Guidelines, revisions to the Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, annual compliance plans, and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) departments. It monitored the progress and reviewed the status of the annual compliance plans, results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It conducted the annual appraisal of the performance of the Chief Compliance Officer for 2021. It discussed in detail the Bangko Sentral ng Pilipinas and Anti-Money Laundering Council Reports of Examination including the results of regulatory examinations of the Bank's foreign subsidiaries and reviewed Management's replies and its periodic updates to the regulators, thereby ensuring implementation of corrective actions. It also reviewed and provided guidance to Management in its replies to concerns of the regulators to ensure that the Bank's position is appropriately presented. It approved on September 21, 2022 the second Money Laundering/ Terrorism Financing Institutional Risk Assessment (IRA) of the Bank for the year 2020 and the 2021 Money Laundering/Terrorism Financing Risk Assessment (MRAS) of the Bank. It approved and endorsed for approval of the Board of Directors on

June 22, 2022 the expanded Table of Organization of the group that provides additional manpower complement to address the increasing compliance risk management tasks of the group.

Reports on cases in operations, whistle blower accounts as well as non-loan related cases with impact to financials, internal controls, information systems and reputation were deliberated on focusing on risk assessment, legal handling, and fraud prevention.

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2021 performance based on its Terms of Reference. The BAC likewise evaluated the performance of Internal Audit, Compliance and AML departments, and External Audit to ensure their effectiveness and achievement of their objectives.

The BAC reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems of the Bank, 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 these to be generally adequate across BDO.

Corporate Governance Committee

FUNCTIONS:

- Primarily tasked to assist the Board in formulating the governance policies and overseeing the implementation of the governance practices of the Bank as well as its subsidiaries and affiliates.
- 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.
- Oversees the Sustainability initiatives of the Bank, particularly key processes, standards and strategies designed to manage environmental and social impact and governance.

During the year, the Corporate Governance Committee achieved the following:

a. Annual Continuing Education of Directors

The Corporate Governance Committee facilitated the compliance of the directors of the Bank and its subsidiaries with the regulatory requirement for an annual corporate governance seminar as part of their continuing education. The in-house seminar focused on the impact of geopolitical risk in the face of the rising Asia and the ASEAN, as well as sustainability and the role of boards, covering climate change and biodiversity challenges.

Chairman:

George T. Barcelon
(Independent Director)
Chairman beginning April 22, 2022

Vipul Bhagat
(Independent Director)
Chairman from January 8 to April 22, 2022;
Member beginning April 22, 2022

Members:

Estela P. Bernabe
(Independent Director)
Member beginning July 31, 2022

Jose F. Buenaventura
(Independent Director)
Member until April 22, 2022

Vicente S. Pérez, Jr.
(Independent Director)

Advisors:

Jones M. Castro, Jr.
Jose F. Buenaventura

Corporate Governance Committee	No. of Meetings Attended	Total No. of Meetings
George T. Barcelon	4	4
Vipul Bhagat	4	7
Estela P. Bernabe	3	3
Jose F. Buenaventura	3	3
Vicente S. Pérez, Jr.	7	7

b. Adherence to Corporate Governance Standards

The Committee continuously monitored the Bank's compliance with local and international corporate governance standards. It reviewed and endorsed for Board approval the Bank's 2021 Integrated Annual Corporate Governance Report to the Securities and Exchange Commission (SEC), which documents Bank's compliance with the SEC Code of Corporate Governance.

As a testament to its continuing commitment to the practice of good corporate governance, the Bank was conferred the ASEAN Asset Class Award on December 1, 2022 by the regional assessor, ASEAN Capital Markets Forum (ACMF). The Bank also received a four (4)-Golden Arrow Recognition from the Institute of Corporate Directors (ICD) on January 20, 2023 for its exemplary performance in the 2021 ASEAN Corporate Governance Scorecard (ACGS) domestic assessment.

c. Policy on Interlocking Positions

The Committee approved and endorsed to the Board for approval the Bank's Policy on Interlocking Positions, which establishes the framework in handling interlocking positions of the Bank's directors and officers, in compliance with BSP Circular 1129 on Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions.

d. Sustainability Initiatives

The Committee defined its oversight responsibility on the sustainability initiatives of the Bank, consistent with its Sustainable Finance Framework and its commitment to sustainable development. As an exercise of its newly established duties and responsibilities, the Committee noted various sustainability updates, including BDO's win in Asia Top Sustainability Advocates Award, United Nations (UN) VISION2045 Initiative, BDO Transition Plan, and BDO Sustainability Organizational Structure, among others; presentation of BDO Foundation; and updates on Employee Volunteer Program and Grant.

e. Board Effectiveness Evaluation

The Committee also spearheaded the annual Board evaluation self-assessment by Board members and advisors as facilitated by PwC Philippines (PwC) covering the performance in 2021 and 2022 of the Board of Directors, Board Committees, senior management, each director, and board advisors. Although the recommendation in the SEC Code of Corporate Governance for an external facilitator is required only every three years, the Committee steered the engagement of an external facilitator to handle the annual Board evaluation self-assessment for better governance practice.

Trust Committee

FUNCTIONS:

- Reviews and recommends for the approval of the Board the Trust and Investment Group's overall budget, strategies to meet budget including assets under its management, and industry position.
- Reviews the Group's overall performance, profile of funds and assets under its management, industry position, and the risk management reports.
- Approves offering of new products and services, establishment and renewal of lines and limits with financial institutions, and investment outlets and counterparties.
- Reviews and approves transactions between trust and fiduciary accounts, accepts and closes trust and other fiduciary accounts, and approves the investment, reinvestment and disposition of funds or property.
- Evaluates trust and other fiduciary accounts at least once a year.
- Annually, it evaluates the performance of the Trust Officer.

Significant matters taken up by the Committee in 2022 included, among others, the Trust and Investment Group's (TIG) business targets, plans and strategies for the year, the status of system projects in the pipeline, and the conduct of various account, product and administrative reviews. The committee has also approved the amendments to the Plan Rules of select UITFs, including but not limited to: (1) convert into and/or create a unit-paying fund/class, (2) change the investment objective and/or benchmark, and (3) allow partial redemption for global feeder funds. These key initiatives aim to support the growth of UITF as product line, address fund performance, provide better product choices for the clients and prepare TIG for the implementation of the new Integrated Trust System.

Chairman:

Dioscoro I. Ramos
(Lead Independent Director)

Members:

Christopher A. Bell-Knight
Member until July 31, 2022

Estela P. Bernabe
(Independent Director)
Member beginning July 31, 2022

Josefina N. Tan
Nestor V. Tan
Rafael G. Ayuste, Jr.

Trust Committee	No. of Meetings Attended	Total No. of Meetings
Dioscoro I. Ramos	9	9
Christopher A. Bell-Knight	6	6
Estela P. Bernabe	3	3
Josefina N. Tan	9	9
Nestor V. Tan	9	9
Rafael G. Ayuste, Jr.	8	9

Risk Management Committee

FUNCTIONS:

- Is responsible for the oversight of the enterprise risk management program of the Bank.
- 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 risk, data privacy risk and social media risk), consumer protection risk, and environmental & social risk management, to ensure that current and emerging risk exposures are consistent with the Bank's strategic direction and overall risk appetite.
- 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 approving the enterprise risk management framework and written risk management plan developed by management, defining the policies, limits, and strategies for managing and controlling the major risks of BDO, including Trust.
- Is responsible for ensuring that there is periodic review of the effectiveness of the risk management systems and recovery plans, and that corrective actions are promptly implemented to address risk management concerns.
- Is responsible for conducting regular discussions with management on the current and emerging risk exposures, based on regular management reports, and direct concerned units on how to reduce these risks.
- Is also responsible for the appointment/selection, remuneration, approval and assessment of interlocking positions held, 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 Bank.
- Works with the Board Audit Committee in certifying in the Annual Report the adequacy of the Bank's risk management systems and controls.

Chairman:

Vipul Bhagat
(Independent Director)
Chairman beginning April 22, 2022

Vicente S. Pérez, Jr.
(Independent Director)
Chairman until April 21, 2022

Members:

Dioscoro I. Ramos
(Lead Independent Director)

Nestor V. Tan

Advisors:

Christopher A. Bell-Knight
Jones M. Castro, Jr.

Risk Management Committee	No. of Meetings Attended	Total No. of Meetings
Vipul Bhagat	8	12
Vicente S. Pérez, Jr.	5	5
Dioscoro I. Ramos	12	12
Nestor V. Tan	11	12

In accordance with its mandate, the Committee conducted regular discussions on the Bank's exposures to various risks (i.e., credit portfolio risk, liquidity risk, market risk, interest rate risk in the banking book, operational risk, including business continuity risk, IT risk, information security risk, data privacy risk, and social media risk, as well as consumer protection risk and environmental & social risks), including mitigation strategies, where necessary and applicable, such as, large exposures and concentration, asset quality, results of credit stress tests and its impact on capital adequacy, results of the BSP-mandated stress tests (i.e. BSP Uniform Stress Test and Real Estate Stress Test), social & environmental management system (SEMS) exposures, coal versus renewable exposures, country risk exposures; liquidity gaps and results of liquidity stress tests; regulatory reports on Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR); macroeconomic and market updates and forecasts; mark-to-market of the investment portfolio, Value-at-Risk (VAR), Earnings-at-Risk (EAR), results of market risk and interest rate risk stress tests and impact on capital adequacy; results of performance monitoring of all implemented risk management models; operational risk profile of the Bank, significant risk incidents, operational losses and impact on capital adequacy, results of Business Continuity Plan (BCP) testing, any information security breaches, and any data privacy incidents in relation to Republic Act No. 10173, otherwise known as the Data Privacy Act (DPA); Trust risk management reports; general profile of client inquiries/requests/complaints and resolutions/actions taken in compliance with BSP Circular 857 on Consumer Protection; and social media risk report in compliance with BSP Circular 949 on the Guidelines on Social Media Risk Management.

In 2022, the Committee conducted discussions regarding updates on COVID-19 pandemic response, the impact of higher oil prices, Russia-Ukraine War, and rising interest rates on the loan and investment portfolio, the status of the Bank's plan relative to the discontinuance of the London Interbank Offered Rate (LIBOR) and the transition to the Secured Overnight Financing Rate (SOFR) particularly for US Dollar LIBOR, the impact on capital ratios of the New Standardized Approach (NSA) for operational risk, updates on Philippine developments on Open Finance, and the modernization status of the Contact Center.

Further, the Committee approved: the revisions to the Terms of Reference (TOR) of the Risk Management Committee; revisions to the PFRS9 Business Model; Treasury's request to engage in switch transactions in compliance with regulations, the SEMS supplemental guidelines on International Finance Corporation's (IFC) Blue Bond Financing; BDO's Energy Transition Finance Policy Statement; the bank-wide clean note and coin policy; the appointment of a new Data Protection Officer (DPO) for BDO Unibank, Inc., and the results of the annual performance appraisal of the Chief Risk Officer.

Nominations Committee

FUNCTIONS:

- 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 group. In particular, this process includes the profiling of the skills and competencies of the currently serving directors, the gaps in skills and competencies identified and the search for candidates who are aligned with the Bank's directions to fill the gaps. 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.
- Reviews and approves the interlocking positions of Directors in other entities and ensure its compliance with the Bank's Interlocking Policy.

After reviewing the composition of the Board and Committees, it approved the nominations of the regular and independent directors on March 15, 2022 in accordance with the criteria set forth in the By-laws of BDO Unibank, as well as pertinent regulations of the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission. After due deliberations on the nominees, it recommended to the Board the appointment, reappointment or election of the Chairperson, Vice Chairperson, and membership in Board-level Committees, as well as the appointment of Mr. Vipul Bhagat as Independent Director vice Atty. Gilberto C. Teodoro, Jr., Mr. Walter C. Wassmer as Non-Executive Director vice Atty. Jose F. Buenaventura, Senior Associate Justice Estela P. Bernabe (Ret.) as Independent Director vice Mr. Christopher A. Bell-Knight, and the appointment of the Bank's corporate officers at the Bank's Organizational Board Meeting held on April 22, 2022. The Committee also recommended to the Board the appointment of Atty. Jose F. Buenaventura and Mr. Christopher A. Bell-Knight as Advisors to the Board of Directors.

The Nominations Committee reviewed and recommended the promotion of senior officers, extension of the employment term of Mr. Nestor V. Tan as President and Chief Executive Officer of the Bank, and appointment of Ms. Cecilia Luz L. Tan, Mr. Gerard Lee B. Co, and Ms. Jeanette S. Javellana as Co-Heads of Institutional Banking Group vice Mr. Walter C. Wassmer.

Further, the Committee reviewed and endorsed for Board approval the amendments to the Bank's Succession Planning Policy.

Chairman:

George T. Barcelon
(Independent Director)

Members:

Jose F. Buenaventura
(Independent Director)
Member until April 22, 2022

Dioscoro I. Ramos
(Lead Independent Director)
Member beginning April 22, 2022

Vicente S. Pérez, Jr.
(Independent Director)
Member beginning January 8, 2022

Nominations Committee	No. of Meetings Attended	Total No. of Meetings
George T. Barcelon	9	9
Jose F. Buenaventura	4	4
Dioscoro I. Ramos	5	5
Vicente S. Pérez, Jr.	8	8

Compensation Committee

FUNCTIONS:

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

In 2022, the Committee approved and endorsed to the Board for approval the revised Compensation Policy Guidelines of the Bank and the increase in the Fringe Benefits Program of the officers of the Bank through adjustments of the employee credit card limit.

Chairman:

George T. Barcelon
(Independent Director)

Members:

Dioscoro I. Ramos
(Lead Independent Director)

Teresita T. Sy

Compensation Committee	No. of Meetings Attended	Total No. of Meetings
George T. Barcelon	2	2
Dioscoro I. Ramos	2	2
Teresita T. Sy	2	2

Information Technology Steering Committee

FUNCTIONS:

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

In 2022, the Committee continued to perform its mandate of overseeing the progress and implementation of information technology projects and cybersecurity-related initiatives. It regularly reviewed reports on the availability of the Bank's major client-servicing systems.

It also reviewed and discussed IT-related issues raised by regulators and internal auditors and tracked the status of the remediation of said issues.

Chairman:

George T. Barcelon
(Independent Director)

Members:

Dioscoro I. Ramos
(Lead Independent Director)

Nestor V. Tan

Frederic Mark S. Gomez

Information Technology Steering Committee	No. of Meetings Attended	Total No. of Meetings
George T. Barcelon	5	5
Dioscoro I. Ramos	5	5
Nestor V. Tan	5	5
Frederic Mark S. Gomez	5	5

Related Party Transactions Committee

FUNCTIONS:

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

On a monthly basis, the RPTC carefully reviews the material related party transactions being proposed by Management and provides necessary action, including endorsement for approval of the Board. The Committee also reviews all non-material related party transactions for the year prior to its confirmation by the Board. In accordance with its mandate, the Committee monitors in its meetings the outstanding loan exposures of the Bank to its related parties. The Committee also reviews the conglomerate structure on a quarterly basis.

Chairman:

Dioscoro I. Ramos
(Lead Independent Director)
Chairman beginning January 8, 2022

Members:

Vipul Bhagat
(Independent Director)
Member beginning April 22, 2022

Jose F. Buenaventura
(Independent Director)
Member until April 22, 2022

Jones M. Castro, Jr.

Advisors:

Jesus A. Jacinto, Jr.
Walter C. Wassmer

Related Party Transactions Committee	No. of Meetings Attended	Total No. of Meetings
Dioscoro I. Ramos	11	11
Vipul Bhagat	5	7
Jose F. Buenaventura	5	5
Jones M. Castro, Jr.	11	12

Independent Control Functions

Compliance

BDO's Compliance Group, through the Chief Compliance Officer (CCO), oversees the design of the Bank's compliance system and the overall compliance framework executed through a Compliance Program, and promotes their effective implementation. BDO Compliance Group 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 Bank with existing laws, rules and regulations through the implementation of the overall compliance system and program in accordance with the requirements of the BSP and other regulatory agencies, including but not limited to the identification and control of compliance risks, prudential reporting obligations as well as compliance training. BDO's Compliance System forms the processes, people, policies and other components that, as an integral unit, ultimately drive the Bank's initiatives to conform to industry laws, regulations and standards. In line with the Bank's initiatives is its commitment to ensure that activities of the Bank and its personnel are conducted in accordance with all applicable banking laws and regulations and industry standards, and this commitment to compliance serves to protect the Bank and its stakeholders. BDO's Compliance Group, as provided in its Charter, conducts independent compliance tests and reports to the Board Audit Committee any significant compliance issues or breaches.

The Anti-Money Laundering Department (AMLD) under the Compliance Group, together with the Anti-Money Laundering Committee (AMLCom), focuses on the enforcement of the Bank'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 Bank also adheres with BSP and Anti-Money Laundering Council (AMLC) Rules, Regulations and Directives. The AML Program of the Bank is articulated in the Bank'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 transactions reporting, (v) record-keeping, (vi) AML/CTF training (vii) AML System and technology platforms, and (viii) Institutional Risk Assessment. AMLD likewise oversees the investigation of suspicious transactions under the auspices of the AMLCom that is comprised of select key senior officers of the Bank.

The Compliance Group and its compliance program endeavors to protect the Bank's franchise, manage compliance risks and simultaneously support the business goals and growth of the institution by providing appropriate compliance insights and regulatory guidance to safeguard the Bank and its stakeholders.

Internal Audit

The Internal Audit Function covers the entire Group including foreign and local subsidiaries and offices. It adheres to the principles required by the ISPPIA (International Standard for the Professional Practice of Internal Auditing), COSO Internal Control-Integrated Framework, COBIT (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, not only by promoting the professional development of its auditors but also by keeping abreast of relevant changes in regulations and trends in technology.

Internal Audit reports to the Board of Directors through the Board Audit Committee (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. In its year-end closing report, Internal Audit attests to the fulfillment of its mandated responsibilities and provides overall assurance on the effectiveness of internal control, risk management and governance processes.

Consumer Protection Practices

BDO'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 operations and considered in the development and implementation of our products and services.

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

BDO's Consumer Assistance Management System reflects the Bank's commitment that our customers are treated fairly, honestly, and professionally at all stages of their relationship with the Bank. To ensure its effective implementation, BDO Customer Contact Center records customer complaints and monitors its resolution in adherence to established standard operating procedures and service level agreements. Customer feedback and complaints are analyzed and these are reported to the Board's Risk Management Committee on a periodic basis.

BDO devotes resources to ensure that customers are provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions. In 2022, CAMS logged around 7 million customer cases of which only 7% were problem-related in nature. Majority of the cases were inquiries (4.3M or 60%) and requests (2.4 M or 33%).

CONSUMER ASSISTANCE MANAGEMENT SYSTEM



Data Privacy

The Bank implements a Data Privacy Management Program (DPMP), which serves as the framework for protecting the data privacy rights of the Bank's data subjects, to ensure compliance with the Philippine Data Privacy Act (PDPA). The Bank has a Data Protection Officer (DPO) who is registered with the National Privacy Commission (NPC). Compliance Officers for Privacy (COPs) in each business and support unit (BSU) were also appointed to ensure proper coordination in the implementation of any initiatives related to the Bank's DPMP. The required data processing systems were also registered with the NPC. The Enterprise Data Privacy Policy, Privacy Statement, and Breach Reporting Procedures were established, including the templates for Consent, Data Sharing Agreement (DSA), and Outsourcing Agreement Supplements. Furthermore, conduct of Privacy Impact Assessments (PIAs) for the whole Bank was completed to assess privacy risks in order to ensure that the necessary security measures are in place to mitigate risks to personal data and uphold the data privacy rights of individuals. Privacy risk monitoring is also integrated in the Bank's operational risk management tools. To ensure continuous education within BDO, an eLearning course

on Data Privacy is mandatory to be taken every 2 years by all employees. A regular assembly of the COPs are also being conducted by the DPO for a refresher on the DPA principles. A Data Privacy campaign through an email blast is launched to serve as a continuing reminder to all employees that Data Privacy is everyone's responsibility. As part of the Bank's cybersecurity program, the Bank's data protection policies were also enhanced through the DPMP to align with the recent technology solutions implemented by the Bank and new cyber threats.

The Risk Management Committee (RMC) is also regularly updated with respect to the progress of the Bank's compliance to the PDPA. In view of its commitment to comply with data privacy requirements, and as part of its continuing assessment and development efforts, the Bank has actively participated in the establishment of the Data Privacy Coordinating Group (DPCG) of the Bankers Association of the Philippines (BAP). BAP DPCG, with BDO's DPO as one of the chosen members, participates in various private forums and liaises with other DPOs and the NPC.

Engagement with Stakeholders

The Bank employs a multi-pronged communications strategy handled by specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Bank.

Communication with the core audience is handled by the following: Investor Relations and Corporate Planning Group (IR and Corplan) for institutional investors, analysts, credit rating agencies, and other external stakeholders; the Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the board members and senior management. Also, communications requiring media involvement are done in conjunction with the Bank's Corporate Communications unit under the Marketing Communications Group (MCG). The Bank utilizes media briefings/ press conferences to communicate company updates to its stakeholders.

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, 2022, the Bank has substantially complied with the recommendations of the Code except for the following: 1) Policy on retirement age of directors and 2) Disclosure of executive remuneration on an individual basis.

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 Bank and its stakeholders, and decide on that basis.

On the disclosure of the remuneration on an individual basis for executive officers, the figures for key executives are presented in aggregate due to possible security and competition issues.

Looking Ahead

The Bank, as a financial institution, recognizes the importance of addressing climate change and supporting the country's transition towards a low-carbon economy. The Bank, through its Board and Senior Management, remains committed to advancing the sustainability agenda and achieving strategic resilience by consistently incorporating sustainability in the way it conducts business. The Board, being the highest governance body, plays a crucial role in ensuring that sustainability is embedded in the Bank's compliance, corporate governance, and risk management frameworks. The Board sets the tone at the top by promoting an enterprise-wide culture that continually fosters environmentally and socially responsible business decisions. The Bank endeavors to contribute to the country's sustained growth by financing economic activities that nurture the environment, empower the Filipino consumers, and promote the best interest of the Bank's various stakeholders. Consistent with the UN Sustainable Development Goals (SDGs), UN Global Compact, and the government's Sustainable Finance Roadmap, the Bank constantly strives to create a lasting, net positive impact through the delivery of banking products and services that are sustainable, inclusive, equitable, environment-friendly, and socially-relevant.

Corporate Social Responsibility

BDO Foundation: Finding ways for a better future

BDO Foundation, the corporate social responsibility arm of BDO Unibank, pursued its advocacies in the areas of financial inclusion and disaster response and rebuilding as part of its contributions to the achievement of the Sustainable Development Goals. In 2022, the foundation made significant strides in implementing financial education programs, rehabilitating local health facilities, conducting relief operations, and undertaking new initiatives to address the needs of the underserved.



BDO Foundation continued to work closely with the Bangko Sentral ng Pilipinas (BSP), Department of Education, Overseas Workers Welfare Administration, Civil Service Commission, Armed Forces of the Philippines, Philippine National Police, Bureau of Fire Protection, Bureau of Fisheries and Aquatic Resources, and Agricultural Credit Policy Council for the deployment of ongoing financial education programs. The foundation also started to collaborate with the Department of Trade and Industry, Local Government Academy, and Technical Education and Skills Development Authority for the development and implementation of similar programs.

Supportive of BSP's National Strategy for Financial Inclusion, the initiatives institutionalize financial education in the capacity building measures of the aforementioned agencies by making financial education part of the partner agencies' regular training programs. Through the programs, the partners share financial literacy lessons with target audiences. Ultimately, the financial education programs aim to enhance the economic well-being of underserved Filipinos, help improve financial literacy levels in the country, and support nation-building.

BDO Foundation continued to mount relief operations in provinces placed under a state of calamity. The foundation engaged partners and mobilized volunteers for the immediate distribution of relief packs containing food, rice, and drinking water to families in disadvantaged communities affected by typhoons, earthquakes, volcanic eruptions, and fire.

In calamity-stricken Catarman, Northern Samar, the foundation started constructing a three-classroom school building for Baybay Elementary School in partnership with the Philippine Geothermal Production Company. The initiative, which contributes to the Adopt-A-School program of the Department of Education, will help address the shortage of classrooms in the school and enable administrators to accommodate more students.

In support of Don Bosco's mission to educate, evangelize, and capacitate Filipino youth, BDO Foundation also began building a two-storey technical-vocational training facility for the Don Bosco Technical and Vocational Education and Training (TVET) Center in Balamban, Cebu. Don Bosco's TVET Centers educate disadvantaged youth and prepare them for gainful employment in the Philippines and abroad. The structure in Balamban will serve as a workshop where senior high school students can learn livelihood skills.

BDO Foundation continued to rehabilitate rural health units all over the Philippines to help improve the healthcare delivery system in the country. Backed by the Department of Health (DOH), the initiative enabled health workers to provide primary healthcare services more efficiently. It empowered doctors, nurses, and midwives to deliver the best patient care possible to their constituents. The rehabilitation program helped the health centers receive high assessment scores from the DOH and accreditation from PhilHealth.

For the third consecutive year, the foundation implemented its Handog sa 'Yo ng BDO Foundation Christmas gift-giving initiative, providing Christmas food bags for economically disadvantaged communities across the country. The foundation partnered with Caritas Philippines and Tanging Yaman Foundation for the distribution of noche buena food packs to help poor families celebrate Christmas. The initiative was made possible by BDO volunteers.

The BDO employee volunteer program was launched as a result of the collaboration among the Human Resources Group, the Sustainability Office, and BDO Foundation. Designed to promote employee engagement, the program gives BDO officers and staff all over the country opportunities to be involved in BDO's corporate citizenship initiatives in the areas of poverty and hunger, the environment, education, and financial inclusion. In the pilot run of the program, BDO volunteers participated in the distribution of food assistance and the conduct of financial literacy sessions.

The foundation made inroads into interventions that address hunger by partnering with East-West Seed Foundation. Through a project called Gulayamanan, the partners will establish vegetable gardens in disadvantaged communities for the benefit of residents who lack livelihood opportunities. Gulayamanan, which also includes financial literacy sessions, will provide income and additional food supply to target beneficiaries.

BDO Foundation gave back to the community through other projects. Together with Huawei Philippines, the foundation funded the Knowledge Channel Teaching in the New Normal program, which provided public school educators professional development training on how to use multimedia learning resources to teach lessons online and offline. It also distributed laptops donated by Huawei to schools in five provinces to give more teachers and students much needed access to computers.

Further, the foundation made several donations, most notable of which were the school supplies distributed to pupils of Nanapun Elementary School in Marawi City, Lanao del Sur in partnership with BancNet as well as students of Mampang Elementary School in Zamboanga City in partnership with BDO Remit and Western Union.

In 2023, BDO Foundation will commemorate 15 years of responding to the needs of underserved Filipinos. As it marks this milestone, the foundation will celebrate successes in the past, sustain programs in the present, and explore more opportunities to serve in the future. Strengthened by the support and volunteerism of the BDO Unibank community, BDO Foundation will continue to find ways to contribute to a resilient, sustainable, and financially-inclusive future.

Financial Statements

Statement of Management's Responsibility for Financial Statements

The management of **BDO Unibank, Inc. and Subsidiaries (the BDO Unibank Group)** and of **BDO Unibank, Inc. (the Parent Bank)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 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 BDO Unibank Group and the Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BDO Unibank Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the BDO Unibank Group and the Parent Bank's financial reporting process.

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

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

Teresita T. Sy
Chairperson of the Board

Nestor V. Tan
President &
Chief Executive Officer

Dalmacio D. Martin
Treasurer

Signed this 24th day of February 2023

Statements of Financial Position

BDO UNIBANK, INC. AND SUBSIDIARIES
DECEMBER 31, 2022 AND 2021
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
RESOURCES					
CASH AND OTHER CASH ITEMS	8	**P 82,944**	P 69,105	**P 80,666**	P 66,440
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	**385,779**	304,906	**382,210**	302,660
DUE FROM OTHER BANKS - Net	9	**58,766**	70,092	**51,055**	64,349
TRADING AND INVESTMENT SECURITIES - Net	10	**722,830**	616,261	**606,789**	497,963
LOANS AND OTHER RECEIVABLES - Net	11	**2,696,901**	2,450,903	**2,621,221**	2,399,983
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12, 13	**46,471**	44,807	**42,394**	41,586
INVESTMENT PROPERTIES - Net	14	**21,158**	18,795	**13,173**	11,263
OTHER RESOURCES - Net	15	**59,859**	48,880	**102,815**	81,762
TOTAL RESOURCES		**P 4,074,708**	P 3,623,749	**P 3,900,323**	P 3,466,006
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 3,220,883**	P 2,820,896	**P 3,141,016**	P 2,751,715
BILLS PAYABLE	18	**198,891**	204,431	**188,872**	196,174
INSURANCE CONTRACT LIABILITIES	20	**64,363**	65,328	-	-
OTHER LIABILITIES	21	**129,114**	108,546	**110,536**	94,656
Total Liabilities		**3,613,251**	3,199,201	**3,440,424**	3,042,545
EQUITY	22				
Attributable to:					
Shareholders of the Parent Bank		**459,332**	422,934	**459,899**	423,461
Non-controlling Interests		**2,125**	1,614	-	-
		461,457	424,548	**459,899**	423,461
TOTAL LIABILITIES AND EQUITY		**P 4,074,708**	P 3,623,749	**P 3,900,323**	P 3,466,006

See Notes to Financial Statements.

Statements of Income

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos Except Per Share Data)

	Notes	BDO Unibank Group			Parent Bank		
		2022	2021	2020	2022	2021	2020
INTEREST INCOME	23	**P 169,071**	P 144,879	P 157,031	**P 158,632**	P 136,772	P 149,697
INTEREST EXPENSE	24	**19,839**	13,533	23,331	**18,728**	12,906	22,400
NET INTEREST INCOME		**149,232**	131,346	133,700	**139,904**	123,866	127,297
IMPAIRMENT LOSSES (RECOVERIES) - Net	16						
Financial Assets	10, 11	**16,564**	16,942	29,661	**15,815**	16,745	29,037
Non-financial Assets	14, 15	**(203)**	93	511	**(232)**	56	491
Others	21	**5**	28	68	**5**	28	68
		16,366	17,063	30,240	**15,588**	16,829	29,596
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**132,866**	114,283	103,460	**124,316**	107,037	97,701
OTHER OPERATING INCOME	25	**71,535**	61,354	55,210	**50,129**	40,635	37,254
OTHER OPERATING EXPENSES	25	**131,208**	119,875	112,640	**104,119**	93,613	90,067
PROFIT BEFORE TAX		**73,193**	55,762	46,030	**70,326**	54,059	44,888
TAX EXPENSE	31	**15,959**	12,907	17,776	**13,333**	11,378	16,282
NET PROFIT		**P 57,234**	P 42,855	P 28,254	**P 56,993**	P 42,681	P 28,606
Attributable to:							
Shareholders of the Parent Bank		**P 57,054**	P 42,791	P 28,246			
Non-controlling Interests		**180**	64	8			
		P 57,234	P 42,855	P 28,254			
Earnings Per Share:	32						
Basic		**P 10.77**	P 8.07	P 5.30			
Diluted		**P 10.72**	P 8.05	P 5.30			

See Notes to Financial Statements.

Products and Services

PERSONAL BANKING

Branch Banking
Peso Deposits
- Checking Account
- Savings Deposit
- Time Deposit

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

Other Services
- Telegraphic Transfer
- Safe Deposit Box
- Night Depository

Consumer Banking
Consumer Loans
Merchant Payment Services
ATM Services
Agency Banking (Cash Agad)

BUSINESS BANKING

BDO Finance Corporation
Finance Lease
Operating Lease
Factoring of Receivables
Amortized Commercial Loan
Installment Paper Purchase
Floor Stock Financing
Mortgage Loans

BDO Network Bank, Inc.
Microfinance Loans
Salary Loans

Corporate Loans and Services
Revolving Credit Line
Term Loan
Discounting Facility
Trade Finance
Documentary Collection
Project Finance

Trade Services
Import and Domestic Letter of Credit
Standby Letter of Credit
Trust Receipts
Export Financing

INVESTMENT BANKING, SECURITIES BROKERAGE, AND PRIVATE BANKING

BDO Capital & Investment Corporation
Equity and Quasi-Equity Financing
Fixed Income Financing
Financial Advisory Services

BDO Securities Corporation
Trader-assisted and Online Stock Brokerage
Fixed Income Brokerage
Wealth Management

BDO Private Bank, Inc.
Wealth Advisory
Investment Advisory and Portfolio Management
Estate and Succession Planning
Trust Agency and Specialized Trust Services
Safe Deposit Boxes

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

INSURANCE

BDO Insurance Brokers, Inc.
Property Insurance
Motor Insurance
Accident and Health Insurance
Engineering Insurance
Marine Hull Insurance
Aviation Insurance
Marine Cargo Insurance
Liability Insurance Bonds
Specialty Insurance
Employee Benefits
Risk Assessment/Management

BDO Life Assurance Company, Inc.
Individual Insurance
- Protection
- Education
- Savings
- Health
- Retirement
- Estate Planning

Group Insurance
- Group Yearly Renewable Term Life
- Group Yearly Renewable Personal Accident
- Creditor's Group Life

PROPERTY MANAGEMENT
Property Leasing
Property Sales

TRANSACTION BANKING SERVICES
Cash Management Services
Remittances

TREASURY DEALERSHIP AND BROKERING SERVICES
Fixed Income Brokering Services
Foreign Exchange Derivatives

DIGITAL BANKING
Online and Mobile Banking
BDO Pay
Phone Banking

Awards and Recognition

BEST BANK
BDO UNIBANK, INC.

Best Bank, Philippines
(2010–2016, 2018, 2020–2022)
Alpha Southeast Asia
16th Annual Best Financial Institution Awards 2022

Best Bank in the Philippines
(2014–2017, 2019–2022)
Global Finance World's Best Bank 2022

Best Bank for SMEs in the Philippines
Asiamoney Best Bank Awards 2022

Best Managed Bank in the Philippines: BDO Unibank
The Asian Banker Leadership Achievement Awards 2022

Most Selected Retail Bank in the Philippines and 3rd in Asia
The Asian Banker Bank Quality Consumer Survey on Retail Banks 2022

Overall Most Outstanding Company in the Philippines

Most Outstanding Company in the Philippines – Banking Sector
Asia's Outstanding Companies Poll 2022 by Asiamoney

BEST INVESTMENT BANK
BDO CAPITAL & INVESTMENT CORPORATION

Best Corporate and Institutional Adviser in the Philippines
(2006–2022)

Best Loan Adviser
(2015–2022)

Best Equity Adviser
(2008, 2010, 2015, 2017–2020, 2022)
The Asset Triple A Country Awards for Sustainable Finance 2022

BDO Capital & Investment, Top Arranger – Investor's Choice for Primary Issues, Corporate Bonds, Rank 2
The Asset Triple A Benchmark Research Awards 2022

Best Investment Bank in the Philippines
(2013–2014, 2017–2022)
Global Finance World's Best Investment Bank Awards 2022

Best Bond House in the Philippines
(2007–2010, 2012–2013, 2016–2017, 2022)
Alpha Southeast Asia
16th Annual Best Financial Institution Awards 2022

Corporate & Investment Bank of the Year – Philippines
(2018–2022)
Asian Banking & Finance Corporate and Investment Banking Awards 2022

Equity Deal of the Year – Philippines
Asian Banking & Finance Corporate and Investment Banking Awards 2022

Best IPO (Philippines)
(Deal: Citicore Energy REIT Corporation PHP6.40 billion IPO; Joint global coordinator, joint lead underwriter, and joint domestic bookrunner: BDO Capital)
The Asset Triple A Country Awards for Sustainable Finance 2022

Best Transition Bond (Philippines)
(Deal: SMC Global Power Holdings Corporation PHP40 billion fixed rate bond; Joint issue manager, joint lead underwriter, and bookrunner: BDO Capital)
The Asset Triple A Country Awards for Sustainable Finance 2022

Best Local Currency Bond Deal
(Deal: SMC Global Power's PHP40 billion Bond; Joint issue manager, joint lead underwriter, and bookrunner: BDO Capital)
Alpha Southeast Asia
16th Annual Best Deal & Solution Awards 2022

Best Green Bonds of the Year (Philippines)
(Deal: ACEN Corporation's PHP10 billion ASEAN Green Bonds; Joint issue manager, joint lead underwriter, and bookrunner: BDO Capital)
Alpha Southeast Asia
16th Annual Best Deal & Solution Awards 2022

Best Local Currency Green Bond
(Deal: ACEN Corporation's PHP10 billion ASEAN Green Bonds; Joint issue manager, joint lead underwriter, and bookrunner: BDO Capital)
The Asset Triple A Sustainable Capital Markets Awards 2022

BEST PRIVATE BANK
BDO PRIVATE BANK

Best Private Wealth Management Bank in the Philippines
(2008–2022)
Alpha Southeast Asia
16th Annual Best Financial Institution Awards 2022

Best Digital Private Bank in the Philippines
Asiamoney Private Banking Awards 2022

Wealth Management Platform of the Year, Philippines
(2020–2022)
Asian Banking & Finance Retail Banking Awards 2022

Best Private Bank, Philippines
(2010–2022)
The Asset Triple A Private Capital Awards for Private Banks, Wealth & Investment Bank Advisers, Solutions and Index Providers 2022

Best Private Bank in the Philippines
(2015–2022)
Global Finance Best Private Banks 2022

BEST BROKERAGE FIRM
BDO SECURITIES CORPORATION

Best Retail Broker in the Philippines
(2021–2022)
Alpha Southeast Asia
16th Annual Best Financial Institution Awards 2022.

PRODUCTS & SERVICES
Best Cash Management Bank in the Philippines
(2008–2009, 2016–2022)
Alpha Southeast Asia
16th Annual Best Financial Institution Awards 2022

Best Cash Management Solution in the Philippines 2022
(BDO Unibank's bills payment facility for ICTSI)
Alpha Southeast Asia Annual Transaction Banking Awards 2022

Best Service Provider – Cash Management, Philippines
(2017–2018, 2020–2022)
The Asset Triple A Treasury, Trade, Sustainable Supply Chain and Risk Management Awards 2022

Best Online & Mobile Platform (Asset Manager)
(2020–2022)

Best Fund with Optimal Information Ratio
(2021–2022)

Best Fund Manager for Pension Mandates & Private Retirement Schemes
Alpha Southeast Asia 13th Annual Fund Management Awards 2022

Best FX Bank for CCS, IRS, Forward & Options Hedging (Corporates, FIs & SMEs)
(2021–2022)

Best Corporate Treasury Sales and Structuring Team
(2019–2022)
Alpha Southeast Asia 12th Annual Treasury & FX Awards 2022

Best for Market Share, Philippines
Asiamoney FX Survey 2022

Asset Manager of the Year, Philippines: BDO Unibank
Fund Selector Asia House Awards 2022

Digital Fund Manager of the Year
The Asset Triple A Digital Awards 2022

BDO Unibank, Top Investment House in Local Currency Bond
The Asset Triple A Benchmark Research Awards 2022

Investment Product Innovation of the Year – Philippines (BDO Trust)
Asian Banking & Finance Retail Banking Awards 2022

Philippines Product Experience of the Year – BDO Pension 360
Asian Experience Awards 2022

Fund House of the Year Award, Philippines – BDO Trust & Investments Group
AsianInvestor Asset Management Awards 2022

Best Wealth Management Bank in the Philippines (BDO Trust)
The Asian Banker Philippines Awards 2022

Asset Management Company of the Year, Philippines (BDO Trust)
(2018–2022)
The Asset Triple A Sustainable Investing Awards for Institutional Investor, ETF and Asset Servicing Providers 2022

Best Wealth Manager, Philippines (BDO Trust)
(2019–2022)
The Asset Triple A Private Capital Awards for Private Banks, Wealth & Investment Bank Advisers, Solutions and Index Providers 2022

Best Investment Management Company, Philippines (BDO Trust)
(2016–2022)
World Finance Investment Management Awards 2022

Best Sustainability Bond – Financial Institution (Philippines)
(Deal: BDO Unibank PHP52.7 billion ASEAN sustainability bond)
The Asset Triple A Country Awards for Sustainable Finance 2022

Marketing & Brand Initiative of the Year – Philippines (BDO Network Bank)
Asian Banking & Finance Retail Banking Awards 2022

SUSTAINABILITY & ESG (ENVIRONMENTAL, SOCIAL, GOVERNANCE)

Platinum Award
(2010–2022)
The Asset ESG Corporate Awards 2022

Top Sustainability Advocates in Asia
(2021–2022)
Asia Corporate Excellence & Sustainability Awards (ACES) 2022

Industry Champions of the Year
(2019, 2022)
Asia Corporate Excellence & Sustainability Awards (ACES) 2022

Four Golden Arrows
ASEAN Corporate Governance Scorecard (ACGS) 2022 Golden Arrow Awards

BDO Unibank, Asian Excellence awardee
(2011–2022)

Best Investor Relations Company (Philippines) awardee
(2011–2022)

Best Corporate Communications awardee
(2014–2015, 2017–2022)

Asia's Best CSR awardee
(2020–2022)
Corporate Governance Asia 12th Asian Excellence Award 2022

Excellence Award for Communication Skills: BDO 2020 Sustainability Report
The 19th Philippine Quill Awards 2022, presented by the International Association of Business Communicators (IABC) Philippines

INDIVIDUAL RECOGNITION

Asia's Best CEO (Investor Relations) awardee: Teresita Sy-Coson, Chairperson
(2013–2022)
Corporate Governance Asia 12th Asian Excellence Award 2022

Asia's Best CEO (Investor Relations) awardee: Nestor V. Tan, President & CEO
(2011–2012, 2016–2022)
Corporate Governance Asia 12th Asian Excellence Award 2022

Asia's Best CFO (Investor Relations) awardee: Dalmacio D. Martin, EVP & Treasurer
(2020–2022)
Corporate Governance Asia 12th Asian Excellence Award 2022

Best Investor Relations Professional (Philippines) awardee: Luis S. Reyes, Jr., EVP
(2011–2022)
Corporate Governance Asia 12th Asian Excellence Award 2022

The Asian Banker CEO Leadership Achievement for The Philippines Award: Nestor V. Tan, President & CEO
The Asian Banker Leadership Achievement Awards 2022

BDO Group of Companies

PHILIPPINE SUBSIDIARIES AND AFFILIATES

Averon Holdings Corporation
6780 Ayala Avenue
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Salcedo Village
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BDO Finance Corporation
BDO Corporate Center Ortigas
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43/F and 44/F
BDO Corporate Center Ortigas
12 ADB Avenue
Mandaluyong City 1550
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BDO Life Assurance Company, Inc.
30/F Petron Megaplaza Building
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BDO Strategic Holdings, Inc.
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Dominion Holdings, Inc. (formerly BDO Leasing and Finance, Inc.)
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Units 1505-1508
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SM Keppel Land, Inc.
Units 602-603
The Podium Mall
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Taal Land, Inc.
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MIDDLE EAST

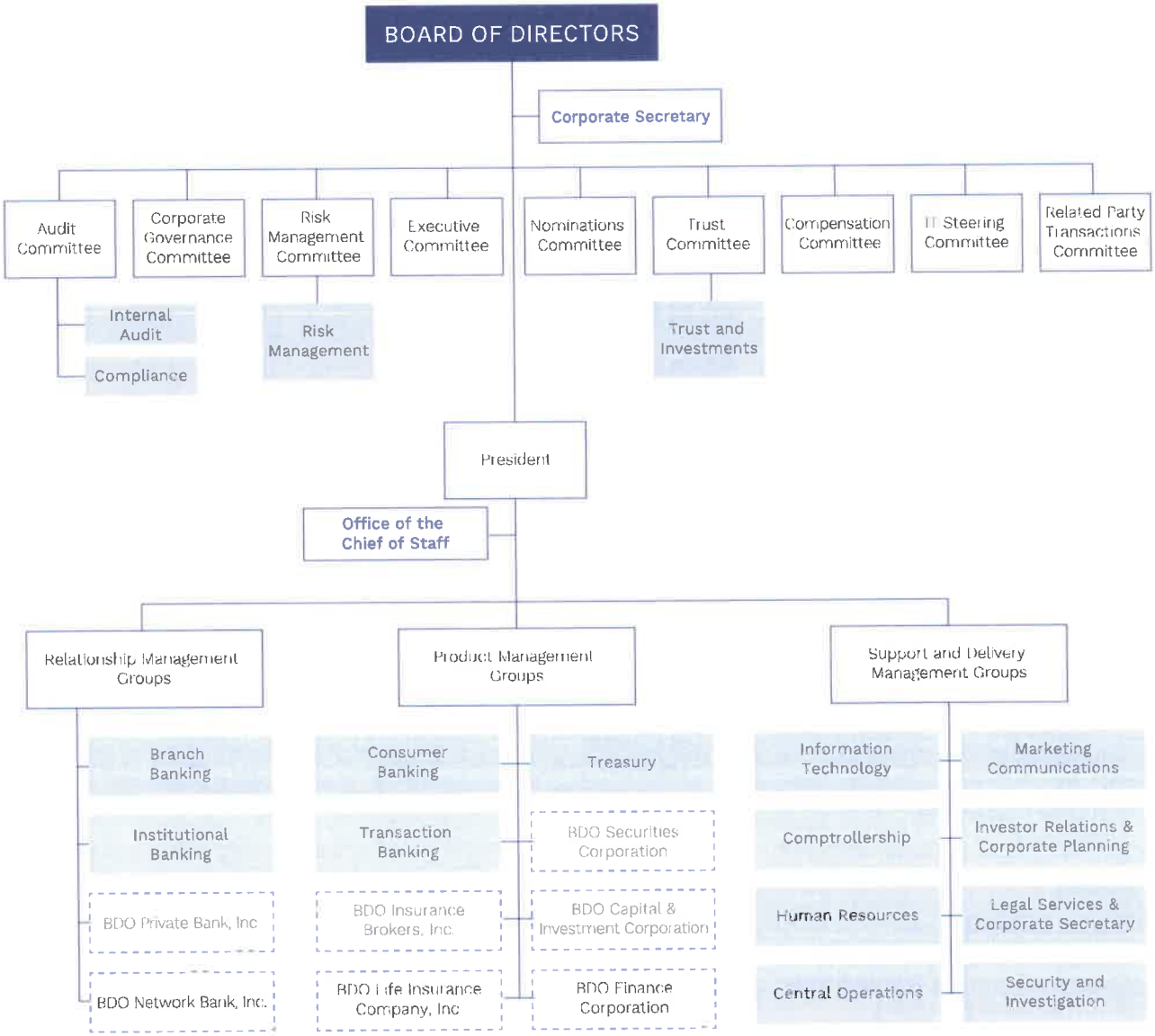
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2901-0233

Organizational Structure



Board and Management Directory

BOARD OF DIRECTORS

Chairperson/ Non-Executive Director
Teresita T. Sy

Vice Chairman/ Executive Director
Jesus A. Jacinto, Jr.

President & CEO/ Executive Director
Nestor V. Tan

Lead Independent Director
Dioscoro I. Ramos

Independent Directors
George T. Barcelon
Estela P. Bernabe
Vipul Bhagat
Vicente S. Pérez, Jr.

Non-Executive Directors
Jones M. Castro, Jr.
Josefina N. Tan
Walter C. Wassmer

Advisors
Christopher A. Bell-Knight
Jose F. Buenaventura
Corazon S. de la Paz-Bernardo
Jose T. Sio
Harley T. Sy

Corporate Secretary
Edmundo L. Tan

Assistant Corporate Secretaries
Sabino E. Acut, Jr.
Alvin C. Go

PRINCIPAL OFFICERS

President
Nestor V. Tan

Senior Executive Vice Presidents
Joseph Albert L. Gotuaco
Rolando C. Tanchanco
Jaime C. Yu

Executive Vice Presidents
Stella L. Cabalatungan*
Gerard Lee B. Co
Lucy C. Dy
Eduardo V. Francisco*
Jesus Antonio S. Itchon*
Jeanette S. Javellana
Ma. Corazon A. Mallillin
Dalmacio D. Martin
Luis S. Reyes, Jr.
Cecilia Luz L. Tan
Evelyn L. Villanueva
Albert S. Yeo*

Senior Vice Presidents
Noel L. Andrada*
Maria Carina S. Antonio
Rafael G. Ayuste, Jr.
Ferdinand C. Bacungan
Melanie S. Belen
Marita E. Bueno
Edmund S. Chan
Ruby A. Chua
Romeo Ramon Martin R. Co, Jr.
Jonathan T. Cua*
Ramon S. David
Montiel H. Delos Santos
Gwyneth M. Entao
Belinda C. Fernandez
Andre M. Flores
Gina Marie C. Galita
Cheryll B. Gaviño*
Geneva T. Gloria
Alvin C. Go
Jonathan Cua Bian T. Go II
Marilyn K. Go
Sonia Maribel D. Go*
Frederic Mark S. Gomez
Maria Lourdes Donata C. Gonzales
Richard Emil R. Grau*
Lazaro Jerome C. Guevarra
Enrico R. Hernandez
Geraldine C. Liggayu
Gabriel U. Lim*
John Emmanuel M. Lizares
Juan Sabino P. Lizares*
Joseph Rhoderick B. Lledo
Manuel Z. Locsin, Jr.*
Rhodora M. Lugay
Jose Paolo Enrique A. Magpale
Roy Allan V. Magturo
Manuel Patricio C. Malabanan
Angelita C. Manulat
Edgardo R. Marcelo, Jr.
Elena D. Mariano
Jose Noel M. Mendoza*
Tomas Victor A. Mendoza
Ramon T. Militar* **
Aurea Imelda S. Montejo
Francis Jay F. Nacino*
Jaime M. Nasol
Carlo B. Nazareno
Cristina G. Ngo
Frederico Rafael D. Ocampo
Estrellita V. Ong
Maria Rhoda B. Orsolino
Jose Alfredo G. Pascual
Cyrus M. Polloso
Jose Eduardo A. Quimpo II*
Alberto O. Quiogue*
Rogel A. Raya
Maria Nannette R. Regala
Gerardo Clemente C. Rivera*
Susan Audrey P. Rivera
Evelyn C. Salagubang
Roberto Ramon L. Santos
Paul J. Siy
Noel B. Sugay
Lorelei Lorraine L. Sy
Sui Gui W. Sy
Edwin R. Tajanlangit
Christopher Raymund P. Tan
Maria Theresa L. Tan*
Federico P. Tancongco
Reynaldo A. Tanjangco, Jr.
Dante R. Tinga, Jr.
Myla R. Untalan**
Sharon Mae S. Vicente*
Carol P. Warner

First Vice Presidents

Donabel R. Aala
Jeffrey R. Abacan
Maria Lourdes P. Abellar
Kara Q. Abrogar
Edna C. Agajan
Jocelyn D. Agas
Nadine Anne R. Alapan
Allen D. Alcantara
Dulce Amor E. Alimbuyuguen*
Carlos S. Alindogan
Milagros R. Alindogan
Jose Virgilio O. Alvarez
Patricia Lei S. Alvarillo
Jose Joel S. Andres
Leticia L. Ang Ley
Jeffrey O. Ang
Stanley A. Ang*
Roland P. Arcadio
Onofre D. Avellanosa
Maria Cecilia M. Avila
Janet B. Bagnes
Olivia A. Barcarse
Jose Luis F. Bautista
Pedro C. Bautista, Jr.
Barbara May M. Billano*
Ismael C. Billena, Jr.
Manuel Patricio J. Bondad
Francisco Javier P. Bonoan*
Ernesto F. Borlado, Jr.
Adelo C. Brabante
Maria Eleanor B. Briones
Rolino C. Bucao, Jr.
Ryan B. Butalid*
Mary Grace R. Caguioa
Michael R. Cahigas*
Franchette C. Cardona*
Maria Judith L. Castillo*
Aurora M. Castro
Ma. Fatima C. Catambacan
Regina G. Caynap
Susie S. Cham
Jocson C. Chan
Francis L. Chiu
Abigail Kathryn L. Chiw*
Arlene Y. Chong
Albert N. Chu
Aileen R. Chua
Edwin L. Chua
Keith H. Chua
Johanna N. Chung
Sue Anne N. Chuongco
Michelle Patricia P. Cillan
Pauline L. Clarin*
Giovanni Cornelius D. Co
Luisa J. Co
Sonia C. Co
Ma. Cristina Barbara V. Concepcion
Maria Cristina P. Cordero
Rosario C. Crisostomo*
Edna Christine P. Cruz
Jerry S. Cureg
Lolita L. Damasco
Ma. Cecilia B. De Paz* **
Amaneci Grace R. De Silva
Priscilla R. De Villa
Ma. Victoria F. Dela Cruz
Mario A. Deriquito*
Marie Francesca D. Diaz*
Rolando L. Dillague
Liezel Y. Diño
Pollyanna B. Diokno*
Ma. Eliza Cristina G. Dolina
Angela Veronica M. Dulalia
Leila D. Dumlao
Maria Fe H. Dy
Francis Javier P. Ejercito
Joel M. Escala
Marie Celeste L. Esma
Ruben Enrique A. Espiritu*
Felicisimo G. Falcon, Jr.
Marirose A. Fernando
Bernard M. Florencio
Caroline H. Garcia
Yolanda M. Go
Rommel S. Gomez
Renato S. Gongora
Maria Carmela M. Guerrero
Bremel Peter R. Guiao
Charles Bryan S. Ho
Joyleen Vivienne O. Ho
Jasper M. Jimenez*
Anabelle F. Kabigting
Maria Karla F. Kallos
Ma. Elvira M. Lacaba
Ernesto L. Ladrido IV
Cirila S. Lao
Grace G. Lastimosa
Rojelim C. Lauron
Dennis R. Lee
Roderick L. Lim*
Peter S. Lo, Jr.**
Hannah Regina H. Lopez
Michael Christopher B. Lualhati
Gertrudes J. Lumain
Sheryll O. Luy
Francis Jay T. Magboo
Maria Dolores P. Magsalin
Ronald M. Manalastas**
Jesus Carlo M. Manalo
Marie Antoniette E. Mariano
Rosano B. Marpuri
Thelma D. Mazo
Abigail P. Melicor
Maria Paz L. Mendoza
Proceso Z. Mendoza, Jr.
Michael Anthony A. Meresen
Anthony R. Milan
Juan Nemesio V. Miraflor III
Dalisay S. Molas
Liza M. Montajes
Mary Ann C. Muñoz
Sarah Jessica M. Navarro
Jean V. New
Maria Aleli P. Nievera
Ryan Anthony A. Noblejas
Glenn Birch G. Ong
Sophia O. Ong
Arnaldo Emerito E. Palad**
Raymund V. Pamittan
Irmina R. Pantanosas
Raymund Gerard T. Pastor
Eva M. Paz
German H. Penales
Yolanda A. Pilapil
Maria Teresa (Marisa) M. Quiogue
Edlyn L. Quiroz*
Eduardo C. Ramos
Gilbert P. Ramos
Michael Angelo C. Ramos
Concepcion G. Reyes
Ma. Ana Elena R. Reyes
Myra A. Reyes
Rose Mary T. Reyes
Albert Henry G. Rios
Angelo S. Roxas
Lily T. Roxas
Luisito S. Salazar
Rosana R. Salcedo
Quirino C. Santiago
Bernard Q. Santos
Jennifer B. Santos
Ma. Cecilia S. Santos
Roberto P. Sarile
Khristine M. Siayngco
Marirose G. Sioson
Mary Lou D. Son Keng Po
Sharlene S. Soo
Jerry C. Soriano
Joel S. Sta. Ana
Evelyn K. Sy*
Angelita C. Tad-Y*
Jaime A. Talingdan*
Divina N. Tan
Richard R. Tan
Dennis M. Tangonan**
Jose Maria Angel Y. Tanjuatco
Jennifer M. Tantan
Brenda S. Taruc
Steven C. Te
Alice O. Teh
Joel Eric R. Tesoro
Ken Arthur J. Tiambeng
Marvin I. Tiburcio
Marilyn G. Tin
Ma. Rosita J. Tinio
Frederick N. Tiu*
Robert John R. Tolentino
Evelyn F. Torres
Ramon Antonio C. Torres
Cosme S. Trinidad, Jr.
Bernhard Aloysius G. Tsai*
Jeffrey S. Uy
Maria Dolores C. Uyliapco
Noemi T. Villanueva*
Mary Lou B. Villarba
Roy L. Villareal
Aires Michaela A. Yacat*
Dandy T. Yap**
Joy T. Yap
Avery U. Yu*
Shakira C. Yu
Beatriz Y. Zalazar*

Vice Presidents

Maria Christela M. Abad
Sharon T. Abalos
Irma I. Acayan
Ana Marie R. Acuña
Joel B. Adriano
Editha Marnette I. Agoncillo*
Niccolo N. Aguirre
John Edward F. Alabastro**
Mary Ann L. Alcalde
Jose Leonides C. Almeda*
Niña B. Almeida
Nena G. Alonzo**
Wilfredo O. Alonzo
Lotus R. Altavas
Marla G. Alvarez
Ana Marie M. Amaya
Janet D. Amora*
Jeane K. Ang
Jocelyn A. Ang
Mary Ann Q. Ang
Allan T. Antonio
Alvin V. Antonio
Jasmin W. Aquino
Vilma C. Araña
Henry A. Arce

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Rogelio S. Arteta
Alma Roxanne R. Arvisu
Jerome I. Austria
Jeanette Jean L. Avendaño
Michael M. Avestruz
Samantha B. Avinio
Ramon S. Ayson
Sohrab D. Bagalacsa
Emiliano P. Balignasa, Jr.
Daisy D. Basco
Edgar C. Basconcillo
Ma. Judith V. Bautista
Rodora V. Bautista
Clarissa V. Bereña
Maria Victoria T. Bislumbre
Maria Venus F. Bohn
Benjamin Jose B. Bondoc*
Josephine Anne N. Bongat
Louie Gil T. Bonzon
Mary Jean T. Borbe
Edmer A. Borja
Lelisa R. Bouazzi
Ma. Eloisa S. Britanico
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Mary Josephine C. Buencamino
Julius O. Buendia
Vanessa Maria Dolores C. Bueno
Myra T. Buensuceso
Lydia Rosa T. Cabañero
Norberto Robert S. Cabañero*
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Anthony V. Cabuyadao*
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Alma F. Calumba
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Argeo B. Cantillana
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Jose Mari C. Carlos
Salvador Federico J. Carlota, Jr.
Maria Corazon N. Casanova
Katrina Ryan R. Castellano
Arnold C. Castro
Natalie P. Castro
Athena G. Catipon
Rhodora D. Cenizal
Pamela Lourdes T. Cervantes
Caroly Y. Chan
Ramon A. Chan
Rossana C. Chan*
Susana C. Chavez
Vennice Veronica S. Chavez
Jeanne K. Ching
Ronell C. Chiong
Catherine S. Choa*
Christine T. Chow
Alona S. Chua
Andrei Ian D. Chua*
Joana S. Chua
Kimberly K. Chua
Roanna Joy L. Chua*
Sally Jane C. Chua
Stephen L. Chua
Terence C. Chua
Vanessa Joan C. Chua
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Chino Karlo C. Clavio
J. Samson L. Clemente, Jr.
Ma. Soledad M. Co Seng
Aris G. Co
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Maria Evelyn M. Comidoy
Marie Cherise P. Coronel*
Jovilyn S. Cotio
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Irva Monica L. Cruz
Joel Thaddeus E. Cruz
Maria Christina P. Cruz
Roehl M. Cruz
Letty T. Cu
Maria Rowena B. Cuvin
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Jerome A. De Guzman
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Romeo Josef G. de la Cruz
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Ronald Allan E. De Leon*
Celine Therese Y. de los Santos
German C. de Ocampo
Teresita Q. De Ocampo
Vicente A. De Ocampo III
Romeo D. De Villa**
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Patty Y. Dee
Maria Teresa A. Del Pinal
Mamerto B. Del Rosario
Danilo B. Dela Cruz
Joy Kerwin U. Dela Cruz*
Mary Ann G. Dela Cruz
Vanessa Cyre J. Dela Cruz-San Agustin
Arceli P. Dela Torre
Ferdinand C. Dimapilis
Albert Dizon
Ellie Cecilia R. Dizon
Bituin E. Domingo**
Eileen May E. Domingo
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Francis Dennis R. Dungo
Candy U. Dy*
Kevin Jonathan K. Dy
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Girlie Melani A. Enriquez
Rolando C. Eriga
Maria Socorro Y. Escario
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Raquel H. Espino
Earl L. Espinosa
Pamela Zhell T. Espinosa
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Imelda S. Espiritu
Marilou M. Espiritu*
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Rowena Remedios I. Estrella*
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Ronaldo J. Fabian
Isagani D. Fabito, Jr.
Alma P. Fausto
Gemma L. Felizardo
Daisy L. Fernandez
Edgar Alan S. Fernando
Cristina Nicole S. Ferrer
Grace C. Figueroa
Ireene Claire C. Flores
Patricia L. Forbes
Angelita R. Francia
Jennette T. Gallenero
Trina Marie S. Gamo
Ma. Concepcion S. Gana
Gina Marie G. Garchitorena
John Bernard D. Garcia
Suzette L. Garcia
Venson C. Garcia
Reo Romulo M. Garrovillo
Angeline Grace T. Go
Gayle Christine S. Go
Enrique Jose Y. Godinez
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Patricia Ann F. Gonzalez*
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Betty P. Gumatay
Ma. Regina G. Hans
Miguel Antonio M. Hernando
Rowena W. Hodin
Reylito S. Homeres
Jennifer P. Hong
Ramon David N. Hontiveros
Romeo O. Ibo
Camille Zinna S. Idea
Cesar Rogelio N. Ilano
Francis S. Jacinto
Marietta M. Jamilla
Zerlita Esperanza Z. Jandoc
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Mariann Camille M. Javellana
Maria Agnes E. Jazmines
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Apolonio C. Juan II
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David Michael P. Khodr
Emma M. Lacsamana
Belle D. Lamug
Michele Y. Lao*
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Rainelda R. Lastimosa
Jeromy T. Lastino
Rhoda D. Lazaro
Avelino F. Lazona, Jr.
Maria Teresa T. Ledesma
Nanny G. Lee
Celso T. Legaspi, Jr.
Michelette S. Legaspi
Felicitas S. Leonor
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Anna Marie Teresa A. Lim
Augustus Anthony C. Lim
Bryan S. Lim
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Katherine S. Lim
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Augusto S. Lopez
Emmanuel B. Lopez
Lawrence Lou
Teresa L. Lozada

Grace Marie C. Lu
Maripaz A. Luague
Hazel Marie L. Ludovice
Ma. Soledad C. Lumague
Gemma Theresa A. Lustre
Ralph L. Macaspac
Prima R. Madrelejos
Peter Louie G. Magdame
James Mak
Rachelle B. Malabanan
Maria Victoria H. Manotok
Imelda T. Manuel
Maria Lourdes S. Maraingan*
Ma. Theresa H. Maramba
Loreta G. Marasigan
Joseph Y. Marcelo
Elizabeth V. Marigmen
Jose Alexis B. Marquez
Lizza R. Marquez
Ma. Paz Gladina B. Marquez
Myra A. Marquez
Michael Geronimo G. Martin*
Julie G. Mas
Sheila L. Masiclat
Karllo Jin C. Mayordomo
Ariel T. Melo
Aloysius D. Mendoza
Raymund V. Mendoza
Virlane S. Mendoza
Jose Marlo Jude A. Moises
Portia B. Montoya
Francis Ali B. Morales
Rolin P. Morcillo*
Lucila R. Nabong**
Reggie P. Nalzaro-Agustin
Edgar T. Namoc
Maria Lourdes R. Navarro
Carlo Jerome S. Ng
Ramon Edilberto R. Nonato*
Cynthia T. Nopia
Deborrah Marie G. Ocampo
Emmalyn C. Ocampo
Jose V. Onda
Ana A. Ong
Dennis H. Ong
Fernan T. Ong
Rosalina G. Ong
Mark Anthony M. Orendain
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Rossana Leonora H. Ortiz
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Edward Palamos
Catalina E. Papa
Maria Rozelle A. Papasin
Ruth Alma M. Paraiso
Edita C. Pasion
Mercedes E. Peña
Jocelyn A. Peralta
Maricar L. Pereyra
Divina D. Perez
Roman M. Perez
Juvy Ann U. Petilla
Toriven R. Piano
Jason L. Pinto
Roderico A. Posadas
Dorothy D. Postrado
Mildred F. Protesta
Ivan Charlton U. Pua
Cynthia A. Puno
Joanna Teresita B. Puzon
Marieflor A. Quirim
Norberto C. Ramos III
Dina U. Ramos
Judith R. Ray*
Lorna S. Rayat
Raoul L. Reniedo
Katherine U. Resari*
Marie D. Retuya
Christopher D. Reyes
Leo Nathaniel M. Reyes
Maria Asuncion R. Rivamonte
Anthony B. Rivera
Joseph Rey M. Rivera**
Dino A. Rodriguez
Edna T. Rogando
Marissa A. Romero
Maria Martha B. Roxas
Emil Y. Ruiz**
Jocelyn G. Sa-A
Ranier Solomon P. Sabaot
Cynthia Sadang
Evangelina G. Salgado
Paulo Ysmael T. Salome
Prescy A. Samson
Leopoldo T. San Juan
Rodin Paul R. Sandrino
Felix S. Santiago
Francis Rhed M. Santiago*
Raymundo C. Santos, Jr.
Erlinda C. Santos
Gerard R. Santos
John Benedict S. Santos*
Marie Anne C. Santos
Jonalyn T. See*
Maria Lourdes M. Sevilla
Gerald Jose O. Silva
Beverly Melanie T. Sim
Yvette Rhodora A. Siongco
Ma. Christina P. Sistelo
Jennifer F. So
Changsoo Sohn
Ma. Estrellita S. Soriano
Geraldine I. Suarez
Grace F. Sumergido
Justin Marco H. Sunico
Richard S. Sy
Dean Arvin D. Tabanao
Naricar C. Tabisora
Aeleen E. Tan
Brecilda G. Tan
Grace C. Tan
Madonna C. Tan
Melissa May U. Tan
Michael E. Tandoc
Aimee Kathleen T. Tann
Maria Jamie B. Tapales
Amy T. Te
Myrna O. Tee
Rowena D. Temporal
Allen T. Tenedero*
Amylen C. Teo
Esmeraldo S. Tiburcio
Renante Timajo
Eric Noel D. Tiongquico
Ester A. Tiu
Nonito P. Tizon III
Margarita M. Tobias**
Marcelino S. Tolosa, Jr.**
Melissa F. Tong
Ken Torii
Jay P. Torres
Warren N. Ty
Sherwin G. Uy
Maria Paz B. Valeriano
Judy Anne A. Vera
Anson L. Villaluz
Louis Cesar C. Villanueva
Ma. Patricia F. Villareal
Ma. Rebecca S. Villegas
Ma. Amalia Lourdes D. Villenas
Rossana S. Vitug
Raul B. Vivas**
Richard O. Wenceslao
Sheila O. Yao
Yvette Michelle L. Yao
Belinda Rose S. Yap*
Joel T. Yee
Marie Noelle U. Ynares
Margaret C. Young
Jayson U. Yu
Philip Y. Yu
Jose Maria B. Zialcita, Jr.
Jennifer A. Zoleta
Nichola Marie Zosa

Senior Credit Executives

Julie Y. Chua, Nilo L. Pacheco, Jr., Mario B. Palou, Edmundo S. Soriano

* Seconded to a BDO subsidiary or affiliate.

** No longer with the Bank as of March 31, 2023.

Corporate Information

COMPANY HEADQUARTERS

BDO Unibank, Inc.
BDO Corporate Center
7899 Makati Avenue
Makati City 0726
Philippines
Trunkline: +63 (2) 8840-7000
Website: www.bdo.com.ph

BRANCHES AND ATMs

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

STOCKHOLDER INQUIRIES

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

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

Stock Transfer Service, Inc.
34/F Unit D Rufino Pacific Tower
6784 Ayala Avenue
Makati City 1200
Philippines
Telephone: +63 (2) 8403-2410 to 12
Facsimile: +63 (2) 8403-2414
Email: stsi.bdo@stocktransfer.com.ph

The Bank will provide, without charge, a copy of the 2022 Annual Report and Financial Statements to its stockholders upon receipt of a written request addressed to the Corporate Secretary.

BDO Corporate Secretary
21/F BDO Towers Valero
8741 Paseo de Roxas
Salcedo Village
Makati City 1226
Philippines
Telephone: +63 (2) 8840-7000 local 37610
Email: corporate_secretary@bdo.com.ph

INVESTOR INQUIRIES

BDO Unibank, Inc. welcomes inquiries from analysts, investors, and the financial community. Please visit www.bdo.com.ph or contact BDO Investor Relations & Corporate Planning.

BDO Investor Relations & Corporate Planning
31/F BDO Towers Valero
8741 Paseo de Roxas
Salcedo Village
Makati City 1226
Philippines
Telephone: +63 (2) 8840-7000 local 36069
Email: irandcorplan@bdo.com.ph



The 2022 Annual Report and Financial Supplements and the 2022 Sustainability Report can be viewed and downloaded on the BDO website.

BDO Unibank is regulated by the Bangko Sentral ng Pilipinas. https://www.bsp.gov.ph

For concerns, please visit any BDO branch nearest you, or contact us thru our 24x7 hotline +63 (2) 8631-8000 or email us via callcenter@bdo.com.ph.


BDO

Certified True Copy
For BDO UNIBANK, INC.
HONG KONG BRANCH
(Incorporated in the Philippines with limited liability)

SHARLENE S. SOO
Authorized Signature(s)



2022 ANNUAL REPORT
FINANCIAL SUPPLEMENTS

BDO 2022 ANNUAL REPORT
FINANCIAL SUPPLEMENTS

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Our Purpose

Corporate Mission

To be the preferred bank in every market we serve.

Corporate Vision

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

Core Values

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

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

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

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



Corporate Profile

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

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. Its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. The Bank has the largest distribution network with over 1,600 operating branches and more than 4,600 ATMs nationwide. BDO has 16 international offices (including full-service branch offices in Hong Kong and Singapore) spread across Asia, Europe, North America, and the Middle East.

The Bank also offers digital banking solutions to make banking easier, faster, and more secure for its clients.

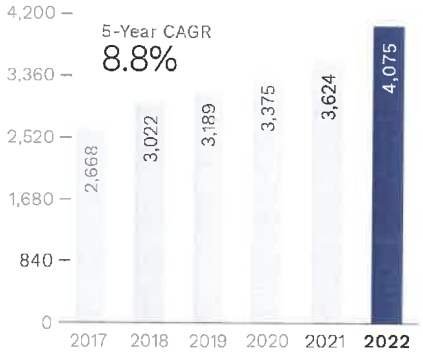
Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continued expansion into new markets. As of December 31, 2022, BDO is the country's largest bank in terms of total resources, customer loans, deposits, assets under management and capital, as well as branch and ATM network nationwide.

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

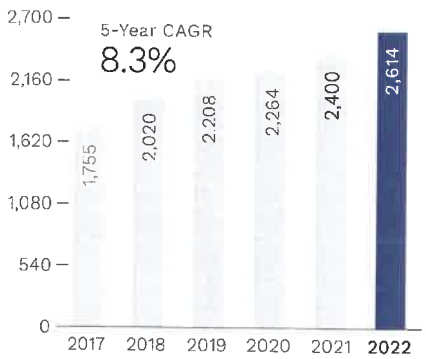


Financial Highlights

Resources
(in billion Php)



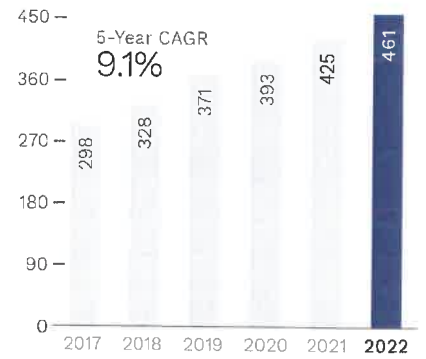
Gross Customer Loans
(in billion Php)



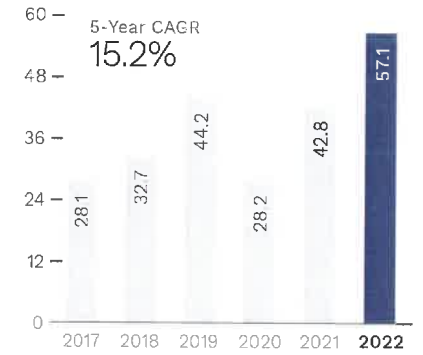
Deposit Liabilities
(in billion Php)



Capital Funds
(in billion Php)



Net Income*
(in billion Php)



2022 NET INCOME

₱57.1 billion

Up 33% YoY

* attributable to shareholders of the parent bank

FINANCIAL & OPERATING HIGHLIGHTS

	CONSOLIDATED			PARENT BANK		
	2022	2021	Change	2022	2021	Change
BALANCE SHEET (in billion Php)						
Resources	4,074.7	3,623.7	12%	3,900.3	3,466.0	13%
Trading and Investment Securities	722.8	616.3	17%	606.8	498.0	22%
Liquid Assets	1,392.3	1,168.2	19%	1,265.8	1,037.9	22%
Gross Customer Loans	2,613.8	2,400.2	9%	2,537.6	2,351.6	8%
Deposits	3,220.9	2,820.9	14%	3,141.0	2,751.7	14%
Equity[1]	461.5	424.5	9%	459.9	423.5	9%
INCOME STATEMENT (in billion Php)						
Net Interest Income	149.2	131.3	14%	139.9	123.9	13%
Non-Interest Income	71.5	61.4	17%	50.1	40.6	23%
Gross Operating Income	220.8	192.7	15%	190.0	164.5	16%
Operating Expenses	131.2	119.9	9%	104.1	93.6	11%
Pre-provision Profit	89.6	72.8	23%	85.9	70.9	21%
Allowance for Credit Losses	16.4	17.1	-4%	15.6	16.8	-7%
Net Profit[2]	57.1	42.8	33%	57.0	42.7	34%
FINANCIAL PERFORMANCE INDICATORS						
Profitability						
Return on Average Common Equity	13.0%	10.5%		13.0%	10.5%	
Return on Average Equity	12.9%	10.4%		12.9%	10.4%	
Return on Average Assets	1.5%	1.2%		1.5%	1.3%	
Margins and Liquidity						
Net Interest Margin	4.1%	4.0%		4.1%	4.0%	
Gross Customer Loans to Deposit Ratio	81.2%	85.1%		80.8%	85.5%	
Liquid Assets to Total Assets	34.2%	32.2%		32.5%	29.9%	
Liquidity Coverage Ratio	140.7%	145.4%		141.2%	145.9%	
Net Stable Funding Ratio	123.9%	123.5%		123.5%	123.1%	
Cost Efficiency						
Cost to Income Ratio	59.4%	62.2%		54.8%	56.9%	
Cost to Average Assets Ratio	3.4%	3.4%		2.8%	2.8%	
Asset Quality						
NPL Ratio[3]	1.9%	2.8%		1.9%	2.7%	
NPL Cover[4]	166.7%	111.2%		170.9%	113.5%	
Capital and Leverage						
CET 1 Ratio[5]	13.4%	13.6%		12.8%	13.1%	
Tier 1 Ratio[5]	13.6%	13.8%		13.0%	13.3%	
Capital Adequacy Ratio[5]	14.5%	14.7%		14.0%	14.2%	
Countercyclical Buffer[6]	0.0%	0.0%		0.0%	0.0%	
Basel III Leverage Ratio	9.8%	10.3%		9.4%	9.9%	
Assets to Equity	8.8x	8.5x		8.5x	8.2x	
DISTRIBUTION NETWORK AND MANPOWER						
Branches and Offices	1,652	1,544	7%	1,199	1,193	1%
ATMs[7]	4,655	4,484	4%	4,655	4,152	12%
Employees	39,323	38,873	1%	32,304	32,314	0%
Officers	20,275	19,805	2%	15,293	15,165	1%
Staff	19,048	19,068	0%	17,011	17,149	-1%
SHAREHOLDER INFORMATION						
Market Value						
Share Price (in Php)[8]	105.70	100.58	5%			
Market Capitalization (in billion Php)	556.42	529.33	5%			
Valuation						
Basic Earnings per Share (in Php)[8]	10.77	8.07	34%			
Diluted Earnings per Share (in Php)[8]	10.72	8.05	33%			
Book Value per Share (in Php)[8]	86.08	79.39	8%			
Price-Earnings Ratio	9.8x	12.5x				
Price to Book Value	1.2x	1.3x				
Dividends						
Cash Dividends Paid to Common Shareholders (in billion Php)	9.9	5.3		9.9	5.3	
Cash Dividends per Common Share (in Php)[9]	2.20	1.20				
Stock Dividends Paid to Shareholders	20.0%	0.0%				
Dividend Payout Ratio[10]	17.4%	12.3%				
Dividend Yield[11]	1.8%	1.1%				

Notes:
All financial data are based on SEC format unless otherwise indicated

1/ Total capital accounts, inclusive of non-controlling interest and preferred shares
2 Net Income attributable to shareholders of the parent bank
3 Per BSP Circular 941
4/ Per BSP Circular 1011
5 Based on audited financial statements
6/ Currently set at 0% by the BSP per Circular 1024 Section 1
7 On-site, off-site and mobile ATMs only, does not include Cash Accept Machines (CAMs) and Self-Service Teller Machines (STMs)
8/ 2021 was adjusted to account for the 20% stock dividend paid-out on December 29, 2022
9 Unadjusted for the 20% stock dividend paid in December 2022; 2022 includes a special cash dividend of Php1.00 per share
10/ Cash dividends paid during the year divided by net profit for the year
11/ Cash dividends per common share paid during the year divided by average daily closing price for the year

Financial Statements

Report of the Board Audit Committee to the Board of Directors

FOR THE YEAR ENDED DECEMBER 31, 2022

Empowered by the Board to oversee the financial reporting process, internal control and risk management systems, internal and external audit functions, and compliance with applicable laws and regulations, the Board Audit Committee (BAC) discharged its oversight functions independently in accordance with its Terms of Reference which is annually reviewed and updated, when necessary. The BAC is composed of two (2) independent directors and one (1) non-executive director, supported by five (5) advisors, four (4) of whom are either independent director (1) or independent advisors (3). The BAC had thirteen (13) meetings in 2022.

In 2022, the BAC accomplished the following:

1. On financial reporting, the Board Audit Committee (BAC) reviewed and recommended for approval to the Board the Bank's quarterly unaudited and annual audited financial statements ensuring compliance with accounting standards and tax regulations. On February 23, 2022, it endorsed for approval of the Board the Bank's audited financial statements as of December 31, 2021 including the Notes to the Financial Statements. This was approved by the Board on February 24, 2022 and disclosed to the public on February 28, 2022, 59 days from the financial year-end, following the best practice requirement of the ASEAN Corporate Governance Scorecard (ACGS). It believes that the financial statements are fairly presented in conformity with the relevant financial reporting standards in all material aspects. The related internal controls on financial reporting process and compliance with accounting standards were likewise reviewed.

2. In overseeing the internal audit function, it reviewed and approved the 2022 and 2023 Internal Audit risk-based audit plans after a thorough review of its scope, as well as changes to the plan, audit methodology, budget, manpower resources and the appointments/assignments of key audit officers during the year. It also reviewed and approved on April 20, 2022 the External Quality Assessment Review Plan of the Internal Audit activities by the independent third-party assessor and reviewed the results of such assessment on August 17, 2022. 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 also assessed the performance of the Chief Internal Auditor and the internal audit function. 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. The Committee is satisfied that the internal audit function has adequate resources to perform its function effectively.

3. On external audit, it reviewed and approved the 2022 Audit Plans of the external auditor to ensure the adequacy of its scope and coverage and appropriateness of the timelines. On March 16, 2022, it approved and endorsed for approval of the Board the engagement with the Bank's external auditor for its non-audit role as Board of Canvassers in the voting in the bank's

Annual Stockholders Meeting on April 22, 2022. It reviewed and discussed the content of the engagement letter, scope of work, composition of engagement team among others, prior to the commencement of the non-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.

4. In overseeing the compliance function, it reviewed and approved the new internal work Guidelines, revisions to the Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual, annual compliance plans, and independent compliance testing roadmaps of the Compliance and Anti-Money Laundering (AML) departments. It monitored the progress and reviewed the status of the annual compliance plans, results of the independent compliance and AML testing, timely submission of regulatory and prudential reports, compliance to mandatory ratios, as well as continuous improvement of the compliance and AML systems. It conducted the annual appraisal of the performance of the Chief Compliance Officer for 2021. It discussed in detail the Bangko Sentral ng Pilipinas and Anti-Money Laundering Council Reports of Examination including the results of regulatory examinations of the Bank's foreign subsidiaries and reviewed Management's replies and its periodic updates to the regulators, thereby ensuring implementation of corrective actions. It also reviewed and provided guidance to Management in its replies to concerns of the regulators to ensure that the Bank's position is appropriately presented. It approved on September 21, 2022 the second Money Laundering/ Terrorism Financing Institutional Risk Assessment (IRA) of the Bank for the year 2020 and the 2021 Money Laundering/Terrorism Financing Risk Assessment (MRAS) of the Bank. It approved and endorsed for approval of the Board of Directors on June 22, 2022 the expanded Table of Organization of the group that provides additional manpower complement to address the increasing compliance risk management tasks of the group.

Reports on cases in operations, whistle blower accounts as well as non-loan related cases with impact to financials, internal controls, information systems and reputation were deliberated on focusing on risk assessment, legal handling, and fraud prevention.

As part of its commitment to excellent corporate governance, the Committee conducted a self-assessment for its 2021 performance based on its Terms of Reference. The BAC likewise evaluated the performance of Internal Audit, Compliance and AML departments, and External Audit to ensure their effectiveness and achievement of their objectives.

The BAC reports its evaluation of the effectiveness of the internal controls, financial reporting process, risk management systems of the Bank, 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 these to be generally adequate across BDO.

Statement of Management's Responsibility for Financial Statements

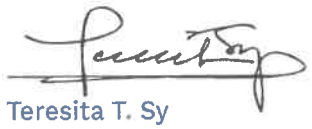
The management of **BDO Unibank, Inc. and Subsidiaries (the BDO Unibank Group)** and of **BDO Unibank, Inc. (the Parent Bank)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 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 BDO Unibank Group and the Parent Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the BDO Unibank Group and the Parent Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the BDO Unibank Group and the Parent Bank's financial reporting process.

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

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



Teresita T. Sy
Chairperson of the Board



Nestor V. Tan
President &
Chief Executive Officer



Dalmacio D. Martin
Treasurer

Signed this 24th day of February 2023

SUBSCRIBED and SWORN to before me this 24th day of February, 2023 affiants exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number	Date Issued/Place Issued/Expiration Date
1. Teresita T. Sy	Passport No. – P6453728B SSS No. – 03-2832705-4	03.09.2021/DFA NCR East/03.08.2031
2. Nestor V. Tan	Passport No. – P5830111B CTC No. – 26721696	11.23.2020/ DFA NCR East/11.22.2030 01.30.2023/Makati City
3. Dalmacio D. Martin	Passport No. – P6959518B CTC No. – 26695793	04.21.2022/ DFA Manila/04.20.2032 01.16.2023/Makati City

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

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Book No. I
Series of 2023

Atty. MARIA FELICIA T. ZANTUA
Appointment No. M-214, Notary Public until 31 December 2023
Roll No. 58016, IBP Lifetime Member No. 12574, Laguna
PTR No. 9566766, 03 January 2023, Makati City
MCLE Compliance No. VI-0014924, 6 April 2022
21/F BDO Towers Valero, 8741 Paseo de Roxas,
Salcedo Village, Makati City

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Report of Independent Auditors

THE BOARD OF DIRECTORS AND STOCKHOLDERS
BDO UNIBANK, INC.
BDO Corporate Center
7899 Makati Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (collectively referred to as the BDO Unibank Group) and of BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2022 and 2021, 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, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the BDO Unibank Group and of the Parent Bank as at December 31, 2022 and 2021, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Key Audit Matters

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

The following are the key audit matters identified in our audit of the financial statements of the BDO Unibank Group and the Parent Bank:

(a) Valuation of Loans and Other Receivables

Description of the Matter

The BDO Unibank Group and the Parent Bank are required to recognize allowance for impairment on their loans and other receivables using the expected credit loss (ECL) model in accordance with PFRS 9, *Financial Instruments*. As of December 31, 2022, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P2,696,901 million and P2,621,221 million, respectively, net of allowance for impairment of P76,360 million and P74,000 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 66% and 67% of the BDO Unibank Group and the Parent Bank's total resources, respectively.

The allowance for impairment of loans and other receivables is considered to be a matter of significance as it requires the application of critical management judgment and use of subjective estimates in determining how much impairment loss is required to be recognized in the financial statements. These judgment and estimates are disclosed in the BDO Unibank Group's and the Parent Bank's accounting policies in Notes 2 and 3 to the financial statements.

The BDO Unibank Group and the Parent Bank use an ECL model in determining the impairment of their loans and other receivables. The assessment of credit risk of a portfolio of assets entails estimations as to the likelihood of defaults occurring, the associated loss ratios and of default correlations of the related counterparties. Furthermore, the BDO Unibank Group and the Parent Bank incorporated forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly from its initial recognition and the measurement of ECL. The BDO Unibank Group and the Parent Bank have identified and documented key drivers of credit risk and credit losses for each loan portfolio and, using an analysis of historical data, have estimated relationships between macro-economic variables, credit risk and credit losses.

The significant judgments applied and the subjectivity of estimates used by management have further heightened due to the unprecedented impact of COVID-19 pandemic to the BDO Unibank Group's and the Parent Bank's loans and receivables. Further, BDO Unibank Group and the Parent Bank consider the current and forecasted macroeconomic variables in determining the appropriate overlay and in updating the probability of default and loss given default. Accordingly, the BDO Unibank Group and the Parent Bank have recognized in 2022 impairment losses on loans and other receivables amounting to P16,414 million and P15,665 million, respectively, based on the ECL model used by the BDO Unibank Group and the Parent Bank by considering the current credit status of the loans and receivables and the potential delinquencies brought about by the current economic condition.

The disclosures of the BDO Unibank Group and the Parent Bank on the allowance for impairment of loans and other receivables, and the related credit risk are included in Notes 4 and 11 to the financial statements.

How the Matter was Addressed in the Audit

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

- testing the design and operating effectiveness of relevant general and application controls across the processes, as assisted by our own Information Technology specialists, over the loan classification into stages, and the calculation and recognition of the allowance for impairment;
- evaluating appropriateness of the BDO Unibank Group's and the Parent Bank's credit policy and loan impairment process as approved by the Board of Directors;
- on a sample basis, evaluating the appropriateness of the credit risk ratings of loans to assess appropriateness of credit risk monitoring;
- assessing the appropriateness of the BDO Unibank Group's and the Parent Bank's design of the ECL impairment model;
- evaluating the inputs and assumptions, as well as the formulas used in the development of the ECL models for each of the loan portfolio. This includes assessing the completeness and appropriateness of the formula and inputs used in determining the probability of default, loss given default and exposure at default;
- for forward-looking information used, evaluating whether the forecasted macro-economic factors, which include gross domestic product growth, unemployment rates and core inflation rates were appropriate. In addition, assessing the level of significance of correlation of selected macro-economic factors to the default rates as well as the impact of these variables to the ECL;
- assessing the borrowers' repayment abilities by examining payment history for selected loan accounts; and,
- on selected non-performing loan accounts, evaluating the management's forecast of recoverable cash flows based on agreed restructuring agreement, actual payment pattern after the restructuring, valuation of collaterals and estimates of recovery from other sources of collection.

(b) Valuation of Financial Instruments

Description of the Matter

In general, the fair valuation of the financial instruments of the BDO Unibank Group and the Parent Bank is computed with reference to external sources and readily available market value. The fair valuation of financial instruments of the BDO Unibank Group and the Parent Bank is considered a key area of focus in our audit due to the use of inputs from external sources in computing the market value of some financial instruments with no readily available market value. To the extent practicable, certain financial instruments are measured using models with observable data; however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates.

As of December 31, 2022, the derivative financial assets and derivatives with negative fair values of the BDO Unibank Group that are carried at fair value amounted to P8,613 million and P7,809 million, respectively, while that of the Parent Bank amounted to P3,468 million and P3,636 million, respectively. The debt and equity investments at Level 2 and Level 3 amounted to P6,224 million for the BDO Unibank Group and P482 million for the Parent Bank.

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

How the Matter was Addressed in the Audit

Our audit procedures, included among others, the following:

- testing of design and operating effectiveness of relevant controls over the valuation process including the valuation method and assumption used by the BDO Unibank Group and the Parent Bank on the financial instruments, particularly the measurement of derivative financial instruments as assisted by our own Information and Technology specialists.

- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources;

- recomputing the fair values based on the inputs and compared with the market values reported by the BDO Unibank Group and the Parent Bank; and,

- reviewing the appropriateness of the method used in fair market valuation.

(c) Carrying Value of Goodwill and Other Intangible Assets with Indefinite Useful Lives

Description of the Matter

The BDO Unibank Group has goodwill of P4,535 million, with allowance for impairment of P1,514 million, as of December 31, 2022, and the significant portion of which relates to the acquisition of BDO Network Bank, Inc. (BDO Network). Furthermore, the BDO Unibank Group and the Parent Bank have other intangible assets with indefinite useful lives amounting to P3,525 million and P3,522, respectively.

This annual impairment testing of goodwill and other intangible assets with indefinite useful lives for impairment is considered to be a key audit matter because the management's process in assessing the recoverability of the intangible assets is complex. In addition, the assumptions used in determining the cash generating units (CGUs) where the goodwill and other intangible assets with indefinite useful lives are allocated and estimating the recoverable amount involves significant judgment. The recoverable amount of the CGUs has been computed using discounted cash flows method. This valuation method uses several key assumptions, including estimates for forecasted statement of financial position and net profit of CGUs, terminal value growth rates and discount rate.

The BDO Unibank Group's disclosures about goodwill and other intangible assets are included in Notes 2, 3 and 15 to the financial statements.

How the Matter was Addressed in the Audit

Our audit procedures to address the risk of material misstatement relating to impairment of goodwill and other intangible assets with indefinite useful lives included, among others, evaluating the appropriateness of assumptions and methodologies used by the management, in particular, those relating to the forecasted statement of financial position and statement of income as well as the discount and growth rates used. We have involved our Firm valuation specialist to assist in evaluating the appropriateness of assumptions used in estimating the recoverable amount of CGUs. In addition, we recalculated the value-in-use of the CGUs and compared it with the carrying amount. We also reviewed the BDO Unibank Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive; specifically, those that have the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets with indefinite useful lives. Furthermore, our audit of the financial statements of BDO Network as of and for the year ended December 31, 2022 did not identify events or conditions that may cast significant doubt on BDO Network's ability to continue as a going concern.

Other Information

Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement) and SEC Form 17-A, and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the BDO Unibank Group's and the Parent Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the BDO Unibank Group's and the Parent Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the BDO Unibank Group and the Parent Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the BDO Unibank Group and the Parent Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in 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 31 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue (BIR) under 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, 2022 and 2021 required by the Bangko Sentral ng Pilipinas (BSP) as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis. Such supplementary information required by BIR and BSP is the responsibility of management. The supplementary information is not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Revised Securities Regulation Code Rule 68 of the SEC.

The engagement partner on the audits 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. 9566639, January 3, 2023, Makati City
SEC Group A Accreditation
Partner - No. 95626-SEC (until financial period 2026)
Firm - No. 0002 (until Dec. 31, 2024)
BIR AN 08-002511-022-2022 (until Oct. 13, 2025)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Aug. 27, 2024)

February 24, 2023

Statements of Financial Position

BDO UNIBANK, INC. AND SUBSIDIARIES
DECEMBER 31, 2022 AND 2021
(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
RESOURCES					
CASH AND OTHER CASH ITEMS	8	P 82,944	P 69,105	**P 80,666**	P 66,440
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	385,779	304,906	**382,210**	302,660
DUE FROM OTHER BANKS - Net	9	58,766	70,092	**51,055**	64,349
TRADING AND INVESTMENT SECURITIES - Net	10	722,830	616,261	**606,789**	497,963
LOANS AND OTHER RECEIVABLES - Net	11	2,696,901	2,450,903	**2,621,221**	2,399,983
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12, 13	**46,471**	44,807	**42,394**	41,586
INVESTMENT PROPERTIES - Net	14	**21,158**	18,795	**13,173**	11,263
OTHER RESOURCES - Net	15	**59,859**	48,880	**102,815**	81,762
TOTAL RESOURCES		**P 4,074,708**	P 3,623,749	**P 3,900,323**	P 3,466,006
LIABILITIES AND EQUITY					
DEPOSIT LIABILITIES	17	**P 3,220,883**	P 2,820,896	**P 3,141,016**	P 2,751,715
BILLS PAYABLE	18	**198,891**	204,431	**188,872**	196,174
INSURANCE CONTRACT LIABILITIES	20	**64,363**	65,328	-	
OTHER LIABILITIES	21	**129,114**	108,546	**110,536**	94,656
Total Liabilities		**3,613,251**	3,199,201	**3,440,424**	3,042,545
EQUITY	22				
Attributable to:					
Shareholders of the Parent Bank		**459,332**	422,934	**459,899**	423,461
Non-controlling Interests		**2,125**	1,614	-	-
		461,457	424,548	**459,899**	423,461
TOTAL LIABILITIES AND EQUITY		**P 4,074,708**	P 3,623,749	**P 3,900,323**	P 3,466,006

See Notes to Financial Statements.

Statements of Income

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos Except Per Share Data)

	Notes	BDO Unibank Group			Parent Bank		
		2022	2021	2020	2022	2021	2020
INTEREST INCOME	23	**P 169,071**	P 144,879	P 157,031	**P 158,632**	P 136,772	P 149,697
INTEREST EXPENSE	24	**19,839**	13,533	23,331	**18,728**	12,906	22,400
NET INTEREST INCOME		**149,232**	131,346	133,700	**139,904**	123,866	127,297
IMPAIRMENT LOSSES (RECOVERIES) - Net	16						
Financial Assets	10, 11	**16,564**	16,942	29,661	**15,815**	16,745	29,037
Non-financial Assets	14, 15	**(203)**	93	511	**(232)**	56	491
Others	21	**5**	28	68	**5**	28	68
		16,366	17,063	30,240	**15,588**	**16,829**	29,596
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES		**132,866**	114,283	103,460	**124,316**	107,037	97,701
OTHER OPERATING INCOME	25	**71,535**	61,354	55,210	**50,129**	40,635	37,254
OTHER OPERATING EXPENSES	25	**131,208**	119,875	112,640	**104,119**	93,613	90,067
PROFIT BEFORE TAX		**73,193**	55,762	46,030	**70,326**	54,059	44,888
TAX EXPENSE	31	**15,959**	12,907	17,776	**13,333**	11,378	16,282
NET PROFIT		**P 57,234**	P 42,855	P 28,254	**P 56,993**	P 42,681	P 28,606
Attributable to:							
Shareholders of the Parent Bank		**P 57,054**	P 42,791	P 28,246			
Non-controlling Interests		**180**	64	8			
		P 57,234	P 42,855	P 28,254			
Earnings Per Share:	32						
Basic		**P 10.77**	P 8.07	P 5.30			
Diluted		**P 10.72**	P 8.05	P 5.30			

See Notes to Financial Statements.

Statements of Comprehensive Income

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group			Parent Bank		
		2022	2021	2020	2022	2021	2020
NET PROFIT		**P 57,234**	P 42,855	P 28,254	**P 56,993**	P 42,681	P 28,606
OTHER COMPREHENSIVE INCOME (LOSS)							
Items that are or will be reclassified subsequently to profit or loss:							
Net unrealized gains (losses) on debt investments at fair value through other comprehensive income (FVOCI), net of tax	10	**(17,959)**	(5,394)	4,060	**(17,883)**	(5,365)	4,067
Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax		**11**	(275)	(43)	**11**	(275)	(52)
Impairment losses (recoveries) on debt investments at FVOCI	10	**67**	(87)	37	**67**	(87)	37
Net gains (losses) on FVOCI securities, net of tax		**(17,881)**	(5,756)	4,054	**(17,805)**	(5,727)	4,052
Translation adjustment related to foreign operations		**(5)**	92	(44)	**(10)**	100	(60)
		(17,886)	(5,664)	4,010	**(17,815)**	(5,627)	3,992
Items that will not be reclassified to profit or loss:							
Remeasurement on life insurance reserves	20	**9,620**	5,686	(6,070)	**9,620**	5,686	(6,070)
Actuarial gain (losses) on remeasurement of retirement benefit obligation, net of tax	26	**(1,097)**	(6,022)	756	**(1,101)**	(6,005)	752
Reversal of revaluation increment		-	55		-	55	
Unrealized gains (losses) on equity investments at FVOCI, net of tax	10	**(498)**	135	579	**(498)**	135	579
		8,025	(146)	(4,735)	**8,021**	(129)	(4,739)
Other Comprehensive Income (Loss), net of tax		**(9,861)**	(5,810)	(725)	**(9,794)**	(5,756)	(747)
TOTAL COMPREHENSIVE INCOME		**P 47,373**	P 37,045	P 27,529	**P 47,199**	P 36,925	P 27,859
Attributable to:							
Shareholders of the Parent Bank		**P 47,265**	P 37,028	P 27,505			
Non-controlling Interests		**108**	17	24			
		P 47,373	P 37,045	P 27,529			

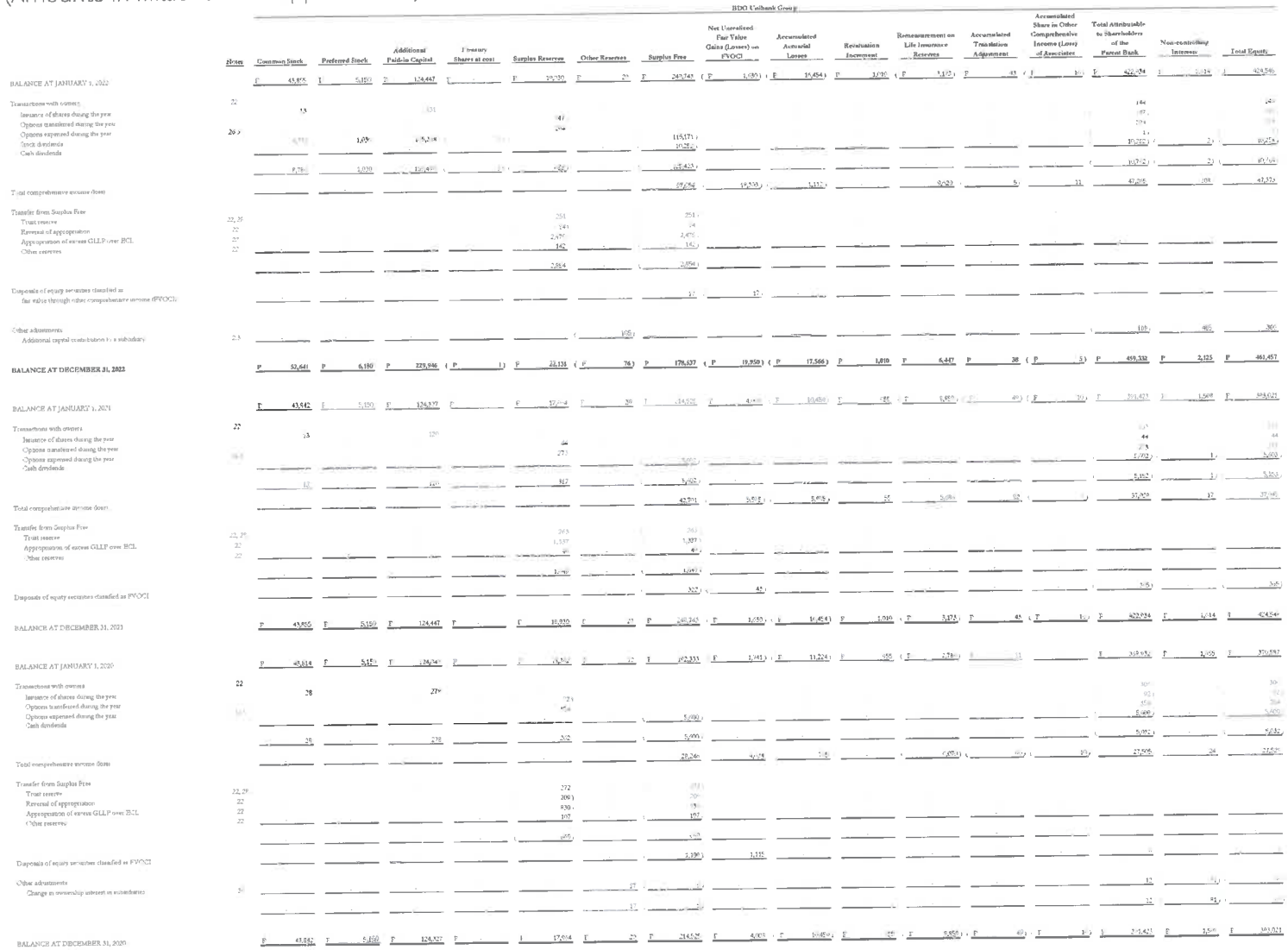
See Notes to Financial Statements.

Statements of Changes in Equity

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos)



See Notes to Financial Statements.

Statements of Changes in Equity

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos)

		Parent Bank											
	Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury shares at cost	Surplus Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Subsidiaries and Associates	Total Equity
BALANCE AT JANUARY 1, 2022		P [illegible]	P [illegible]	P 124,428	P [illegible]	P [illegible]	P [illegible]	P 348	P 18,673	P [illegible]	P [illegible]	(P 3,358)	P 423,461
Transactions with owners	22												
Issuance of shares during the year		13		111									144
Options transferred during the year						(941)							(941)
Options expensed during the year	26.3					289							289
Stock dividends		[illegible]	[illegible]	[illegible]	(1)	-	(115,171)						(1)
Cash dividends							(10,252)						(10,252)
		5,786	1,030	105,499	(1)	(652)	(125,423)	-	-	-	-	-	(10,761)
Total comprehensive income (loss)		-	-	-	-	-	56,993	(11,873)	(1,327)	-	(61)	3,367	47,199
Transfer from Surplus Free													
Trust reserve	22, 28					251	(251)						
Appropriation of excess GLLP over ECL	22					2,311	(2,311)						
Other reserves	22	-	-	-	-	132	(132)	-	-	-	-	-	-
		-	-	-	-	2,694	(2,694)	-	-	-	-	-	-
Disposals of equity securities classified as fair value through other comprehensive income (FVOCI)		-	-	-	-	-	17	[illegible]	-	-	-	(10)	-
BALANCE AT DECEMBER 31, 2022		**P 52,641**	**P 6,180**	**P 229,927**	**(P 1)**	**P 21,001**	**P 178,300**	**(P 12,228)**	**(P 16,902)**	**P 1,007**	**(P 25)**	**(P 1)**	**P 459,899**
BALANCE AT JANUARY 1, 2021		P 43,842	P 5,150	P 124,308	P -	P 17,085	P 214,207	P 2,459	(P 10,012)	P 952	(P 14)	(P 5,923)	P 392,054
Transactions with owners	22												
Issuance of shares during the year		13		120									133
Options transferred during the year						65							65
Options expensed during the year	26.3					252							252
Cash dividends		-	-	-	-	-	(5,602)	-	-	-	-	-	(5,602)
		13	-	120	-	317	(5,602)	-	-	-	-	-	(5,152)
Total comprehensive income (loss)		-	-	-	-	-	42,681	(2,785)	(5,663)	55	50	2,587	36,925
Transfer from Surplus Free													
Trust reserve	22, 28					263	(263)						
Appropriation of excess GLLP over ECL	22					1,250	(1,250)						
Other reserves	22	-	-	-	-	44	(44)	-	-	-	-	-	-
		-	-	-	-	1,557	(1,557)	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI		-	-	-	-	-	(322)	(22)	-	-	-	22	(322)
BALANCE AT DECEMBER 31, 2021		P 43,855	P 5,150	P 124,428	P -	P 18,959	P 249,407	(P 348)	(P 15,675)	P 1,007	P 36	(P 3,358)	P 423,461
BALANCE AT JANUARY 1, 2020		P 43,814	P 5,150	P 124,030	P -	P 17,387	P 193,735	(P 828)	(P 10,744)	P 952	(P 6)	(P 2,280)	P 369,210
Transactions with owners	22												
Issuance of shares during the year		28		278									306
Options transferred during the year						(54)							(54)
Options expensed during the year	26.3					316							316
Cash dividends		-	-	-	-	-	(5,600)	-	-	-	-	-	(5,600)
		28	-	278	-	362	(5,600)	-	-	-	-	-	(5,032)
Total comprehensive income (loss)		-	-	-	-	-	28,606	3,139	732	-	(8)	(4,610)	27,859
Transfer from Surplus Free													
Trust reserve	22, 28					223	(223)						
Reversal of appropriation of excess GLLP over ECL	22					(827)	827						
Other reserves	22	-	-	-	-	40	(40)	-	-	-	-	-	-
		-	-	-	-	(564)	564	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI		-	-	-	-	-	(1,109)	148				967	6
Other adjustment													
Change in ownership interest in subsidiaries	15, 30	-	-	-	-	-	11	-	-	-	-	-	11
		-	-	-	-	-	11	-	-	-	-	-	11
BALANCE AT DECEMBER 31, 2020		P 43,842	P 5,150	P 124,308	P -	P 17,085	P 214,207	P 2,459	(P 10,012)	P 952	(P 14)	(P 5,923)	P 392,054

See Notes to Financial Statements.

Statements of Cash Flows

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	BDO Unibank Group 2020	Parent Bank 2022	Parent Bank 2021	Parent Bank 2020
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 73,193	P 55,762	P 46,030	P 70,326	P 54,059	P 44,888
Adjustments for:							
Interest income	23	(169,071)	(144,879)	(157,031)	(158,632)	(136,772)	(149,697)
Interest received		166,954	147,093	153,049	156,703	140,391	146,917
Interest expense	24	19,839	13,533	23,331	18,728	12,906	22,400
Interest paid		(16,862)	(13,039)	(24,211)	(15,992)	(13,050)	(23,677)
Impairment losses	9, 10, 11, 14, 15, 16, 21	16,366	17,063	30,240	15,588	16,829	29,596
Foreign exchange loss (gain) unrealized		(15,457)	(7,614)	5,705	(13,859)	(6,714)	4,492
Depreciation and amortization	12, 14, 15	9,920	9,198	9,190	8,715	8,035	7,935
Share in net profit of subsidiaries and associates	15	(849)	(814)	(470)	(8,710)	(6,350)	(3,839)
Fair value losses (gains)		679	(293)	(68)	198	(221)	67
Gain from the disposal of investment securities at amortized cost	10	(18)	(156)	(3,586)	(18)	(108)	(3,586)
Gain from the disposal of securities at fair value through other comprehensive income (FVOCI)	10	(8)	(278)	(644)	(13)	(191)	(178)
Operating profit before changes in operating resources and liabilities		84,686	75,576	81,535	73,034	68,814	75,318
Decrease (increase) in financial assets at fair value through profit or loss		2,708	(10,287)	(9,976)	(1,431)	39	(1,222)
Increase in loans and other receivables		(233,423)	(145,077)	(59,366)	(203,542)	(135,533)	(70,019)
Increase in investment properties		(3,864)	(4,291)	(194)	(2,599)	(658)	(392)
Decrease (increase) in other resources		(19,653)	(13,928)	(16,213)	74,599	(9,535)	(14,039)
Increase in deposit liabilities		398,047	210,839	126,307	387,387	203,574	110,989
Increase in insurance contract liabilities		8,655	12,604	9,867	-	-	
Increase in other liabilities		29,034	15,963	5,479	22,838	13,629	9,201
Cash generated from operations		266,190	141,399	137,439	350,286	140,330	109,836
Cash paid for income tax		(13,640)	(13,213)	(15,857)	(11,242)	(12,140)	(14,872)
Net Cash From Operating Activities		252,550	128,186	121,582	339,044	128,190	94,964
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of securities at FVOCI	10	(285,428)	(476,166)	(197,175)	(258,499)	(446,867)	(162,827)
Proceeds from disposals of securities at FVOCI	10	279,524	490,264	158,479	259,560	459,718	129,731
Acquisitions of investment securities at amortized cost	10	(161,048)	(169,502)	(116,777)	(155,379)	(161,191)	(111,208)
Maturities and disposals of investment securities at amortized cost	10	61,931	68,198	89,456	56,431	60,520	87,087
Acquisitions of premises, furniture, fixtures and equipment	12	(3,888)	(3,853)	(3,089)	(2,839)	(3,314)	(2,570)
Proceeds from disposals of premises, furniture, fixtures and equipment	12	285	158	131	168	65	22
Net Cash Used in Investing Activities		(108,624)	(90,901)	(68,975)	(100,558)	(91,069)	(59,765)
CASH FLOWS FROM FINANCING ACTIVITIES							
Payments of bills payable	18	(154,424)	(139,905)	(327,299)	(125,969)	(74,022)	(120,527)
Proceeds from bills payable	18	140,241	127,859	375,207	110,080	60,762	181,674
Dividends paid	22	(10,255)	(5,603)	(5,600)	(10,253)	(5,602)	(5,600)
Payments of lease liabilities	13	(4,192)	(3,238)	(2,940)	(4,032)	(3,100)	(2,828)
Proceeds from issuance of common stock	22	144	133	306	144	133	306
Redemption of subordinated notes payable	19	-	-	(10,000)	-	-	(10,000)
Net Cash From (Used in) Financing Activities		(28,486)	(20,754)	29,674	(30,030)	(21,829)	43,025
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Carried Forward)*		P 115,440	P 16,531	P 82,281	P 208,456	P 15,292	P 78,224

See Notes to Financial Statements.

Statements of Cash Flows

BDO UNIBANK, INC. AND SUBSIDIARIES

FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

(Amounts in Millions of Philippine Pesos)

	Notes	BDO Unibank Group			Parent Bank		
		2022	2021	2020	2022	2021	2020
NET INCREASE IN CASH AND CASH EQUIVALENTS *(Brought Forward)*		**P 115,440**	P 16,531	P 82,281	**P 208,456**	P 15,292	P 78,224
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	8	**69,105**	74,851	64,140	**66,440**	72,301	62,726
Due from Bangko Sentral ng Pilipinas (BSP)	8	**304,906**	308,636	309,040	**302,660**	305,079	306,938
Due from other banks	9	**70,092**	65,289	38,956	**64,349**	63,281	35,820
Investment securities at amortized cost	10	-	164	308	-	164	308
Reverse repurchase agreements	11	**17,095**	16,729	-	**15,800**	14,135	-
Interbank loans receivables	11	**81,083**	57,100	31,277	**81,083**	57,100	31,277
Foreign currency notes and coins (FCNC)	15	**5,597**	8,578	5,345	**5,597**	8,577	5,344
		547,878	531,347	449,066	**535,929**	520,637	442,413
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	8	**82,944**	69,105	74,851	**80,666**	66,440	72,301
Due from BSP	8	**385,779**	304,906	308,636	**382,210**	302,660	305,079
Due from other banks	9	**58,766**	70,092	65,289	**51,055**	64,349	63,281
Investment securities at amortized cost	10	-	-	164	-	-	164
Reverse repurchase agreements	11	**26,305**	17,095	16,729	**26,091**	15,800	14,135
Interbank loans receivables	11	**98,942**	81,083	57,100	**102,293**	81,083	57,100
FCNC	15	**10,582**	5,597	8,578	**102,070**	5,597	8,577
		P 663,318	P 547,878	P 531,347	**P 744,385**	P 535,929	P 520,637

Supplemental Information on Noncash Financing and Investing Activities

The following are the significant noncash transactions:

a. The BDO Unibank Group and the Parent Bank foreclosed real and other properties totalling to P16,875 and P16,729, respectively, in 2022, P13,523 and P13,479, respectively, in 2021, and P13,757 and P13,743, respectively, in 2020 in settlement of certain loan accounts (see Note 14).

b. The BDO Unibank Group and the Parent Bank recognized additional right-of-use assets amounting to P4,683 and P4,414, respectively, in 2022, P3,216 and P2,951, respectively, in 2021, and P1,775 and P1,628, respectively, in 2020 which are presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 12 and 13).

Other Information

Certain investment securities at amortized cost, SPURRA, interbank loans receivables, and FCNC are included as part of cash and cash equivalents for cash flow purposes but are presented as part of Trading and Investment Securities, Loans and Other Receivables, and Other Resources, respectively, in the statements of financial position (see Note 2.6).

See Notes to Financial Statements.

1. CORPORATE MATTERS

1.1 Incorporation and Operations

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

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

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE).

The BDO Unibank Group and the Parent Bank's banking network within and outside the Philippines as of December 31, 2022 and 2021 follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Local branches	**1,650**	1,542	**1,197**	1,191
Foreign branches	**2**	2	**2**	2
Automated teller machines (ATMs):				
On-site	**2,385**	2,626	**2,385**	2,339
Off-site	**2,269**	1,857	**2,269**	1,812
Cash accept machines (CAMs)	**640**	624	**640**	624
Self-service teller machines	**8**	9	**8**	9
Mobile automated teller machines	**1**	1	**1**	1

BDO Unibank Group operates mainly within the Philippines with banking branches in Hong Kong and Singapore, a real estate and holding company in Europe, and various remittance subsidiaries operating in Asia, Europe, Canada and the United States. These foreign operations accounted for 1.4%, 1.2% and 1.0% of BDO Unibank Group's total revenues in 2022, 2021 and 2020, respectively, and 2.0% and 2.1% of BDO Unibank Group's total resources as of December 31, 2022 and 2021, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 15.2.

The Parent Bank's principal office address is at BDO Corporate Center, 7899 Makati Avenue, Makati City while the temporary business address is at BDO Towers Valero, 8741 Paseo de Roxas Street, Salcedo Village, Makati City effective October 30, 2021 until further notice.

1.2 Impact of Russia - Ukraine Conflict on the BDO Unibank Group's Business

On February 24, 2022, Russia started its invasion of Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict has introduced a wide range of sanctions against Russia, including certain Russian entities and individuals and led to significant casualties, dislocation of population, damage to infrastructure, slowdown of business operations in both countries, disruption of supply chains and commodity flows that impact prices of items such as petroleum products, cereals, iron, and steel.

In principle, it cannot be ruled out that a prolonged conflict between Russia and Ukraine may result in a significant slowdown in the global and Philippine economy and therefore a potential consequential deterioration in the business outlook for the Philippines. However, as of December 31, 2022, the BDO Unibank Group, whose business is primarily in the Philippines, has not been affected in a material way by the Russia-Ukraine conflict, despite its inflationary impact on commodity prices, disruption in supply chains, and volatility in interest rates and foreign exchange rates. The Philippines remains a domestically-focused, import-dependent consumption economy, and despite the higher inflation resulting from the conflict, Philippine Gross Domestic Product (GDP) numbers remained strong and resilient in 2022. The reopening of the economy, the relaxation of mobility restrictions and the resurgence in consumption spending all contributed to this strong GDP performance. This in turn has led to improved loan growth, better margins from the increase in policy rates and net income growth, not just for the BDO Unibank Group, but for the industry in general.

The BDO Unibank Group continues to closely monitor developments in both the global and domestic markets. While the impact of the conflict has not been material so far, the BDO Unibank Group recognizes that a prolonged situation of high inflation and interest rates could eventually affect economic activity, resulting in slower growth and consumption. The BDO Unibank Group believes that its established business franchise and strong financial condition will allow it to weather near-term risks arising from the conflict.

1.3 Continuing Impact of COVID-19 Pandemic on BDO Unibank Group's Business

The COVID-19 pandemic started to become widespread in the Philippines in early March 2020 and its impact has been continuing until the date of the approval of these financial statements. In 2022, the country's economic status improved with the reopening of local and international travel and the easing of health and safety protocols and restrictions. Demand and supply of products continued to slowly return to pre-pandemic levels. As a result, the overall continuing impact of the COVID-19 pandemic to the BDO Unibank Group has considerably diminished and the BDO Unibank Group's operations have gone back to pre-pandemic levels.

With the reduced impact of pandemic-related issues in 2022, the BDO Unibank Group saw more normalized operations and increasingly positive results as the economy continued with its recovery. Overall net impact is an increase in net profit of 34% for both BDO Unibank Group and the Parent Bank compared to that of 2021.

Management will continue to monitor any potential risks arising from the pandemic, and will institute measures to mitigate these, as needed. Based on recent developments, management is optimistic that the BDO Unibank Group will continue to post positive results consistent with the country's economic recovery, and will maintain sufficient liquidity to meet current obligations as they fall due. Accordingly, management has not determined any material uncertainty that may cast significant doubt on the BDO Unibank Group's ability to continue as a going concern due to the effects of the pandemic.

1.4 Approval of Financial Statements

The financial statements of the BDO Unibank Group and the Parent Bank as of and for the year ended December 31, 2022 (including the comparative financial statements as of December 31, 2021 and for the years ended December 31, 2021 and 2020) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 24, 2023.

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 Financial Reporting Standards in the Philippines

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

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

(b) Presentation of Financial Statements

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

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

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the BDO Unibank Group and the Parent Bank's functional and presentation currency, and all values are presented in millions, except for per share data or when otherwise indicated (see also Note 2.23).

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

2.2 Adoption of New and Amended PFRS

(a) Effective in 2022 that are Relevant to BDO Unibank Group and the Parent Bank

The BDO Unibank Group and the Parent Bank adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
PFRS 3 (Amendments)	:	Business Combinations - Reference to the Conceptual Framework
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding pages are the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *Property, Plant and Equipment – Proceeds Before Intended Use.* The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the BDO Unibank Group and the Parent Bank's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the BDO Unibank Group and the Parent Bank's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) PFRS 3 (Amendments), *Business Combinations – Reference to the Conceptual Framework.* The amendments are responses to feedback received from the post-implementation review of PFRS 3. The amendments clarify the minimum attributes that the acquired set of activities and assets must have to be considered a business. To meet the definition of a business, the acquired set of activities and assets must have inputs and substantive processes that can collectively significantly contribute to the creation of outputs. The amendments removed the assessment of whether market participants are able to replace missing inputs or processes and continue to produce outputs. The amendments introduced an optional test ('the concentration test') that allows the acquirer to carry out a simple assessment to determine whether the acquired set of activities and assets is not a business. The entity can choose whether to apply the concentration test for each transaction it makes. These amendments have no significant impact to the BDO Unibank Group's financial statements.

(iv) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the amendments relevant to the BDO Unibank Group and the Parent Bank's financial statements which do not have significant impact, and which are effective from January 1, 2022, are presented on the succeeding page.

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that are not Relevant to the BDO Unibank Group and the Parent Bank

Among the amendments to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following Annual Improvements to PFRS 2018-2020 Cycle are not relevant to the BDO Unibank Group and the Parent Bank's financial statement:

(i) PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

(ii) PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FSRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the BDO Unibank Group and the Parent Bank's financial statements.

(i) PAS 1 (Amendments), Presentation of Financial Statements – Classification of Liabilities as Current or Non-current (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

(v) PFRS 10 (Amendments), *Consolidated Financial Statements*, and PAS 28 (Amendments), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets Between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely)

(vi) PFRS 17, *Insurance Contracts* (effective January 1, 2023). The new standard will eventually replace PFRS 4. The Insurance Commission (IC), through its Circular Letter 2020-62 issued on May 18, 2020, has further deferred the implementation of PFRS 17 for life insurance and non-life insurance industries by two years after its effective date as decided by the IASB.

PFRS 17 will set out the principles for the recognition, measurement, presentation and disclosure of insurance contracts within its scope. This new standard requires a current measurement model where estimates are remeasured in each reporting period. Moreover, contracts are measured using the building blocks of:

- discounted probability-weighted cash flows;
- an explicit risk adjustment; and,
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognized as revenue over the coverage period.

PFRS 17 further allows a choice between recognizing changes in discount rates either in the statement of income or directly in other comprehensive income. The choice is likely to reflect how insurers account for financial assets under PFRS 9.

In addition, the standard provides an optional, simplified premium allocation approach for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers.

A modification of the general measurement model called the variable fee approach is also introduced by PFRS 17 for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model.

2.3 Basis of Consolidation

The BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Bank, and its subsidiaries as enumerated in Notes 2.3(c) and 15.2, after the elimination of material intercompany transactions. All intercompany resources and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the BDO Unibank Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

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

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

(a) Investments in Subsidiaries

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

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

The acquisition method is applied to account for acquired subsidiaries [see Note 2.3(d)]. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the BDO Unibank Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the BDO Unibank Group recognizes any non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of BDO Unibank Group's share of the identifiable net assets acquired, is recognized as goodwill. If the acquisition consideration is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly as a gain in the statement of income [see Note 2.3(d)].

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

Investments in subsidiaries are initially recognized at cost and subsequently accounted for using the equity method in the Parent Bank's financial statements (see Note 2.12).

(b) Investment in Associates

Associates are those entities over which the BDO Unibank Group and the Parent Bank are able to exert significant influence but which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

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

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

Impairment loss is provided when there is objective evidence that the investment in an associate will not be recovered (see Notes 2.22 and 15.2).

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

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

(c) Transactions with Non-controlling Interests

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

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

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

The BDO Unibank Group holds interests in the following subsidiaries:

Subsidiaries	Percentage of Ownership 2022	2021	2020
Rural Bank			
BDO Network Bank, Inc. (BDO Network)	**87.37%**	84.87%	84.87%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	**99.88%**	99.88%	99.88%
Private Banking			
BDO Private Bank, Inc. (BDO Private)	**100%**	100%	100%
Leasing and Finance			
Averon Holdings Corporation (Averon)	**99.88%**	99.88%	99.88%
BDO Rental, Inc. (BDO Rental)	**100%**	100%	100%
BDO Finance Corporation (BDO Finance)	**100%**	100%	100%
Securities Companies			
BDO Securities Corporation (BDO Securities)	**99.88%**	99.88%	99.88%
Armstrong Securities, Inc. (ASI)	**-**	80%	80%
Real Estate Companies			
BDORO Europe Ltd. (BDORO)	**100%**	100%	100%
Equimark-NFC Development Corporation (Equimark)	**60%**	60%	60%
Insurance Companies			
BDO Life Assurance Company Inc., (BDO Life)	**100%**	100%	100%
BDO Insurance Brokers, Inc. (BDOI)	**100%**	100%	100%
Holding Companies			
Dominion Holdings, Inc. (Dominion Holdings) (formerly BDO Leasing and Finance, Inc.)	**88.54%**	88.54%	88.54%
BDO Strategic Holdings, Inc. (BDOSHI)	**100%**	100%	100%
Remittance Companies			
BDO Remit (USA), Inc.	**100%**	100%	100%
BDO Remit (Japan) Ltd.	**100%**	100%	100%
BDO Remit (Canada) Ltd.	**100%**	100%	100%
BDO Remit Limited	**100%**	100%	100%
BDO Remit (Macau) Ltd.	**100%**	100%	100%
BDO Remit (UK) Ltd.	**99.88%**	96.20%	96.20%
BDO Remit International Holdings B.V. (BDO RIH)*	**96.20%**	96.20%	96.20%
BDO Remit (Spain) S.A*	**96.20%**	96.20%	96.20%
CBN Greece S.A*	**96.13%**	96.13%	96.13%
BDO Remit (Italia) S.p.A	**-**	-	100%

**Under liquidation*

Non-controlling interests represent the interests not held by BDO Unibank Group in BDO Network, BDO Capital, Dominion Holdings, Averon, BDO Securities, ASI, Equimark, BDO Remit (UK), BDO RIH, BDO Remit Spain and CBN Greece in 2021 and 2020. For 2022, BDO Unibank Group's non-controlling interest is the same as 2021 and 2020 except for BDO Remit (UK) (see Note 30.1), BDO Network and ASI.

On August 18, 2022 and October 28, 2022, BDO Unibank subscribed to additional 53,505,727 and 80,258,590 of BDO Network common shares, respectively, at the total subscription price of P4,250, thereby increasing its shareholdings from 84.87% in 2021 to 87.37% in 2022.

On July 28, 2022, ASI was sold to a third party for P52. This deconsolidation resulted in the reversal of its assets, liabilities, capital stock and surplus reserves amounting to P60, P4, P42 and P14, respectively, and the recognition of loss on sale amounting to P15.

On December 1, 2020, the merger of BDO Nomura and BDO Securities was completed, with BDO Securities as the surviving entity (see Note 30.2).

On June 13, 2020, BDO Remit (Italia) S.p.A completed its liquidation and made partial repatriation of funds to BDOSHI. Final capital return was made on July 1, 2021 (see Note 30.4).

(d) Business Combination

Business acquisitions are accounted for using the acquisition method of accounting [see Note 2.3(a)].

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over BDO Unibank Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.22). Impairment losses on goodwill are not reversed.

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

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

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

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

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

Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting or pooling-of-interest method [see Note 2.3(a)].

2.4 Segment Reporting

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

In identifying its operating segments, management generally follows BDO Unibank Group's products and services as disclosed in Note 6, which represent the main products and services provided by BDO Unibank Group.

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

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

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

There have been no significant changes from prior periods in the measurement methods used to determine reported segment information.

2.5 Current versus Non-current Classification

The BDO Unibank Group presents assets and liabilities in the statement of financial position based on liquidity, while current or noncurrent classification is presented in Note 4.8. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or,
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period; or,
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The BDO Unibank Group classifies all other liabilities as noncurrent. Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

2.6 Financial Assets and Financial Liabilities

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

Regular purchases and sales of financial assets are recognized on their settlement date (i.e., the date that the BDO Unibank Group commits to purchase or sell the asset).

At initial recognition, the BDO Unibank Group 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 (FVTPL), 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 FVTPL are expensed in profit or loss.

(a) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are 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 and in the succeeding pages.

(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 BDO Unibank Group's business model whose objective is to hold financial assets in order to collect contractual cash flows ("held 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.

Except for other receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any expected credit loss (ECL).

Where the business model is to hold assets to collect contractual cash flows, the BDO Unibank Group assesses whether the financial instruments' cash flows represent SPPI. In making this assessment, the BDO Unibank Group 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(c)]. 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 FVTPL.

The BDO Unibank Group's financial assets at amortized cost are presented as Cash and Other Cash Items, Due from BSP, Due from Other Banks, Loans and Other Receivables, Investment securities at amortized cost and certain accounts under Other Resources account in the statement of financial position.

For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, due from BSP and other banks, foreign currency notes and coins (FCNC), reverse repurchase agreements, certain interbank bank loans receivables and investment securities at amortized cost with original maturities of three months or less from placement date.

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

BDO Unibank Group 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, BDO Unibank Group 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 BDO Unibank Group for trading or as mandatorily required to be classified as FVTPL. The BDO Unibank Group has designated equity instruments as at FVOCI.

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 part of net unrealized gain or loss (NUGL) on FVOCI account in equity. When the asset is disposed of, the cumulative gain or loss previously recognized in the NUGL account is not reclassified to profit or loss but is reclassified directly to Surplus Free account except for those debt securities classified as FVOCI wherein 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 Miscellaneous - net under Other Operating Income account in the statements of income, when the BDO Unibank Group's right to receive dividends is established, it is probable that the economic benefits associated with the dividend will flow to the BDO Unibank Group, and, the amount of 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. 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 BDO Unibank Group designates an equity investment that is not held for trading as at FVOCI at initial recognition. The BDO Unibank Group's financial assets at FVTPL include equity securities which are held for trading purposes.

Financial assets at FVTPL are measured at fair value with gains or losses recognized in profit or loss as part of Trading gain under Other Operating Income account in the statements of income. Related transaction costs are recognized directly as expense in profit or loss. The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists.

Interest earned on these investments is recorded under Interest Income while dividend income is reported as part of Dividends under Other Operating Income account in the statements of income.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

BDO Unibank Group can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, BDO Unibank Group 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 BDO Unibank Group'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 recognized using the effective interest rate (EIR) method for all financial instrument measured at amortized cost and financial instrument designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method. 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 BDO Unibank Group 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 BDO Unibank Group 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 2.6(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 effective interest rate 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 BDO Unibank Group assesses its ECL on a forward-looking basis associated with its financial assets which consist of debt instruments carried at amortized cost and FVOCI, and other contingent accounts such as committed credit lines and unused commercial letter of credits. No impairment loss is recognized on equity investments. The BDO Unibank Group considers a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

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

(d) 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 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 BDO Unibank Group 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 impairment calculation; hence, this is the amount that the BDO Unibank Group 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 BDO Unibank Group 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 BDO Unibank Group.

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 BDO Unibank Group recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt instruments measured at FVOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in NUGL account, and does not reduce the carrying amount of the financial asset in the statement of financial position, and other contingent accounts, for which the loss allowance is recognized in the other liability account.

The BDO Unibank Group's detailed ECL measurement as determined by the management is disclosed in Note 4.3.5.

(e) Derecognition of Financial Assets

(i) Modification of Loans

When the BDO Unibank Group renegotiates or otherwise modifies the contractual cash flows of loans to customers, the BDO Unibank Group assesses whether or not the new terms are substantially different to the original terms. The BDO Unibank Group 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 BDO Unibank Group derecognizes the financial asset and recognizes a "new" asset at fair value, and recalculates 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 BDO Unibank Group 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 effective interest rate of the existing financial asset.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the BDO Unibank Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes 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 effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired 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 Through Modification

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

(f) Classification and Measurement of Financial Liabilities

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

- *Deposit liabilities and other liabilities* are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

- *Bills payable* are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable are subsequently measured at amortized cost. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

- *Derivatives with negative fair values* are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss (see Note 2.7).

- *Lease deposits from operating and finance leases* (presented as Lease deposits under Other Liabilities account in the statement of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day-one gain and is included as part of Miscellaneous - net under Other Operating Income account in the statement of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense account in the statement of income.

- *Dividend distributions to shareholders* are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and subject to the requirements of BSP Circular 888.

(g) Derecognition of Financial Liabilities

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

(h) Financial Guarantees and Undrawn Loan Commitments

The BDO Unibank Group issues financial guarantees and loan commitments. Financial guarantees are those issued by the BDO Unibank Group to creditors as allowed under existing rules and regulations whereby it guarantees third party obligations by signing as guarantor in the contract or agreement. Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the BDO Unibank Group is required to provide a loan or credit with pre-specified terms to the customer. The nominal contractual value of financial guarantees and undrawn loan commitments, where the loan agreed to be provided is on market terms, are not reflected in the statement of financial position. These contracts are in the scope of the ECL requirements where the BDO Unibank Group estimates the expected portion of the irrevocable undrawn loan commitments that will be drawn over their expected life based on the BDO Unibank Group's historical observations of actual drawdowns and forward-looking forecasts. The ECL related to financial guarantees and loan commitments without outstanding drawn amounts is recognized under Other Liabilities account in the statement of financial position.

2.7 Derivative Financial Instruments

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

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

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

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

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

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

2.8 Premises, Furniture, Fixtures and Equipment

Land is stated at cost less impairment losses, if any. As no finite useful life for land can be determined, related carrying amounts are not depreciated. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. Property items of the former Equitable PCI Bank (EPCIB), an entity merged with BDO Unibank in 2008, stated at appraised values were included in BDO Unibank Group balances at their deemed costs at the date of transition to PFRS in 2005. The revaluation increment is credited to Revaluation Increment account in the equity section of the statement of changes in equity, net of applicable deferred tax [see Note 2.17(h)].

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

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

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

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

Fully depreciated assets are retained in accounts until they are no longer in use and no further charge for depreciation is made in respect of those assets. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.22).

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

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

2.9 Investment Properties

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these properties, the cost is recognized initially at fair value. Investment properties, except land, are depreciated on a straight-line basis over a period of 10 to 50 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value.

Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Notes 2.8 and 2.22).

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

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

Transfers from other accounts (such as premises, furniture, fixtures and equipment) are made to investment properties when and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party or holding the property for capital appreciation, while transfers from investment properties are made when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sell. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use.

2.10 Real Properties for Development and Sale

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

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

2.11 Non-current Assets Held for Sale

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

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

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

If BDO Unibank Group has classified an asset as held for sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the BDO Unibank Group shall cease to classify the asset as held for sale and will reclassify it as investment properties for land and building, or other properties for chattel and other assets. For building under investment properties or other properties, this would be subject to depreciation.

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

2.12 Equity Investments

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented as Equity investments under Other Resources account in the statement of financial position) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.22). Associates are all entities over which the BDO Unibank Group has significant influence but which are neither subsidiaries nor interest in a joint venture.

Investments in subsidiaries and associates are initially recognized at cost and subsequently accounted for using the equity method (see Note 2.3).

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

Impairment loss is provided when there is objective evidence that the investment in a subsidiary and an associate will not be recovered (see Note 2.22).

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

2.13 Other Resources

Other resources, which include non-current assets held for sale (see Note 2.11), pertain to other assets that are controlled by BDO Unibank Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to BDO Unibank Group and the asset has a cost or value that can be measured reliably. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.22).

2.14 Intangible Assets

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

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired at the date of acquisition [see Note 2.3(d)]. Goodwill is classified as intangible asset with indefinite useful life and, thus, not subject to amortization but to an annual test for impairment (see Note 2.22). Goodwill is subsequently carried at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units is represented by each primary reporting segment.

Trading rights represent the rights given to securities subsidiaries of BDO Unibank Group in stock brokerage to preserve access to the trading facilities and to transact business on PSE. Trading right is assessed as having an indefinite useful life. It is carried at the amount allocated from the original cost of the exchange membership seat (after a corresponding allocation was made to the value of the PSE shares) less allowance for impairment loss, if any. BDO Unibank Group has no intention to sell its trading right in the future as it intends to continue to operate its stock brokerage business. The trading right is tested annually for any impairment in realizable value (see Note 2.22).

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks or as provided by the BSP in addition to the current branches of the acquired banks. Branch licenses are assessed as having an indefinite useful life and are tested annually for any impairment (see Note 2.22).

Customer lists consist of information about customers such as their name, contact information, and managed accounts under BDO Unibank Group's trust business. The customer list is classified as intangible asset with indefinite useful life, hence, would be reviewed for impairment by assessing at each reporting date whether there is any indication that the trust business brought about by the customer lists may be impaired (see Note 2.22).

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

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

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

2.15 Insurance Contract Liabilities

(a) Legal Policy Reserves

Life insurance contract liabilities are recognized when the contracts are entered into and the premiums are recognized. The provision for life insurance contracts is calculated on the basis of a prospective actuarial valuation method and assumptions subject to the provisions of the Insurance Code and guidelines set by the IC.

The BDO Unibank Group uses gross premium valuation (GPV) as the basis for valuation of the reserves for traditional life insurance policies. GPV is calculated as the sum of the present value of future benefits and expenses, less the present value of future gross premiums arising from the policy discounted at the appropriate risk-free discount rate provided by the IC. For this purpose, the expected future cash flows shall be determined using the best estimate assumptions with due regard to significant recent experience and appropriate margin for adverse deviation (MfAD) from the expected experience. The methods and assumptions shall be in accordance with the internationally accepted actuarial standards and consider the generally accepted actuarial principles concerning financial reporting framework promulgated by the Actuarial Society of the Philippines, which considers other assumptions such as morbidity, lapse and/or persistency, non-guaranteed benefits and MfAD.

The changes in legal policy reserves for traditional life insurance policies are recognized as follows:

(i) the increase or decrease in legal policy reserves in the current year due to other assumptions excluding change in discount rate will be recognized to profit or loss; and,

(ii) remeasurement on life insurance reserves due to changes in discount rates will be recognized in other comprehensive income (see Note 2.17).

(b) Insurance Contracts with Fixed and Guaranteed Terms

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

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

(c) Variable Unit-linked Insurance Contracts

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

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

(d) Liability Adequacy Test

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

Insurance premiums and insurance benefits and claims on insurance contracts are recognized as follows:

(a) Insurance Premiums

(i) Net insurance premium. Recognized as gross premium on insurance contracts less reinsurers' share of gross premiums.

(ii) Gross premiums on insurance contracts. Premiums arising from insurance contracts are initially recognized as income on the effective date of the insurance policies. Subsequent to initial recognition, gross earned premiums on life insurance contracts are recognized as revenue at the date when payments are due.

(iii) Reinsurers' share of gross premiums. Gross reinsurance premiums on traditional and variable contracts are recognized as an expense when the policy becomes effective.

(b) Insurance Benefits and Claims

(i) Net insurance benefits and claims. BDO Unibank Group's net insurance benefits and claims consist of gross benefits and claims, reinsurers' share on benefits and claims, gross change in legal policy reserves and reinsurers' share on gross change in legal policy reserves.

(ii) Gross benefits and claims. Gross benefits and claims of the policyholders include the cost of all claims arising during the year. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

(iii) Share on benefits and claims. Reinsurers' share on benefits and claims pertain to the amount recoverable from reinsurers for recognized claims during the year. These are accounted for when the corresponding claims are recognized.

(iv) Gross change in legal policy reserves. Gross change in legal policy reserves represents the change in the valuation of legal policy reserves recognized as part of Insurance Contract Liabilities account in the statement of financial position.

(v) Reinsurers' share on gross change in legal policy reserves. Reinsurers' share on gross change in legal policy reserves pertain to the reinsurers' share in the change of legal policy reserves. These are accounted for in the same period as the corresponding change in insurance contract liabilities.

2.16 Offsetting Financial Instruments

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

2.17 Equity

Equity consists of the following:

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

b. 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.

c. Surplus reserves consist of (i) reserve for trust business - represents the accumulated amount set aside by BDO Unibank Group under existing regulations requiring the BDO Unibank Group to carry to surplus 10% of its net profits accruing from its trust business until the surplus shall amount to 20% of the regulatory capital and, to the appropriation for general loan loss provision as prescribed by BSP; (ii) reserve for insurance fund and additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 22); and, (iii) share options outstanding (SOO) - represents the accumulated total of employee share options' amortizations over the vesting period as the share-based employee remuneration are recognized and reported in the statement of income. SOO will be deducted for any exercise or forfeiture of share options already vested.

d. Other reserves pertain to the amount recognized from changes in BDO Unibank Group's ownership interest in any of its subsidiaries that do not result in loss of control.

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

f. NUGL on FVOCI compose of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.

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

h. Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is now treated as part of the deemed cost of the assets (see Note 2.8).

i. Remeasurement on life insurance reserves arises from the increase or decrease of the reserves brought about by changes in discount rates (see Note 2.15).

j. Accumulated translation adjustment pertains to foreign exchange differences arising on translation of the resources and liabilities of foreign branch and subsidiaries that are taken up in other comprehensive income (see Note 2.23).

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

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

2.18 Related Party Transactions and Relationships

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with BDO Unibank Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of BDO Unibank Group that gives them significant influence over BDO Unibank Group and close members of the family of any such individual; and, (d) BDO Unibank Group's funded retirement plan (see Note 26.2).

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form. The BDO Unibank Group established policies and procedures on related party transactions in accordance with the regulations of the BSP and the Securities and Exchange Commission (SEC). All material related party transactions, which exceed the established materiality thresholds, must undergo prior review from the board-level Related Party Transactions Committee before endorsing the same to the BOD for approval.

Related party transactions, whose value exceeds 10% of the BDO Unibank Group's total resources, either single or aggregated within a 12-month period, require review of an external independent party and approval of two-thirds vote of the BOD, with at least a majority of the independent directors voting affirmatively. 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 the stockholders representing at least two-thirds of the outstanding capital stock. For aggregate related party transactions within 12-month period that breaches the materiality threshold of 10% of BDO Unibank Group's total resources based on the latest audited consolidated financial statements, the same approval of the BOD would be required for the transaction that meets and exceeds the materiality threshold covering the same related party.

2.19 Other Income and Expense Recognition

Revenue is recognized only when (or as) the BDO Unibank Group satisfies 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 BDO Unibank Group's financial statements may be partially within the scope of PFRS 9 and partially within the scope of PFRS 15. In such case, the BDO Unibank Group first applies PFRS 9 to separate and measure the part of the contract that is in-scope of PFRS 9, and then applies 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, except to the extent that they are capitalized.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

The BDO Unibank Group also earns service fees and commissions in various banking services, and gains on sale of properties, which are supported by contracts approved by the parties involved. These revenues are accounted for by the BDO Unibank Group in accordance with PFRS 15.

For revenues arising from these various banking 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, including significant payment terms, and the related revenue recognition policies:

(a) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized over time as the service is being provided and is based on the various criteria of recognition for each specific income source. These include the following accounts:

(i) *Commission and fees* arising from loans, deposits, and other banking transactions are taken up as income based on agreed terms and conditions.

(ii) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

(iii) *Arranger fees* arising from negotiating or participating in the negotiation of a transaction for a third party such as arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying assumptions.

(iv) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.

(b) *Asset Management Services* – The BDO Unibank Group recognizes trust fees related to asset management services, which include trust and fiduciary services. Trust fees related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

For other income outside the scope of PFRS 15, the following provides information about the nature and the related revenue recognition policies:

(a) *Trading and Securities Gains (Losses)* – These are recognized when the ownership of the securities is transferred to the buyer and is computed as the difference between the selling price and the carrying amount of the securities disposed of. These also include trading gains and losses as a result of the mark-to-market valuation of investment securities classified as FVTPL.

(b) *Gain or loss from assets sold or exchange* – Income or loss from assets sold or exchanged is recognized when the title to the properties is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in statement of income as part of Other Operating Income account.

(c) *Recovery on charged-off assets* – Income arising from collections on accounts or recoveries from impairment of items previously written off are recognized in the year of recovery. This is included in statement of income as part of Other Operating Income account.

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

2.20 Provisions and Contingencies

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

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

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

The BDO Unibank Group offers monetized rewards to active account holders in relation to its credit card and marketing rewards program. Provisions for rewards are recognized at a certain rate of the account holders' availments, determined by management based on redeemable amounts.

2.21 Leases

BDO Unibank Group accounts for its leases as follows:

(a) BDO Unibank Group as Lessor

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

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

(b) BDO Unibank Group as Lessee

For any new contracts entered into, BDO Unibank Group considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, BDO Unibank Group assesses whether the contract meets three key evaluations which are:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to BDO Unibank Group;

- BDO Unibank Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- BDO Unibank Group has the right to direct the use of the identified asset throughout the period of use. BDO Unibank Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the BDO Unibank Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by BDO Unibank Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, BDO Unibank Group depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The BDO Unibank Group also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.22).

On the other hand, BDO Unibank Group measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or BDO Unibank Group's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

BDO Unibank Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense as incurred.

On the statement of financial position, right-of-use assets and lease liabilities have been presented as part of Premises, Furniture, Fixtures and Equipment and Other Liabilities, respectively.

2.22 Impairment of Non-financial Assets

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

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

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

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

2.23 Foreign Currency Transactions and Translations

(a) Foreign Currency Transactions

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

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

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

(b) Foreign Currency Translation

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

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

(i) Resources and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each statement of income are translated at the monthly average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation due from foreign branch and net investment in foreign subsidiaries are recognized in other comprehensive income as part of Accumulated Translation Adjustment account (see Note 2.17). When a foreign operation is sold, the cumulative amount of exchange differences is recognized in profit or loss.

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

2.24 Compensation and Benefits Expense

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

(a) Post-employment Defined Benefit

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with BDO Unibank Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund. BDO Unibank Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The liability recognized in the statement of financial position for defined benefit post-employment plans is the present value of the defined benefit obligation (DBO) less the fair value of plan assets at the end of reporting period, together with adjustments for asset ceiling. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interpolated yields of government bonds as calculated by Bloomberg which used Bloomberg Valuation Service (BVAL) Evaluated Pricing Service to calculate the PHP BVAL Reference Rates which are published by Philippine Dealing & Exchange Corp. These yields are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. If there is a plan amendment, curtailment or settlement during the period, the BDO Unibank Group remeasures its net defined benefit liability or asset using updated actuarial assumptions to determine the current service cost and net interest for the remaining of the annual reporting period after the change to the plan. Net interest is reported as part of Interest expense on bills payable and other borrowings under Interest Expense account in the statement of income.

Past-service costs are recognized immediately in profit or loss in the period of plan amendment and curtailment.

(b) Post-employment Defined Contribution Plan

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays the required employer's contributions into an independent entity, such as the Social Security System. BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the required employer's contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

(c) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before 12 months after the end of the reporting period during which the employee services are rendered, but do not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Other Liabilities account in the statement of financial position.

(d) Termination Benefits

Termination benefits are payable when employment is terminated by BDO Unibank Group for authorized cause before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. BDO Unibank Group recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognized costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of reporting period are discounted to present value.

(e) Bonus Plans

BDO Unibank Group recognizes a liability and an expense for bonuses based on the BDO Unibank Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits or where there is a past practice that has created a constructive obligation.

(f) Employee Stock Option Plan

BDO Unibank Group has an employee stock option plan (ESOP) for its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. None of the BDO Unibank Group's stock plan is cash settled.

All services received in exchange for the grant of the stock options are measured at their fair values using the Black-Scholes option model. Where employees are rewarded using stock options, the fair value of employees' services is determined indirectly by reference to the fair value of the equity instruments granted. The amount of stock options allocated to the qualified officers is based on the performance of the senior officers as determined by management and it requires a vesting period of five years. These are adjusted accordingly for any resignation or disqualification. The vested options may be exercised within three years from vesting date. The cost of ESOP is amortized over five years (vesting period) starting from the approval of the BOD. The annual amortization of stock options is included in Compensation and benefits under Other Operating Expenses account in the statement of income with corresponding recognition of SOO (included as part of Surplus Reserves under the Equity section of the statement of financial position).

Upon exercise of share options, the proceeds received, net of any directly attributable transaction costs, are allocated to capital stock to the nominal (or par) value of the shares issued with any excess being recorded as additional paid-in-capital. In case of forfeiture, the previously recognized share options outstanding will be transferred to additional paid-in-capital.

(g) *Unavailed Leaves*

Unavailed leaves (excluding those qualified under the retirement benefit plan), included in Other Liabilities account, are recognized as expense at the amount BDO Unibank Group expects to pay at the end of reporting period. Unavailed leaves of employees qualified under the retirement plan are valued and funded as part of the present value of DBO in Note 2.24(a).

2.25 Income Taxes

Tax expense recognized in statement of income comprises the sum of 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 according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of each reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which BDO Unibank Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if BDO Unibank Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority (see Note 31.1).

2.26 Earnings Per Share

Basic earnings per share is determined by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is also computed by dividing consolidated net profit by the weighted average number of common shares issued and outstanding during the period. However, consolidated net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers (to the extent that shares under the stock option plan shall be issued from the unissued authorized capital stock and not purchased from the market or stock exchange).

Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. The stock option plan is deemed to have been converted into common stock in the year the stock option is granted.

2.27 Trust Activities

BDO Unibank Group commonly acts as trustee and in other fiduciary capacities, including agency functions, that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Resources and income arising thereon are excluded from these financial statements, as these are neither resources nor income of BDO Unibank Group.

2.28 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about BDO Unibank Group's financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

BDO Unibank Group and the Parent Bank's financial statements, prepared in accordance with PFRS, require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying BDO Unibank Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements.

(a) Application of ECL to Financial Assets at Amortized Cost and Financial Assets at FVOCI

BDO Unibank Group uses the general approach to calculate ECL for all debt instruments carried at amortized cost and FVOCI, together with loan commitments and financial guarantee contracts. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized. This is where significant judgment is required.

BDO Unibank Group has established a policy to perform an assessment, at the end of each reporting period, whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument (see Note 4.3.5).

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

BDO Unibank Group manages its financial assets based on business models that maintain adequate level of financial assets to match its expected cash outflows, largely its core deposit funding arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for trading activities consistent with its risk appetite.

BDO Unibank Group developed business models which reflect how it manages its portfolio of financial instruments. BDO Unibank Group'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 BDO Unibank Group) 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, BDO Unibank Group 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 BDO Unibank Group (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to BDO Unibank Group's investment, trading and lending strategies.

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

In determining the classification of financial assets, BDO Unibank Group 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, BDO Unibank Group 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, BDO Unibank Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

If more than an infrequent sale is made out of 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, BDO Unibank Group 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 a held-to-collect business model if BDO Unibank Group can explain the reasons for those sales and why those sales do not reflect a change in BDO Unibank Group's objective for the business model.

In 2021, the BDO Unibank Group and the Parent Bank initiated the disposal of certain debt securities from its amortized cost portfolio in accordance with its investment policy. However, in 2022, all of the BDO Unibank and Parent Bank's premature disposal from its amortized cost portfolio were all initiated by issuers. Such disposals have qualified under the permitted sale events set forth in BDO Unibank Group and Parent Bank's business model in managing financial assets manual and the requirements of PFRS 9 (see Note 10.3).

(d) Distinction Between Investment Properties and Owner-occupied Properties

BDO Unibank Group determines whether a property qualifies as investment property. In making its judgment, BDO Unibank Group considers whether the property generates cash flows largely independent of the other assets held by BDO Unibank Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If the portions can be sold separately (or leased out separately under finance lease), BDO Unibank Group accounts for those portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The BDO Unibank Group considers each property separately in making its judgment.

(e) Distinction Between Operating and Finance Leases for Contracts where BDO Unibank Group is the Lessor

The BDO Unibank Group has entered into various lease agreements as a lessor. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources.

(f) Determination of Lease Term

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

For leases of land and office spaces, the factors that are normally the most relevant are (i) if there are significant penalties should BDO Unibank Group pre-terminate the contract, and (ii) if any leasehold improvements are expected to have a significant remaining value, BDO Unibank Group is reasonably certain to extend and not to terminate the lease contract. Otherwise, the BDO Unibank Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The BDO Unibank Group did not include the renewal period as part of the lease term of the land and office spaces because the terms of most of the contracts are renewable upon the mutual agreement of the parties.

The lease term is reassessed if an option is actually exercised or not or the BDO Unibank Group becomes obliged to exercise or not. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the BDO Unibank Group.

(g) *Classification and Fair Value Determination of Acquired Properties*

The BDO Unibank Group classifies its acquired properties as Premises, Furniture, Fixtures and Equipment if used in operations, chattels as Non-current assets held for sale (presented under Other Resources account) if expected to be recovered through sale rather than use, real properties as Investment Properties if intended to be held for capital appreciation or lease, as financial assets if qualified as such in accordance with PFRS 9 or as Other properties (presented under Other Resources account) if held for sale but the depreciable properties (other than building) are not yet disposed within certain years. At initial recognition, the BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties. The BDO Unibank Group's methodology in determining the fair value of acquired properties are further discussed in Note 7.5.

(h) *Assessment of Significant Influence on Entities in which BDO Unibank Group Holds Less than 20% Ownership*

The management considers that the BDO Unibank Group and the Parent Bank have significant influence on NLEX Corporation even though it holds less than 20% of the ordinary shares in the latter. In making this judgment, management considered the BDO Unibank Group and the Parent Bank's voting rights, which is based on its acquired right to nominate a director in NLEX Corporation as granted in the Amended and Restated Shareholders' Agreement (ARSA).

ARSA provides that investors shall be entitled to nominate one director for as long as it owns at least 10% of the equity of NLEX Corporation or shall be entitled to nominate two directors for as long as it owns at least 16.5% of the equity of NLEX Corporation.

Failure to make the right judgment will result in either overstatement or understatement of resources, liabilities, income and expenses.

(i) *Determination of Timing of Satisfaction of Performance Obligations*

The BDO Unibank Group determines that its revenues from services for account management, loan administration and fees from annual credit card membership shall be recognized over time while all other revenue streams are recognized at point in time. In making its judgment, the BDO Unibank Group considers the timing of receipt and consumption of benefits provided by the BDO Unibank Group to the customers. As the work is performed, the BDO Unibank Group becomes entitled to payments. This demonstrates that the customers simultaneously receive and consume the benefits of the BDO Unibank Group's rendering of these retail and corporate banking services as it performs.

In determining the best method of measuring the progress of the BDO Unibank Group's rendering of aforementioned services, the management considers the output method, which uses direct measurements of the value to the customer of the services transferred to date relative to the remaining services promised as basis in recognizing revenues. Such measurements include results of performance completed to date and time elapsed.

(j) Determination of Branch Licenses Having Indefinite Useful Lives

The BDO Unibank Group's licenses were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the BDO Unibank Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

(k) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.20 and relevant disclosures are presented in Note 34.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next reporting period.

(a) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and debt instruments measured at FVOCI 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). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 4.3.5.

The carrying value of financial assets at FVOCI, Investment securities at amortized cost and Loans and Other Receivables, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 10.2, 10.3, 11, and 16, respectively.

(b) Fair Value Measurement for Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. Valuation techniques are used to determine fair values which are validated and periodically reviewed by management. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments.

The carrying values of the BDO Unibank Group's financial assets at FVTPL and financial assets at FVOCI and the amounts of fair value changes recognized during the years on those assets are disclosed in Notes 10.1 and 10.2, respectively.

(c) Determination of Fair Value of Derivatives

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques normally using the discounted cash flow model.

Valuation techniques are used to determine fair values, which are validated and periodically reviewed by management. To the extent practicable, models use observable data, however, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions and correlations could affect reported fair value of financial instruments. The value produced by a model or other valuation technique, in some instances, is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

(d) Estimation of Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources

The BDO Unibank Group estimates the useful lives of premises, furniture, fixtures and equipment, investment properties and other properties, including trademark and computer software license, based on the period over which the assets are expected to be available for use. The estimated useful lives of these assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The BDO Unibank's goodwill and branch licenses were regarded as having indefinite useful lives considering there is no foreseeable limit to the period over which such assets are expected to generate net cash inflows for the BDO Unibank Group. The assessment of having indefinite useful lives is reviewed periodically and is updated whether events and circumstances such as the period of control over these assets and legal or similar limits on the use of these assets continue to support such assessment.

Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 12 while investment properties and other resources, including trademark, goodwill and branch licenses, are analyzed in Notes 14 and 15, respectively.

(e) Determination of Appropriate Discount Rate in Measuring Lease Liabilities

The BDO Unibank Group measures its lease liabilities at present value of the lease payments that are not paid at the commencement date of the lease contract. The lease payments were discounted using a reasonable rate deemed by management equal to the BDO Unibank Group's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(f) Determination of Assumptions for Management's Estimation of Fair Value of Investment Properties

Investment properties are measured using the cost model. The fair value disclosed in Note 14 to the financial statements is determined by BDO Unibank Group using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period such as selling price under installment sales, expected timing of sale and appropriate discount rates. The expected selling price is determined by either an independent or internal appraiser on the basis of current appraised values of the properties or similar properties in the same location and condition (see Note 7.5).

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties. A significant change in key inputs and sources of information used in the determination of the fair value disclosed for those assets may result in adjustment in the carrying amount of the assets reported in the financial statements if their fair value will indicate evidence of impairment.

(g) Determination of Realizable Amount of Deferred Tax Assets

BDO Unibank Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Significant judgment is applied by the management to determine the amount of deferred tax assets that can be recognized based on the likely timing and level of BDO Unibank Group's future taxable income. The BDO Unibank Group assessed its projected performance in determining the sufficiency of the future taxable income to support the recognition of deferred tax assets.

The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2022 and 2021 is disclosed in Note 31.1.

(h) Impairment of Non-financial Assets

Except for goodwill and other intangible assets with indefinite useful lives, PAS 36 requires that an impairment review be performed when certain impairment indicators are present. BDO Unibank Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.22. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 16.

(i) Valuation of Post-employment Defined Benefit

The determination of BDO Unibank Group's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 26.2 and include, among others, discount rates, expected rate of return on plan asset and salary increase rates. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit obligation, as well as the significant assumptions in estimating such obligation are presented in Note 26.2.

(j) Recognition of Reward Points

The BDO Unibank Group provides rewards points to its banking clients and customers based on the month-to-date average daily balance they maintain in their personal current and savings accounts and credit card usages. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain loyalty points for credit card have no expiration date unless the credit card is cancelled but for other rewards program, unredeemed points may expire at some future date.

The BDO Unibank Group sets up a liability to cover the cost of future reward redemptions for points earned to date. The estimated liability is based upon points earned by the clients and the current cost per point of redemption. The estimated points to be redeemed are measured and adjusted based on many factors including but not limited to past redemption behavior of the clients, product type on which the points are earned and their ultimate redemption rate on the points earned to date but not yet redeemed.

The BDO Unibank Group continually evaluates its estimates for rewards based on developments in redemption patterns, cost per point redeemed and other factors. The estimated liability for unredeemed points is impacted over time by enrollment levels, amount of points earned and redeemed, weighted-average cost per point, redemption choices made by the clients and other membership rewards program changes. The calculation is most sensitive to changes in the estimated ultimate redemption rate. This rate is based on the expectation that a large majority of all points earned will eventually be redeemed and the rewards will be redeemed through goods or services supplied by a third party or affiliated retail partners based on BDO Unibank Group's past experience.

The carrying value of the rewards points accrued by BDO Unibank Group are presented as part of Accrued expenses under Other Liabilities account in the statement of financial position as disclosed in Note 21.

(k) Valuation of Legal Policy Reserves

Legal policy reserves represent estimates of present value of future benefits and expenses in excess of present value of future gross premiums. These estimates are based on interest rates, mortality/morbidity tables, and valuation method subject to the provisions of the Insurance Code and guidelines set by IC.

The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margin for adverse deviation from the expected experience. At each reporting date, these estimates are reassessed for adequacy and changes will be reflected in adjustments to the liability. The main assumptions used relate to mortality, morbidity, lapse, and discount rate.

For life insurance contracts, estimates are made as to the expected number of deaths and lapses for each of the years in which the BDO Unibank Group is exposed to risk. The BDO Unibank Group uses mortality tables and lapse rates subject to the guidelines set by the IC as the basis of these estimates. The estimated number of lapses, deaths, illness or injury determines the value of possible future benefits to be paid out, which will be factored into ensuring sufficient cover by reserves, which in return is monitored against current and future premiums (see Note 20).

(l) Fair Value Measurement of Share Options

The BDO Unibank Group estimates the fair value of the executive stock option by applying the Black-Scholes Option pricing model, considering the terms and conditions on which the stock option plan was granted. The estimates and assumptions used include, among others, the option's vesting period, applicable risk-free interest rate, expected dividend yield, volatility of the BDO Unibank Group's share price, and fair value of the BDO Unibank Group's common shares. Changes in these factors can affect the fair value of stock options at grant date.

4. RISK MANAGEMENT

With its culture of managing risk prudently within its capacity and capabilities, the BDO Unibank Group will pursue its strategy and business plans to provide consistent quality service to its customers, to achieve its desired long-term target returns to its shareholders and satisfy or abide by the needs of its other stakeholders, including its depositors and regulators.

The BDO Unibank Group believes that, as there are opportunities, there are associated risks and the objective is not to totally avoid risks, but to adequately and consistently evaluate, manage, control, and monitor the risks and ensure that the BDO Unibank Group is adequately compensated for all the risks taken. Good risk management involves making informed and rational decisions about the level of risks the institution wants to take, in the pursuit of its objectives, but with consideration to return commensurate with the risk-taking activity.

The BDO Unibank Group's goal is to remain a strong bank that is resilient to possible adverse events. Hence, the BDO Unibank Group 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 BDO Unibank Group ensures that these are within Board-approved operating limits. For operational risk (which includes legal, regulatory, compliance risks), and reputational risks, these are invariably managed by the development of both a strong "control culture" and an effective internal control system that constantly monitors and updates operational policies and procedures with respect to the BDO Unibank Group's activities and transactions.

Risk management at BDO Unibank Group begins at the highest level of the organization. At the helm of the risk management infrastructure is the BOD who is responsible for establishing and maintaining a sound risk management system. The BOD assumes oversight over the entire risk management process and has the ultimate responsibility for all risks taken. It regularly reviews and approves the institution's tolerance for risks, as well as, its business strategy and risk philosophy.

The BOD has constituted the Risk Management Committee (RMC) as the Board-Level Committee responsible for the 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 media risk), consumer protection risk and environmental and social risk to ensure that current and emerging risk exposures are consistent with BDO Unibank Group's strategic direction and overall risk appetite.

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

The BDO Unibank Group operates an enterprise-wide risk management system to address the risks it faces in its banking activities. The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the BDO Unibank Group'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. RMG also has the responsibility for recommending to the appropriate body, risk policies across the full range of risks to which the BDO Unibank Group is exposed. RMG functionally reports to the RMC.

The evaluation, analysis, and control performed by the Risk Function, in conjunction with the Risk Takers, constitute the risk management process. The risk management process is applied at three levels: the transaction level, the business unit level, and the portfolio level. This framework ensures that risks are properly identified, quantified and analyzed, in the light of its potential effect on the BDO Unibank Group's business. The goal of the risk management process is to ensure rigorous adherence to the BDO Unibank Group's standards for precision in risk measurement and reporting and to make possible, in-depth analysis of the deployment of capital and the returns that are delivered to the shareholders.

In 2022, there was no significant change on the policies and process for managing the risk and the methods used to measure the risk of the BDO Unibank Group and the Parent Bank, except for the performance of the comprehensive review of the financial instruments, including loans and investments, to assess vulnerability to the significant increase in credit risk in response to the continuing impact of COVID-19 pandemic, the impact of higher oil prices, Russia-Ukraine War, and rising interest rates, and the updating of the BDO Unibank Group's Treasury system to capture the complex computation of Secured Overnight Financing Rate (SOFR) in relation to the LIBOR phase out and adhering to the protocols set by International Swaps and Derivatives Association (ISDA) on LIBOR Reform (see Note 4.7).

4.1 Liquidity Risk

Liquidity risk is the risk that there could be insufficient funds available to repay depositors, to fulfill commitments to lend, or to meet any other liquidity commitments. The BDO Unibank Group manages liquidity risk 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 analyses of the maturity groupings of resources, liabilities and off-book items as of December 31, 2022 and 2021 in accordance with account classification of the BSP are presented below and in the succeeding pages. The amounts disclosed in the maturity analysis are the contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

BDO Unibank Group

	2022				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 82,944	P -	P -	P -	P 82,944
Due from BSP and other banks	213,571	19,429	116,275	95,270	444,545
Trading and investment securities	17,190	27,519	161,374	516,747	722,830
Loans and other receivables - net	564,041	290,147	528,938	1,313,775	2,696,901
Other resources - net*	12,932	3,855	4	110,697	127,488
Total Resources	890,678	340,950	806,591	2,036,489	4,074,708
Liabilities and Equity:					
Deposit liabilities	915,451	164,764	1,164,877	975,791	3,220,883
Bills payable	61,727	27,388	79,144	30,632	198,891
Insurance contract liabilities**	77	(1,124)	637	64,773	64,363
Other liabilities	64,736	4,157	2,410	57,811	129,114
Total Liabilities	1,041,991	195,185	1,247,068	1,129,007	3,613,251
Equity	-	-	-	461,457	461,457
Total Liabilities and Equity *(Balance carried forward)*	P 1,041,991	P 195,185	P 1,247,068	P 1,590,464	P 4,074,708

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*
*** Insurance Contract Liabilities with maturity of more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.*

BDO Unibank Group

	2022				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Total Liabilities and Equity *(Balance brought forward)*	P 1,041,991	P 195,185	P 1,247,068	P 1,590,464	P 4,074,708
On-book gap	(151,313)	145,765	(440,477)	446,025	-
Cumulative on-book gap	(151,313)	(5,548)	(446,025)	-	-
Contingent assets	272,616	46,778	18,167	25,477	363,038
Contingent liabilities	344,710	47,875	18,013	25,533	436,131
Off-book gap	(72,094)	(1,097)	154	(56)	(73,093)
Net Periodic Gap	(223,407)	144,668	(440,323)	445,969	73,093
Cumulative Total Gap	(P 223,407)	(P 78,739)	(P 519,062)	(P 73,093)	P -

BDO Unibank Group

	2021				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 69,105	P -	P -	P -	P 69,105
Due from BSP and other banks	150,526	22,027	55,300	147,145	374,998
Trading and investment securities	22,687	31,904	140,229	421,441	616,261
Loans and other receivables - net	503,503	252,927	395,115	1,299,358	2,450,903
Other resources - net*	-	118	46	112,318	112,482
Total Resources	745,821	306,976	590,690	1,980,262	3,623,749
Liabilities and Equity:					
Deposit liabilities	563,666	177,738	595,385	1,484,107	2,820,896
Bills payable	24,278	89,567	55,139	35,447	204,431
Insurance contract liabilities**	349	(613)	206	65,386	65,328
Other liabilities	41,159	4,099	4,601	58,687	108,546
Total Liabilities	629,452	270,791	655,331	1,643,627	3,199,201
Equity	-	-	-	424,548	424,548
Total Liabilities and Equity	629,452	270,791	655,331	2,068,175	3,623,749
On-book gap	116,369	36,185	(64,641)	(87,913)	-
Cumulative on-book gap	116,369	152,554	87,913	-	-
Contingent assets	263,000	81,896	20,865	23,227	388,988
Contingent liabilities	325,897	82,924	28,606	23,100	460,527
Off-book gap	(62,897)	(1,028)	(7,741)	127	(71,539)
Net Periodic Gap	53,472	35,157	(72,382)	(87,786)	71,539
Cumulative Total Gap	P 53,472	P 88,629	P 16,247	(P 71,539)	P -

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*
*** Insurance Contract Liabilities with maturity of more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.*

Parent Bank

	2022				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 80,666	P -	P -	P -	P 80,666
Due from BSP and other banks	204,651	18,101	116,268	94,245	433,265
Trading and investment securities	13,079	22,138	144,385	427,187	606,789
Loans and other receivables – net	565,422	274,410	497,832	1,283,557	2,621,221
Other resources – net*	1,673	3,806	-	152,903	158,382
Total Resources	865,491	318,455	758,485	1,957,892	3,900,323
Liabilities and Equity:					
Deposit liabilities	884,615	163,300	1,163,399	929,702	3,141,016
Bills payable	64,621	17,683	76,110	30,458	188,872
Other liabilities	48,727	2,786	-	59,023	110,536
Total Liabilities	997,963	183,769	1,239,509	1,019,183	3,440,424
Equity	-	-	-	459,899	459,899
Total Liabilities and Equity	997,963	183,769	1,239,509	1,479,082	3,900,323
On-book gap	(132,472)	134,686	(481,024)	478,810	-
Cumulative on-book gap	(132,472)	2,214	(478,810)	-	-
Contingent assets	251,178	31,050	2,145	2,074	286,447
Contingent liabilities	323,587	32,353	2,082	2,071	360,093
Off-book gap	(72,409)	(1,303)	63	3	(73,646)
Net Periodic Gap	(204,881)	133,383	(480,961)	478,813	73,646
Cumulative Total Gap	(P 204,881)	(P 71,498)	(P 552,459)	(P 73,646)	P -

* *Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*

Parent Bank

	2021				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Resources:					
Cash and other cash items	P 66,440	P -	P -	P -	P 66,440
Due from BSP and other banks	143,601	21,971	55,296	146,141	367,009
Trading and investment securities	8,166	27,987	119,732	342,078	497,963
Loans and other receivables - net	494,423	239,634	371,315	1,294,611	2,399,983
Other resources - net*	-	-	-	134,611	134,611
Total Resources *(Balance carried forward)*	P 712,630	P 289,592	P 546,343	P 1,917,441	P 3,466,006

* *Other resources includes Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*

Parent Bank

	2021				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
Total Resources (*Balance brought forward*)	P 712,630	P 289,592	P 546,343	P 1,917,441	P 3,466,006
Liabilities and Equity:					
Deposit liabilities	538,429	175,500	595,264	1,442,522	2,751,715
Bills payable	17,687	89,068	52,305	37,114	196,174
Other liabilities	37,139	2,806	2,543	52,168	94,656
Total Liabilities	593,255	267,374	650,112	1,531,804	3,042,545
Equity	-	-	-	423,461	423,461
Total Liabilities and Equity	593,255	267,374	650,112	1,955,265	3,466,006
On-book gap	119,375	22,218	(103,769)	(37,824)	-
Cumulative on-book gap	119,375	141,593	37,824	-	-
Contingent assets	259,638	63,697	2,998	3,022	329,355
Contingent liabilities	322,537	64,872	10,972	3,021	401,402
Off-book gap	(62,899)	(1,175)	(7,974)	1	(72,047)
Net Periodic Gap	56,476	21,043	(111,743)	(37,823)	72,047
Cumulative Total Gap	P 56,476	P 77,519	(P 34,224)	(P 72,047)	P -

The negative liquidity gap in the MCO is due to the timing difference in the contractual maturities of resources and liabilities. The MCO measures the maximum funding requirement the BDO Unibank Group may need to support its maturing obligations. To ensure that the BDO Unibank Group maintains a prudent and manageable level of cumulative negative gap, the BDO Unibank Group maintains a pool of highly liquid assets in the form of tradable investment securities. Moreover, the BOD has approved the MCO Limits which reflect the BDO Unibank Group's overall appetite for liquidity risk exposure. This limit is reviewed every year. Compliance to MCO Limits is monitored and reported to the BOD and senior management.

In case of breach in the MCO Limit, the RMG elevates the concern to the BOD through the RMC for corrective action by senior management. Additional measures to mitigate liquidity risks include reporting of funding concentration, short-term liquidity reporting, available funding sources, and liquid assets analysis. More frequent analysis of projected funding source and requirements as well as pricing strategies is discussed thoroughly during the weekly ALCO meetings.

Pursuant to applicable BSP regulations, the BDO Unibank Group is required to maintain reserves against deposit liabilities which are based on certain percentages of deposits. The required reserves against deposit liabilities shall be kept in the form of deposits placed in the BDO Unibank Group demand deposit accounts with the BSP. The BSP also requires the BDO Unibank Group to maintain asset cover of 100% for foreign currency-denominated liabilities of its FCDU.

4.1.1 Liquidity Risk Stress

To augment the effectiveness of the BDO Unibank Group's gap analysis, the BDO Unibank Group regularly assesses liquidity risk based on behavioral and hypothetical assumptions under stress conditions. Survivability and resilience of the BDO Unibank Group are assessed for a minimum stress period of 30 days for all crisis scenarios enumerated in BSP Circular No. 981, *Guidelines on Liquidity Risk Management.* The results of these liquidity stress simulations are reported monthly to RMC.

4.1.2 Foreign Currency Liquidity Management

The liquidity risk management policies and objectives described in this section also apply to the management of any foreign currency to which the BDO Unibank Group maintains significant exposure. Specifically, the BDO Unibank Group ensures that its measurement, monitoring and control systems account for these exposures as well. The BDO Unibank Group sets and regularly reviews limits on the size of the cash flow mismatches for each significant individual currency and in aggregate over appropriate time horizons. The BDO Unibank Group also assesses its access to foreign exchange markets when setting up its risk limits.

4.2 Market Risk

The BDO Unibank Group's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities, equity securities and derivatives. The BDO Unibank Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. The Market and Liquidity Risk Management Unit of the Parent Bank recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and the BOD.

4.2.1 Foreign Exchange Risk

The BDO Unibank Group manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

The BDO Unibank Group's net foreign exchange exposure is computed as its foreign currency resources less foreign currency liabilities. BSP regulations impose a cap of 25% of qualifying capital or US$150 million, whichever is lower, on a bank's consolidated net open foreign exchange position. The BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in BDO Unibank Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. The BDO Unibank Group, being a major market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

The BDO Unibank Group's foreign exchange exposure at end-of-day is guided by the limits set forth in BDO Unibank Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, BDO Unibank Group reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries. The breakdown of the financial assets and financial liabilities as to foreign and peso-denominated balances as of December 31, 2022 and 2021 is presented in the succeeding page.

BDO Unibank Group

	2022			2021		
	Foreign Currencies	**Philippine Pesos**	**Total**	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	**P 90**	**P 468,633**	**P 468,723**	P 107	P 373,904	P 374,011
Due from other banks	**55,186**	**3,580**	**58,766**	68,401	1,691	70,092
Trading and investment securities:						
At FVTPL	**7,857**	**36,855**	**44,712**	6,622	41,312	47,934
At FVOCI	**80,243**	**85,826**	**166,069**	86,804	83,989	170,793
At amortized cost	**196,188**	**315,861**	**512,049**	164,529	233,005	397,534
Loans and other receivables	**389,365**	**2,307,536**	**2,696,901**	331,327	2,119,576	2,450,903
Other resources	**11,017**	**2,777**	**13,794**	6,214	1,246	7,460
	P 739,946	**P 3,221,068**	**P 3,961,014**	P 664,004	P 2,854,723	P 3,518,727
Liabilities:						
Deposit liabilities	**P 505,050**	**P 2,715,833**	**P 3,220,883**	P 463,368	P 2,357,528	P 2,820,896
Bills payable	**136,277**	**62,614**	**198,891**	120,920	83,511	204,431
Insurance contract liabilities	**7,844**	**56,519**	**64,363**	8,702	56,626	65,328
Other liabilities	**14,089**	**104,760**	**118,849**	16,951	80,666	97,617
	P 663,260	**P 2,939,726**	**P 3,602,986**	P 609,941	P 2,578,331	P 3,188,272

Parent Bank

	2022			2021		
	Foreign Currencies	**Philippine Pesos**	**Total**	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	**P 6**	**P 462,870**	**P 462,876**	P 33	P 369,067	P 369,100
Due from other banks	**50,611**	**444**	**51,055**	64,188	161	64,349
Trading and investment securities:						
At FVTPL	**3,649**	**2,234**	**5,883**	2,759	1,857	4,616
At FVOCI	**71,632**	**38,015**	**109,647**	74,197	41,768	115,965
At amortized cost	**190,632**	**300,627**	**491,259**	159,235	218,147	377,382
Loans and other receivables	**388,598**	**2,232,623**	**2,621,221**	330,424	2,069,559	2,399,983
Other resources	**10,961**	**1,213**	**12,174**	5,784	968	6,752
	P 716,089	**P 3,038,026**	**P 3,754,115**	P 636,620	P 2,701,527	P 3,338,147
Liabilities:						
Deposit liabilities	**P 493,041**	**P 2,647,975**	**P 3,141,016**	P 450,484	P 2,301,231	P 2,751,715
Bills payable	**136,176**	**52,696**	**188,872**	119,738	76,436	196,174
Other liabilities	**12,034**	**89,853**	**101,887**	15,927	69,452	85,379
	P 641,251	**P 2,790,524**	**P 3,431,775**	P 586,149	P 2,447,119	P 3,033,268

4.2.2 Interest Rate Risk

The BDO Unibank Group prepares an interest rate gap analysis in the Banking Book to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The Banking Book is a term for resources on a bank's statement of financial position that are expected to be held to maturity, usually consisting of customer loans to and deposits from retail and corporate customers. The Banking Book can also include those derivatives that are used to hedge exposures arising from the Banking Book activity, including interest rate risk. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of the re-pricing profile of its interest sensitive resources and liabilities in the Banking Book.

An interest rate gap report is prepared by classifying all resources and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give BDO Unibank Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income. Interest rate financial instruments (e.g., interest rate derivatives) may be used to hedge the interest rate exposures in the Banking Book. There are however, no outstanding interest rate derivatives used as hedges in the Banking Book.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2022 and 2021 based on the expected interest realization or recognition are shown below and in the succeeding pages.

BDO Unibank Group

	2022					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 82,944	P 82,944
Due from BSP and other banks	130,852	1,294	-	-	312,399	444,545
Trading and investment securities	11,874	26,823	289,426	349,995	44,712	722,830
Loans and other receivables - net	1,320,621	377,502	876,912	121,866	-	2,696,901
Other resources - net*	10,036	3,807	3	-	113,642	127,488
Total Resources	1,473,383	409,426	1,166,341	471,861	553,697	4,074,708
Liabilities and Equity:						
Deposit liabilities	1,107,910	183,996	26,346	6,328	1,896,303	3,220,883
Bills payable	85,036	13,188	91,937	5,576	3,154	198,891
Insurance contract liabilities**	(802)	(2,159)	696	37,066	29,562	64,363
Other liabilities	12,832	76	660	70	115,476	129,114
Total Liabilities	1,204,976	195,101	119,639	49,040	2,044,495	3,613,251
Equity	-	-	-	-	461,457	461,457
Total Liabilities and Equity *(Balance carried forward)*	P 1,204,976	P 195,101	P 119,639	P 49,040	P 2,505,952	P 4,074,708

** Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*

*** Insurance Contract Liabilities with maturities of one to three months and more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.*

BDO Unibank Group

	2022					
	One to Three Months	**More Than Three Months to One Year**	**More Than One Year to Five Years**	**More Than Five Years**	**Non-rate Sensitive**	**Total**
Total Liabilities and Equity *(Balance brought forward)*	**P 1,204,976**	**P 195,101**	**P 119,639**	**P 49,040**	**P 2,505,952**	**P 4,074,708**
On-book gap	**268,407**	**214,325**	**1,046,702**	**422,821**	**(1,952,255)**	**-**
Cumulative on-book gap	**268,407**	**482,732**	**1,529,434**	**1,952,255**	**-**	**-**
Contingent assets	**40,387**	**1,130**	**2,788**	**-**	**-**	**44,305**
Contingent liabilities	**30,346**	**836**	**13,102**	**-**	**-**	**44,284**
Off-book gap	**10,041**	**294**	**(10,314)**	**-**	**-**	**21**
Net Periodic Gap	**278,448**	**214,619**	**1,036,388**	**422,821**	**(1,952,255)**	**(21)**
Cumulative Total Gap	**P 278,448**	**P 493,067**	**P 1,529,455**	**P 1,952,276**	**P 21**	**P -**

	2021					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 69,105	P 69,105
Due from BSP and other banks	41,470	-	-	-	333,528	374,998
Trading and investment securities	8,346	31,238	231,337	297,406	47,934	616,261
Loans and other receivables - net	1,140,250	287,117	904,358	119,178	-	2,450,903
Other resources - net*	-	-	-	-	112,482	112,482
Total Resources	1,190,066	318,355	1,135,695	416,584	563,049	3,623,749
Liabilities and Equity:						
Deposit liabilities	328,737	48,785	48,092	13,868	2,381,414	2,820,896
Bills payable	42,137	89,567	72,727	-	-	204,431
Insurance contract liabilities**	(364)	(1,322)	1,038	39,713	26,263	65,328
Other liabilities	-	33	438	4	108,071	108,546
Total Liabilities	370,510	137,063	122,295	53,585	2,515,748	3,199,201
Equity	-	-	-	-	424,548	424,548
Total Liabilities and Equity *(Balance carried forward)*	P 370,510	P 137,063	P 122,295	P 53,585	P 2,940,296	P 3,623,749

* *Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*
** *Insurance Contract Liabilities with maturities of one to three months and more than three months to one year have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.*

BDO Unibank Group

	2021					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Total Liabilities and Equity *(Balance brought forward)*	P 370,510	P 137,063	P 122,295	P 53,585	P 2,940,296	P 3,623,749
On-book gap	819,556	181,292	1,013,400	362,999	(2,377,247)	-
Cumulative on-book gap	819,556	1,000,848	2,014,248	2,377,247	-	-
Contingent assets	7,583	4,151	-	-	-	11,734
Contingent liabilities	2,523	4,164	-	-	-	6,687
Off-book gap	5,060	(13)	-	-	-	5,047
Net Periodic Gap	824,616	181,279	1,013,400	362,999	(2,377,247)	(5,047)
Cumulative Total Gap	P 824,616	P 1,005,895	P 2,019,295	P 2,382,294	P 5,047	P -

Parent Bank

	2022					
	One to Three Months	**More Than Three Months to One Year**	**More Than One Year to Five Years**	**More Than Five Years**	**Non-rate Sensitive**	**Total**
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 80,666	P 80,666
Due from BSP and other banks	125,084	-	-	-	308,181	433,265
Trading and investment securities	10,657	22,138	255,436	312,675	5,883	606,789
Loans and other receivables - net	1,318,458	368,986	819,563	114,214	-	2,621,221
Other resources - net*	10,036	3,806	-	-	144,540	158,382
Total Resources	1,464,235	394,930	1,074,999	426,889	539,270	3,900,323
Liabilities and Equity:						
Deposit liabilities	1,080,372	181,248	31,093	8,627	1,839,676	3,141,016
Bills payable	79,571	6,633	97,222	5,446	-	188,872
Other liabilities	12,820	-	-	-	97,716	110,536
Total Liabilities	1,172,763	187,881	128,315	14,073	1,937,392	3,440,424
Equity	-	-	-	-	459,899	459,899
Total Liabilities and Equity	1,172,763	187,881	128,315	14,073	2,397,291	3,900,323
On-book gap	291,472	207,049	946,684	412,816	(1,858,021)	-
Cumulative on-book gap	291,472	498,521	1,445,205	1,858,021	-	-
Contingent assets	39,041	1,965	-	-	-	41,006
Contingent liabilities	38,974	1,965	-	-	-	40,939
Off-book gap	67	-	-	-	-	67
Net Periodic Gap	291,539	207,049	946,684	412,816	(1,858,021)	(67)
Cumulative Total Gap	P 291,539	P 498,588	P 1,445,272	P 1,858,088	P 67	P -

* *Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Resources - net.*

Parent Bank

	2021					
	One to Three Months	More Than Three Months to One Year	More Than One Year to Five Years	More Than Five Years	Non-rate Sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 66,440	P 66,440
Due from BSP and other banks	40,800	-	-	-	326,209	367,009
Trading and investment securities	6,023	27,987	202,032	257,306	4,615	497,963
Loans and other receivables - net	1,133,066	279,191	868,587	119,139	-	2,399,983
Other resources - net*	-	-	-	-	134,611	134,611
Total Resources	1,179,889	307,178	1,070,619	376,445	531,875	3,466,006
Liabilities and Equity:						
Deposit liabilities	312,535	44,502	47,101	18,239	2,329,338	2,751,715
Bills payable	35,546	89,068	71,560	-	-	196,174
Other liabilities	-	-	-	-	94,656	94,656
Total Liabilities	348,081	133,570	118,661	18,239	2,423,994	3,042,545
Equity	-	-	-	-	423,461	423,461
Total Liabilities and Equity	348,081	133,570	118,661	18,239	2,847,455	3,466,006
On-book gap	831,808	173,608	951,958	358,206	(2,315,580)	-
Cumulative on-book gap	831,808	1,005,416	1,957,374	2,315,580	-	-
Contingent assets	5,231	2,634	-	-	-	7,865
Contingent liabilities	131	2,634	-	-	-	2,765
Off-book gap	5,100	-	-	-	-	5,100
Net Periodic Gap	836,908	173,608	951,958	358,206	(2,315,580)	(5,100)
Cumulative Total Gap	P 836,908	P 1,010,516	P 1,962,474	P 2,320,680	P 5,100	P -

** Other resources include Premises, Furniture. Fixtures and Equipment, Investment Properties and Other Resources - net.*

The BDO Unibank Group and the Parent Bank's market risk management limits are generally categorized as limits on:

- Value-at-risk (VaR) – The RMG computes the VaR benchmarked at a level, which is a percentage of projected earnings. The BDO Unibank Group and the Parent Bank use the VaR model to estimate the daily potential loss that the BDO Unibank Group and the Parent Bank can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over limits should only arise in very exceptional circumstances.

- Stop loss – The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.

- Nominal position – The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other established limits.

- Trading volume – The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.

- Earnings-at-risk (EAR) – The RMG computes the EAR based on the repricing profile of the Banking Book and benchmarks against projected annual net interest income and capital.

VaR is one of the key measures in BDO Unibank Group and Parent Bank's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. The BDO Unibank Group and the Parent Bank use a 99% confidence level and a 260-day observation period in VaR calculation. The BDO Unibank Group and the Parent Bank's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in the BDO Unibank Group and the Parent Bank's portfolios exceed tolerable levels. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A one-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;

- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;

- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;

- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and,

- The VaR measure is dependent upon the BDO Unibank Group and the Parent Bank's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice-versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the BDO Unibank Group and the Parent Bank use a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the BDO Unibank Group and the Parent Bank's overall position. Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the trading portfolios at December 31 follows:

	2022		2021	
	VaR	**Stress VaR**	VaR	Stress VaR
BDO Unibank Group				
Foreign currency risk	**(P 9)**	**(P 84)**	(P 8)	(P 107)
Interest rate risk – Peso	**(91)**	**(1,469)**	(53)	(888)
Interest rate risk – USD	**(13)**	**(194)**	(13)	(355)
	(P 113)	**(P 1,747)**	(P 74)	(P 1,350)
Parent Bank				
Foreign currency risk	**(P 7)**	**(P 72)**	(P 4)	(P 56)
Interest rate risk – Peso	**(31)**	**(641)**	(15)	(252)
Interest rate risk – USD	**(1)**	**(31)**	(2)	(36)
	(P 39)	**(P 744)**	(P 21)	(P 344)

For the BDO Unibank Group, the earnings perspective using an EAR approach is the more relevant measure for the interest rate risks in the Banking Book given a "going concern" assumption and also because the component of earnings in focus is net interest income. EAR is a measure of likely earnings volatility for accrual portfolios. The appropriate yield curve used is the relevant benchmark rate and the volatilities of the relevant benchmark interest rate curve are calculated similar to the method employed for VaR. The volatility calculations make use of actual pre-defined time series data, using five-years' worth of yearly changes, at the 99% confidence level. The frequency of measurement for EAR is monthly. EAR Stress Test uses 300 basis points increase in USD interest rates and 400 basis points increase in Peso interest rates.

The EAR before tax in a rising and declining interest rate scenario for financial assets and liabilities repriced during 2022 and 2021 is shown below and in the succeeding pages.

BDO Unibank Group

	2022			
	Change in Interest Rates (in basis points)			
	-100	**+100**	**-50**	**+50**
Change on annualized net interest income	**(P 5,085)**	**P 5,085**	**(P 2,543)**	**P 2,543**
As a percentage of the BDO Unibank Group's net interest income for 2022	**(3.41%)**	**3.41%**	**(1.70%)**	**1.70%**
EAR	**P 17,284**			
As a percentage of the BDO Unibank Group's net interest income for 2022	**11.60%**			
Average (1yr) EAR	**P 23,455**			
Stress EAR	**P 30,506**			

BDO Unibank Group

	2021			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 8,331)	P 8,331	(P 4,165)	P 4,165
As a percentage of the BDO Unibank Group's net interest income for 2021	(6.34%)	6.34%	(3.17%)	3.17%
EAR	P 24,347			
As a percentage of the BDO Unibank Group's net interest income for 2021	18.54%			
Average (1yr) EAR	P 24,391			
Stress EAR	P 31,984			

Parent Bank

	2022			
	Change in Interest Rates (in basis points)			
	-100	**+100**	**-50**	**+50**
Change on annualized net interest income	**(P 5,572)**	**P 5,572**	**(P 2,786)**	**P 2,786**
As a percentage of the Parent Bank's net interest income for 2022	**(4.00%)**	**4.00%**	**(2.00%)**	**2.00%**
EAR	**P 18,854**			
As a percentage of the Parent Bank's net interest income for 2022	**13.50%**			
Average (1yr) EAR	**P 23,845**			
Stress EAR	**P 31,169**			

	2021			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 8,404)	P 8,404	(P 4,202)	P 4,202
As a percentage of the Parent Bank's net interest income for 2021	(6.79%)	6.79%	(3.39%)	3.39%
EAR	P 24,735			

Parent Bank

	2021			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
As a percentage of the Parent Bank's net interest income for 2021	19.97%			
Average (1yr) EAR	P 24,627			
Stress EAR	P 32,233			

4.2.3 Price Risk

The BDO Unibank Group and the Parent Bank are exposed to equity securities price risk because of investments in equity securities held by the BDO Unibank Group and the Parent Bank classified on the statement of financial position either as financial assets at FVOCI or financial assets at FVTPL. The BDO Unibank Group and the Parent Bank are not exposed to commodity price risk. To manage its price risk arising from investments in listed equity securities, the BDO Unibank Group maintains a diversified portfolio. Diversification of the portfolio is done in accordance with the limits set by the BDO Unibank Group.

The table below summarizes the impact of equity prices on listed equity securities classified as financial assets at FVTPL and financial assets at FVOCI on BDO Unibank Group and Parent Bank's net profit after tax and equity as of December 31, 2022 and 2021. The results are based on the volatility assumption of the benchmark equity index, which was 4.15% and 3.52% in 2022 and 2021, respectively, for securities classified as financial assets at FVTPL and FVOCI securities with all other variables held constant and all the BDO Unibank Group and the Parent Bank's equity instruments moved according to the historical correlation with the index.

	Impact on Net Profit After Tax Increase			**Impact on Other Comprehensive Income Increase**		
	2022	2021	2020	**2022**	2021	2020
BDO Unibank Group						
Financial assets at FVTPL	**P 1,054**	P 806	P 1,554	**P -**	P -	P -
Financial assets at FVOCI	**-**	-	-	**158**	148	350
	P 1,054	P 806	P 1,554	**P 158**	P 148	P 350
Parent Bank						
Financial assets at FVOCI	**P -**	P -	P -	**P 25**	P 30	P 291
	P -	P -	P -	**P 25**	P 30	P 291

4.3 Credit Risk

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the BDO Unibank Group. RMG undertakes several functions with respect to credit risk management including credit analysis, risk ratings for corporate accounts, and development and performance monitoring of credit risk rating and scoring models for both corporate and consumer loans. It also ensures that BDO Unibank Group's credit policies and procedures are adequate to meet the demands of the business.

RMG also subjects the loan portfolio to a regular portfolio quality review, credit portfolio stress testing and rapid portfolio reviews based on specific and potential events that may affect borrowers in particular geographic locations or industries.

BDO Unibank Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. 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 Credit Committee. On the industry segments, set limits and exposures are monitored and reported to the RMC.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral or corporate and personal guarantees.

4.3.1 Credit Risk Assessment

Loan classification and credit risk rating are an integral part of the BDO Unibank Group's management of credit risk. On an annual basis, loans are reviewed, classified as necessary, and rated based on internal and external factors that affect its performance. On a monthly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

The BDO Unibank Group's definition of its loan classification and corresponding credit risk ratings are as follows:

- Pass/Current : Grades AAA to B
- Watchlisted : Grade B-
- Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(a) Pass/Current

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(b) Watchlisted

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(c) Adversely Classified

(i) Especially Mentioned (EM)

It is an adverse classification of loans/accounts that have potential weaknesses and deserves management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment of the loan and thus increase credit risk to the BDO Unibank Group.

(ii) Substandard

Accounts classified as "Substandard" are individual credits or portions thereof, that have well-defined weakness/(es) that may jeopardize repayment/liquidation in full, either in respect of the business, cash flow or financial position, which may include adverse trends or developments that affect willingness or repayment ability of the borrower.

(iii) Doubtful

Accounts classified as "Doubtful" are individual credits or portions thereof which exhibit more severe weaknesses than those classified as "Substandard" whose characteristics on the basis of currently known facts, conditions and values make collection or liquidation highly improbable, however, the exact amount remains undeterminable as yet. Classification as "Loss" is deferred because of specific pending factors, which may strengthen the assets.

(iv) Loss

Accounts classified as "Loss" are individual credits or portions thereof, which are considered uncollectible or worthless, and of such little value that their continuance as bankable assets are not warranted although the loans may have some recovery or salvage value.

This shall be viewed as a transitional category for loans and other credit accommodations, which have been identified as requiring write-off during the current reporting period even though partial recovery may be obtained in the future.

In addition, credit portfolio review is another integral part of the BDO Unibank Group's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the BDO Unibank Group using internal credit ratings.

4.3.2 Credit Quality Analysis

The following table sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, and FVOCI debt investments. Unless specifically indicated for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and other contingent accounts, the amounts in the table represent the amounts committed. As of December 31, 2022 and 2021, there are no POCI financial assets in both BDO Unibank Group and Parent Bank's financial statements.

The following tables show the exposure to credit risk as of December 31, 2022 and 2021 for each internal risk grade and the related allowance for ECL:

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	P 1,922,405	P -	P -	P 1,922,405
Grade B- : Watchlisted	24	23,020	1,640	24,684
Grade C : EM	55	47,691	3,028	50,774
Grade D : Substandard	-	4,391	7,145	11,536
Grade E : Doubtful	-	-	3,332	3,332
Grade F : Loss	-	-	2,611	2,611
	1,922,484	75,102	17,756	2,015,342
ECL allowance	(6,950)	(26,614)	(14,025)	(47,589)
Carrying amount	P 1,915,534	P 48,488	P 3,731	P 1,967,753
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	P 560,560	P -	P 118	P 560,678
Grade B- : Watchlisted	-	57	38	95
Grade C : EM	-	953	87	1,040
Grade D : Substandard	-	1,598	4,311	5,909
Grade E : Doubtful	-	-	3,561	3,561
Grade F : Loss	-	-	27,186	27,186
	560,560	2,608	35,301	598,469
ECL allowance	(6,614)	(890)	(18,683)	(26,187)
Carrying amount	P 553,946	P 1,718	P 16,618	P 572,282
Other receivables				
Grades AAA to B : Pass/Current	P 155,344	P 115	P 213	P 155,672
Grade C : EM	-	3	-	3
Grade D : Substandard	511	417	339	1,267
Grade E : Doubtful	-	-	419	419
Grade F : Loss	-	-	2,089	2,089
	155,855	535	3,060	159,450
ECL allowance	(101)	(78)	(2,405)	(2,584)
Carrying amount	P 155,754	P 457	P 655	P 156,866

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	**P 512,128**	**P -**	**P -**	**P 512,128**
Grade C : EM	**-**	**56**	**-**	**56**
Grade E : Doubtful	**-**	**-**	**1,252**	**1,252**
Grade F : Loss	**-**	**-**	**267**	**267**
	512,128	**56**	**1,519**	**513,703**
ECL allowance	**(106)**	**(29)**	**(1,519)**	**(1,654)**
Carrying amount	**P 512,022**	**P 27**	**P -**	**P 512,049**
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	**P 161,301**	**P -**	**P -**	**P 161,301**
Grade C : EM	**-**	**53**	**-**	**53**
Carrying amount	**P 161,301**	**P 53**	**P -**	**P 161,354**
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	**P 131,273**	**P -**	**P -**	**P 131,273**
Grade B- : Watchlisted	**-**	**28**	**-**	**28**
Grade C : EM	**-**	**9**	**-**	**9**
	131,273	**37**	**-**	**131,310**
ECL allowance	**(233)**	**-**	**-**	**(233)**
Carrying amount	**P 131,040**	**P 37**	**P -**	**P 131,077**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	P 1,733,845	P -	P -	P 1,733,845
Grade B- : Watchlisted	106	30,835	502	31,443
Grade C : EM	5	81,131	2,009	83,145
Grade D : Substandard	-	4,403	7,059	11,462
Grade E : Doubtful	-	-	5,578	5,578
Grade F : Loss	-	-	3,882	3,882
	1,733,956	116,369	19,030	1,869,355
ECL allowance	(7,513)	(17,205)	(13,237)	(37,955)
Carrying amount	P 1,726,443	P 99,164	P 5,793	P 1,831,400
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	P 473,747	P -	P 160	P 473,907
Grade B- : Watchlisted	9	181	62	252
Grade C : EM	-	1,506	107	1,613
Grade D : Substandard	-	1,356	8,078	9,434
Grade E : Doubtful	-	-	16,658	16,658
Grade F : Loss	-	-	28,974	28,974
	473,756	3,043	54,039	530,838
ECL allowance	(5,554)	(504)	(21,246)	(27,304)
Carrying amount	P 468,202	P 2,539	P 32,793	P 503,534
Other receivables				
Grades AAA to B : Pass/Current	P 114,790	P 22	P 238	P 115,050
Grade C : EM	-	41	-	41
Grade D : Substandard	503	407	258	1,168
Grade E : Doubtful	16	-	249	265
Grade F : Loss	-	-	1,929	1,929
	115,309	470	2,674	118,453
ECL allowance	(79)	(77)	(2,328)	(2,484)
Carrying amount	P 115,230	P 393	P 346	P 115,969

BDO Unibank Group

	2021			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	P 397,595	P -	P -	P 397,595
Grade E : Doubtful	-	-	1,146	1,146
Grade F : Loss	-	-	264	264
	397,595	-	1,410	399,005
ECL allowance	(61)	-	(1,410)	(1,471)
Carrying amount	P 397,534	P -	P -	P 397,534
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	P 165,461	P -	P -	P 165,461
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	P 112,403	P -	P -	P 112,403
Grade B : Watchlisted	-	461	-	461
Grade C : EM	-	42	-	42
	112,403	503	-	112,906
ECL allowance	(289)	-	-	(289)
Carrying amount	P 112,114	P 503	P -	P 112,617

The table below sets out the credit quality of trading debt securities of the BDO Unibank Group measured at FVTPL (see Note 10.1).

	2022	2021
Grade:		
AAA	P 7,678	P 4,449
AA+ to AA	151	330
A+ to A-	-	371
BBB+ to BBB-	2,131	4,440
BB+ to BB-	158	516
	P 10,118	P 10,106

The table below shows an analysis of counterparty credit exposures arising from derivative transactions of the BDO Unibank Group. Outstanding derivative exposures to counterparties are generally to investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

	Total		Exchange-traded		Over-the-counter: Central Counterparties		Over-the-counter: Other Bilateral Collateralized	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
2022								
Derivative assets	**P 172,551**	**P 8,613**	**P 1,072**	**P -**	**P 139,990**	**P 3,468**	**P 31,489**	**P 5,145**
Derivative liabilities	**205,608**	**7,809**	**2,489**	**1**	**169,658**	**3,634**	**33,461**	**4,174**
2021								
Derivative assets	P 190,129	P 6,232	P 131	P 1	P 163,556	P 2,468	P 26,442	P 3,763
Derivative liabilities	201,482	5,742	1,792	-	171,809	2,462	27,881	3,280

As of December 31, 2022 and 2021, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P527,489 and P444,103, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	P 1,914,938	P -	P -	P 1,914,938
Grade B- : Watchlisted	-	23,020	1,640	24,660
Grade C : EM	-	47,691	3,024	50,715
Grade D : Substandard	-	4,391	7,145	11,536
Grade E : Doubtful	-	-	3,332	3,332
Grade F : Loss	-	-	2,609	2,609
	1,914,938	75,102	17,750	2,007,790
ECL allowance	(6,906)	(26,614)	(14,022)	(47,542)
Carrying amount	P 1,908,032	P 48,488	P 3,728	P 1,960,248
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	P 494,913	P -	P -	P 494,913
Grade B- : Watchlisted	-	57	38	95
Grade C : EM	-	906	75	981
Grade D : Substandard	-	1,308	4,272	5,580
Grade E : Doubtful	-	-	3,300	3,300
Grade F : Loss	-	-	24,985	24,985
	494,913	2,271	32,670	529,854
ECL allowance	(6,050)	(775)	(17,209)	(24,034)
Carrying amount	P 488,863	P 1,496	P 15,461	P 505,820
Other receivables				
Grades AAA to B : Pass/Current	P 153,966	P -	P -	P 153,966
Grade D : Substandard	509	416	336	1,261
Grade E : Doubtful	-	-	366	366
Grade F : Loss	-	-	1,984	1,984
	154,475	416	2,686	157,577
ECL allowance	(74)	(78)	(2,272)	(2,424)
Carrying amount	P 154,401	P 338	P 414	P 155,153
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	P 491,324	P -	P -	P 491,324
Grade C : EM	-	56	-	56
Grade E : Doubtful	-	-	1,252	1,252
Grade F : Loss	-	-	267	267
	491,324	56	1,519	492,899
ECL allowance	(92)	(29)	(1,519)	(1,640)
Carrying amount	P 491,232	P 27	P -	P 491,259
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	P 108,053	P -	P -	P 108,053
Grade C : EM	-	53	-	53
Carrying amount	P 108,053	P 53	P -	P 108,106
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	P 131,273	P -	P -	P 131,273
Grade B- : Watchlisted	-	28	-	28
Grade C : EM	-	9	-	9
	131,273	37	-	131,310
ECL allowance	(233)	-	-	(233)
Carrying amount	P 131,040	P 37	P -	P 131,077

Parent Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers - corporate				
Grades AAA to B : Pass/Current	P 1,728,038	P -	P -	P 1,728,038
Grade B- : Watchlisted	-	30,830	502	31,332
Grade C : EM	-	81,131	2,009	83,140
Grade D : Substandard	-	4,403	7,059	11,462
Grade E : Doubtful	-	-	5,578	5,578
Grade F : Loss	-	-	3,878	3,878
	1,728,038	116,364	19,026	1,863,428
ECL allowance	(7,477)	(17,204)	(13,233)	(37,914)
Carrying amount	P 1,720,561	P 99,160	P 5,793	P 1,825,514
Receivables from customers - consumer				
Grades AAA to B : Pass/Current	P 438,721	P -	P -	P 438,721
Grade B- : Watchlisted	-	181	62	243
Grade C : EM	-	1,468	47	1,515
Grade D : Substandard	-	1,094	8,013	9,107
Grade E : Doubtful	-	-	11,677	11,677
Grade F : Loss	-	-	26,860	26,860
	438,721	2,743	46,659	488,123
ECL allowance	(5,194)	(414)	(19,752)	(25,360)
Carrying amount	P 433,527	P 2,329	P 26,907	P 462,763
Other receivables				
Grades AAA to B : Pass/Current	P 110,798	P -	P -	P 110,798
Grade D : Substandard	502	406	251	1,159
Grade E : Doubtful	-	-	211	211
Grade F : Loss	-	-	1,856	1,856
	111,300	406	2,318	114,024
ECL allowance	(31)	(77)	(2,210)	(2,318)
Carrying amount	P 111,269	P 329	P 108	P 111,706
Debt investment securities at amortized cost				
Grades AAA to B : Pass/Current	P 377,427	P -	P -	P 377,427
Grade E : Doubtful	-	-	1,146	1,146
Grade F : Loss	-	-	264	264
	377,427	-	1,410	378,837
ECL allowance	(45)	-	(1,410)	(1,455)
Carrying amount	P 377,382	P -	P -	P 377,382
Debt investment securities at FVOCI				
Grades AAA to B : Pass/Current	P 114,095	P -	P -	P 114,095
Loan commitments and other contingent accounts				
Grades AAA to B : Pass/Current	P 112,403	P -	P -	P 112,403
Grade B- : Watchlisted	-	461	-	461
Grade C : EM	-	42	-	42
	112,403	503	-	112,906
ECL allowance	(289)	-	-	(289)
Carrying amount	P 112,114	P 503	P -	P 112,617

The table below sets out the credit quality of trading debt securities of the Parent Bank measured at FVTPL (see Note 10.1).

	2022	2021
Grade:		
AAA	**P 2,088**	P 1,756
AA+ to AA	**5**	5
BBB+ to BBB-	**216**	169
BB+ to BB-	**105**	216
	P 2,414	P 2,146

The table below shows an analysis of counterparty credit exposures arising from derivative transactions. Derivative transactions of the Parent Bank are generally fully collateralized by cash.

					Over-the-counter			
	Total		Exchange-traded		Central Counterparties		Other Bilateral Collateralized	
	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value	Notional Amount	Fair Value
2022								
Derivative assets	**P 141,062**	**P 3,468**	**P 1,072**	**P -**	**P 139,990**	**P 3,468**	**P -**	**P -**
Derivative liabilities	**170,730**	**3,636**	**1,072**	**1**	**169,658**	**3,635**	**-**	**-**
2021								
Derivative assets	P 163,687	P 2,469	P 131	P -	P 163,556	P 2,469	P -	P -
Derivative liabilities	171,940	2,462	131	-	171,809	2,462	-	-

As of December 31, 2022 and 2021, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P513,931 and P433,449, respectively. The financial assets are held with the BSP and financial institution counterparties that are rated at least BBB to AAA+, based on external rating agencies.

4.3.3 Concentrations of Credit Risk

The BDO Unibank Group and the Parent Bank monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below and in the succeeding page.

BDO Unibank Group

	2022			2021		
	Cash and Cash Equivalents*	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	**P 664,420**	**P 402,156**	**P 547,225**	P 547,827	P 397,823	P 438,014
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	**-**	**399,101**	**-**	-	356,129	-
Real estate activities	**-**	**324,074**	**20,022**	-	307,048	21,656
Wholesale and retail trade	**-**	**299,896**	**3,010**	-	282,446	953
Electricity, gas, steam and air-conditioning supply	**-**	**281,036**	**26,017**	-	282,036	23,345
Manufacturing	**-**	**232,488**	**15,627**	-	206,445	14,198
Construction	**-**	**90,712**	**181**	-	68,951	102
Information and communication	**-**	**90,342**	**7,157**	-	42,845	5,962
Transportation and storage	**-**	**87,256**	**4,089**	-	88,043	4,190
Arts, entertainment and recreation	**-**	**83,076**	**1,025**	-	77,010	715
Education	**-**	**71,731**	**-**	-	37,199	-
Water supply, sewerage waste management and remediation activities	**-**	**38,760**	**321**	-	26,912	148
Accommodation and food service activities	**-**	**36,529**	**-**	-	39,937	-
Human health and social work activities	**-**	**31,875**	**980**	-	30,653	901
Agriculture, forestry and fishing	**-**	**15,642**	**-**	-	15,266	-
Mining and quarrying	**-**	**10,578**	**3,732**	-	10,175	1,279
Professional, scientific and technical services	**-**	**9,912**	**1,059**	-	9,642	975
Administrative and support services	**-**	**9,581**	**1,060**	-	7,592	1,262
Public administrative and defense; compulsory social security	**-**	**1,030**	**5,858**	-	693	2,629
Other service activities	**34**	**98,036**	**55,318**	54	113,348	64,475
	P 664,454	**P 2,613,811**	**P 692,681**	P 547,881	P 2,400,193	P 580,804
Concentration by location:						
Philippines	**P 508,615**	**P 2,439,453**	**P 588,929**	P 400,581	P 2,261,065	P 486,987
Foreign countries	**155,839**	**174,358**	**103,752**	147,300	139,128	93,817
	P 664,454	**P 2,613,811**	**P 692,681**	P 547,881	P 2,400,193	P 580,804

** Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, PCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.6).*

***Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.*

Parent Bank

	2022			2021		
	Cash and Cash Equivalents*	**Receivables from Customers****	**Trading and Investment Securities**	Cash and Cash Equivalents*	Receivables from Customers**	Trading and Investment Securities
Concentration by sector:						
Financial and insurance activities	P 654,033	P 401,394	P 512,005	P 535,932	P 397,733	P 414,478
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	391,623	-	-	347,713	-
Real estate activities	-	325,088	15,631	-	308,053	16,953
Wholesale and retail traded	-	294,838	3,010	-	278,173	953
Electricity, gas, steam and air-conditioning supply	-	280,969	23,554	-	281,990	21,731
Manufacturing	-	231,327	14,923	-	205,679	12,891
Information and communication	-	90,123	4,584	-	42,634	3,802
Construction	-	89,326	181	-	68,108	102
Transportation and storage	-	87,613	3,720	-	88,607	3,630
Arts, entertainment and recreation	-	82,107	1,025	-	76,004	715
Water supply, sewerage waste management and remediation activities	-	38,714	321	-	26,870	148
Accommodation and food service activities	-	36,329	-	-	39,688	-
Human health and social work activities	-	31,616	980	-	30,392	901
Agriculture, forestry and fishing	-	14,876	-	-	14,600	-
Mining and quarrying	-	10,483	3,732	-	10,122	1,279
Education	-	10,151	-	-	4,373	-
Professional, scientific and technical services	-	9,861	1,059	-	9,601	975
Administrative and support services	-	9,375	1,060	-	7,430	1,262
Public administrative and defense; compulsory social security	-	1,030	5,858	-	693	2,629
Other service activities	-	100,801	14,137	-	113,088	15,098
	P 654,033	P 2,537,644	P 605,780	P 535,932	P 2,351,551	P 497,547
Concentration by location						
Philippines	P 502,022	P 2,363,286	P 507,850	P 391,881	P 2,212,423	P 410,296
Foreign countries	152,011	174,358	97,930	144,051	139,128	87,251
	P 654,033	P 2,537,644	P 605,780	P 535,932	P 2,351,551	P 497,547

** Cash and cash equivalents include cash and other cash items, due from BSP and other banks, reverse repurchase agreements, FCNC, certain interbank loans receivables and investment securities at amortized cost (see Note 2.6).*

***Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.*

4.3.4 Collateral Held as Security and Other Credit Enhancements

The BDO Unibank Group and the Parent Bank hold collateral against credit exposures from customers in the form of mortgage interests over property, other registered securities over assets, financial collateral including deposits, debt and equity securities, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically. Collateral generally is not held over from due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity.

There is no significant change on the quality of the collateral and other security enhancements held against the credit exposures except for the fair value of the collaterals driven by the change in market conditions.

Estimate of the fair value of collateral and other security enhancements held against the following credit exposures as of December 31 follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	**2022**	2021
Receivable from customers – corporate:				
Property	**P 816,641**	P 643,403	**P 813,925**	P 632,969
Equity securities	**200,243**	119,361	**199,187**	117,459
Hold-out deposits	**53,976**	31,257	**53,342**	30,986
Debt securities	**10,649**	2,298	**9,987**	1,252
Others	**99,530**	105,236	**99,329**	105,024
	1,181,039	901,555	**1,175,770**	887,690
Receivable from customers – consumer:				
Property	**606,259**	558,874	**589,616**	545,335
Debt securities	**704**	989	**675**	989
Equity securities	**183**	146	**183**	146
Hold-out deposits	**7**	52	**7**	52
Others	**195,833**	212,603	**195,833**	202,216
	802,986	772,664	**786,314**	748,738
Other receivables:				
Property	**1,914**	1,832	**1,914**	1,668
Others	**26,305**	17,095	**26,091**	15,800
	28,219	18,927	**28,005**	17,468
	P 2,012,244	P 1,693,146	**P 1,990,089**	P 1,653,896

The BDO Unibank Group and the Parent Bank have recognized certain properties arising from foreclosures in settlement of loan account amounting to P16,875 and P16,729, respectively, in 2022 and P13,523 and P13,479, respectively, in 2021 (see Note 14 and 15.5).

The BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

The general creditworthiness of a corporate and individual customer tends to be the most relevant indicator of credit quality of a loan extended to it (see Note 4.3.2). However, collateral provides additional security and the BDO Unibank Group generally requests that corporate and individual borrowers provide it. The BDO Unibank Group may take collateral in the form of a first charge over real estate, floating charges over all corporate and individual assets and other liens and guarantees.

While the BDO Unibank Group is focused on corporate and individual customers' creditworthiness, it continuously and regularly updates the valuation of collateral held against all loans to corporate and individual customers. Most frequent updating, however, is required when the loan is put on a watch list and the loan is monitored more closely. The same applies to credit-impaired loans, as the BDO Unibank Group obtains appraisals or valuation of collateral to provide input into determining the management credit risk actions.

(a) Receivable from Customers and Other Receivables

The net carrying amount of credit-impaired (loans under Stages 2 and 3) receivables and the value of identifiable collateral held against those loans and advances as of December 31, 2022 and 2021 are as follows:

	2022		2021	
	Net Carrying Amount	**Identifiable Collateral**	Net Carrying Amount	Identifiable Collateral
BDO Unibank Group				
Receivable from customers:				
Corporate	**P 52,219**	**P 52,297**	P 104,957	P 63,098
Consumer	**18,336**	**64,043**	35,332	74,986
Other receivables	**1,112**	**393**	739	2,895
Parent Bank				
Receivable from customers:				
Corporate	**P 52,216**	**P 52,297**	P 104,953	P 63,083
Consumer	**16,957**	**47,370**	29,236	69,602
Other receivables	**752**	**393**	437	2,438

For each loan, the value of disclosed collateral (mainly collateral properties) is capped at the nominal amount of the loan that it is held against.

(b) Debt Investment Securities

The BDO Unibank Group and the Parent Bank invest in non-collateralized debt securities issued by various government and corporate entities. The maximum exposure to credit risk of debt investment securities is equivalent to their carrying amount as of December 31, 2022 and 2021 as shown below:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Debt securities:				
At amortized cost	**P 512,049**	P 397,534	**P 491,259**	P 377,382
At FVOCI	**161,354**	165,461	**108,106**	114,095
At FVTPL	**10,118**	10,106	**2,414**	2,146
	P 683,521	P 573,101	**P 601,779**	P 493,623

4.3.5 Amounts Arising from Expected Credit Losses

At each reporting date, BDO Unibank Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI 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 BDO Unibank Group measures credit risk using PD, LGD and EAD.

(a) Significant Increase in Credit Risk (SICR)

As outlined in PFRS 9, a '3-stage' impairment model was adopted by the BDO Unibank Group 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 BDO Unibank Group 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 BDO Unibank Group 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 BDO Unibank Group's historical experience and expert credit assessment and including forward-looking information (FLI).

The objective of the assessment is to identify whether an SICR 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).

(i) Credit risk grading

The BDO Unibank Group 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 BDO Unibank Group 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 BDO Unibank Group employs statistical models to analyze the data collected and generates the term structure of PD estimates.

(iii) Determining whether credit risk has significantly increased

The BDO Unibank Group 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 BDO Unibank Group.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the BDO Unibank Group's credit 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.

In 2022 and 2021, the assumptions and estimation technique have been reviewed to consider the continuing impact of the COVID-19 pandemic, impact of higher oil prices, and rising interest rates. In this regard, the BDO Unibank Group and the Parent Bank performed comprehensive review of the financial assets, particularly for loan accounts to assess vulnerability arising from current economic condition, which resulted in the transfer of the classification of some loans from Stage 1 to either Stage 2 or 3. These accounts are continually monitored to determine whether they are subsequently qualified for transfer to either Stage 1 or Stage 2.

(b) Definition of Default

The BDO Unibank Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the BDO Unibank Group in full, without recourse by the BDO Unibank Group 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 BDO Unibank Group; 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 BDO Unibank Group 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.

These criteria have been applied to all financial instruments held by the BDO Unibank Group and are consistent with the definition of default used for internal credit risk management purposes. Such definition has been consistently applied in determining PD, EAD, and LGD throughout the ECL calculations of the BDO Unibank Group.

An instrument is considered to have cured when it no longer meets any of the default criteria for a consecutive period of six months. The cure period sets the tolerance period wherein the borrowers are allowed to update the payments in compliance with the regulatory requirements on transfer between stages.

(c) 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 above under the heading 'Generating the term structure of PD.

LGD is the magnitude of the likely loss if there is a default. The BDO Unibank Group 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. For loans secured by retail property, loan-to-value (LTV) ratios are a key parameter in determining LGD. 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 BDO Unibank Group 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. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described in the previous page, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the BDO Unibank Group 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 BDO Unibank Group considers a longer period. The maximum contractual period extends to the date at which the BDO Unibank Group has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For portfolios in respect of which the BDO Unibank Group has limited historical data, external benchmark information (e.g., PD from external credit rating agencies, Basel LGD) issued are 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.

There were no significant changes in the estimation techniques or significant assumptions made by the BDO Unibank Group in 2022.

(d) Collective Basis of Measurement of ECL

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics such as:

- instrument type;
- credit risk gradings;
- collateral type;
- LTV ratio for retail mortgages;
- date of initial recognition;
- remaining term to maturity;
- industry; and,
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

The groupings are subject to the regular review by the BDO Unibank Group's RMG in order to ensure that credit exposures within a particular group remain appropriately homogenous.

(e) Forward-looking Information (FLI)

The BDO Unibank Group 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 BDO Unibank Group 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, GDP growth rate, unemployment rate, inflation rate, foreign exchange rates, 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 macro-economic models are updated at least on an annual basis.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore, the actual outcomes may be significantly different from the projections. The BDO Unibank Group considers these forecasts to represent its best estimate of the possible outcomes and has analyzed the non-linearities and asymmetries within the BDO Unibank Group different product types to establish that the chosen scenarios are appropriately representative of the range of possible scenarios.

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.

(f) Modified Financial Assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The BDO Unibank Group renegotiates loans of customers in financial difficulties (referred to as 'restructuring') to maximize collection opportunities and minimize the risk of default. Under the BDO Unibank Group's restructuring policy, loan restructuring is granted on a selective basis if the debtor is currently in default on its debt but the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, deferment of principal payment, changing the timing of interest payments and amending the terms of loan covenants. The proposals for loan restructuring are for approval by the BDO Unibank Group's Executive Committee.

For financial assets modified as part of the BDO Unibank Group's restructuring policy, the estimate of credit loss will reflect the probability to collect interest and principal. As part of this process, the BDO Unibank Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, restructuring is a qualitative indicator of an SICR and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 4.3.2). A customer needs to demonstrate consistently good payment behavior over a period of time (in accordance with the new terms for six consecutive months or more) before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

In response to the unprecedented impact of the COVID-19 pandemic, the BDO Unibank Group and the Parent Bank granted to its customers the mandatory reliefs provided by the government through *Bayanihan to Heal as One Act (Bayanihan I)* and *Bayanihan to Recover as One Act (Bayanihan II)*. In addition, it entered into voluntary renegotiations of terms of loans of some other customers with a view of maximizing recovery of the contractual amount of obligation. These relief measures were granted to eligible borrowers to allow them to get back into the habit of paying loans which includes payment relief including extension of contractual terms, principal and interest relief, as well as extension of balloon payment terms.

Financial reliefs provided by the BDO Unibank Group and the Parent Bank and mandated by the government were assessed to be non-substantial modification and has not resulted in material modification loss as the present value of the original cash flows and the present value of the revised cash flows using the original effective interest rate were substantially the same.

The following tables provide a summary of the outstanding principal balance net of allowance for impairment of modified loans provided by the BDO Unibank Group and the Parent Bank as of December 31, 2022 and 2021:

BDO Unibank Group

	2022	2021
Stage 1 (Performing)		
Corporate	P 79,515	P 68,893
Consumer	55,423	121,081
	134,938	189,974
Allowance for impairment	(892)	(1,404)
	P 134,046	P 188,570
Stage 2 (Underperforming)		
Corporate	P 19,596	P 98,434
Consumer	67,691	1,075
	87,287	99,509
Allowance for impairment	(16,350)	(15,798)
	P 70,937	P 83,711
Stage 3 (Non-performing)		
Corporate	P 5,474	P 5,673
Consumer	6,872	7,542
	12,346	13,215
Allowance for impairment	(6,124)	(4,709)
	P 6,222	P 8,506

Parent Bank

	2022	2021
Stage 1 (Performing)		
Corporate	P 79,515	P 68,893
Consumer	55,063	120,081
	134,578	188,974
Allowance for impairment	(840)	(1,367)
	P 133,738	P 187,607
Stage 2 (Underperforming)		
Corporate	P 19,596	P 98,434
Consumer	67,688	1,054
	87,284	99,488
Allowance for impairment	(16,349)	(15,793)
	P 70,935	P 83,695
Stage 3 (Non-performing)		
Corporate	P 5,474	P 5,673
Consumer	6,783	7,006
	12,257	12,679
Allowance for impairment	(6,039)	(4,521)
	P 6,218	P 8,158

(g) Write-offs

The BDO Unibank Group 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 BDO Unibank Group'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 BDO Unibank Group and the Parent Bank have still, however, enforceable right to receive payment even if the financial assets have been written off except in certain cases.

The BDO Unibank Group and the Parent Bank had written off certain accounts from which it no longer have an enforceable right to receive payment amounting to P793 and P331 respectively, in 2022, and P1,054 and P1,015, respectively, in 2021.

(h) Credit risk exposure

The BDO Unibank Group and the Parent Bank's maximum exposure to credit risk is equal to the carrying value of its financial assets as shown below and in the succeeding page.

BDO Unibank Group

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	**P 2,015,342**	**P 1,181,039**	**P 834,303**	**P 1,181,039**
Consumer	**598,469**	**802,986**	**-**	**598,469**
Reverse repurchase agreements	**26,305**	**26,305**	**-**	**-**
Sales contracts receivables	**1,421**	**1,914**	**-**	**1,421**
	P 2,641,537	**P 2,012,244**	**P 834,303**	**P 1,780,929**
2021				
Loans and discounts:				
Corporate	P 1,869,355	P 901,555	P 967,800	P 901,555
Consumer	530,838	772,664	-	530,838
Reverse repurchase agreements	17,095	17,095	-	-
Sales contracts receivables	1,283	1,832	-	1,283
	P 2,418,571	P 1,693,146	P 967,800	P 1,433,676

Parent Bank

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	P 2,007,790	P 1,175,770	P 832,020	P 1,175,770
Consumer	529,854	786,314	-	529,854
Reverse repurchase agreements	26,091	26,091	-	-
Sales contracts receivables	1,323	1,914	-	1,323
	P 2,565,058	P 1,990,089	P 832,020	P 1,706,946
2021				
Loans and discounts:				
Corporate	P 1,863,428	P 887,690	P 975,738	P 887,690
Consumer	488,123	748,738	-	488,123
Reverse Repurchase Agreements	15,800	15,800	-	-
Sales contracts receivables	1,226	1,668	-	1,226
	P 2,368,577	P 1,653,896	P 975,738	P 1,377,039

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2022 and 2021 is shown below and in the succeeding page.

BDO Unibank Group

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	P 17,756	P 7,273	P 10,483	P 7,273
Consumer	35,301	53,010	-	35,301
Sales contracts receivables	282	348	-	282
	P 53,339	P 60,631	P 10,483	P 42,856
2021				
Loans and discounts:				
Corporate	P 19,030	P 6,455	P 12,575	P 6,455
Consumer	54,039	68,085	-	54,039
Sales contracts receivables	214	304	-	214
	P 73,283	P 74,844	P 12,575	P 60,708

Parent Bank

	Gross Maximum Exposure	Fair Value of Collaterals	Net Exposure	Financial Effect of Collaterals
2022				
Loans and discounts:				
Corporate	**P 17,750**	**P 7,273**	**P 10,477**	**P 7,273**
Consumer	**32,670**	**45,337**	**-**	**32,670**
Sales contracts receivables	**282**	**348**	**-**	**282**
	P 50,702	**P 52,958**	**P 10,477**	**P 40,225**
2021				
Loans and discounts:				
Corporate	P 19,026	P 6,455	P 12,571	P 6,455
Consumer	46,659	66,296	-	46,659
Sales contracts receivables	212	302	-	212
	P 65,897	P 73,053	P 12,571	P 53,326

The following table sets out the gross carrying amounts of the exposures to credit risk on financial assets with low credit risk measured at amortized cost and debt securities at FVOCI as of December 31:

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Cash equivalents	8, 9	**P 527,504**	P 444,103	**P 513,945**	P 433,449
Debt securities:					
At FVOCI	10.2	**161,354**	165,461	**108,106**	114,095
At amortized cost	10.3	**513,703**	399,005	**492,899**	378,837
		P 675,057	P 564,466	**P 601,005**	P 492,932

Cash equivalents includes loans and amounts due from BSP and from other banks. Debt securities includes government and corporate bonds. These are held by the BSP, financial institutions and other counterparties that are reputable and with low credit risk; hence, ECL is negligible.

(i) Loss allowance

In 2022 and 2021, the BDO Unibank Group and the Parent Bank performed recalibration of its existing ECL model to incorporate the most-recent default and recovery experience of the BDO Unibank Group and the Parent Bank and developments in the macroeconomic environment. Independent macroeconomic variables used to forecast the PD 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.

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 7,513	P 17,205	P 13,237	P 37,955
Transfers to:				
Stage 1	7,025	(7,020)	(5)	-
Stage 2	(25)	31	(6)	-
Stage 3	(3)	(18)	21	-
Net remeasurement of loss allowance	(7,431)	11,833	2,750	7,152
New financial assets originated or purchased	3,075	6,296	4,465	13,836
Derecognition of financial assets	(3,262)	(1,713)	(6,001)	(10,976)
Write-offs	-	-	(1,017)	(1,017)
Foreign exchange	58	-	581	639
Balance at December 31	P 6,950	P 26,614	P 14,025	P 47,589
Receivables from customers – consumer				
Balance at January 1	P 5,554	P 504	P 21,246	P 27,304
Transfers to:				
Stage 1	1,312	(157)	(1,155)	-
Stage 2	(102)	382	(280)	-
Stage 3	(744)	(1,060)	1,804	-
Net remeasurement of loss allowance	(735)	1,153	5,607	6,025
New financial assets originated or purchased	1,836	155	508	2,499
Derecognition of financial assets	(510)	(87)	(1,638)	(2,235)
Write-offs	-	-	(7,426)	(7,426)
Foreign exchange	3	-	17	20
Balance at December 31	P 6,614	P 890	P 18,683	P 26,187
Other receivables				
Balance at January 1	P 79	P 77	P 2,328	P 2,484
Transfers to				
Stage 1	8	(2)	(6)	-
Stage 2	-	(2)	2	-
Stage 3	(24)	15	9	-
Net remeasurement of loss allowance	65	(17)	(9)	39
New financial assets originated or purchased	39	17	605	661
Derecognition of financial assets	(66)	(10)	(359)	(435)
Write-offs	-	-	(165)	(165)
Balance at December 31	P 101	P 78	P 2,405	P 2,584
Debt investment securities at amortized cost				
Balance at January 1	P 61	P -	P 1,410	P 1,471
Transfers to:				
Stage 2	(1)	1	-	-
Net remeasurement of loss allowance	43	28	-	71
New financial assets originated or purchased	4	-	-	4
Foreign exchange	5	-	109	114
Derecognition of financial assets	(6)	-	-	(6)
Balance at December 31	P 106	P 29	P 1,519	P 1,654

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	**P 50**	**P -**	**P -**	**P 50**
Net remeasurement of loss allowance	**14**	**60**	**-**	**74**
New financial assets originated or purchased	**5**	**-**	**-**	**5**
Derecognition of financial assets	**(12)**	**-**	**-**	**(12)**
Balance at December 31	**P 57**	**P 60**	**P -**	**P 117**
Loan commitments and other contingent accounts				
Balance at January 1	**P 289**	**P -**	**P -**	**P 289**
Net remeasurement of loss allowance	**(54)**	**-**	**-**	**(54)**
New financial assets originated or purchased	**43**	**-**	**-**	**43**
Derecognition of financial assets	**(51)**	**-**	**-**	**(51)**
Foreign exchange	**6**	**-**	**-**	**6**
Balance at December 31	**P 233**	**P -**	**P -**	**P 233**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 6,254	P 11,699	P 10,056	P 28,009
Transfers to:				
Stage 1	414	(414)	-	-
Stage 2	218	(217)	(1)	-
Stage 3	(7)	(17)	24	-
Net remeasurement of loss allowance	(743)	6,206	1,645	7,108
New financial assets originated or purchased	3,529	877	3,960	8,366
Derecognition of financial assets	(2,227)	(1,151)	(1,352)	(4,730)
Write-offs	-	-	(1,256)	(1,256)
Foreign exchange	75	222	161	458
Balance at December 31	P 7,513	P 17,205	P 13,237	P 37,955
Receivables from customers – consumer				
Balance at January 1	P 7,795	P 997	P 19,619	P 28,411
Transfers to:				
Stage 1	3,290	(630)	(2,660)	-
Stage 2	(210)	379	(169)	-
Stage 3	(2,692)	(393)	3,085	-
Net remeasurement of loss allowance	(3,099)	160	10,152	7,213
New financial assets originated or purchased	1,273	109	1,015	2,397
Derecognition of financial assets	(805)	(118)	(2,234)	(3,157)
Write-offs	-	-	(7,575)	(7,575)
Foreign exchange	2	-	13	15
Balance at December 31	P 5,554	P 504	P 21,246	P 27,304
Other receivables				
Balance at January 1	P 151	P 18	P 2,262	P 2,431
Transfers to				
Stage 1	13	(1)	(12)	-
Stage 2		1	(1)	-
Stage 3	(6)	-	6	-
Net remeasurement of loss allowance	(80)	52	154	126
New financial assets originated or purchased	22	18	527	567
Derecognition of financial assets	(22)	(11)	(474)	(507)
Write-offs		-	(135)	(135)
Foreign exchange	1	-	1	2
Balance at December 31	P 79	P 77	P 2,328	P 2,484

BDO Unibank Group

	2021			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost				
Balance at January 1	P 248	P -	P 1,342	P 1,590
Net remeasurement of loss allowance	(180)	-	-	(180)
New financial assets originated or purchased	10	-	-	10
Foreign exchange	5	-	68	73
Derecognition of financial assets	(22)	-	-	(22)
Balance at December 31	P 61	P -	P 1,410	P 1,471
Debt investment securities at FVOCI				
Balance at January 1	P 137	P -	P -	P 137
Net remeasurement of loss allowance	(75)	-	-	(75)
New financial assets originated or purchased	12	-	-	12
Derecognition of financial assets	(24)	-	-	(24)
Balance at December 31	P 50	P -	P -	P 50
Loan commitments and other contingent accounts				
Balance at January 1	P 314	P 3	P -	P 317
Net remeasurement of loss allowance	(29)	-	-	(29)
New financial assets originated or purchased	66	-	-	66
Derecognition of financial assets	(65)	(3)	-	(68)
Foreign exchange	3	-	-	3
Balance at December 31	P 289	P -	P -	P 289

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 7,477	P 17,204	P 13,233	P 37,914
Transfers to:				
Stage 1	7,009	(7,005)	(4)	-
Stage 2	(25)	31	(6)	-
Stage 3	(3)	(16)	19	-
Net remeasurement of loss allowance	(7,413)	11,817	2,750	7,154
New financial assets originated or purchased	3,059	6,296	4,465	13,820
Derecognition of financial assets	(3,256)	(1,713)	(6,001)	(10,970)
Write-offs	-	-	(1,015)	(1,015)
Foreign exchange	58	-	581	639
Balance at December 31	P 6,906	P 26,614	P 14,022	P 47,542
Receivables from customers – consumer				
Balance at January 1	P 5,194	P 414	P 19,752	P 25,360
Transfers to:				
Stage 1	1,158	(115)	(1,043)	-
Stage 2	(99)	377	(278)	-
Stage 3	(675)	(213)	888	-
Net remeasurement of loss allowance	(551)	279	5,930	5,658
New financial assets originated or purchased	1,434	90	396	1,920
Derecognition of financial assets	(413)	(57)	(1,487)	(1,957)
Write-offs	-	-	(6,966)	(6,966)
Foreign exchange	2	-	17	19
Balance at December 31	P 6,050	P 775	P 17,209	P 24,034

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	P 31	P 77	P 2,210	P 2,318
Transfers to:				
Stage 1	8	(2)	(6)	-
Stage 2	-	(2)	2	-
Stage 3	-	(2)	2	-
Net remeasurement of loss allowance	63	-	(40)	23
New financial assets originated or purchased	38	17	601	656
Derecognition of financial assets	(66)	(10)	(339)	(415)
Write-offs	-	-	(158)	(158)
Balance at December 31	P 74	P 78	P 2,272	P 2,424
Debt investment securities at amortized cost				
Balance at January 1	P 45	P -	P 1,410	P 1,455
Transfers to:				
Stage 2	(1)	1	-	-
Net remeasurement of loss allowance	44	28	-	72
New financial assets originated or purchased	4	-	-	4
Foreign exchange	4	-	109	113
Derecognition of financial assets	(4)	-	-	(4)
Balance at December 31	P 92	P 29	P 1,519	P 1,640
Debt investment securities at FVOCI				
Balance at January 1	P 37	P -	P -	P 37
Net remeasurement of loss allowance	13	60	-	73
New financial assets originated or purchased	2	-	-	2
Derecognition of financial assets	(10)	-	-	(10)
Balance at December 31	P 42	P 60	P -	P 102
Loan commitments and other contingent accounts				
Balance at January 1	P 289	P -	P -	P 289
Net remeasurement of loss allowance	(54)	-	-	(54)
New financial assets originated or purchased	43	-	-	43
Derecognition of financial assets	(51)	-	-	(51)
Foreign exchange	6	-	-	6
Balance at December 31	P 233	P -	P -	P 233

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 6,200	P 11,699	P 10,053	P 27,952
Transfers to:				
Stage 1	398	(398)	-	-
Stage 2	218	(217)	(1)	-
Stage 3	(7)	(15)	22	-
Net remeasurement of loss allowance	(709)	6,187	1,646	7,124
New financial assets originated or purchased	3,515	877	3,959	8,351
Derecognition of financial assets	(2,213)	(1,151)	(1,351)	(4,715)
Write-offs	-	-	(1,256)	(1,256)
Foreign exchange	75	222	161	458
Balance at December 31	P 7,477	P 17,204	P 13,233	P 37,914

Parent Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 7,558	P 671	P 17,808	P 26,037
Transfers to:				
Stage 1	2,832	(409)	(2,423)	-
Stage 2	(206)	370	(164)	-
Stage 3	(2,663)	(349)	3,012	-
Net remeasurement of loss allowance	(2,599)	159	9,508	7,068
New financial assets originated or purchased	1,033	58	797	1,888
Derecognition of financial assets	(763)	(86)	(1,832)	(2,681)
Write-offs	-	-	(6,967)	(6,967)
Foreign exchange	2	-	13	15
Balance at December 31	P 5,194	P 414	P 19,752	P 25,360
Other receivables				
Balance at January 1	P 62	P 19	P 2,204	P 2,285
Transfers to:				
Stage 1	13	(1)	(12)	-
Stage 3	(1)	-	1	-
Net remeasurement of loss allowance	(44)	55	89	100
New financial assets originated or purchased	21	15	520	556
Derecognition of financial assets	(21)	(11)	(465)	(497)
Write-offs	-	-	(128)	(128)
Foreign exchange	1	-	1	2
Balance at December 31	P 31	P 77	P 2,210	P 2,318
Debt investment securities at amortized cost				
Balance at January 1	P 229	P -	P 1,342	P 1,571
Net remeasurement of loss allowance	(175)	-	-	(175)
New financial assets originated or purchased	5	-	-	5
Foreign exchange	5	-	68	73
Derecognition of financial assets	(19)	-	-	(19)
Balance at December 31	P 45	P -	P 1,410	P 1,455
Debt investment securities at FVOCI				
Balance at January 1	P 108	P -	P -	P 108
Net remeasurement of loss allowance	(63)	-	-	(63)
New financial assets originated or purchased	8	-	-	8
Derecognition of financial assets	(16)	-	-	(16)
Balance at December 31	P 37	P -	P -	P 37
Loan commitments and other contingent accounts				
Balance at January 1	P 314	P 3	P -	P 317
Net remeasurement of loss allowance	(29)	-	-	(29)
New financial assets originated or purchased	66	-	-	66
Derecognition of financial assets	(65)	(3)	-	(68)
Foreign exchange	3	-	-	3
Balance at December 31	P 289	P -	P -	P 289

The following table sets out a reconciliation of changes in the total loss allowance.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Balance at January 1	P 69,553	P 60,895	P 67,373	P 58,270
Net remeasurement of loss allowance	13,307	14,163	12,926	14,025
New financial assets originated or purchased	17,048	11,418	16,445	10,874
Derecognition of financial assets	(13,715)	(8,508)	(13,407)	(7,996)
Write-offs	(8,608)	(8,966)	(8,139)	(8,351)
Foreign exchange	779	551	777	551
Balance at December 31	P 78,364	P 69,553	P 75,975	P 67,373

(j) Significant Changes in Gross Carrying Amount Affecting Allowance for ECL

The tables below and in the succeeding pages provide information how the significant changes in the gross carrying amount of financial instruments in 2022 and 2021 contributed to the changes in the allowance for ECL.

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 1,733,956	P 116,369	P 19,030	P 1,869,355
Transfers to:				
Stage 1	38,178	(38,133)	(45)	-
Stage 2	(2,804)	2,929	(125)	-
Stage 3	(745)	(556)	1,301	-
New financial assets originated or purchased	1,674,386	13,508	6,417	1,694,311
Derecognition of financial assets	(1,520,487)	(19,015)	(7,805)	(1,547,307)
Write-offs	-	-	(1,017)	(1,017)
Balance at December 31	P 1,922,484	P 75,102	P 17,756	P 2,015,342
Receivables from customers – consumer				
Balance at January 1	P 473,756	P 3,043	P 54,039	P 530,838
Transfers to:				
Stage 1	32,222	(26,905)	(5,317)	-
Stage 2	(1,502)	1,927	(425)	-
Stage 3	(8,532)	(1,471)	10,003	-
New financial assets originated or purchased	214,499	26,655	617	241,771
Derecognition of financial assets	(149,883)	(641)	(16,190)	(166,714)
Write-offs	-	-	(7,426)	(7,426)
Balance at December 31	P 560,560	P 2,608	P 35,301	P 598,469

BDO Unibank Group

	2022			
	Stage 1	Stage 2	Stage 3	Total
Other receivables				
Balance at January 1	P 115,309	P 470	P 2,674	P 118,453
Transfers to				
Stage 1	51	(22)	(29)	-
Stage 2	(18)	27	(9)	-
Stage 3	(208)	(12)	220	-
New financial assets originated or purchased	57,801	196	1,124	59,121
Derecognition of financial assets	(17,080)	(124)	(755)	(17,959)
Write-offs	-	-	(165)	(165)
Balance at December 31	P 155,855	P 535	P 3,060	P 159,450
Debt investment securities at amortized cost				
Balance at January 1	P 397,595	P -	P 1,410	P 399,005
Amortization	(1,621)	-	-	(1,621)
New financial assets originated or purchased	158,756	-	-	158,756
Foreign exchange	15,453	-	109	15,562
Transfers to:				
Stage 2	(56)	56	-	-
Derecognition of financial assets	(57,999)	-	-	(57,999)
Balance at December 31	P 512,128	P 56	P 1,519	P 513,703
Debt investment securities at FVOCI				
Balance at January 1	P 165,461	P -	P -	P 165,461
Amortization	(749)	-	-	(749)
Fair value gain	(16,659)	-	-	(16,659)
New financial assets originated or purchased	280,222	-	-	280,222
Foreign Exchange	7,309	-	-	7,309
Transfers to:				
Stage 2	(53)	53	-	-
Derecognition of financial assets	(274,230)	-	-	(274,230)
Balance at December 31	P 161,301	P 53	P -	P 161,354
Loan commitments and other contingent accounts				
Balance at January 1	P 112,403	P 503	P -	P 112,906
New financial assets originated or purchased	106,296	30	-	106,326
Derecognition of financial assets	(87,426)	(496)	-	(87,922)
Balance at December 31	P 131,273	P 37	P -	P 131,310

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 1,557,696	P 163,212	P 15,030	P 1,735,938
Transfers to:				
Stage 1	13,931	(13,930)	(1)	-
Stage 2	(1,875)	1,930	(55)	-
Stage 3	(471)	(552)	1,023	-
New financial assets originated or purchased	1,306,861	5,575	5,714	1,318,150
Derecognition of financial assets	(1,142,186)	(39,866)	(1,425)	(1,183,477)
Write-offs	-	-	(1,256)	(1,256)
Balance at December 31	P 1,733,956	P 116,369	P 19,030	P 1,869,355

BDO Unibank Group

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – consumer				
Balance at January 1	P 475,090	P 7,149	P 45,525	P 527,764
Transfers to:				
Stage 1	10,022	(3,144)	(6,878)	-
Stage 2	(2,097)	2,465	(368)	-
Stage 3	(22,686)	(2,207)	24,893	-
New financial assets originated or purchased	131,086	293	3,877	135,256
Derecognition of financial assets	(117,659)	(1,513)	(5,435)	(124,607)
Write-offs	-	-	(7,575)	(7,575)
Balance at December 31	P 473,756	P 3,043	P 54,039	P 530,838
Other receivables				
Balance at January 1	P 94,023	P 451	P 2,656	P 97,130
Transfers to				
Stage 1	71	(14)	(57)	-
Stage 2	(10)	13	(3)	-
Stage 3	(85)	(3)	88	-
New financial assets originated or purchased	25,808	168	1,076	27,052
Derecognition of financial assets	(4,498)	(145)	(951)	(5,594)
Write-offs	-	-	(135)	(135)
Balance at December 31	P 115,309	P 470	P 2,674	P 118,453
Debt investment securities at amortized cost				
Balance at January 1	P 287,067	P -	P 1,342	P 288,409
Amortization	(1,202)	-	-	(1,202)
New financial assets originated or purchased	166,073	-	-	166,073
Foreign exchange	9,068	-	68	9,136
Derecognition of financial assets	(63,411)	-	-	(63,411)
Balance at December 31	P 397,595	P -	P 1,410	P 399,005
Debt investment securities at FVOCI				
Balance at January 1	P 174,559	P -	P -	P 174,559
Amortization	(483)	-	-	(483)
Fair value gain	(5,576)	-	-	(5,576)
New financial assets originated or purchased	474,062	-	-	474,062
Foreign Exchange	4,986	-	-	4,986
Derecognition of financial assets	(482,087)	-	-	(482,087)
Balance at December 31	P 165,461	P -	P -	P 165,461
Loan commitments and other contingent accounts				
Balance at January 1	P 96,509	P 145	P 16	P 96,670
Transfers to				
Stage 1	48	(48)	-	-
New financial assets originated or purchased	54,277	451	-	54,728
Derecognition of financial assets	(38,431)	(45)	(16)	(38,492)
Balance at December 31	P 112,403	P 503	P -	P 112,906

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 1,728,038	P 116,364	P 19,026	P 1,863,428
Transfers to:				
Stage 1	37,967	(37,922)	(45)	-
Stage 2	(2,804)	2,929	(125)	-
Stage 3	(745)	(549)	1,294	-
New financial assets originated or purchased	1,670,470	13,295	6,417	1,690,182
Derecognition of financial assets	(1,517,988)	(19,015)	(7,802)	(1,544,805)
Write-offs	-	-	(1,015)	(1,015)
Balance at December 31	P 1,914,938	P 75,102	P 17,750	P 2,007,790
Receivables from customers – consumer				
Balance at January 1	P 438,721	P 2,743	P 46,659	P 488,123
Transfers to:				
Stage 1	5,227	(752)	(4,475)	-
Stage 2	(1,458)	1,871	(413)	-
Stage 3	(7,518)	(1,187)	8,705	-
New financial assets originated or purchased	154,030	154	328	154,512
Derecognition of financial assets	(94,089)	(558)	(11,168)	(105,815)
Write-offs	-	-	(6,966)	(6,966)
Balance at December 31	P 494,913	P 2,271	P 32,670	P 529,854
Other receivables				
Balance at January 1	P 111,300	P 406	P 2,318	P 114,024
Transfers to				
Stage 1	38	(22)	(16)	-
Stage 2	(18)	(1)	19	-
Stage 3	(146)	1	145	-
New financial assets originated or purchased	44,451	156	1,008	45,615
Derecognition of financial assets	(1,150)	(124)	(630)	(1,904)
Write-offs	-	-	(158)	(158)
Balance at December 31	P 154,475	P 416	P 2,686	P 157,577
Debt investment securities at amortized cost				
Balance at January 1	P 377,427	P -	P 1,410	P 378,837
Amortization	(1,598)	-	-	(1,598)
New financial assets originated or purchased	155,205	-	-	155,205
Foreign exchange	14,987	-	109	15,096
Transfers to (from):				
Stage 2	(56)	56	-	-
Derecognition of financial assets	(54,641)	-	-	(54,641)
Balance at December 31	P 491,324	P 56	P 1,519	P 492,899
Debt investment securities at FVOCI				
Balance at January 1	P 114,095	P -	P -	P 114,095
Amortization	(583)	-	-	(583)
Fair value gain	(11,215)	-	-	(11,215)
New financial assets originated or purchased	258,406	-	-	258,406
Foreign exchange	6,239	-	-	6,239
Transfers to (from):				
Stage 2	(53)	53	-	-
Derecognition of financial assets	(258,836)	-	-	(258,836)
Balance at December 31	P 108,053	P 53	P -	P 108,106

Parent Bank

	2022			
	Stage 1	Stage 2	Stage 3	Total
Loan commitments and other contingent accounts				
Balance at January 1	**P 112,403**	**P 503**	**P -**	**P 112,906**
Transfers to Stage 2	**-**	**-**	**-**	**-**
New financial assets originated or purchased	**106,296**	**30**	**-**	**106,326**
Derecognition of financial assets	**(87,426)**	**(496)**	**-**	**(87,922)**
Balance at December 31	**P 131,273**	**P 37**	**P -**	**P 131,310**

	2021			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers – corporate				
Balance at January 1	P 1,554,068	P 163,030	P 15,027	P 1,732,125
Transfers to:				
Stage 1	13,707	(13,707)	-	-
Stage 2	(1,868)	1,922	(54)	-
Stage 3	(470)	(550)	1,020	-
New financial assets originated or purchased	1,301,391	5,535	5,713	1,312,639
Derecognition of financial assets	(1,138,790)	(39,866)	(1,424)	(1,180,080)
Write-offs	-	-	(1,256)	(1,256)
Balance at December 31	P 1,728,038	P 116,364	P 19,026	P 1,863,428
Receivables from customers – consumer				
Balance at January 1	P 446,247	P 4,590	P 41,533	P 492,370
Transfers to:				
Stage 1	7,056	(1,318)	(5,738)	-
Stage 2	(1,887)	2,227	(340)	-
Stage 3	(21,190)	(1,908)	23,098	-
New financial assets originated or purchased	99,753	145	482	100,380
Derecognition of financial assets	(91,258)	(993)	(5,409)	(97,660)
Write-offs	-	-	(6,967)	(6,967)
Balance at December 31	P 438,721	P 2,743	P 46,659	P 488,123
Other receivables				
Balance at January 1	P 88,556	P 413	P 2,496	P 91,465
Transfers to				
Stage 1	71	(14)	(57)	-
Stage 2	(10)	13	(3)	-
Stage 3	(73)	(2)	75	-
New financial assets originated or purchased	23,597	135	843	24,575
Derecognition of financial assets	(841)	(139)	(908)	(1,888)
Write-offs	-	-	(128)	(128)
Balance at December 31	P 111,300	P 406	P 2,318	P 114,024
Debt investment securities at amortized cost				
Balance at January 1	P 267,901	P -	P 1,342	P 269,243
Amortization	(1,186)	-	-	(1,186)
New financial assets originated or purchased	157,763	-	-	157,763
Foreign exchange	8,746	-	68	8,814
Derecognition of financial assets	(55,797)	-	-	(55,797)
Balance at December 31	P 377,427	P -	P 1,410	P 378,837

Parent Bank

	2021			
	Stage 1	Stage 2	Stage 3	Total
Debt investment securities at FVOCI				
Balance at January 1	P 121,848	P -	P -	P 121,848
Amortization	(334)	-	-	(334)
Fair value gain	(2,861)	-	-	(2,861)
New financial assets originated or purchased	445,300	-	-	445,300
Foreign exchange	4,249	-	-	4,249
Derecognition of financial assets	(454,107)	-	-	(454,107)
Balance at December 31	P 114,095	P -	P -	P 114,095
Loan commitments and other contingent accounts				
Balance at January 1	P 96,509	P 145	P 16	P 96,670
Transfers to Stage 2	48	(48)	-	-
New financial assets originated or purchased	54,277	451	-	54,728
Derecognition of financial assets	(38,431)	(45)	(16)	(38,492)
Balance at December 31	P 112,403	P 503	P -	P 112,906

(k) Sensitivity Analysis on ECL Measurement

Set out below and in the succeeding page are the changes to the BDO Unibank Group's 12-month ECL as of December 31, 2022 and 2021 that would result from reasonably possible changes in these parameters from the actual assumptions used in the BDO Unibank Group's economic variable assumptions.

	Change in MEVs		Impact on ECL	
	Increase	Decrease	Increase in MEV	Decrease in MEV
2022				
Corporate or Commercial Loans:				
GDP growth rate	+1%	-1%	-6.9%	6.9%
Inflation rate	+1%	-1%	3.0%	-3.0%
Credit Card Receivables or Personal Loans:				
GDP growth rate	+1%	-1%	-1.2%	1.2%
Unemployment rate	+1%	-1%	1.8%	-1.8%
Home/Housing Loans:				
GDP growth rate	+1%	-1%	-0.2%	0.2%
Inflation rate	+1%	-1%	1.3%	-1.7%
Auto Loans:				
GDP growth rate	+1%	-1%	-0.02%	0.02%
Unemployment rate	+1%	-1%	1.4%	-1.4%

	Change in MEVs		Impact on ECL	
	Increase	Decrease	Increase in MEV	Decrease in MEV
2021				
Corporate or Commercial Loans:				
GDP growth rate	+1%	-1%	-6.8%	6.8%
Inflation rate	+1%	-1%	2.1%	-2.6%
Credit Card Receivables or Personal Loans:				
GDP growth rate	+1%	-1%	-1.4%	1.4%
Unemployment rate	+1%	-1%	1.1%	-1.1%
Home/Housing Loans:				
GDP growth rate	+1%	-1%	-0.6%	0.6%
Inflation rate	+1%	-1%	0.1%	-0.1%
Auto Loans:				
GDP growth rate	+1%	-1%	-0.5%	0.5%
Unemployment rate	+1%	-1%	3.7%	-3.7%

4.4 Operational Risk

Operational risk is the risk of loss due to the BDO Unibank Group's:

- failure to comply with defined operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

The BDO Unibank Group manages its operational risks by instituting policies to minimize its expected losses, allocating capital for the unexpected losses and having insurance and/or a business continuity plan to prepare for catastrophic losses.

Framework

True to its commitment to sound management and corporate governance, the BDO Unibank Group considers operational risk management as a critical element in the conduct of its business. Under BDO Unibank Group's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of operational risk in BDO Unibank Group.

The RMG provides the common risk language and management tools across the BDO Unibank Group as well as monitors the implementation of the ORM framework and policies. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations.

The BDO Unibank Group continues to conduct periodic Risk and Control Self-Assessment (RCSA) so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the BDO Unibank Group to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified.

The BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of top KRIs to the BOD through the RMC is done quarterly.

The BDO Unibank Group likewise uses Loss Data Collection, Analysis and Reporting that allows the BDO Unibank Group to gather data per Basel loss event category across business lines. The collected data are processed for information and appropriate escalation, root cause analysis, control effectiveness and enables action plans to prevent recurrence.

These ORM tools are continually being reviewed and enhanced to proactively manage operational risks. The Operational Risk Management Solution (ORMS) was implemented to automate the reporting of BDO Unibank Group's RCSAs, KRIs and operational losses. The bank-wide information asset inventory is regularly reviewed to address operational risks arising from information security concerns. The inventory identified critical applications and sensitive data based on the BDO Unibank Group's classification standards, information risks, as well as protection measures in place to mitigate these risks. Under the purview of information security is data privacy. The BDO Unibank Group's data privacy framework is in accordance with the R.A. No. 10173, *Data Privacy Act of 2012*.

Information technology risks which include current and prospective negative impact to earnings arising from failure of IT systems and realization of cyber security threats are appropriately managed through policies and measures that are integrated into BDO Unibank Group's day-to-day operations.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into BDO Unibank Group's Day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

The BDO Unibank Group continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

4.5 Insurance Risk

The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Company faces under such contracts is that the actual claims and benefits payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated, and subsequent development of long-term claims.

(a) Terms and Conditions

The BDO Unibank Group principally writes life insurance where the life of the policyholder is insured against death, illness, injury or permanent disability, usually for a predetermined amount. Life insurance contracts offered by the BDO Unibank Group mainly include whole life, term insurance, endowments, VUL products, group life insurance, and accident and health insurance.

- Whole life insurance and term insurance are conventional products where lump sum benefits are payable upon death of the insured.

- Endowment products are investments/savings products where lump sum benefits are payable after a fixed period or on death before the fixed term is completed.

- VUL products differ from conventional policies. In VUL products, a guaranteed percentage of each premium is allocated to units in a pooled investment fund and the policyholder benefits directly from the total investment growth and income of the fund.

- Group life insurance covers a defined group of people insured by the employer under a master policy agreement that is normally issued on a yearly renewable term.

- Accident and health insurance covers payment of hospital and medical expenses when sickness, accidental injury, or accidental death happened to the insured.

(b) Underwriting risk

Underwriting risk represents the exposure to loss resulting from actual policy experience adversely deviating from assumptions made in the product pricing. Underwriting risks are brought about by a combination of the following:

- Mortality risk - risk of loss arising from the policyholder's death experience being higher than expected.

- Morbidity risk - risk of loss arising from the policyholder's health experience being higher than expected.

- Expense risk - risk of loss arising from expense experience being higher than expected.

- Policyholder decision risk - risk of loss arising due to policyholder experiences (lapses and surrenders) being different than expected.

Underwriting guidelines and limits for insurance and reinsurance contracts are regularly monitored for compliance and updated to reflect current requirements. To further control the underwriting risks, the BDO Unibank Group's Actuarial Department regularly assesses the adequacy of the insurance premiums and technical provisions. The risks of defaults by reinsurers are mitigated as the BDO Unibank Group only deals with accredited reinsurers. Additionally, provisions for known and unknown liabilities arising from the BDO Unibank Group's commitments are calculated using prudent actuarial methods.

The main underwriting strategies of the BDO Unibank Group to control risk are the use of reinsurance, which is discussed below, and the controlled granting of non-medical authority (NMA) to the sales force. The NMA is being given only to members of the sales force who either qualify by virtue of field experience or by passing a certain underwriting and training program. Actual experience is closely monitored and corrective actions are executed whenever necessary.

The BDO Unibank Group utilizes surplus reinsurance programs to manage its mortality risk from large fluctuations in claim experience. A summary of active reinsurance treaties is presented below.

- Individual Business - Surplus treaties covering traditional and VUL products from Individual Line which have retention limits of up to P3 for death benefit and supplementary benefits and 50% of Sum Assured for early stage and late stage critical illness benefit.

- Credit Group Life Business - Surplus treaties covering loan borrowers of Credit Group Life accounts which have retention limits of P6 for death benefit and P6 for supplementary benefits.

- Group Employee Benefit Business - Surplus treaties covering employees of accounts covered under Group Employee which have retention limits of P6 for death benefit and supplementary benefits.

4.6 Anti-Money Laundering Controls

The Anti-Money Laundering (AML) Program of the BDO Unibank Group and the Parent Bank is articulated in the Board-approved Money Laundering and Terrorist Financing Prevention Program (MTPP) Manual. The MTPP encapsulates the policies and procedures covering the: (i) on-boarding of clients, Know Your Client and required due diligence; (ii) customer risk assessment; (iii) on-going monitoring of transactions; (iv) regulatory reporting; (v) record-keeping; (vi) training of all officers and staff including BOD; (vii) Independent Compliance Testing (ICT); and, (viii) Institutional Risk Assessment.

The MTPP provides the framework for the BDO Unibank Group and the Parent Bank to adhere with AML and Counter-Terrorism Financing Laws and Regulations:

1. R.A. No. 9160: *The Anti-Money Laundering Act of 2001* (AMLA) as amended by R.A. No 9194 (2003); R.A. 10167 (2012); R.A. 10365 (2013); R.A. No. 10927 (2017) and R.A. No. 11521 (2021); together with applicable Implementing Rules and Regulations (IRR)
2. BSP Circular No. 706 (2011), as amended by BSP Circular No. 950 (2017); and BSP Circular No. 1022 (2018)
3. R.A. 10168: *The Terrorism Financing Prevention and Suppression Act of 2012* and its IRR; R.A. 10697 *Strategic Trade Management Act (2015)* and its IRR; and the R.A. 11479 *Anti-Terrorism Act (2020)*

The Chief Compliance Officer directly reports to the BOD through the Board Audit Committee and is also a member of the AML Committee of the Parent Bank. The AML Committee, composed of senior officers from various units, is tasked to oversee the operational implementation of BDO's AML/CTF Program.

4.7 Impact of LIBOR Reform

The BDO Unibank Group currently has exposure to contracts with reference to LIBOR and extend beyond 2022, including swaps which will transition under the ISDA protocols.

In 2020, the Parent Bank established a steering committee, consisting of key finance, risk, information technology, treasury, legal and compliance personnel and external advisors, to oversee the BDO Unibank Group LIBOR transition plan. This steering committee put in place a transition project for those contracts which reference USD LIBOR to transition them to SOFR, with the aim of minimizing the potential disruption to business and mitigating operational and conduct risks and possible financial losses. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing related tax and accounting implications. As at December 31, 2022, changes required to systems, processes and models have been implemented. There have been general communications with counterparties, but specific changes to contracts required by LIBOR reform have not yet been proposed or agreed. The BDO Unibank Group has identified that the areas of most significant risk arising from the replacement of LIBOR are: (i) updating systems and processes which capture LIBOR referenced contracts; (ii) amending affected contracts, or existing fallback/transition clauses not operating as anticipated; and, (iii) reviewing mismatches in timing of derivatives and loans transitioning from LIBOR and the resulting impact on economic risk management.

The BDO Unibank Group continues to engage with industry participants and the BSP to ensure an orderly transition to SOFR and minimize the risks arising from the transition. The BDO Unibank Group continues to identify and assess risks associated with USD LIBOR replacement.

The following table contains details of all of the financial instruments that the BDO Unibank Group and the Parent Bank hold at December 31, 2022 and 2021 for each LIBOR rate that have not yet transitioned to SOFR or an alternative interest rate benchmark as of December 31, 2022 and 2021:

	Carrying value		Notional amount	
	2022	2021	**2022**	2021
BDO Unibank Group				
USD LIBOR	**P 134,799**	P 213,650	**P 348,187**	P 355,523
GBP LIBOR	**1,950**	2,931	**3,124**	3,226
EUR LIBOR	**1,170**	1,230	**1,680**	460
CHF LIBOR	**-**	-	**61**	-
JPY LIBOR	**-**	134	**37**	46
	P 137,919	P 217,945	**P 353,089**	P 359,255
Parent Bank				
USD LIBOR	**P 125,116**	P 206,548	**P 273,651**	P 298,000
GBP LIBOR	**1,950**	2,931	**3,124**	3,226
EUR LIBOR	**1,170**	1,230	**1,680**	460
CHF LIBOR	**-**	-	**61**	-
JPY LIBOR	**-**	134	**37**	46
	P 128,236	P 210,843	**P 278,553**	P 301,732

The breakdown of the financial instruments between non-derivative financial assets and liabilities and derivative instruments is as follows:

	Carrying value		Notional amount	
	2022	2021	2022	2021
BDO Unibank Group				
Non-derivative financial assets –				
Loans and other receivables	**P 111,298**	P 150,569	**P -**	P -
Other assets	**3,303**	4,666	-	-
Non-derivative financial liabilities –				
Bills payable	**6,691**	41,534	**-**	-
Other liabilities	-	9,282	**-**	-
Derivatives:				
Asset	**8,760**	6,236	**165,327**	175,774
Liability	**7,867**	5,658	**187,762**	183,481
	P 137,919	P 217,945	**P 353,089**	P 359,255

	Carrying value		Notional amount	
	2022	2021	2022	2021
Parent Bank				
Non-derivative financial assets –				
Loans and other receivables	**P 111,298**	P 150,569	**P -**	P -
Other assets	**3,303**	4,666		
Non-derivative financial liabilities –				
Bills payable	**6,691**	41,534	-	-
Other liabilities	-	9,282	-	-
Derivatives:				
Asset	**3,432**	2,443	**129,048**	147,736
Liability	**3,512**	2,349	**149,505**	153,996
	P 128,236	P 210,843	**P 278,553**	P 301,732

The following are the key risks for the BDO Unibank Group arising from the transition:

- Liquidity risk: There are fundamental differences between LIBOR and the various alternative benchmark rates which the BDO Unibank Group will be adopting. LIBOR are forward-looking term rates published for a period (e.g., three months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments which will require additional liquidity management. The BDO Unibank Group's liquidity risk management policy has been updated to ensure sufficient liquid resources to accommodate unexpected increases in overnight rates.

- Litigation risk: If no agreement is reached to implement the interest rate benchmark reform on existing contracts (e.g., arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs. The BDO Unibank Group is working closely with all counterparties to avoid this from occurring.

- Operational risk: The BDO Unibank Group's current treasury management system has undergone updates to fully manage the transition to alternative benchmark rates and there is a risk that such upgrades are not fully functional in time, resulting in additional manual procedures which give rise to operational risks. The BDO Unibank Group is working closely with its system provider to ensure the relevant updates are made in good time and the BDO Unibank Group has alternative manual procedures in place with relevant controls to address any potential delay.

4.8 Maturity Profile of Resources and Liabilities

The table below presents the resources and liabilities analyzed according to whether these are expected to be recovered or settled in less than 12 months and over 12 months from statement of financial position date:

BDO Unibank Group

	2022			2021		
	Within 12 Months	Beyond 12 Months	Total	Within 12 Months	Beyond 12 Months	Total
Resources						
Cash and other cash items	P 82,944	P -	P 82,944	P 69,105	P -	P 69,105
Due from BSP and other banks	444,545	-	444,545	374,998	-	374,998
Trading and investment securities	91,776	631,054	722,830	95,000	521,261	616,261
Loans and other receivables - net	854,188	1,842,713	2,696,901	756,430	1,694,473	2,450,903
Premises, furniture, fixtures, and equipment - net	-	46,471	46,471	-	44,807	44,807
Investment properties - net	-	21,158	21,158	-	18,795	18,795
Other resources - net	16,787	43,072	59,859	118	48,762	48,880
	P 1,490,240	P 2,584,468	P 4,074,708	P 1,295,651	P 2,328,098	P 3,623,749
Liabilities						
Deposit liabilities	P 3,126,217	P 94,666	P 3,220,883	P 2,732,734	P 88,162	P 2,820,896
Bills payable	80,781	118,110	198,891	112,973	91,458	204,431
Insurance contract liabilities	7,844	56,519	64,363	3,375	61,953	65,328
Other liabilities	106,608	22,506	129,114	88,339	20,207	108,546
	P 3,321,450	P 291,801	P 3,613,251	P 2,937,421	P 261,780	P 3,199,201

Parent Bank

Resources						
Cash and other cash items	P 80,666	P -	P 80,666	P 66,440	P -	P 66,440
Due from BSP and other banks	433,265	-	433,265	367,009	-	367,009
Trading and investment securities	46,608	560,181	606,789	45,460	452,503	497,963
Loans and other receivables - net	839,832	1,781,389	2,621,221	734,057	1,665,926	2,399,983
Premises, furniture, fixtures, and equipment - net	-	42,394	42,394	-	41,586	41,586
Investment properties - net	-	13,173	13,173	-	11,263	11,263
Other resources - net	5,479	97,336	102,815	-	81,762	81,762
	P 1,405,850	P 2,494,473	P 3,900,323	P 1,212,966	P 2,253,040	P 3,466,006
Liabilities						
Deposit liabilities	P 3,050,839	P 90,177	P 3,141,016	P 2,664,655	P 87,060	P 2,751,715
Bills payable	74,225	114,647	188,872	106,016	90,158	196,174
Other liabilities	95,158	15,378	110,536	80,340	14,316	94,656
	P 3,220,222	P 220,202	P 3,440,424	P 2,851,011	P 191,534	P 3,042,545

5. CAPITAL MANAGEMENT

5.1 Capital Management and Regulatory Capital

On January 15, 2009, the BSP issued Circular No. 639 articulating the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks and maintain adequate capital to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which covered only credit, market and operational risks. On December 29, 2009, the BSP issued Circular No. 677 effectively extending the implementation of ICAAP from January 1, 2010 to January 1, 2011.

In October 2009, BDO Unibank Group presented its ICAAP and submitted the initial draft of its ICAAP document to the BSP. Based on comments from the BSP, BDO Unibank Group subsequently revised its ICAAP document and secured approval from its BOD on January 8, 2011. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

The ICAAP document articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews.

The lead regulator of the banking industry, the BSP, sets and monitors capital requirements for BDO Unibank Group. In implementing current capital requirements, the BSP requires BDO Unibank Group to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

The BSP has adopted the Basel 3 risk-based capital adequacy framework effective January 1, 2014, which was amended on January 1, 2019, which requires BDO Unibank Group to maintain:

(a) Common Equity Tier 1 (CET 1) of at least 6.0% of risk-weighted assets;
(b) Tier 1 Capital of at least 7.5% of risk-weighted assets;
(c) Qualifying Capital (Tier 1 plus Tier 2 Capital) of at least 10.0% of risk-weighted assets;
(d) Capital Conservation Buffer of 2.5% of risk-weighted assets, comprised of CET 1 Capital; and,
(e) Countercyclical Capital Buffer (CCyB) of 0% subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%.

The regulatory capital is analyzed as CET 1 Capital, Additional Tier 1 Capital and Tier 2 Capital, each adjusted for prescribed regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the Monetary Board of the BSP.

BDO Unibank Group's policy is to maintain a strong capital base to promote investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and BDO Unibank Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

Under BSP Circular No. 781, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2022 and 2021, the Parent Bank has complied with the above capitalization requirement.

BSP issued Circular No. 856 on the guidelines on the framework for dealing with domestic systemically important banks (DSIB) that is consistent with the Basel principles, as amended by BSP Circular No. 1051 dated September 27, 2019. Banks, which are identified as DSIB, shall be required to have a higher loss absorbency (HLA) depending on their computed systemic importance. The HLA requirement is aimed at ensuring that DSIBs have a higher share of their statements of financial position funded by instruments, which increase their resilience as a going concern. The HLA requirement is to be met with CET 1 capital.

Under BSP Circular No. 1051, banks identified by the BSP as DSIB are required to put up lower HLA to be met CET 1 capital ranging from 1.50% to 2.50%, effective October 12, 2019.

BSP Circular No. 1024 requires banks to put up a CCyB, which is set initially at 0%, composed of CET 1. CCyB may be subject to upward adjustment to a rate determined by the Monetary Board when systemic conditions warrant but not to exceed 2.5%. This took effect on December 21, 2018.

BDO Unibank Group and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS) based on the Basel 3 risk-based capital adequacy framework as of December 31, 2022 and 2021 as follows:

	BDO Unibank Group	Parent Bank
December 31, 2022		
Tier 1 Capital		
CET 1	P 437,138	P 437,314
Additional Tier 1	6,180	6,180
	443,318	443,494
Tier 2 Capital	27,501	26,540
Total Regulatory Capital	470,819	470,034
Deductions	(42,219)	(72,666)
Total Qualifying Capital	P 428,600	P 397,368
Total Risk-Weighted Assets	P 2,954,935	P 2,846,030
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	14.5%	14.0%
Tier 1 Capital Ratio	13.6%	13.0%
Total CET 1 Ratio	13.4%	12.8%

	BDO Unibank Group	Parent Bank
December 31, 2021		
Tier 1 Capital		
CET 1	P 403,388	P 404,134
Additional Tier 1	5,150	5,150
	408,538	409,284
Tier 2 Capital	25,209	24,265
Total Regulatory Capital	433,747	433,549
Deductions	(35,097)	(61,769)
Total Qualifying Capital	P 398,650	P 371,780
Total Risk-Weighted Assets	P 2,714,820	P 2,617,747
Capital ratios:		
Total qualifying capital expressed as a percentage of total risk weighted assets	14.7%	14.2%
Tier 1 Capital Ratio	13.8%	13.3%
Total CET 1 Ratio	13.6%	13.1%

At the end of each reporting period, the BDO Unibank Group and the Parent Bank have complied with the prescribed ratio of qualifying capital to risk-weighted assets.

5.2 Leverage Ratio

On June 9, 2015, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides the implementing guidelines on the leverage ratio framework designed to act as a supplementary measure to the risk-based capital requirements. It sets out a minimum leverage ratio of 5.00% and shall be complied with at all times.

The Basel III leverage ratio is defined as the ratio of capital measure (Tier 1 Capital) and the exposure measure which include on-balance sheet, derivatives and securities financing transactions exposures and off-balance sheet items.

The BDO Unibank Group and the Parent Bank's Basel III leverage ratio as reported to the BSP are as follows:

	2022	2021	2020
BDO Unibank Group			
Capital Measure / Exposure Measure	**9.8%**	10.3%	10.2%
Parent Bank			
Capital Measure / Exposure Measure	**9.4%**	9.9%	9.8%

5.3 Liquidity Coverage Ratio and Net Stable Funding Ratio

On March 10, 2016, the BSP issued Circular No. 905, *Implementation of Basel III Framework on Liquidity Standards - Liquidity Coverage Ratio and Disclosure Standards*, which provides the implementing guidelines on liquidity coverage ratio (LCR) and disclosure standards that are consistent with the Basel III framework. Circular No. 905 requires the BDO Unibank Group to maintain available High Quality Liquid Assets (HQLA) to meet anticipated net cash outflows for a 30-day period under stress conditions. The BDO Unibank Group has fully complied with the LCR minimum requirement of 100% coverage effective January 1, 2019.

To strengthen the BDO Unibank Group's short-term liquidity position and as a defense against potential onset of liquidity stress, it maintains adequate stock of unencumbered HQLAs that consists of cash or assets that can be freely converted into cash at little or no loss of value in private markets.

The BDO Unibank Group and the Parent Bank's LCR as of December 31, 2022, 2021, and 2020 are analyzed below.

	2022	2021	2020
BDO Unibank Group			
Total Stock of High – Quality Liquid Assets / Total Net Cash Outflows	**140.7%**	145.4%	127.1%
Parent Bank			
Total Stock of High – Quality Liquid Assets / Total Net Cash Outflows	**141.2%**	145.9%	129.0%

Net Stable Funding Ratio (NSFR), as detailed in BSP Circular No. 1007, *Implementing Guidelines on the adoption of the Basel III Framework on Liquidity Standards - Net Stable Funding Ratio*, is an assessment of the level of sustainable funding required to reduce funding risk over a one-year time horizon. The NSFR complements the LCR, which promotes short-term resilience of the BDO Unibank Group's liquidity profile.

The BDO Unibank Group has fully complied with the NSFR minimum requirement of 100% coverage effective January 1, 2019.

To promote long-term resilience against liquidity risk, the BDO Unibank Group maintains a stable funding profile in relation to the composition of its assets and off-balance sheet activities and seeks to meet this objective by limiting overreliance on short-term wholesale funding and promoting enhanced assessment of funding risk across all on- and off-balance sheet accounts.

The BDO Unibank Group and the Parent Bank's Basel III NSFR as of December 31, 2022, 2021 and 2020 are summarized below.

	2022	2021	2020
BDO Unibank Group			
Available Stable Funding / Required Stable Funding	**123.9%**	123.5%	122.0%
Parent Bank			
Available Stable Funding / Required Stable Funding	**123.5%**	123.1%	122.0%

6. SEGMENT REPORTING

6.1 Business Segments

BDO Unibank Group's main operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of BDO Unibank Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies BDO Unibank Group's five service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8 are combined as Others.

(a) ***Commercial banking*** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;

(b) ***Investment banking*** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, financial advisory services, and securities brokerage;

(c) ***Private banking*** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts;

(d) ***Leasing and financing*** – provides direct leases, sale and leaseback arrangements and real estate leases;

(e) ***Insurance*** – engages in insurance brokerage and life insurance business by providing protection, education, savings, retirement and estate planning solutions to individual and corporate clients through life insurance products and services; and,

(f) ***Others*** – includes remittance, holding, and realty management, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of BDO Unibank Group's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

6.2 Analysis of Segment Information

In 2022, the service line of Dominion Holdings was changed from Leasing and Financing to Others (See Note 30.3).

Segment information (by service lines) as of and for the years ended December 31, 2022, 2021 and 2020 are as follows:

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2022							
Revenues							
From external customer							
Interest income	P 164,647	P 53	P 1,156	P 629	P 2,587	(P 1)	P 169,071
Interest expense	(19,532)	(2)	(76)	(156)	(76)	3	(19,839)
Net interest income	145,115	51	1,080	473	2,511	2	149,232
Intersegment revenue							
Interest income	182	2	-	-	6	72	262
Interest expense	(121)	(33)	(16)	(18)	(54)	(67)	(309)
Net interest income	61	(31)	(16)	(18)	(48)	5	(47)
Other operating income							
Investment banking fees	-	2,856	-	-	-	-	2,856
Others	54,066	245	1,667	651	21,331	600	78,560
	54,066	3,101	1,667	651	21,331	600	81,416
Total net revenues	199,242	3,121	2,731	1,106	23,794	607	230,601
Expenses							
Other operating expenses							
Depreciation and amortization	9,095	85	85	418	296	82	10,061
Impairment losses	16,321	1	(1)	20	26	3	16,370
Others	101,738	1,039	1,325	341	18,340	346	123,129
	127,154	1,125	1,409	779	18,662	431	149,560
Segment operating income	72,088	1,996	1,322	327	5,132	176	81,041
Tax expense	13,961	592	120	88	1,156	42	15,959
Segment net income	P 58,127	P 1,404	P 1,202	P 239	P 3,976	P 134	P 65,082

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
Statement of Financial Position							
Total resources							
Segment assets	P 3,975,178	P 8,071	P 36,985	P 8,515	P 92,672	P 10,505	P 4,131,926
Deferred tax assets (liabilities) - net	5,466	(173)	15	17	43	(13)	5,355
Intangible assets	6,908	65	170	-	32	-	7,175
	P 3,987,552	P 7,963	P 37,170	P 8,532	P 92,747	P 10,492	P 4,144,456
Total liabilities	P 3,516,144	P 4,112	P 31,151	P 7,154	P 74,067	P 2,205	P 3,634,833
Other segment information							
Capital expenditures	P 6,794	P 31	P 7	P 585	P 1,160	P 36	P 8,613
Investment in associates under equity method	P -	P -	P -	P -	P -	P 5,654	P 5,654
Share in the profit of associates	P -	P -	P -	P -	P -	P 849	P 849
December 31, 2021							
Revenues							
From external customer							
Interest income	P 140,997	P 7	P 1,108	P 632	P 2,133	P 2	P 144,879
Interest expense	(13,166)	(1)	(70)	(229)	(66)	(1)	(13,533)
Net interest income	127,831	6	1,038	403	2,067	1	131,346
Intersegment revenue							
Interest income	119	2	-	-	3	1	125
Interest expense	(16)	(45)	(4)	(28)	(11)	(65)	(169)
Net interest income	103	(43)	(4)	(28)	(8)	(64)	(44)
Other operating income							
Investment banking fees	-	2,268	-	-	-	-	2,268
Others	42,725	277	1,451	809	20,412	543	66,217
	42,725	2,545	1,451	809	20,412	543	68,485
Total net revenues	170,659	2,508	2,485	1,184	22,471	480	199,787
Expenses							
Other operating expenses							
Depreciation and amortization	8,424	85	72	531	137	85	9,334
Impairment losses	17,066	55	(20)	(20)	(18)	-	17,063
Others	90,521	772	1,204	385	19,005	291	112,178
	116,011	912	1,256	896	19,124	376	138,575
Segment operating income	54,648	1,596	1,229	288	3,347	104	61,212
Tax expense	11,584	375	264	43	623	18	12,907
Segment net income	P 43,064	P 1,221	P 965	P 245	P 2,724	P 86	P 48,305
Statement of Financial Position							
Total resources							
Segment assets	P 3,506,708	P 6,736	P 37,937	P 15,208	P 82,976	P 4,320	P 3,653,885
Deferred tax assets (liabilities) - net	6,843	(154)	15	16	53	(5)	6,768
Intangible assets	7,194	76	21	-	44	1	7,336
	P 3,520,745	P 6,658	P 37,973	P 15,224	P 83,073	P 4,316	P 3,667,989
Total liabilities	P 3,091,065	P 2,455	P 31,905	P 8,072	P 71,798	P 2,212	P 3,207,507
Other segment information							
Capital expenditures	P 5,020	P 26	P 23	P 239	P 3,564	P 2	P 8,874
Investment in associates under equity method	P -	P -	P -	P -	P -	P 5,347	P 5,347
Share in the profit of associates	P -	P -	P -	P -	P -	P 814	P 814

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
December 31, 2020							
Revenues							
From external customer							
Interest income	P 152,691	P 18	P 1,196	P 1,237	P 1,883	P 6	P 157,031
Interest expense	(22,536)	(3)	(196)	(502)	(86)	(8)	(23,331)
Net interest income	130,155	15	1,000	735	1,797	(2)	133,700
Intersegment revenues							
Interest income	238	9	-	2	13	1	263
Interest expense	(35)	(73)	(6)	(95)	(8)	(80)	(297)
Net interest income	203	(64)	(6)	(93)	5	(79)	(34)
Other operating income							
Investment banking fees	-	1,410	-	-	-	-	1,410
Others	38,683	285	1,552	1,478	16,440	551	58,989
	38,683	1,695	1,552	1,478	16,440	551	60,399
Total net revenues	169,041	1,646	2,546	2,120	18,242	470	194,065
Expenses							
Other operating expenses							
Depreciation and amortization	8,289	105	71	677	101	91	9,334
Impairment losses	29,714	19	9	444	54	-	30,240
Others	85,849	817	1,168	549	16,059	290	104,732
	123,852	941	1,248	1,670	16,214	381	144,306
Segment operating income	45,189	705	1,298	450	2,028	89	49,759
Tax expense	16,462	262	291	171	571	19	17,776
Segment net income	P 28,727	P 443	P 1,007	P 279	P 1,457	P 70	P 31,983
Statement of Financial Position							
Total resources							
Segment assets	P 3,262,339	P 6,522	P 41,408	P 16,223	P 70,354	P 4,388	P 3,401,234
Deferred tax assets (liabilities) - net	8,023	(166)	8	6	42	(2)	7,911
Intangible assets	5,677	114	17	2	47	-	5,857
	P 3,276,039	P 6,470	P 41,433	P 16,231	P 70,443	P 4,386	P 3,415,002
Total liabilities	P 2,877,836	P 2,579	P 35,288	P 9,268	P 64,499	P 2,191	P 2,991,661
Other segment information							
Capital expenditures	P 4,019	P 12	P 10	P 314	P 24	P 4	P 4,383
Investment in associates under equity method	P -	P -	P -	P -	P -	P 5,015	P 5,015
Share in the profit of associates	P -	P -	P -	P -	P -	P 470	P 470

6.3 Reconciliation

Presented below and in the succeeding page is a reconciliation of the BDO Unibank Group's segment information to the key financial information presented in its consolidated financial statements.

	2022	2021	2020
Revenue			
Total segment net revenues	**P 230,601**	P 199,787	P 194,065
Elimination of intersegment revenues	**(9,834)**	(7,087)	(5,155)
Net revenues as reported in profit or loss	**P 220,767**	P 192,700	P 188,910
Profit or loss			
Total segment net income	**P 65,082**	P 48,305	P 31,983
Elimination of intersegment profit	**(7,848)**	(5,450)	(3,729)
Net profit as reported in profit or loss	**P 57,234**	P 42,855	P 28,254

	2022	2021	2020
Resources			
Total segment resources	**P 4,144,456**	P 3,667,989	P 3,415,002
Elimination of intersegment assets	**(69,748)**	(44,240)	(40,102)
Total resources	**P 4,074,708**	P 3,623,749	P 3,374,900
Liabilities			
Total segment liabilities	**P 3,634,833**	P 3,207,507	P 2,991,661
Elimination of intersegment liabilities	**(21,582)**	(8,306)	(9,782)
Total liabilities	**P 3,613,251**	P 3,199,201	P 2,981,879

7. CATEGORIES AND OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

7.1 Comparison of Carrying Amounts and Fair Values

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the statements of financial position are shown below and in the succeeding pages.

BDO Unibank Group

	2022			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial assets				
At amortized cost:				
Cash and other cash items	**P 82,944**	**P -**	**P 82,944**	**P 82,944**
Due from BSP	**385,779**	**-**	**385,779**	**385,783**
Due from other banks	**58,766**	**-**	**58,766**	**58,781**
Loans and other receivables	**2,696,901**	**-**	**2,696,901**	**2,736,010**
Other resources	**13,794**	**-**	**13,794**	**13,794**
Investment securities	**512,049**	**-**	**512,049**	**473,270**
At FVTPL	**-**	**44,712**	**44,712**	**44,712**
At FVOCI	**-**	**166,069**	**166,069**	**166,069**
	P 3,750,233	**P 210,781**	**P 3,961,014**	**P 3,961,363**
Financial liabilities				
At amortized cost:				
Deposit liabilities	**P 3,220,883**	**P -**	**P 3,220,883**	**P 3,263,048**
Bills payable	**198,891**	**-**	**198,891**	**191,713**
Insurance contract liabilities	**64,363**	**-**	**64,363**	**64,363**
Other liabilities	**111,040**	**-**	**111,040**	**111,040**
At fair value –				
Other liabilities	**-**	**7,809**	**7,809**	**7,809**
	P 3,595,177	**P 7,809**	**P 3,602,986**	**P 3,637,973**

BDO Unibank Group

	2021			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial assets				
At amortized cost:				
Cash and other cash items	P 69,105	P -	P 69,105	P 69,105
Due from BSP	304,906	-	304,906	304,907
Due from other banks	70,092	-	70,092	70,092
Loans and other receivables	2,450,903	-	2,450,903	2,460,214
Other resources	7,460	-	7,460	7,460
Investment securities	397,534	-	397,534	399,761
At FVTPL	-	47,934	47,934	47,934
At FVOCI	-	170,793	170,793	170,793
	P 3,300,000	P 218,727	P 3,518,727	P 3,530,266
Financial liabilities				
At amortized cost:				
Deposit liabilities	P 2,820,896	P -	P 2,820,896	P 2,861,596
Bills payable	204,431	-	204,431	206,988
Insurance contract liabilities	65,328	-	65,328	65,328
Other liabilities	91,875	-	91,875	91,875
At fair value -				
Other liabilities	-	5,742	5,742	5,742
	P 3,182,530	P 5,742	P 3,188,272	P 3,231,529

Parent Bank

	2022			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial assets				
At amortized cost:				
Cash and other cash items	**P 80,666**	**P -**	**P 80,666**	**P 80,666**
Due from BSP	**382,210**	**-**	**382,210**	**382,214**
Due from other banks	**51,055**	**-**	**51,055**	**51,069**
Loans and other receivables	**2,621,221**	**-**	**2,621,221**	**2,661,224**
Other resources	**12,174**	**-**	**12,174**	**12,174**
Investment securities	**491,259**	**-**	**491,259**	**453,246**
At FVTPL	**-**	**5,883**	**5,883**	**5,883**
At FVOCI	**-**	**109,647**	**109,647**	**109,647**
	P 3,638,585	**P 115,530**	**P 3,754,115**	**P 3,756,123**

Parent Bank

	2022			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial liabilities				
At amortized cost:				
Deposit liabilities	P 3,141,016	P -	P 3,141,016	P 3,171,809
Bills payable	188,872	-	188,872	184,359
Other liabilities	98,251	-	98,251	98,251
At fair value –				
Other liabilities	-	3,636	3,636	3,636
	P 3,428,139	P 3,636	P 3,431,775	P 3,458,055

	2021			
	Classes			
	At Amortized Cost	At Fair Value	Carrying Amount	Fair Value
Financial assets				
At amortized cost:				
Cash and other cash items	P 66,440	P -	P 66,440	P 66,440
Due from BSP	302,660	-	302,660	302,661
Due from other banks	64,349	-	64,349	64,349
Loans and other receivables	2,399,983	-	2,399,983	2,412,229
Other resources	6,752	-	6,752	6,752
Investment securities	377,382	-	377,382	379,266
At FVTPL	-	4,616	4,616	4,616
At FVOCI	-	115,965	115,965	115,965
	P 3,217,566	P 120,581	P 3,338,147	P 3,352,278
Financial liabilities				
At amortized cost:				
Deposit liabilities	P 2,751,715	P -	P 2,751,715	P 2,787,683
Bills payable	196,174	-	196,174	198,756
Other liabilities	82,917	-	82,917	82,917
At fair value –				
Other liabilities	-	2,462	2,462	2,462
	P 3,030,806	P 2,462	P 3,033,268	P 3,071,818

7.2 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement,* the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When BDO Unibank Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

7.3 Financial Instruments Measured at Fair Value

The financial assets and financial liabilities as of December 31, 2022 and 2021 are grouped into the fair value hierarchy as presented in the tables in the succeeding pages.

Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

BDO Unibank Group

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Resources:					
Financial assets at FVTPL:	10.1				
Equity securities - quoted		P 25,197	P 784	P -	P 25,981
Government debt securities		7,135	-	-	7,135
Corporate debt securities		457	2,526	-	2,983
Derivative financial assets		-	8,613	-	8,613
		32,789	11,923	-	44,712
Financial assets at FVOCI:	10.2				
Government debt securities		109,782	-	-	109,782
Corporate debt securities		51,572	-	-	51,572
Equity securities - quoted		4,184	378	-	4,562
Equity securities - not quoted		-	114	39	153
		165,538	492	39	166,069
		P 198,327	P 12,415	P 39	P 210,781
Liabilities –					
Derivatives with negative fair values	21	P 101	P 7,708	P -	P 7,809
December 31, 2021					
Resources:					
Financial assets at FVTPL:	10.1				
Equity securities - quoted		P 28,752	P 2,844	P -	P 31,596
Government debt securities		5,427	-	-	5,427
Corporate debt securities		1,086	3,593	-	4,679
Derivative financial assets		-	6,232	-	6,232
		35,265	12,669	-	47,934
Financial assets at FVOCI:	10.2				
Government debt securities		110,182	-	-	110,182
Corporate debt securities		55,279	-	-	55,279
Equity securities - quoted		4,722	288	-	5,010
Equity securities - not quoted		-	-	322	322
		170,183	288	322	170,793
		P 205,448	P 12,957	P 322	P 218,727
Liabilities –					
Derivatives with negative fair values	21	P 91	P 5,651	P -	P 5,742

Parent Bank

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2022					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 2,207	P -	P -	P 2,207
Derivative financial assets		-	3,468	-	3,468
Corporate debt securities		207	-	-	207
Equity securities - quoted		1	-	-	1
		2,415	3,468	-	5,883
Financial assets at FVOCI:	10.2				
Government debt securities		66,465	-	-	66,465
Corporate debt securities		41,641	-	-	41,641
Equity securities - quoted		1,059	369	-	1,428
Equity securities - not quoted		-	113	-	113
		109,165	482	-	109,647
		P 111,580	P 3,950	P -	P 115,530
Liabilities –					
Derivatives with negative fair values	21	P 101	P 3,535	P -	P 3,636
December 31, 2021					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 1,919	P -	P -	P 1,919
Derivative financial assets		-	2,469	-	2,469
Corporate debt securities		227	-	-	227
Equity securities - quoted		1	-	-	1
		2,147	2,469	-	4,616
Financial assets at FVOCI:	10.2				
Government debt securities		71,798	-	-	71,798
Corporate debt securities		42,297	-	-	42,297
Equity securities - quoted		1,306	282	-	1,588
Equity securities - not quoted		-	-	282	282
		115,401	282	282	115,965
		P 117,548	P 2,751	P 282	P 120,581
Liabilities –					
Derivatives with negative fair values	21	P 91	P 2,371	P -	P 2,462

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

Discussed in the succeeding page is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

(i) Quoted equity securities classified as financial assets at FVTPL or financial assets at FVOCI have fair values that were determined based on their closing prices on the PSE. These instruments are included in Level 1.

Financial assets at FVTPL included in Level 2 pertain to investments in Unit Investment Trust Funds (UITFs). The fair value of these financial assets were derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period), as published by banks and the Investment Company Association of the Philippines.

Golf club shares classified as financial assets at FVOCI are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period.

(ii) Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies. For unquoted preferred shares, the 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. Further, unlisted common share which are classified as financial assets at FVOCI securities, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument. These instruments are included in Level 3.

(b) Debt securities

The fair value of the debt securities of BDO Unibank Group and the Parent Bank, which are categorized within Level 1 and Level 2, is discussed below.

(i) Fair values of peso-denominated government debt securities issued by the Philippine government, are determined based on the reference price per Bloomberg which used BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparables.

(ii) For corporate and other quoted debt securities, fair value is determined to be the current mid-price, which is computed as the average of ask and bid prices as appearing on Bloomberg.

(c) Derivatives

The fair values of Republic of the Philippines (ROP) warrants which are categorized within Level 1, is determined to be the current mid-price based on the last trading transaction as defined by third-party market makers. The fair value of other derivative financial instruments, which are categorized within Level 2, is determined through valuation techniques using the net present value computation [see Note 3.2(c)].

7.4 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The tables below and in the succeeding page summarize the fair value hierarchy of the BDO Unibank Group and the Parent Bank's financial assets and financial liabilities, which are measured at amortized cost in the statements of financial position but for which fair value is disclosed.

BDO Unibank Group

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Resources:				
Cash and other cash items	**P 82,944**	**P -**	**P -**	**P 82,944**
Due from BSP	**385,783**	**-**	**-**	**385,783**
Due from other banks	**58,781**	**-**	**-**	**58,781**
Investment securities at amortized cost	**470,887**	**-**	**2,383**	**473,270**
Loans and other receivables	**388**	**-**	**2,735,622**	**2,736,010**
Other resources	**12,273**	**-**	**1,521**	**13,794**
	P 1,011,056	**P -**	**P2,739,526**	**P3,750,582**
Liabilities:				
Deposit liabilities	**P -**	**P -**	**P3,263,048**	**P3,263,048**
Bills payable	**-**	**133,311**	**58,402**	**191,713**
Insurance contract liabilities	**-**	**-**	**64,363**	**64,363**
Other liabilities	**-**	**-**	**111,040**	**111,040**
	P -	**P 133,311**	**P3,496,853**	**P3,630,164**
December 31, 2021				
Resources:				
Cash and other cash items	P 69,105	P -	P -	P 69,105
Due from BSP	304,907	-	-	304,907
Due from other banks	70,092	-	-	70,092
Investment securities at amortized cost	399,761	-	-	399,761
Loans and other receivable	271	-	2, 459,943	2,460,214
Other resources	6,180	-	1,280	7,460
	P 850,316	P -	P 2,461,223	P 3,311,539
Liabilities:				
Deposit liabilities	P -	P -	P 2,861,596	P 2,861,596
Bills payable	-	152,235	54,753	206,988
Insurance contract liabilities	-	-	65,328	65,328
Other liabilities	-	-	91,875	91,875
	P -	P 152,235	P 3,073,552	P 3,225,787

Parent Bank

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Resources:				
Cash and other cash items	P 80,666	P -	P -	P 80,666
Due from BSP	382,214	-	-	382,214
Due from other banks	51,069	-	-	51,069
Investment securities at amortized cost	453,246	-	-	453,246
Loans and other receivables	-	-	2,661,224	2,661,224
Other resources	10,961	-	1,213	12,174
	P 978,156	P -	P2,662,437	P3,640,593
Liabilities:				
Deposit liabilities	P -	P -	P 3,171,809	P 3,171,809
Bills payable	-	133,311	51,048	184,359
Other liabilities	-	-	98,251	98,251
	P -	P 133,311	P 3,321,108	P3,454,419
December 31, 2021				
Resources:				
Cash and other cash items	P 66,440	P -	P -	P 66,440
Due from BSP	302,661	-	-	302,661
Due from other banks	64,349	-	-	64,349
Investment securities at amortized cost	379,266	-	-	379,266
Loans and other receivables	-	-	2,412,229	2,412,229
Other resources	5,784	-	968	6,752
	P 818,500	P -	P 2,413,197	P 3,231,697
Liabilities:				
Deposit liabilities	P -	P -	P 2,787,683	P 2,787,683
Bills payable	-	152,235	46,521	198,756
Other liabilities	-	-	82,917	82,917
	P -	P 152,235	P 2,917,121	P 3,069,356

For financial assets and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial assets and financial liabilities presented in the statements of financial position at their amortized cost.

(a) Cash and Other Cash Items

Cash consists primarily of funds in the form of Philippine currency notes and coins in the BDO Unibank Group and the Parent Bank's vault and those in the possession of tellers, including automated teller machines (see Note 8).

Other cash items includes cash items other than currency and coins on hand (see Note 15) such as checks drawn on the other banks or other branches that were received after the BDO Unibank Group and the Parent Bank's clearing cut-off time until the close of the regular banking hours. Carrying amounts approximate fair values in view of the relatively short-term maturities of these instruments.

(b) Due from BSP and Other Banks

Due from BSP pertains to deposits made by BDO Unibank Group to the BSP for clearing and reserve requirements. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

(c) Investment Securities at Amortized Cost

The fair value of investment securities at amortized cost is determined by direct reference to published price quoted in an active market for traded debt securities.

(d) Loans and Other Receivables

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

(e) Deposits and Borrowings

The estimated fair value of demand deposits with no stated maturity, which includes noninterest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity. The fair value of Bills Payable under Level 2 is computed based on the average of ask and bid prices as appearing on Bloomberg. For Bills Payable categorized within Level 3, the BDO Unibank Group and the Parent Bank classify financial instruments that 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.

(f) Other Resources and Liabilities

Due to their short duration, the carrying amounts of other resources and liabilities in the statements of financial position are considered to be reasonable approximation of their fair values.

7.5 Fair Value Measurement for Non-financial Assets

Details of BDO Unibank Group and Parent Bank's investment properties and the information about the fair value hierarchy as of December 31, 2022 and 2021 are shown below.

BDO Unibank Group

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Investment properties				
Land	P -	P -	P 29,677	P 29,677
Building and improvements	-	-	14,720	14,720
Non-current assets held for sale	-	-	3,251	3,251
	P -	P -	P 47,648	P 47,648
December 31, 2021				
Investment properties				
Land	P -	P -	P 27,349	P 27,349
Building and improvements	-	-	12,786	12,786
Non-current assets held for sale	-	-	1,825	1,825
	P -	P -	P 41,960	P 41,960

Parent Bank

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Investment properties				
Land	P -	P -	P 22,735	P 22,735
Building and improvements	-	-	13,798	13,798
Non-current assets held for sale	-	-	3,251	3,251
	P -	P -	P 39,784	P 39,784
December 31, 2021				
Investment properties				
Land	P -	P -	P 20,819	P 20,819
Building and improvements	-	-	11,917	11,917
Non-current assets held for sale	-	-	1,824	1,824
	P -	P -	P 34,560	P 34,560

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2022 and 2021 (see Note 14) was determined on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. To some extent, the valuation process was conducted by the appraisers in discussion with the management of the BDO Unibank Group and the Parent Bank with respect to determination of the inputs such as size, age and condition of the land and buildings and the comparable prices in the corresponding property location.

In estimating the fair value of the properties, management takes into account the market participant's ability to generate economic benefits by using the assets in its highest and best use. Based on management's assessment, the best use of the investment properties of the BDO Unibank Group and the Parent Bank indicated in the previous page is their current use. The fair value discussed in the previous page as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of investment properties and non-current assets held for sale.

The fair value of these investment properties and assets held for sale was determined based on the following approaches:

(a) Fair Value Measurement for Land

The Level 3 fair value of land was derived using the observable recent prices of the reference properties, which were adjusted for differences in key attributes such as property size, zoning and accessibility. The most significant input into this valuation approach is the price per square foot; hence, the higher the price the higher the fair value. On the other hand, if fair value of the land was derived using the market comparable approach that reflects the recent transaction prices for similar properties in nearby locations, fair value is included in Level 2. Under this approach, when sales prices of comparable land in close proximity are used in the valuation of the subject property, minor adjustments on the price is made to consider peculiarities of the property with that of the benchmark property.

(b) Fair Value Measurement for Buildings and Improvements

The Level 3 fair value of the buildings and improvements was determined using the replacement cost approach that reflects the cost to a market participant to construct an asset of comparable usage, constructions standards, design and lay-out, adjusted for obsolescence. The more significant inputs used in the valuation include direct and indirect costs of construction such as but not limited to, labor and contractor's profit, materials and equipment, surveying and permit costs, electricity and utility costs, architectural and engineering fees, insurance and legal fees. These inputs were derived from various suppliers and contractor's quotes, price catalogues, and construction price indices. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the properties.

(c) Fair Value Measurement for Assets Held for Sale

The fair value of assets held for sale is determined based on the recent experience in the valuation of similar properties. The fair value, determined under Level 3 measurement, was derived using the market data approach that reflects that recent transaction prices for similar properties, adjusted for differences in property age and condition.

There has been no change to the valuation techniques used by BDO Unibank Group during the year for its non-financial assets. Further, there were no transfers into or out of Level 3 fair value hierarchy in 2022 and 2021.

7.6 Offsetting Financial Assets and Financial Liabilities

The following financial assets of the BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2022 and 2021 are subject to offsetting, enforceable master netting arrangements and similar agreements.

BDO Unibank Group

	Financial Assets	Financial Liabilities Available for Set-off	Collateral Received	Net Amount
December 31, 2022				
Financial assets at FVOCI	P 5,535	P 4,799	P -	P 736
Investment securities at amortized cost	17,038	10,380	-	6,658
Financial assets at FVTPL:				
Currency swaps	856	819	-	37
Interest rate swaps	70	69	-	1
Loans and receivables –				
Receivables from customers	23,795	-	20,886	2,909
	P 47,294	P 16,067	P 20,886	P 10,341
December 31, 2021				
Financial assets at FVTPL:				
Currency swaps	P 617	P 572	P -	P 45
Interest rate swaps	64	59	-	5
Loans and receivables –				
Receivables from customers	29,497	-	26,216	3,281
	P 30,178	P 631	P 26,216	P 3,331

Parent Bank

December 31, 2022				
Financial assets at FVOCI	P 2,508	P 2,298	P -	P 210
Investment securities at amortized cost	13,683	10,380	-	3,303
Financial assets at FVTPL:				
Currency swaps	111	110	-	1
Interest rate swaps	67	66	-	1
Loans and receivables –				
Receivables from customers	20,363	-	20,363	-
	P 36,732	P 12,854	P 20,363	P 3,515

Parent Bank

	Financial Assets	Financial Liabilities Available for Set-off	Collateral Received	Net Amount
December 31, 2021				
Financial assets at FVTPL:				
Currency swaps	P 5	P 5	P -	P -
Interest rate swaps	54	53	-	1
Loans and receivables –				
Receivables from customers	26,045	-	26,045	-
	P 26,104	P 58	P 26,045	P 1

The currency forwards and interest rate swaps relate to accrued interest receivable and accrued interest payable subject to enforceable master netting arrangements but were not set-off and presented at gross in the statements of financial position.

The following financial liabilities with net amounts presented in the statements of financial position of the BDO Unibank Group and the Parent Bank are subject to offsetting, enforceable master netting arrangements and similar agreements.

BDO Unibank Group

	Financial Liabilities	Financial Assets Available for Set-off	Collateral Given	Net Amount
December 31, 2022				
Deposit liabilities	**P 38,295**	**P 20,886**	**P -**	**P 17,409**
Bills payable	**15,179**	**-**	**15,179**	**-**
Derivatives with negative fair values:				
Currency swaps	**1,070**	**819**	**-**	**251**
Interest rate swaps	**79**	**69**	**-**	**10**
	P 54,623	**P 21,774**	**P 15,179**	**P 17,670**
December 31, 2021				
Deposit liabilities	P 32,393	P 26,216	P -	P 6,177
Bills payable	1,088	-	1,088	-
Derivatives with negative fair values:				
Currency swaps	629	572	-	57
Interest rate swaps	72	59	-	13
	P 34,182	P 26,847	P 1,088	P 6,247

Parent Bank

	Financial Liabilities	Financial Assets Available for Set-off	Collateral Given	Net Amount
December 31, 2022				
Deposit liabilities	P 37,772	P 20,363	P -	P 17,409
Bills payable	12,679	-	12,679	-
Derivatives with negative fair values:				
Currency swaps	361	110	-	251
Interest rate swaps	75	66	-	9
	P 50,887	P 20,539	P 12,679	P 17,669
December 31, 2021				
Deposit liabilities	P 32,222	P 26,045	P -	P 6,177
Derivatives with negative fair values:				
Currency swaps	62	5	-	57
Interest rate swaps	66	53	-	13
	P 32,350	P 26,103	P -	P 6,247

For the financial assets and financial liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the BDO Unibank Group and counterparties allows for net settlement of the relevant financial assets and financial liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and financial liabilities will be settled on a gross basis; however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party.

8. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Cash and other cash items	P 82,944	P 69,105	P 80,666	P 66,440
Due from BSP:				
Mandatory reserves	308,817	271,953	306,448	269,707
Other than mandatory reserves	76,962	32,953	75,762	32,953
	385,779	304,906	382,210	302,660
	P 468,723	P 374,011	P 462,876	P 369,100

Mandatory reserves represent the balance of the deposit accounts maintained with the BSP to meet reserve requirements and to serve as clearing accounts for interbank claims (see Note 17).

The Parent Bank opened a Special Savings Account (SSA) with the BSP to comply with InstaPay facility requirement. As of December 31, 2022 and 2021, the balance of this account amounted to P706 and P770, respectively, and is presented as part of Due from BSP.

In 2022, the Parent Bank opened a Demand Deposit Account 3 with the BSP for PESONet transactions. As of December 31, 2022, the balance of this account amounted to P14,431 and is presented as part of Due from BSP.

Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate as follows:

2022	2021	2020
1.50% – 6.45%	1.50% – 1.96%	1.50% – 4.13%

The total interest income earned amounted to P2,558, P1,487 and P1,892 in 2022, 2021 and 2020, respectively, in BDO Unibank Group's statements of income, and P2,533, P1,483 and P1,886 in 2022, 2021 and 2020, respectively, in the Parent Bank's statements of income (see Note 23).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

9. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	Note	BDO Unibank Group		Parent Bank	
		2022	2021	**2022**	2021
Foreign banks		**P 53,513**	P 66,185	**P 49,995**	P 63,193
Local banks		**5,268**	3,907	**1,074**	1,156
		58,781	70,092	**51,069**	64,349
Allowance for impairment	16	**(15)**	-	**(14)**	-
		P 58,766	P 70,092	**P 51,055**	P 64,349

The breakdown of this account as to currency follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	**2022**	2021
U.S. dollars	**P 45,474**	P 57,669	**P 41,778**	P 54,480
Other foreign currencies	**9,712**	10,732	**8,833**	9,708
Philippine pesos	**3,580**	1,691	**444**	161
	P 58,766	P 70,092	**P 51,055**	P 64,349

Annual interest rates on these deposits range from:

	2022	2021	2020
BDO Unibank Group	**0.00% – 5.50%**	0.00% – 1.50%	0.00% – 3.38%
Parent Bank	**0.00% – 4.40%**	0.00% – 1.00%	0.00% – 1.00%

There are deposits such as current accounts, which do not earn interest. The total interest income earned amounted to P808, P67, and P266 in 2022, 2021, and 2020, respectively, in the BDO Unibank Group's statements of income, and P674, P50, and P234, in 2022, 2021, and 2020, respectively, in the Parent Bank's statements of income (see Note 23). Due from other banks are included in cash and cash equivalents for statements of cash flows purposes.

10. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

	Note	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Financial assets at FVTPL	10.1	**P 44,712**	P 47,934	**P 5,883**	P 4,616
Financial assets at FVOCI	10.2	**166,069**	170,793	**109,647**	115,965
Investment securities at amortized cost - net	10.3	**512,049**	397,534	**491,259**	377,382
		P 722,830	P 616,261	**P 606,789**	P 497,963

10.1 Financial Assets at FVTPL

This account is composed of the following:

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Derivative financial assets	**P 8,613**	P 6,232	**P 3,468**	P 2,469
Government debt securities	**7,135**	5,427	**2,207**	1,919
Corporate debt securities	**2,983**	4,679	**207**	227
	18,731	16,338	**5,882**	4,615
Equity securities - quoted	**25,981**	31,596	**1**	1
	P 44,712	P 47,934	**P 5,883**	P 4,616

All financial assets at FVTPL are held for trading. The following table shows net income (loss) contributed by financial assets at FVTPL to the BDO Unibank Group and the Parent Bank.

		BDO Unibank Group		
	Notes	2022	2021	2020
Interest income	23	**P 103**	P 92	P 122
Trading gain (loss) - net	25	**(728)**	(214)	1,261
Dividend income	25	**66**	118	71
Foreign exchange gain (loss)	25	**(357)**	71	(214)
Total other income (loss)		**(1,019)**	(25)	1,118
Total other expenses		**1**	1	2
Net income/(loss)		**(P 917)**	P 66	P 1,238

		Parent Bank		
	Notes	2022	2021	2020
Interest income	23	**P 69**	P 59	P 84
Trading gain (loss) - net	25	**(333)**	(648)	1,422
Net income (loss)		**(P 264)**	(P 589)	P 1,506

Effective interest rates of debt securities at FVTPL for both BDO Unibank Group and the Parent Bank range from:

	2022	2021	2020
BDO Unibank Group			
Government debt securities	**1.37% – 10.63%**	0.88% – 10.62%	0.63% – 10.63%
Corporate debt securities	**0.09% – 8.51%**	0.09% – 8.51%	0.09% – 8.51%
Parent Bank			
Government debt securities	**1.38% – 9.50%**	0.88% – 9.50%	0.63% – 10.63%
Corporate debt securities	**2.13% – 8.51%**	2.50% – 8.51%	3.00% – 8.51%

Foreign currency-denominated securities amounted to P7,857 and P6,622 as of December 31, 2022 and 2021, respectively, in the BDO Unibank Group's statements of financial position, and P3,649 and P2,759 as of December 31, 2022 and 2021, respectively, in the Parent Bank's statements of financial position.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Foreign currency and interest rate forwards/futures represent commitments to purchase or sell or contractual obligations to receive or pay a new amount based on changes in currency rates or interest rates on a future date at a specified price. Foreign currency and interest rate swaps are commitments to exchange one set of cash flows for another. Income derived from these derivative instruments are part of trading gains/(losses) (see Note 25).

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and financial liabilities are shown below [see Notes 21 and 27(d)(i)(4)].

	2022			2021		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
BDO Unibank Group						
Currency forwards/futures	P 287,952	P 2,913	P 3,026	P 313,246	P 2,091	P 2,118
Cross currency swaps	70,995	5,630	4,602	54,243	4,041	3,440
Interest rate swaps	9,320	70	81	13,986	99	93
Interest rate future sold trading	1,417	-	-	1,661	1	-
ROP warrants	8,475	-	100	8,475	-	91
	P 378,159	P 8,613	P 7,809	P 391,611	P 6,232	P 5,742
Parent Bank						
Currency forwards/futures	P 285,316	P 2,896	P 3,008	P 309,373	P 2,086	P 2,045
Cross currency swaps	9,781	505	453	8,792	329	259
Interest rate swaps	8,220	67	75	8,986	54	66
ROP warrants	8,475	-	100	8,475	-	92
	P 311,792	P 3,468	P 3,636	P 335,626	P 2,469	P 2,462

Certain financial assets at FVTPL are subject to offsetting against the related derivatives with negative fair values. This indicates an enforceable master netting arrangements and similar agreements with an intention to settle on a net basis (see Note 7.6).

10.2 Financial Assets at FVOCI

The details of the carrying amounts of these financial assets are as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Government debt securities	P 109,782	P 110,182	P 66,465	P 71,798
Corporate debt securities	51,572	55,279	41,641	42,297
Equity securities:				
Quoted	4,562	5,010	1,428	1,588
Not quoted	153	322	113	282
	P 166,069	P 170,793	P 109,647	P 115,965

As to currency, this account is composed of the following:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Foreign currencies	P 80,243	P 86,804	P 71,632	P 74,197
Philippine peso	85,826	83,989	38,015	41,768
	P 166,069	P 170,793	P 109,647	P 115,965

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Within one year	**P 17,722**	P 17,781	**P 13,164**	P 13,743
One to five years	**60,848**	64,349	**43,368**	46,361
Beyond five years	**87,499**	88,663	**53,115**	55,861
	P 166,069	P 170,793	**P 109,647**	P 115,965

Effective interest rates of financial assets at FVOCI range from:

	2022	2021	2020
BDO Unibank Group			
Government debt securities	**0.53% – 5.75%**	0.06% – 5.69%	0.06% – 6.77%
Corporate debt securities	**1.87% – 8.76%**	0.42% – 7.38%	0.82% – 8.29%
Parent Bank			
Government debt securities	**0.54% – 5.75%**	0.54% – 5.69%	1.50% – 6.77%
Corporate debt securities	**1.87% – 8.76%**	1.66% – 7.38%	2.14% – 8.29%

The fair values of government debt, quoted equity securities and corporate debt securities have been determined directly by reference to published prices generated in an active market (see Note 7.3).

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	P **170,793**	P 184,881	P **115,965**	P 126,922
Additions	**285,428**	476,166	**258,499**	446,867
Disposals	(**279,483**)	(489,677)	(**259,519**)	(459,326)
Unrealized fair value losses	(**18,457**)	(5,259)	(**11,945**)	(2,524)
Foreign currency revaluation	**7,821**	4,963	**6,675**	4,199
Realized fair value losses on FVOCI	(**33**)	(309)	(**28**)	(201)
Reclassification	**-**	28	**-**	28
Balance at end of year	**P 166,069**	P 170,793	**P 109,647**	P 115,965

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under equity is shown below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	(P 1,630)	P 4,008	(P 348)	P 2,459
Changes on unrealized fair value gains (losses) during the year:				
Fair value losses during the year	(18,381)	(5,230)	(11,945)	(2,524)
Expected credit losses on FVOCI securities	67	(88)	65	(71)
Deferred tax assets (liabilities)	21	(11)	22	(11)
Adjustment	6	-	6	-
	(19,917)	(1,321)	(12,200)	(147)
Realized fair value gains on securities disposed during the year - net	(33)	(309)	(28)	(201)
Balance at end of year	(P 19,950)	(P 1,630)	(P 12,228)	(P 348)
Net unrealized fair value gains (losses), net of tax:				
Attributable to:				
Shareholder of the Parent Bank	(P 18,381)	(P 5,230)		
Non-controlling interest	(76)	(29)		
	(P 18,457)	(P 5,259)		

The Parent Bank disposed of FVOCI securities under equity amounting to P6 and P3,222 in 2022 and 2021, respectively, while the BDO Unibank Group disposed a total of FVOCI equity securities amounting to P181 and P5,454 in 2022 and 2021, respectively.

Unrealized fair value gains and losses recognized in the NUGL account is not reclassified to profit or loss but is reclassified directly to Surplus Free account except for those debt securities classified as FVOCI wherein fair value changes are recycled back to profit or loss.

The BDO Unibank Group and the Parent Bank recognized gain on disposal of FVOCI securities amounting to P8 and P13, respectively, in 2022, P278 and P191, respectively, in 2021, and P644 and P178, respectively in 2020.

Impairment losses (recoveries) recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to P67 and P65, respectively, in 2022, (P88) and (P71), respectively, in 2021 and P37 and P36, respectively, in 2020. The total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P117 and P102, respectively, as of December 31, 2022, and P50 and P37, respectively, as of December 31, 2021 (see Note 4.3.5).

10.3 Investment Securities at Amortized Cost

This account consists of:

	Note	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Government debt securities		**P 442,970**	P 334,935	**P 427,074**	P 320,925
Corporate debt securities:					
Quoted		**66,832**	59,255	**64,306**	56,523
Not quoted		**3,901**	4,815	**1,519**	1,389
		513,703	399,005	**492,899**	378,837
Allowance for impairment	16	**(1,654)**	(1,471)	**(1,640)**	(1,455)
		P 512,049	P 397,534	**P 491,259**	P 377,382

As to currency, this account is composed of the following:

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Foreign currencies	**P 196,188**	P 164,529	**P 190,632**	P 159,235
Philippine peso	**315,861**	233,005	**300,627**	218,147
	P 512,049	P 397,534	**P 491,259**	P 377,382

The maturity profile of this account is presented below.

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Less than one year	**P 29,342**	P 29,285	**P 27,561**	P 27,101
One to five years	**227,742**	166,980	**211,611**	155,595
Beyond five years	**254,965**	201,269	**252,087**	194,686
	P 512,049	P 397,534	**P 491,259**	P 377,382

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Balance at beginning of year	**P 397,534**	P 286,819	**P 377,382**	P 267,672
Additions	**161,048**	169,502	**155,379**	161,191
Maturities and disposals	**(61,913)**	(68,042)	**(56,413)**	(60,412)
Foreign currency gains - net	**15,449**	9,063	**14,983**	8,741
Impairment loss	**(69)**	192	**(72)**	190
Balance at end of year	**P 512,049**	P 397,534	**P 491,259**	P 377,382

Effective interest rates of investment securities at amortized cost for both BDO Unibank Group and Parent Bank range from:

	2022	2021	2020
BDO Unibank Group			
Government debt securities	**0.18% – 8.64%**	0.05% – 7.60%	0.20% – 7.60%
Corporate debt securities	**1.27% – 7.82%**	1.29% – 8.41%	0.39% – 8.41%
Parent Bank			
Government debt securities	**0.18% – 7.56%**	0.05% – 7.60%	0.20% – 7.60%
Corporate debt securities	**1.82% – 7.82%**	1.82% – 7.82%	0.39% – 7.82%

In 2022, the BDO Unibank Group and the Parent Bank disposed of debt securities from its amortized cost portfolio amounting to P1,801 and P749, respectively, resulting in a trading net gain amounting to P13 and P13, respectively. These disposals were all initiated by the issuers. In 2021, the BDO Unibank Group and the Parent Bank disposed of debt securities from its amortized cost portfolio amounting to P1,565 and P285, respectively, resulting in a trading net gain amounting to P78 and P30, respectively. These disposals were initiated by the Parent Bank because of the deteriorating profile of the securities sold. Management has assessed that such disposals of investment securities in 2022 and 2021 are consistent with the BDO Unibank Group and the Parent Bank's investment at amortized cost business model with the objective of collecting contractual cash flows and have qualified under the permitted sale events set forth in the BDO Unibank Group's business model in managing financial assets manual and the requirements of PFRS 9. The disposal of investment securities was approved by the Investments Committee in compliance with the documentation requirements of the BSP.

As mentioned in Note 28, certain government debt securities are deposited with the BSP.

11. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Receivables from customers:					
Loans and discounts	27	**P 2,391,044**	P 2,205,151	**P 2,314,453**	P 2,156,282
Credit card receivables		**127,922**	106,789	**127,922**	106,789
Customers' liabilities under letters of credit and trust receipts		**85,295**	80,217	**85,295**	80,217
Bills purchased		**10,895**	8,360	**10,885**	8,358
		2,615,156	2,400,517	**2,538,555**	2,351,646
Unearned interests or discounts		**(1,345)**	(324)	**(911)**	(95)
Allowance for impairment	16	**(73,776)**	(65,259)	**(71,576)**	(63,274)
		(75,121)	(65,583)	**(72,487)**	(63,369)
		2,540,035	2,334,934	**2,466,068**	2,288,277
Other receivables:					
Interbank loans receivables		**115,694**	90,721	**119,045**	90,721
Reverse repurchase agreements		**26,305**	17,095	**26,091**	15,800
Accounts receivable	27	**14,738**	8,315	**11,118**	6,277
Sales contract receivables		**1,421**	1,283	**1,323**	1,226
Others		**1,292**	1,039	-	-
		159,450	118,453	**157,577**	114,024
Allowance for impairment	16	**(2,584)**	(2,484)	**(2,424)**	(2,318)
		156,866	115,969	**155,153**	111,706
		P 2,696,901	P 2,450,903	**P 2,621,221**	P 2,399,983

The maturity profile of receivable from customers (net of unearned interest or discounts) based on the remaining term is presented below.

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Less than one year	**P 760,822**	P 715,409	**P 754,313**	P 708,816
One to five years	**1,010,599**	830,392	**955,786**	795,591
Beyond five years	**842,390**	854,392	**827,545**	847,144
	P 2,613,811	P 2,400,193	**P 2,537,644**	P 2,351,551

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Variable interest rates	**P 1,993,259**	P 1,885,493	**P 1,986,204**	P 1,873,116
Fixed interest rates	**620,552**	514,700	**551,440**	478,435
	P 2,613,811	P 2,400,193	**P 2,537,644**	P 2,351,551

Annual interest rates ranges from:

	2022	2021	2020
Loans and discounts	**0.00% – 60.96%**	0.00% – 60.96%	0.00% – 43.68%
Other receivables	**0.00% – 19.00%**	0.03% – 19.00%	0.04% – 19.00%

The total interest income earned amounted to:

	Note	BDO Unibank Group 2022	2021	2020
Loans and discounts		**P 138,080**	P 123,545	P 137,590
Other receivables		**2,680**	1,003	1,146
	23	**P 140,760**	P 124,548	P 138,736

	Note	Parent Bank 2022	2021	2020
Loans and discounts		**P 131,465**	P 118,667	P 133,261
Other receivables		**2,571**	899	1,068
	23	**P 134,036**	P 119,566	P 134,329

Interest income recognized on impaired loans and receivables amounted to P6,398, P6,046 and P4,557 in 2022, 2021 and 2020, respectively, for the BDO Unibank Group, and P6,395, P6,025 and P4,353 in 2022, 2021 and 2020, respectively, for the Parent Bank.

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P23,795 and P20,363, respectively, in 2022 and P29,497 and P26,045, respectively, in 2021, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P20,886 and P20,363, respectively, in 2022, and P26,216 and P26,045, respectively, for 2021, indicating a legally enforceable right to offset the recognized amounts with an intention to settle on a net basis (see Note 7.6).

Impairment losses recognized for loans and receivables for BDO Unibank Group and the Parent Bank amounted to P16,414 and P15,665, respectively, in 2022, P17,222 and P17,006, respectively, in 2021, and P29,519 and P28,905, respectively, in 2020 (see Note 16).

12. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of premises, furniture, fixtures and equipment at the beginning and end of 2022 and 2021 are shown below and in the succeeding page.

BDO Unibank Group

	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Rights and Improvement	Construction in Progress	Right-of-Use Assets	Total
December 31, 2022							
Cost	₱ 8,430	₱ 29,066	₱ 25,345	₱ 8,660	₱ 1,266	₱ 19,561	₱ 92,328
Accumulated depreciation and amortization	-	(19,682)	(10,047)	(7,295)	-	(8,189)	(45,213)
Allowance for impairment (see Note 16)	(340)	-	(304)	-	-	-	(644)
Net Carrying Amount	₱ 8,090	₱ 9,384	₱ 14,994	₱ 1,365	₱ 1,266	₱ 11,372	₱ 46,471
December 31, 2021							
Cost	₱ 8,409	₱ 27,867	₱ 24,044	₱ 8,373	₱ 1,316	₱ 16,704	₱ 86,713
Accumulated depreciation and amortization	-	(18,527)	(9,384)	(6,902)	-	(6,446)	(41,259)
Allowance for impairment (see Note 16)	(343)	-	(304)	-	-	-	(647)
Net Carrying Amount	₱ 8,066	₱ 9,340	₱ 14,356	₱ 1,471	₱ 1,316	₱ 10,258	₱ 44,807
January 1, 2021							
Cost	₱ 8,405	₱ 27,194	₱ 22,792	₱ 7,823	₱ 977	₱ 14,420	₱ 81,611
Accumulated depreciation and amortization	-	(17,532)	(8,343)	(6,299)	-	(4,460)	(36,634)
Allowance for impairment (see Note 16)	(271)	-	(376)	-	-	-	(647)
Net Carrying Amount	₱ 8,134	₱ 9,662	₱ 14,073	₱ 1,524	₱ 977	₱ 9,960	₱ 44,330

Parent Bank

	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Rights and Improvement	Construction in Progress	Right-of-Use Assets	Total
December 31, 2022							
Cost	₱ 7,693	₱ 24,804	₱ 23,466	₱ 7,674	₱ 1,250	₱ 18,911	₱ 83,798
Accumulated depreciation and amortization	-	(16,859)	(9,409)	(6,678)	-	(7,962)	(40,908)
Allowance for impairment (see Note 16)	(197)	-	(299)	-	-	-	(496)
Net Carrying Amount	₱ 7,496	₱ 7,945	₱ 13,758	₱ 996	₱ 1,250	₱ 10,949	₱ 42,394
December 31, 2021							
Cost	₱ 7,669	₱ 23,434	₱ 22,734	₱ 7,497	₱ 1,314	₱ 16,252	₱ 78,900
Accumulated depreciation and amortization	-	(15,468)	(8,781)	(6,273)	-	(6,296)	(36,818)
Allowance for impairment (see Note 16)	(197)	-	(299)	-	-	-	(496)
Net Carrying Amount	₱ 7,472	₱ 7,966	₱ 13,654	₱ 1,224	₱ 1,314	₱ 9,956	₱ 41,586
January 1, 2021							
Cost	₱ 7,665	₱ 22,151	₱ 21,517	₱ 7,060	₱ 970	₱ 14,142	₱ 73,505
Accumulated depreciation and amortization	-	(14,303)	(7,807)	(5,740)	-	(4,327)	(32,177)
Allowance for impairment (see Note 16)	(125)	-	(371)	-	-	-	(496)
Net Carrying Amount	₱ 7,540	₱ 7,848	₱ 13,339	₱ 1,320	₱ 970	₱ 9,815	₱ 40,832

A reconciliation of the carrying amounts at the beginning and end of 2022 and 2021 of premises, furniture, fixtures and equipment is shown below and in the succeeding page.

BDO Unibank Group

	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Rights and Improvement	Construction in Progress	Right-of-Use Assets	Total
Balance at January 1, 2022, net of accumulated depreciation, amortization and impairment	P 8,066	P 9,340	P 14,356	P 1,471	P 1,316	P 10,258	P 44,807
Additions	24	2,635	280	463	486	4,683	8,571
Disposals	(3)	(237)	(19)	(54)		(54)	(313)
Reclassifications		236	1,024	100	(519)		841
Allowance for impairment	3						3
Adjustments						(115)	(115)
Reversal			(12)		(17)	(3)	(29)
Foreign exchange revaluation		1	8	3		3	15
Depreciation and amortization charges for the year		(2,591)	(662)	(653)		(3,403)	(7,309)
Balance at December 31, 2022, net of accumulated depreciation, amortization and impairment	P 8,090	P 9,384	P 14,994	P 1,365	P 1,266	P 11,372	P 46,471
Balance at January 1, 2021, net of accumulated depreciation, amortization and impairment	P 8,134	P 9,662	P 14,073	P 1,524	P 977	P 9,960	P 44,330
Additions	21	2,084	664	568	516	3,216	7,069
Disposals	(1)	(101)	(47)	(13)		(3)	(161)
Reclassifications	(72)	218	721	73	(172)		768
Adjustments				(1)		(406)	(407)
Reversal	(17)			(2)	(5)	(1)	(24)
Foreign exchange revaluation		1	5	1		4	11
Depreciation and amortization charges for the year		(2,524)	(1,060)	(679)		(2,516)	(6,779)
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment	P 8,066	P 9,340	P 14,356	P 1,471	P 1,316	P 10,258	P 44,807

Parent Bank

	Land	Furniture, Fixtures and Equipment	Buildings	Leasehold Rights and Improvement	Construction in Progress	Right-of-Use Assets	Total
Balance at January 1, 2022 net of accumulated depreciation, amortization and impairment	P 7,472	P 7,966	P 13,654	P 1,224	P 1,314	P 9,956	P 41,586
Additions	24	1,876	239	230	470	4,414	7,253
Disposals		(120)		(19)		(53)	(192)
Reclassifications		236	505	100	(517)		324
Adjustment	-	-	-			(100)	(100)
Reversal	-	-	(12)		(17)	(1)	(29)
Foreign exchange revaluation	-	1	-	2	-	4	7
Depreciation and amortization charges for the year		(2,014)	(628)	(541)		(3,272)	(6,455)
Balance at December 31, 2022, net of accumulated depreciation, amortization and impairment	P 7,496	P 7,945	P 13,758	P 996	P 1,250	P 10,949	P 42,394
Balance at January 1, 2021 net of accumulated depreciation, amortization and impairment	P 7,540	P 7,848	P 13,339	P 1,320	P 970	P 9,815	P 40,832
Additions	21	1,722	630	425	516	2,951	6,265
Disposals	-	(7)	(46)	(13)		(1)	(66)
Reclassifications	(72)	218	717	72	(167)		768
Adjustment	-		-		-	(407)	(407)
Reversal	(17)				(5)	(1)	(22)
Foreign exchange revaluation	-		-	1	-	5	6
Depreciation and amortization charges for the year		(1,815)	(986)	(581)		(2,408)	(5,790)
Balance at December 31, 2021, net of accumulated depreciation, amortization and impairment	P 7,472	P 7,966	P 13,654	P 1,224	P 1,314	P 9,956	P 41,586

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50.00% of a bank's unimpaired capital. As of December 31, 2022 and 2021, the BDO Unibank Group and the Parent Bank have complied with this requirement.

Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2022 and 2021 are still being used in operations with acquisition costs amounting to P9,557 and P8,298, respectively, in the BDO Unibank Group's financial statements and P8,016 and P7,532, respectively, in the Parent Bank's financial statements.

13. LEASES

The BDO Unibank Group and the Parent Bank have leases for certain land and building. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected as a Right-of-use asset under Premises, Furniture, Fixtures and Equipment (see Note 12) and a Lease liability under Other Liabilities (see Note 21) on the statements of financial position.

Each lease generally imposes a restriction that, unless there is a contractual right for the BDO Unibank Group and the Parent Bank to sublet the asset to another party, the right-of-use asset can only be used by the BDO Unibank Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. The BDO Unibank Group and the Parent Bank are prohibited from selling or pledging the underlying leased assets as security. For leases over land and office spaces, the BDO Unibank Group and the Parent Bank must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the BDO Unibank Group and the Parent Bank must insure the leased assets and incur maintenance fees on such items in accordance with the lease contracts.

The tables below describe the nature of BDO Unibank Group and the Parent Bank's leasing activities by type of right-of-use asset recognized as part of Premises, Furniture, Fixtures and Equipment in the statements of financial position as of December 31, 2022 and 2021.

	Number of Right-of-use Asset Leased		Range of Remaining Term		Average Remaining Lease Term	
	2022	2021	2022	2021	2022	2021
BDO Unibank Group						
Land	57	58	0 mos. – 27 yrs.	4 mos. – 28 yrs.	12 yrs.	12 yrs.
Building	1,631	1,568	1 mo. – 15 yrs.	1 mo. – 16 yrs.	3.7 yrs.	2.2 yrs.
Parent Bank						
Land	57	58	2 mos. – 27 yrs.	4 mos. – 28 yrs.	12 yrs.	12 yrs.
Building	1,325	1,281	1 mo. – 15.1 yrs.	1 mo. – 16 yrs.	4 yrs.	4 yrs.

13.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as at December 31, 2022 and 2021 and the movements during the period are shown below (see Note 12).

BDO Unibank Group

	Land	Buildings	Total
Balance at January 1, 2022	P 434	P 9,824	P 10,258
Additions	72	4,611	4,683
Disposal	-	(54)	(54)
Adjustment	-	(115)	(115)
Foreign exchange revaluation	-	3	3
Depreciation and amortization	(60)	(3,343)	(3,403)
Balance at December 31, 2022	**P 446**	**P 10,926**	**P 11,372**
Balance at January 1, 2021	P 416	P 9,544	P 9,960
Additions	44	3,172	3,216
Reclassification	38	(38)	-
Adjustment	(6)	(400)	(406)
Foreign exchange revaluation	-	4	4
Depreciation and amortization	(58)	(2,458)	(2,516)
Balance at December 31, 2021	P 434	P 9,824	P 10,258

Parent Bank

	Land	Buildings	Total
Balance at January 1, 2022	P 459	P 9,497	P 9,956
Additions	72	4,342	4,414
Disposal	-	(53)	(53)
Adjustment	-	(100)	(100)
Foreign exchange revaluation	-	4	4
Depreciation and amortization	(60)	(3,212)	(3,272)
Balance at December 31, 2022	**P 471**	**P 10,478**	**P 10,949**
Balance at January 1, 2021	P 444	P 9,371	P 9,815
Additions	44	2,907	2,951
Reclassification	38	(38)	-
Adjustment	(7)	(400)	(407)
Foreign exchange revaluation	-	5	5
Depreciation and amortization	(60)	(2,348)	(2,408)
Balance at December 31, 2021	P 459	P 9,497	P 9,956

13.2 Lease Liabilities

Lease liabilities amounting to P13,344 and P12,087 as at December 31, 2022 and 2021, respectively, for the BDO Unibank Group and P12,927 and P11,800, as at December 31, 2022 and 2021, respectively, for the Parent Bank are presented in the statements of financial position as part of Other Liabilities (see Note 21).

The use of extension and termination options gives the BDO Unibank Group and the Parent Bank added flexibility in the event that it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with the BDO Unibank Group and the Parent Bank's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost. As at December 31, 2022, the terms of the lease contracts of the BDO Unibank Group and the Parent Bank are renewable upon mutual agreement of the parties.

As of December 31, 2022, the BDO Unibank Group and the Parent Bank had not committed to any lease which had not yet commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analyses of lease liabilities at December 31, 2022 and 2021 for the BDO Unibank Group and the Parent Bank are as follows:

December 31, 2022

BDO Unibank Group

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 3,928	P 3,266	P 2,775	P 2,111	P 1,311	P 2,206	P 585	P 16,182
Finance charges	(784)	(601)	(449)	(290)	(188)	(386)	(140)	(2,838)
Net present value	P 3,144	P 2,665	P 2,326	P 1,821	P 1,123	P 1,820	P 445	P 13,344

Parent Bank

Lease payments	P 3,793	P 3,127	P 2,658	P 2,034	P 1,283	P 2,208	P 626	P 15,729
Finance charges	(763)	(587)	(427)	(287)	(188)	(395)	(155)	(2,802)
Net present value	P 3,030	P 2,540	P 2,231	P 1,747	P 1,095	P 1,815	P 471	P 12,927

December 31, 2021

BDO Unibank Group

	Within 1 Year	1 to 2 Years	2 to 3 Years	3 to 4 Years	4 to 5 Years	5 to 10 Years	10 or More Years	Total
Lease payments	P 3,495	P 2,826	P 2,306	P 1,803	P 1,370	P 2,256	P 517	P 14,573
Finance charges	(675)	(517)	(391)	(275)	(184)	(317)	(127)	(2,486)
Net present value	P 2,820	P 2,309	P 1,915	P 1,528	P 1,186	P 1,939	P 390	P 12,087

Parent Bank

Lease payments	P 3,386	P 2,727	P 2,227	P 1,779	P 1,355	P 2,263	P 561	P 14,298
Finance charges	(667)	(513)	(385)	(276)	(186)	(327)	(144)	(2,498)
Net present value	P 2,719	P 2,214	P 1,842	P 1,503	P 1,169	P 1,936	P 417	P 11,800

The BDO Unibank Group and the Parent Bank sublease its leased properties. The total income earned from the subleasing activities amounted to nil in 2022, 2021 and 2020 for the BDO Unibank Group and P6, P2 and P2 in 2022, 2021 and 2020, respectively, for the Parent Bank.

The total cash outflow in respect to leases amounted to P4,192, P3,238 and P2,940 in 2022, 2021 and 2020, respectively, for the BDO Unibank Group and P4,032, P3,100 and P2,828 in 2022, 2021 and 2020, respectively, for the Parent Bank. Interest expense in relation to lease liabilities amounted to P927, P817 and P690 in 2022, 2021 and 2020, respectively, for the BDO Unibank Group and P905, P807 and P675 in 2022, 2021 and 2020, respectively, for the Parent Bank which are, presented as part of Interest expense on lease liabilities under Interest Expense account in the statements of income (see Notes 21 and 24).

13.3 Lease Payments Not Recognized as Liabilities

The BDO Unibank Group and the Parent Bank have elected not to recognize a lease liability for short-term leases or for leases of low value assets. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities. Payments made under such leases are expensed as incurred.

The expenses relating to short-term leases and low-value assets amounted to P4 and P350 in 2022, P8 and P336 in 2021 and P4 and P269 in 2020 for the BDO Unibank Group, respectively, and nil and P348 in 2022, nil and P328 in 2021, and nil and P262 in 2020 for the Parent Bank, respectively. Moreover, expenses relating to variable lease payments amounted to P171, P114 and P171 for the BDO Unibank Group, and P171, P114 and P171 for the Parent Bank in 2022, 2021 and 2020, respectively. These are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

14. INVESTMENT PROPERTIES

Investment properties include land and buildings held for capital appreciation and for rental. Income earned from investment properties under rental arrangements amounted to P590 and P83 in 2022, P431 and P86 in 2021, and P366 and P83 in 2020 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Rental under Other Operating Income account (see Note 25). Direct expenses incurred from these properties such as taxes and licenses amounted to P61 and P3 in 2022, P34 and P3 in 2021, and P23 and P2 in 2020 in the BDO Unibank Group and the Parent Bank's financial statements, respectively, and are presented as part of Taxes and licenses under Other Operating Expenses account in the BDO Unibank Group and Parent Bank's financial statements, respectively (see Note 25).

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2022 and 2021 are shown below and in the succeeding page.

BDO Unibank Group

	Land	Buildings	Total
December 31, 2022			
Cost	**P 10,457**	**P 18,393**	**P 28,850**
Accumulated depreciation	**-**	**(6,185)**	**(6,185)**
Allowance for impairment (see Note 16)	**(1,442)**	**(65)**	**(1,507)**
Net carrying amount	**P 9,015**	**P 12,143**	**P 21,158**
December 31, 2021			
Cost	P 9,288	P 16,648	P 25,936
Accumulated depreciation	-	(5,412)	(5,412)
Allowance for impairment (see Note 16)	(1,658)	(71)	(1,729)
Net carrying amount	P 7,630	P 11,165	P 18,795

BDO Unibank Group

	Land	Buildings	Total
January 1, 2021			
Cost	P 9,176	P 13,310	P 22,486
Accumulated depreciation	-	(4,773)	(4,773)
Allowance for impairment (see Note 16)	(1,773)	(89)	(1,862)
Net carrying amount	P 7,403	P 8,448	P 15,851

Parent Bank

December 31, 2022			
Cost	**P 8,199**	**P 11,530**	**P 19,729**
Accumulated depreciation	**-**	**(5,370)**	**(5,370)**
Allowance for impairment (see Note 16)	**(1,162)**	**(24)**	**(1,186)**
Net carrying amount	**P 7,037**	**P 6,136**	**P 13,173**
December 31, 2021			
Cost	P 7,029	P 10,473	P 17,502
Accumulated depreciation	-	(4,829)	(4,829)
Allowance for impairment (see Note 16)	(1,378)	(32)	(1,410)
Net carrying amount	P 5,651	P 5,612	P 11,263
January 1, 2021			
Cost	P 6,916	P 10,775	P 17,691
Accumulated depreciation	-	(4,320)	(4,320)
Allowance for impairment (see Note 16)	(1,493)	(43)	(1,536)
Net carrying amount	P 5,423	P 6,412	P 11,835

A reconciliation of the carrying amounts, at the beginning and end of 2022 and 2021, of investment properties is shown below and in the succeeding page.

BDO Unibank Group

	Land	Buildings	Total
Balance at January 1, 2022, net of accumulated depreciation and impairment	P 7,630	P 11,165	P 18,795
Additions	1,681	3,044	4,725
Reclassifications	216	(509)	(293)
Disposals	(512)	(349)	(861)
Foreign exchange revaluation	-	(39)	(39)
Impairment loss	-	(2)	(2)
Depreciation for the year	-	(1,167)	(1,167)
Balance at December 31, 2022, net of accumulated depreciation and impairment	P 9,015	P 12,143	P 21,158
Balance at January 1, 2021, net of accumulated depreciation and impairment	P 7,403	P 8,448	P 15,851
Additions	606	4,415	5,021
Reclassifications	126	(466)	(340)
Disposals	(511)	(309)	(820)
Foreign exchange revaluation	6	84	90
Depreciation for the year	-	(1,007)	(1,007)
Balance at December 31, 2021, net of accumulated depreciation and impairment	P 7,630	P 11,165	P 18,795

Parent Bank

	Land	Buildings	Total
Balance at January 1, 2022, net of accumulated depreciation and impairment	P 5,651	P 5,612	P 11,263
Additions	1,681	1,778	3,459
Disposals	(511)	(349)	(860)
Reclassifications	216	8	224
Depreciation for the year	-	(913)	(913)
Balance at December 31, 2022, net of accumulated depreciation and impairment	P 7,037	P 6,136	P 13,173
Balance at January 1, 2021, net of accumulated depreciation and impairment	P 5,423	P 6,412	P 11,835
Additions	606	865	1,471
Disposals	(510)	(309)	(819)
Reclassifications	126	(472)	(346)
Foreign exchange revaluation	6	-	6
Depreciation for the year	-	(884)	(884)
Balance at December 31, 2021, net of accumulated depreciation and impairment	P 5,651	P 5,612	P 11,263

The fair value of investment properties as of December 31, 2022 and 2021, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P44,397 and P40,135, respectively, for the BDO Unibank Group's financial statements and P36,533 and P32,736, respectively, for the Parent Bank's financial statements. Other information about the fair value measurement and disclosures related to the investment properties are presented in Note 7.5.

The recoverable amount of impaired investment properties as of December 31, 2022 and 2021 was based on value in use computed through discounted cash flows method at an effective rate of 1.42% and 0.69% in 2022 and 2021, respectively.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, neither maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, financial assets at FVOCI, other resources or non-current assets held for sale.

As of December 31, 2022 and 2021, ROPA, gross of allowance, comprise of the following:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Investment properties	**P 12,929**	P 11,070	**P 12,783**	P 11,028
Financial assets at FVOCI	**484**	499	**484**	499
Non-current assets held for sale	**3,462**	1,954	**3,462**	1,952
	P 16,875	P 13,523	**P 16,729**	P 13,479

15. OTHER RESOURCES

The components of this account are shown below.

	Notes	BDO Unibank Group		Parent Bank	
		2022	2021	2022	2021
Foreign currency notes and coins on hand		**P 10,582**	P 5,597	**P 10,582**	P 5,597
Deferred charges	15.1	**6,544**	7,852	**6,544**	7,852
Equity investments	15.2	**5,654**	5,347	**56,268**	43,839
Deferred tax assets – net	31.1	**5,355**	6,768	**5,028**	6,262
Goodwill	15.3	**4,535**	4,535	**1,391**	1,391
Computer software – net	15.6	**3,536**	3,696	**3,260**	3,535
Credit card acquiring		**3,490**	1,226	**3,490**	1,226
Non-current assets held for sale	15.5	**3,462**	1,954	**3,462**	1,952
Branch licenses	15.4	**3,020**	3,020	**3,020**	3,020
Margin deposits		**1,688**	581	**378**	187
Prepaid documentary stamps		**798**	454	**737**	414
Customer lists - net	15.6	**487**	487	**487**	487
Retirement assets	26.2	**215**	-	-	-
Real properties for development and sale		**174**	260	-	-
Others	15.6, 20	**13,050**	10,024	**10,586**	8,602
		62,590	51,801	**105,233**	84,364
Allowance for impairment	16	**(2,731)**	(2,921)	**(2,418)**	(2,602)
		P 59,859	P 48,880	**P 102,815**	P 81,762

15.1 Deferred Charges

Deferred charges represent the unamortized portion of loan origination fees, which consist of commission and other fees related to auto loans, presented as part of Receivables from customers – Loans and discounts account under Loans and Other Receivables in the statements of financial position (see Note 11). In addition, this account also includes origination costs related to Long-term Negotiable Certificate of Deposits (LTNCD) presented as part of Time deposit liabilities under Deposit Liabilities account in the statements of financial position (see Note 17). This also includes originating costs related to Fixed Rate Bonds, Bills Payable and Senior Notes (see Note 18).

15.2 Equity Investments

Equity investments consist of the following:

		BDO Unibank Group		Parent Bank	
	Held	2022	2021	2022	2021
Philippine subsidiaries					
BDO Network	87.37%	P -	P -	P 12,416	P 8,166
BDOSHI	100%	-	-	5,684	5,684
BDO Life	97%	-	-	3,403	3,403
BDO Private	100%	-	-	2,579	2,579
Dominion Holdings	87.43%	-	-	1,878	1,878
BDO Capital	99.88%	-	-	1,878	1,878
BDOI	100%	-	-	11	11
Equimark	60%	-	-	4	4
		-	-	27,853	23,603
Foreign subsidiaries					
BDORO	100%	-	-	169	169
BDO Remit (Japan) Ltd.	100%	-	-	92	92
BDO Remit (Canada) Ltd.	100%	-	-	50	50
BDO Remit (USA), Inc.	100%	-	-	26	26
		-	-	337	337
Associates					
SM Keppel Land, Inc. (SM Keppel)	50%	1,658	1,658	1,658	1,658
NLEX Corporation	11.70%	1,405	1,405	1,405	1,405
NorthPine Land, Inc.	20%	232	232	232	232
Taal Land, Inc.	33.33%	170	170	170	170
BDO Securities	1.69%	-	-	35	35
		3,465	3,465	3,500	3,500
Accumulated equity in total comprehensive income:					
Balance at beginning of year		1,882	1,550	16,399	10,280
Equity in net profit		849	814	8,710	6,350
Equity in other comprehensive income (loss)		11	(6)	3,367	2,587
Dividends		(553)	(476)	(3,898)	(2,818)
Balance at end of year		2,189	1,882	24,578	16,399
Net investments in associates/subsidiaries		5,654	5,347	56,268	43,839
Allowance for impairment		(153)	(153)	(153)	(153)
		P 5,501	P 5,194	P 56,115	P 43,686

Equity in other comprehensive income or loss consists of the following:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Accumulated actuarial gains (losses)	P 11	(P 9)	P 126	(P 342)
Remeasurement on life insurance reserves	-	-	9,620	5,686
Accumulated translation adjustment	-	-	51	50
Net unrealized fair value gains (losses) on FVOCI	-	3	(6,430)	(2,807)
Equity in other comprehensive income (loss)	P 11	(P 6)	P 3,367	P 2,587

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2022 and 2021, except for BDO Life, Dominion Holdings and BDO Securities. For BDO Life and Dominion Holdings, the interest held is at 100% and 88.54% for BDO Unibank Group, respectively (see Note 2.3) in both years and 97.00% and 87.43%, for the Parent Bank, respectively in both years. For BDO Securities, the interest held is at 99.88%, for BDO Unibank Group (see Note 2.3), in both years and 1.69% and 2.65% for Parent Bank, in 2022 and 2021, respectively.

In 2020, the trading of the shares of Dominion Holdings were suspended indefinitely. Using the last traded price on January 24, 2020, the fair value amounted to P6,050. For the remaining equity investments, the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique using the net present value of future cash flows.

BDO Unibank Group's subsidiaries as of December 31, 2022 are all incorporated in the Philippines, except for the following:

Foreign Subsidiaries	Country of Incorporation
BDO Remit (USA), Inc.	United States of America
BDORO	United Kingdom
BDO Remit International Holdings B.V**	Netherlands
BDO Remit UK, Ltd. **	United Kingdom
BDO Remit (Spain), S.A**	Spain
CBN Greece S.A. **	Greece
BDO Remit (Japan) Ltd.	Japan
BDO Remit (Canada) Ltd.	Canada
BDO Remit Limited*	Hongkong
BDO Remit (Macau) Ltd.*	Macau

**Wholly-owned subsidiaries of BDOSHI*
***Subsidiaries of BDO Capital*

On May 30, 2012, BDORO was registered with the Registrar of Companies for England and Wales (UK) as a private limited company with registered office at the 8th floor, 20 Farringdon Street, London. As of December 31, 2022 and 2021, the Parent Bank's outstanding investment in BDORO amounted to P169.

BDO Remit (Canada) Ltd., a wholly-owned remittance subsidiary in Vancouver, Canada operates as a remittance business and function as a marketing office of the Parent Bank. As of December 31, 2022 and 2021, the Parent Bank's outstanding investment in BDO Remit (Canada) Ltd. Amounted to P50.

In May 2013, BDO Capital obtained control over BDO Remit International Holdings, B.V. (formerly CBN Grupo International Holdings B.V.) through its 60% ownership. Goodwill amounted to P91 and non-controlling share in equity totaled P39 at the date the BDO Unibank Group's control was established. In October 2016, BDO Capital acquired additional shares which increased its ownership interest to 96.32%. Additional goodwill acquired amounted to P32 (see Note 30.1).

On December 5, 2020, the BOD of the Parent Bank approved the write-off of the investment in PCI Realty Corporation.

On June 30, 2021, the BOD of BDONB approved the conversion of the bank from a rural bank to a savings bank. This was ratified by the BDONB shareholders on August 13, 2021 and approved by the BSP on January 20, 2022.

BDO Unibank Group includes two subsidiaries, Dominion Holdings and BDO Network, with significant NCI:

Name	Proportion of Ownership Interest and Voting Rights Held by NCI		Profit Allocated to NCI		Accumulated NCI	
	2022	2021	2022	2021	2022	2021
Dominion Holdings	**11.46%**	11.46%	**P 9**	P 5	**P 698**	P 689
BDO Network	**12.63%**	15.13%	**169**	58	**1,454**	941

The registered office and principal place of business of Dominion Holdings is located at 39th Floor, BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.

The registered office and principal place of business of BDO Network is located at BDONB Center, Km. 9, Sasa, Davao City.

Dividends paid to NCI amounted to P2 and nil in 2022 and 2021, respectively (see Note 22.3).

The summarized financial information of Dominion Holdings and BDO Network, before intragroup eliminations, follows:

	Dominion Holdings	
	2022	2021
Statements of financial position:		
Total current resources	**P 6,110**	P 6,020
Total current liabilities	**16**	8
Equity attributable to owners of the parent	**5,396**	5,323
Non-controlling interest	**698**	689
Statements of comprehensive income:		
Total interest income	**63**	-
Total other operating income	**64**	57
Profit attributable to owners of the parent	**73**	39
Profit attributable to NCI	**9**	5
Profit	**82**	44
Total comprehensive income attributable to owners of the parent	**73**	39
Total comprehensive income attributable to NCI	**9**	5
Total comprehensive income	**P 82**	P 44
Statements of cash flows:		
Net cash from (used in) operating activities	**P 40**	(P 31)
Net cash from (used in) investing activities	**5,928**	(70)
Net cash inflow (outflow)	**P 5,968**	(P 101)

	BDO Network	
	2022	2021
Statements of financial position:		
Total current resources	P 13,711	P 10,091
Total non-current resources	73,519	44,648
Total current liabilities	70,422	47,743
Total non-current liabilities	5,298	776
Equity attributable to owners of the parent	10,056	5,278
Non-controlling interest	1,454	941
Statements of comprehensive income:		
Total interest income	6,198	4,343
Total other operating income	3,937	2,090
Profit attributable to owners of the parent	965	325
Profit attributable to NCI	169	58
Profit	1,134	383
Total comprehensive income attributable to owners of the parent	632	59
Total comprehensive income attributable to NCI	108	11
Total comprehensive income	P 740	P 70
Statements of cash flows:		
Net cash from (used in) operating activities	(P 7,450)	P 7,924
Net cash used in investing activities	(1,077)	(5,685)
Net cash from (used in) financing activities	11,039	(125)
Net cash inflow	P 2,512	P 2,114

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2022, 2021 and 2020:

	NLEX Corporation	SM Keppel*	Others	Total
December 31, 2022 (Unaudited)				
Assets	P 77,318	P 11,346	P 91,451	P 180,115
Current	8,489	2,057	13,331	23,877
Non-current	68,829	9,289	78,120	156,238
Liabilities	50,919	9,383	60,530	120,832
Current	8,876	989	10,079	19,944
Non-current	42,043	8,394	50,451	100,888
Equity	26,399	1,963	30,921	59,283
Revenues	16,675	1,227	18,095	35,997
Net profit	7,223	236	7,389	14,848

** As adjusted to conform to the cost model used in the measurement of Investment Properties of BDO Unibank Group.*

	NLEX Corporation	SM Keppel*	Others	Total
December 31, 2021 (Audited)				
Assets	P 68,073	P 11,892	P 3,064	P 83,029
Current	5,095	2,315	3,057	10,467
Non-current	62,978	9,577	7	72,562
Liabilities	46,197	10,089	436	56,722
Current	7,866	1,264	436	9,566
Non-current	38,331	8,825	-	47,156
Equity	21,876	1,803	2,628	26,307
Revenues	17,919	805	708	19,432
Net profit	5,919	81	193	6,193
December 31, 2020 (Audited)				
Assets	P 62,786	P 11,978	P 3,149	P 77,913
Current	4,020	2,170	2,944	9,134
Non-current	58,766	9,808	205	68,779
Liabilities	42,672	10,276	718	53,666
Current	13,016	1,623	699	15,338
Non-current	29,656	8,653	19	38,328
Equity	20,114	1,702	2,431	24,247
Revenues	18,107	601	843	19,551
Net profit (loss)	3,604	(331)	118	3,391

** As adjusted to conform to the cost model used in the measurement of Investment Properties of BDO Unibank Group.*

15.3 Goodwill

Goodwill represents the excess of the cost of acquisition of the Parent Bank over the fair value of the net assets acquired at the date of acquisition and relates mainly to business synergy for economics of scale and scope. This is from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank, Rural Bank of San Juan, Inc., Rural Bank of San Enrique, Inc., BDO RIH, BDO Savings, Inc. (BDO Savings), BDO Network and Rural Bank of Pandi, Inc. (RBPI), which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2014, 2015, 2016 and 2019, respectively (see Note 30).

The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of BDO Unibank Group is as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Cost	P 4,535	P 4,535	P 1,391	P 1,391
Allowance for impairment				
Balance at beginning of year	1,514	1,478	1,391	1,391
Impairment	-	36	-	-
Balance at end of year	1,514	1,514	1,391	1,391
Carrying amount of goodwill	P 3,021	P 3,021	P -	P -

In 2022 and 2021, there was no movement for the goodwill account of the Parent Bank, which was already provided with full allowance.

Significant portion of goodwill of the BDO Unibank pertains to the goodwill from acquisition of BDO Network amounting to P2,907.

The BDO Unibank Group recognized impairment loss on goodwill amounting nil, P36 and P18 in 2022, 2021 and 2020, respectively. The Parent Bank did not recognize any impairment loss in 2022, 2021 and 2020.

The BDO Unibank Group and the Parent Bank provided impairment losses on some of its goodwill as it does not expect any economic benefit from this asset in the succeeding periods since the branch business grew as a result of the efforts and brand of the Parent Bank and is not a result of the customers of the previous banks acquired. The recoverable amount used to determine any impairment on the goodwill from acquisition of BDO Network was based on value-in-use computed through discounting the five-year cash flow projection to be realized by the acquired entity, which do not include restructuring activities that the BDO Unibank Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The calculation of value-in-use is most sensitive to the following assumptions:

a. *Discount rate.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital. The rates are further adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. The discount rates applied to cash flow projections in 2022 and 2021 are 5.36% and 3.15%, respectively.

b. *Total income growth rate.* The growth rates used to extrapolate cash flow projections range from 11.45% to 16.75% in 2022 and 14.08% to 16.53% in 2021. Total income forecasts to calculate the cash flow projections are the management's best estimates after considering factors affecting growth target projection on salary loans and micro, small and medium enterprises loans offered by BDO Network.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of goodwill in 2022 and 2021 to materially exceed its recoverable amount.

15.4 Branch Licenses

Branch licenses represent the rights granted by the BSP to the Parent Bank to establish certain number of branches as an incentive in acquiring The Real Bank (A Thrift Bank), Inc. and BDO Savings in addition to the current branches of the acquired banks. The Parent Bank performs annual impairment testing of branch licenses.

The recoverable amount used to determine any impairment on the branch licenses was based on value-in-use computed through discounting the five-year cash flow projection, which does not include restructuring activities that the BDO Unibank Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The calculation of value-in-use is most sensitive to the following assumptions:

a. *Discount rate.* Discount rates reflect the current market assessment of the risks and are estimated based on the weighted average cost of capital. The rates are further adjusted to reflect the market assessment of any risk specific to the cash-generating unit for which future estimates of cash flows have not been adjusted. The discount rates applied to cash flow projections in 2022 and 2021 are 5.87% and 5.07%, respectively.

b. *Compound annual growth rate.* The growth rates used to extrapolate cash flow projections are 7.77% in 2022 and 8.25% in 2021. The growth rates are based on the total assets of the Parent Bank for the last five years.

Management assessed that no reasonably possible change in discount rates and growth rates would cause the carrying value of branch licenses in 2022 and 2021 to materially exceed its recoverable amount.

In 2022 and 2021, with regard to the assessment of value-in-use of the cash-generating unit, there were no allowance on impairment loss on branch licenses recognized in the BDO Unibank Group and Parent Bank's financial statements.

15.5 Non-current Assets Held for Sale

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that BDO Unibank Group and the Parent Bank intend to sell within one year from the date of classification as held for sale. No impairment loss was recognized in 2020 to 2022 in both the BDO Unibank Group and Parent Bank's financial statements.

15.6 Others

Trademark arising from acquisition of Diners Club International credit card portfolio is fully amortized as of 2022 and 2021. The amortization expense on trademark amounted to nil, P25 and P33 in 2022, 2021 and 2020, respectively. This is presented as part of Miscellaneous under Other Operating Expenses account in the statements of income (see Note 25).

Other intangible assets with indefinite useful lives comprise of branch licenses, customer lists, equity securities with Philippine Clearing House Committee and LGU Guaranty Corporation, and trading rights amounting to P3,020, P487, P15, and P3, respectively, both for 2022 and 2021 in the BDO Unibank Group's financial statements and P3,020, P487, P15 and nil, respectively, in the Parent Bank's financial statements.

Amortization expense on computer software licenses amounted to P1,356, P1,342 and P734 in 2022, 2021 and 2020, respectively, in the BDO Unibank Group's financial statements and P1,259, P1,291 and P696 in 2022, 2021 and 2020, respectively, in the Parent Bank's financial statements. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 25).

Depreciation and amortization expense on certain assets amounting to P88, P45 and P21 in 2022, 2021 and 2020, respectively, in both BDO Unibank Group and Parent Bank's financial statements are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 25).

No impairment loss was recognized by the Parent Bank from 2020 to 2022 on the value of customer lists. The customer list was recognized as a result of the Parent Bank's acquisition of a trust business in 2014.

In 2022 and 2021, the BDO Unibank Group and the Parent Bank set aside an additional ESOP fund for the purchase of secondary shares amounting to P751 and nil, respectively.

16. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Balance at beginning of year:					
Investment securities at amortized cost	10.3	**P 1,471**	P 1,590	**P 1,455**	P 1,571
Loans and other receivables	11	**67,743**	58,851	**65,592**	56,274
Bank premises	12	**647**	647	**496**	496
Investment properties	14	**1,729**	1,862	**1,410**	1,536
Other resources	15	**2,921**	2,826	**2,602**	2,522
		74,511	65,776	**71,555**	62,399
Impairment losses (recoveries)					
Due from other banks	9	**14**	-	**13**	-
Investment securities at amortized cost	10.3	**69**	(192)	**72**	(190)
Loans and other receivables	11	**16,414**	17,222	**15,665**	17,006
Investment properties	14	**2**	-	**-**	-
Other resources	15	**(205)**	93	**(232)**	56
		16,294	17,123	**15,518**	16,872
Write-offs and other adjustments					
Write-offs		**(8,610)**	(8,970)	**(8,142)**	(8,353)
Foreign currency revaluation		**774**	549	**772**	551
Reclassification		**50**	86	**50**	86
Adjustments		**(108)**	(52)	**1**	-
Reversals		**-**	(1)	**-**	-
		(7,894)	(8,388)	**(7,319)**	(7,716)
Balance at end of year:					
Due from other banks	9	**15**	-	**14**	-
Investment securities at amortized cost	10.3	**1,654**	1,471	**1,640**	1,455
Loans and other receivables	11	**76,360**	67,743	**74,000**	65,592
Bank premises	12	**644**	647	**496**	496
Investment properties	14	**1,507**	1,729	**1,186**	1,410
Other resources	15	**2,731**	2,921	**2,418**	2,602
		P 82,911	P 74,511	**P 79,754**	P 71,555

The BDO Unibank Group and the Parent Bank provided impairment loss (recovery) on debt securities measured as FVOCI amounting to P67 and P65, respectively, in 2022, (P88) and (P71), respectively, in 2021 and P37 and P36, respectively, in 2020. The impairment losses on debt securities classified as FVOCI are recognized as part of items that are or will be reclassified subsequently to profit or loss in the statements of comprehensive income (see Note 10.2).

The BDO Unibank Group and the Parent Bank also provided impairment loss on loan commitments and other contingent accounts amounting to P5, P28 and P68 in 2022, 2021 and 2020, respectively, which is recognized as Provision – Others under Other Liabilities in the statements of financial position (see Note 21).

The total impairment losses on certain financial assets amounted to P16,497, P17,030 and P29,624 in 2022, 2021 and 2020, respectively, in the BDO Unibank Group's statements of income and P15,750, P16,816 and P29,001 in 2022, 2021 and 2020, respectively, in the Parent Bank's statements of income.

The total impairment losses (recoveries) on non-financial assets amounted to (P203), P93 and P511 in 2022, 2021 and 2020, respectively, in the BDO Unibank Group's statements of income and (P232), P56, and P491 in 2022, 2021 and 2020, respectively, in the Parent Bank's statements of income.

17. DEPOSIT LIABILITIES

The breakdown of this account follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	**2022**	2021
Demand	**P 459,511**	P 404,568	**P 438,838**	P 381,824
Savings	**2,077,360**	2,000,245	**2,044,595**	1,972,851
Time	**684,012**	416,083	**657,583**	397,040
	P3,220,883	P 2,820,896	**P 3,141,016**	P 2,751,715

This account is composed of the following (by counterparties):

	BDO Unibank Group		Parent Bank	
	2022	2021	**2022**	2021
Due to other banks:				
Demand	**P 4,595**	P 2,639	**P 4,582**	P 2,630
Savings	**4,332**	4,672	**4,332**	4,672
Time	**12,432**	5,710	**7,516**	5,530
	21,359	13,021	**16,430**	12,832
Due to customers:				
Demand	**454,916**	401,929	**434,256**	379,194
Savings	**2,073,028**	1,995,573	**2,040,263**	1,968,179
Time	**671,580**	410,373	**650,067**	391,510
	3,199,524	2,807,875	**3,124,586**	2,738,883
	P3,220,883	P 2,820,896	**P 3,141,016**	P 2,751,715

The breakdown of deposit liabilities as to currency is as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Philippine pesos	**P 2,715,833**	P 2,357,528	**P2,647,975**	P 2,301,231
Foreign currencies	**505,050**	463,368	**493,041**	450,484
	P3,220,883	P 2,820,896	**P 3,141,016**	P 2,751,715

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Less than one year	**P 3,126,217**	P 2,732,734	**P3,050,839**	P 2,664,655
One to five years	**33,537**	25,667	**30,091**	25,374
Beyond five years	**61,129**	62,495	**60,086**	61,686
	P3,220,883	P 2,820,896	**P 3,141,016**	P 2,751,715

The BDO Unibank Group and the Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates ranging from 0.00% to 5.38% in 2022, 2021 and 2020. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates (see Note 24).

The BDO Unibank Group's time deposit liabilities include the Parent Bank's LTNCD as of December 31, 2022 and 2021 as follows:

		Outstanding Balance			
BSP Approval	Effective Rate	2022	2021	Issue Date	Maturity Date
August 15, 2019	4.000%	P **6,500**	P 6,500	September 27, 2019	March 27, 2025
May 11, 2018	5.375%	**7,320**	7,320	April 12, 2019	October 12, 2024
June 23, 2017	4.375%	**8,200**	8,200	May 7, 2018	November 7, 2023
June 23, 2017	3.625%	**11,800**	11,800	August 18, 2017	February 18, 2023
		P **33,820**	P 33,820		

The net proceeds from the issuance of LTNCD are intended to diversify the Parent Bank's maturity profile of funding source and to support its business expansion plans.

In compliance with the BSP Circular No. 1082 issued on March 31, 2020, the Philippine Peso deposit liabilities of the BDO Unibank Group, under the said circular, are subject to reserve requirement of 12% effective April 3, 2020. Moreover, the Philippine LTNCD under BSP Circular No. 1041 issued on May 29, 2019 of the BDO Unibank Group are likewise subject to reserve requirement of 4% effective May 31, 2019.

18. BILLS PAYABLE

This account is composed of the following borrowings from:

	Note	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Senior notes	18.1	**P 84,355**	P 73,053	**P 84,355**	P 73,053
Fixed rate bonds	18.2	**52,696**	76,436	**52,696**	76,436
Foreign banks		**39,243**	46,881	**39,142**	45,792
Deposit substitutes		**12,679**	893	**12,679**	893
Local banks		**8,890**	2,640	**-**	-
Others		**1,028**	4,528	**-**	-
		P 198,891	P 204,431	**P 188,872**	P 196,174

The breakdown of this account as to currency follows:

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Foreign currencies	**P 136,277**	P 120,920	**P 136,176**	P 119,738
Philippine pesos	**62,614**	83,511	**52,696**	76,436
	P 198,891	P 204,431	**P 188,872**	P 196,174

The maturity profile of this account is presented below.

	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
One to three months	**P 58,936**	P 24,640	**P 57,495**	P 18,906
More than three months to one year	**21,845**	88,333	**16,730**	87,110
More than one to three years	**79,384**	53,551	**75,921**	52,251
More than three years	**38,726**	37,907	**38,726**	37,907
	P 198,891	P 204,431	**P 188,872**	P 196,174

Bills payable bear annual interest rates of 0.45% to 6.50% in 2022, 0.30% to 4.50% in 2021 and 0.52% to 6.25% in 2020 (see Note 24).

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 24):

	2022	2021	2020
BDO Unibank Group			
Fixed rate peso bonds	P 2,742	P 2,893	P 3,540
Senior notes	2,260	2,257	2,012
Foreign banks	826	356	791
Deposit substitutes	138	1	-
Local banks	118	189	470
Others	65	43	34
	P 6,149	P 5,739	P 6,847
Parent Bank			
Fixed rate peso bonds	P 2,742	P 2,893	P 3,540
Senior notes	2,260	2,257	2,012
Foreign banks	824	349	790
Deposit substitute	138	-	-
Others	-	1	-
	P 5,964	P 5,500	P 6,342

18.1 Senior Notes

The Parent Bank issued US dollar denominated senior notes as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance 2022	Outstanding Balance 2021
May 16, 2022	May 16, 2029	3.71%	100	P 5,557	P -
July 13, 2020	January 13, 2026	2.13%	600	33,528	30,591
February 20, 2018	February 20, 2025	4.16%	150	8,475	7,741
September 6, 2017	March 6, 2023	2.95%	654	36,795	34,721
				P 84,355	P 73,053

On May 16, 2022, the Parent Bank issued its maiden blue bond amounting to US$100 million through an investment from the International Finance Corporation (IFC). The bond, with an interest rate of 3.71% and a tenor of seven years, expanded financing for projects that help prevent marine pollution and preserve clean water resources. The issuance marked a milestone for BDO Unibank Group for being the first private sector issuance for a blue bond in Southeast Asia.

The issuance of senior notes in 2020 is part of the Parent Bank's liability management initiatives to tap longer-term funding sources to support its dollar-denominated projects and refinance outstanding bonds.

18.2 Issuance of Fixed Rate Peso Bonds

On August 31, 2018, the BOD approved the establishment of a P100 billion Peso Bond Program. On February 1, 2020, the BOD approved an increase of P300 billion to the Parent Bank's Peso Bond Program.

On January 28, 2022, the Parent Bank issued P52,700 million of Peso-denominated fixed rate Association of Southeast Asian Nations (ASEAN) Sustainability Bonds. The bonds carry an interest rate of 2.9% per annum and will mature on January 28, 2024.

The Parent Bank's issuances of fixed rate peso bonds as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance 2022	Outstanding Balance 2021
January 28, 2022	January 28, 2024	2.90%	52,700	P 52,696	P -
February 3, 2020	August 3, 2022	4.41%	40,100	-	40,256
July 3, 2020	April 3, 2022	3.13%	36,000	-	36,180
				P 52,696	P 76,436

18.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities both in 2022 and 2021, which includes both cash and non-cash changes.

BDO Unibank Group

	Foreign Banks	Senior Notes	Fixed Rate Peso Bonds	Local Banks	Deposit Substitute	BSP	Others	Total
Balance as of January 1, 2022	P 46,881	P 73,053	P 76,436	P 2,640	P 893	P -	P 4,528	P 204,431
Cash flows from financing activities								
Additional borrowings	40,215	5,219	52,292	16,349	13,133	20	13,013	140,241
Repayment of borrowings	(49,099)	(1,205)	(76,436)	(10,126)	(1,026)	(20)	(16,512)	(154,424)
Non-cash financing activities								
Interest amortization	133	142	404	70	106	-	(1)	854
Revaluation	1,113	7,146	-	(43)	(427)	-	-	7,789
Balance as of December 31, 2022	P 39,243	P 84,355	P 52,696	P 8,890	P 12,679	P -	P 1,028	P 198,891
Balance as of January 1, 2021	P 43,652	P 83,138	P 76,156	P 6,798	P -	P -	P -	P 209,744
Cash flows from financing activities								
Additional borrowings	63,472	-	-	51,916	941	910	10,620	127,859
Repayment of borrowings	(61,475)	(15,300)	-	(56,063)	(48)	(910)	(6,109)	(139,905)
Non-cash financing activities								
Interest amortization	(3)	61	280	(17)	-	-	17	338
Revaluation	1,235	5,154	-	6	-	-	-	6,395
Balance as of December 31, 2021	P 46,881	P 73,053	P 76,436	P 2,640	P 893	P -	P 4,528	P 204,431
Balance as of January 1, 2020	P 54,916	P 57,298	P 35,141	P 13,427	P -	P -	P 6,742	P 167,524
Cash flows from financing activities								
Additional borrowings	78,583	29,898	75,516	188,431	-	210	2,569	375,207
Repayment of borrowings	(87,643)	-	(35,141)	(194,994)	-	(210)	(9,311)	(327,299)
Non-cash financing activities								
Interest amortization	(55)	(27)	640	(32)	-	-	-	526
Revaluation	(2,149)	(4,031)	-	(34)	-	-	-	(6,214)
Balance as of December 31, 2020	P 43,652	P 83,138	P 76,156	P 6,798	P -	P -	P -	P 209,744

Parent Bank

Balance as of January 1, 2022	P 45,792	P 73,053	P 76,436	P -	P 893	P -	P -	P 196,174
Cash flows from financing activities								
Additional borrowings	39,426	5,219	52,292	-	13,133	10	-	110,080
Repayment of borrowings	(47,292)	(1,205)	(76,436)	-	(1,026)	(10)	-	(125,969)
Non-cash financing activities								
Interest amortization	129	142	404	-	106	-	-	781
Revaluation	1,087	7,146	-	-	(427)	-	-	7,806
Balance as of December 31, 2022	P 39,142	P 84,355	P 52,696	P -	P 12,679	P -	P -	P 188,872
Balance as of January 1, 2021	P 43,573	P 83,138	P 76,156	P -	P -	P -	P -	P 202,867
Cash flows from financing activities								
Additional borrowings	59,811	-	-	-	941	10	-	60,762
Repayment of borrowings	(58,664)	(15,300)	-	-	(48)	(10)	-	(74,022)
Non-cash financing activities								
Interest amortization	(11)	61	280	-	-	-	-	330
Revaluation	1,083	5,154	-	-	-	-	-	6,237
Balance as of December 31, 2021	P 45,792	P 73,053	P 76,436	P -	P 893	P -	P -	P 196,174
Balance as of January 1, 2020	P 54,882	P 57,298	P 35,141	P -	P -	P -	P -	P 147,321
Cash flows from financing activities								
Additional borrowings	76,114	29,898	75,516	136	-	10	-	181,674
Repayment of borrowings	(85,267)	-	(35,141)	(109)	-	(10)	-	(120,527)
Non-cash financing activities								
Interest amortization	(57)	(27)	640	-	-	-	-	556
Revaluation	(2,099)	(4,031)	-	(27)	-	-	-	(6,157)
Balance as of December 31, 2020	P 43,573	P 83,138	P 76,156	P -	P -	P -	P -	P 202,867

19. SUBORDINATED NOTES PAYABLE

The Subordinated Notes (the Notes) represent direct, unconditional unsecured and subordinated peso-denominated obligations of the Parent Bank, issued in accordance with the Terms and Conditions under the Master Note. The Notes, like other subordinated indebtedness of the Parent Bank, are subordinated to the claims of depositors and ordinary creditors, are not a deposit, and are not guaranteed nor insured by the Parent Bank or any party related to the Parent Bank, such as its subsidiaries and affiliates, or the Philippine Deposit Insurance Corporation (PDIC), or any other person. The Notes carry interest rates based on prevailing market rates, with a step-up provision if not called on the fifth year from issue date. The Parent Bank has the option to call the Notes on the fifth year, subject to prior notice to Noteholders.

The issuance of Series 2014-1 Notes was approved by the BOD on March 29, 2014 and was issued on December 10, 2014. The Notes had a principal amount of P10,000 and a maturity date of March 10, 2025. In its letter dated December 2, 2019, the BSP approved the Parent Bank's request to exercise its right of early redemption of the Notes on March 10, 2020. On said date, noteholders were paid the redemption price equal to the par value of the Notes plus all accrued and unpaid interest up to but excluding March 10, 2020 after which the Notes were considered redeemed and cancelled.

Total interest expense on subordinated notes payable included as part of Interest expense on bills payable and other liabilities under the Interest Expense account in the statements of income amounted to nil in 2022 and 2021 and P99 in 2020, both in BDO Unibank Group and Parent Bank (see Note 24).

20. INSURANCE CONTRACT LIABILITIES

This account consists of:

	2022	2021
Legal policy reserves	**P 59,321**	P 60,438
Policy and contract claims payable	**3,516**	3,716
Policyholders' dividends	**1,526**	1,174
	P 64,363	P 65,328

The aging profile of this account is presented below.

	2022	2021
Within one year	**P 7,844**	P 3,375
More than one year	**56,519**	61,953
	P 64,363	P 65,328

Insurance contract liabilities may be analyzed as follows:

	Insurance Contract Liabilities		Reinsurer's Share of Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Aggregate reserves for:						
Ordinary life policies	P 30,781	P 35,217	P -	P -	P 30,781	P 35,217
Variable unit-linked (VUL) contracts	27,930	24,627	-	-	27,930	24,627
Group life insurance policies	614	578	20	31	594	547
Accident and health policies	(4)	15	-	-	(4)	15
Policy and contract claims	3,516	3,716	24	59	3,492	3,657
Policyholders' dividends	1,526	1,175	-	-	1,526	1,175
	P 64,363	P 65,328	P 44	P 90	P 64,319	P 65,238

The movements in legal policy reserves are as follows:

	Legal Policy Reserves		Reinsurer's Share of Liabilities		Net	
	2022	2021	2022	2021	2022	2021
Balance at the beginning of the year	P 60,438	P 55,439	P 31	P 60	P 60,407	P 55,379
Premiums received	19,240	18,384	73	92	19,167	18,292
Liability released for payments of death, maturity and surrender benefits and claims	(12,356)	(10,725)	(84)	(121)	(12,272)	(10,604)
Accretion of investment income or change in unit prices	542	2,584	-	-	542	2,584
Changes in valuation of interest rate	(9,620)	(5,686)	-	-	(9,620)	(5,686)
Change in assumptions	574	-	-	-	574	
Foreign exchange adjustments	503	442	-	-	503	442
Balance at end of year	P 59,321	P 60,438	P 20	P 31	P 59,301	P 60,407

The movement in Legal policy reserves for the years ended December 31, 2022 and 2021 is recognized as part of Policy reserves, insurance benefits and claims under Other Operating Expenses in the BDO Unibank Group's statements of income (see Note 25).

Material judgment is required in determining the liabilities and in the choice of assumptions relating to insurance contracts. The liability for life insurance contracts uses the discount rate as provided by the IC with other assumptions based on best estimate with regard to significant recent experience and appropriate margins for adverse deviations from the expected experience. Assumptions are further evaluated on a continuous basis in order to ensure adequacy of valuations. Assumptions are subject to the provisions of the Code and guidelines set by the IC.

To test the adequacy of the statutory reserve liability, the present value of the current estimates of future cash flows is calculated without margins for adverse deviations, and compared to the booked statutory reserve liability. The test for adequacy is sensitive to the following key assumptions:

a. *Mortality rates.* Assumptions are based on standard industry and morbidity tables, according to the type of contract written and adjusted, if appropriate, to reflect the BDO Unibank Group's own experiences. The 2017 Philippine Intercompany Mortality Table was chosen as an appropriate base table used in projecting death claims. Higher mortality and morbidity rates would lead to a larger number of claims, increasing the benefit payments and reducing profits for the shareholders.

b. *Discount rates.* The discount rate affects the calculated present value of the cash flows. The estimate is based on current market returns as well as expectations about future economic and financial developments. A decrease in the discount rate will increase the present value of the cash flows. The discount rate used in the LAT is 6.25% for Peso and 5.50% for Dollar in 2022, and 4.50% for Peso and 3.25% for Dollar in 2021.

c. *Expense assumptions.* The expense assumptions are based on the BDO Unibank Group's actual current expense experience as determined by an expense study. Future expense assumptions are projected based on the BDO Unibank Group's expense forecasts.

d. *Lapse and surrender rates.* The lapse and surrender rates assumed vary by product type and policy duration. These assumptions are based on the BDO Unibank Group's experience.

Reinsurers' share of liabilities is recorded as part of Others under Other Resources in the BDO Unibank Group's statements of financial position (see Note 15).

21. OTHER LIABILITIES

Other liabilities consist of the following:

	Notes	BDO Unibank Group 2022	BDO Unibank Group 2021	Parent Bank 2022	Parent Bank 2021
Outstanding acceptances payable		**P 21,983**	P 16,972	**P 21,983**	P 16,972
Accounts payable		**20,885**	13,572	**15,599**	10,144
Accrued expenses		**18,723**	17,089	**17,396**	16,124
Lease liabilities	13.2	**13,344**	12,087	**12,927**	11,800
Manager's checks		**12,774**	13,788	**12,655**	13,682
Bills purchased – contra		**9,601**	6,039	**9,601**	6,039
Derivatives with negative fair values	10.1, 27(d)(i)(4)	**7,809**	5,742	**3,636**	2,462
Premium on deposit fund		**3,971**	3,641	**-**	-
Withholding taxes payable		**2,669**	2,093	**2,449**	1,922
Lease deposits		**1,070**	745	**123**	124
Due to BSP and Treasurer of the Philippines		**722**	727	**719**	723
Capitalized interest and other charges		**297**	193	**254**	151
Due to principal		**206**	97	**-**	-
Retirement benefit obligation	26.2	**-**	3,800	**-**	3,650
Others	16, 34.1.2	**15,060**	11,961	**13,194**	10,863
		P 129,114	P 108,546	**P 110,536**	P 94,656

The maturity profile of this account is presented below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Within one year	P 106,608	P 88,339	P 95,158	P 80,340
More than one year	22,506	20,207	15,378	14,316
	P 129,114	P 108,546	P 110,536	P 94,656

The liability for unredeemed reward points amounting to P3,211 and P3,677 as of December 31, 2022 and 2021, respectively, presented as part of Accrued expenses on the previous page, represents the fair value of points earned which are redeemable significantly for goods or services provided by third parties identified by the Parent Bank as partners in the rewards program (see Note 2.20).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense on certain liabilities amounting to P94, P78 and P106 in 2022, 2021 and 2020, respectively, for the BDO Unibank Group and P19, P10 and P18 in 2022, 2021 and 2020, respectively, for the Parent Bank which are presented as part of Interest expense on bills payable and other borrowings under Interest Expense account in the statements of income (see Note 24).

Impairment losses recognized for off-books account amounted to P5, P28 and P68 for both the BDO Unibank Group and the Parent Bank in 2022, 2021 and 2020, respectively. The accumulated impairment losses as of December 31, 2022, 2021 and 2020 amounting to P233, P289 and P317, respectively, for both the BDO Unibank Group and the Parent Bank are recorded as part of Others under Other Liabilities account in the statements of financial position (see Note 16).

22. EQUITY

22.1 Capital Stock

Capital stock consists of the following:

	Number of Shares		Amount	
	2022	2021	2022	2021
Preferred shares – P10 par value				
Authorized				
Balance at end of year	1,000,000,000	1,000,000,000	P 10,000	P 10,000
Issued, fully paid and outstanding				
Balance at beginning of year	515,000,000	515,000,000	P 5,150	P 5,150
Issued during the year	103,000,000	-	1,030	-
Balance at end of year	618,000,000	515,000,000	P 6,180	P 5,150

	Number of Shares		Amount	
	2022	2021	2022	2021
Common shares – P10 par value				
Authorized				
Balance at end of year	8,500,000,000	5,500,000,000	P 85,000	P 55,000
Issued, fully paid and outstanding				
Balance at beginning of year	4,385,519,015	4,384,227,915	P 43,855	P 43,842
Issued during the year	878,612,660	1,291,100	8,786	13
Balance at end of year	5,264,131,675	4,385,519,015	P 52,641	P 43,855

22.1.1 Preferred Shares

The following are the features of the BDO Unibank Group and the Parent Bank's preferred shares:

(a) Perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A shares;

(b) Convertible to common shares at the option of the holder after five years from the issue date or at the option of BDO Unibank Group at any time after issue date; and,

(c) Dividend rate is 6.50% per annum of the par value.

22.1.2 Common Shares

The Parent Bank's application for listing of its common shares was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

On September 24, 2016, the Parent Bank's BOD authorized the Parent Bank to raise P60,000 in additional core capital through a stock rights offer. The BSP and the PSE approved the transaction on November 23, 2016 and December 14, 2016, respectively.

On January 3, 2017, the Parent Bank fixed the final terms for the stock rights offer which entitled eligible shareholders to subscribe to one common share for every 5.095 common shares held as of January 5, 2017 record date at an offer price of P83.75 per rights share. The offer period ran from January 16, 2017 to January 24, 2017.

Following the close of the offer period, the Parent Bank successfully completed its stock rights offer and 716,402,886 common shares were issued and subsequently listed on the PSE on January 31, 2017. The issuance resulted in recognition of Additional Paid-in Capital amounting to P52,662, net of related transaction costs totaling to P172. The fresh capital will support the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

Transaction	Subscriber	Issue Date	Number of Shares Issued
IPO	Various	May 21, 2002	908,189,550
Private placement	IFC	June 21, 2005	31,403,592
Private placement	UOBP	February 8, 2006	22,429,906
BDO-EPCIB Merger	BDO-EPCIB Merger	May 31, 2007	1,308,606,021
Private placement	IFC	August 23, 2007	31,403,592
Private placement	GE Capital International Holdings Corporation	August 20, 2009	37,735,849
Private placement	Multi Realty Development Corporation	April 23, 2010	107,320,482
Private placement	IFC	April 26, 2010	24,033,253
Private placement	IFC Capitalization (Equity) Fund, L.P.	April 26, 2010	136,315,662
Stock dividends	Various	June 8, 2012	78,218,589
Stock rights	Various	July 4, 2012	895,218,832
Private placement	Sybase Equity Investments Corporation	July 20, 2015	64,499,890
Stock options	Various employees	June 6, 2016 to December 31, 2016	4,592,430
Stock options	Various employees	January 3, 2017 to December 27, 2017	2,604,020
Stock rights	Various employees	January 31, 2017	716,402,886
Stock rights	Various employees	January 31, 2018	5,073,510
Stock options	Various employees	January 7, 2019 to December 26, 2019	7,322,270
Stock options	Various employees	January 6, 2020 to December 28, 2020	2,857,581
Stock options	Various employees	January 15, 2021 to December 15, 2021	1,291,100
Stock dividends	Various	December 29, 2022	877,337,627
Stock options	Various employees	January 17, 2022 to December 27, 2022	1,275,033
			5,264,131,675

As of December 31, 2022 and 2021, there are 12,309 and 12,390 holders, respectively, of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P105.70 and P120.70 per share as of December 29, 2022 and December 31, 2021, respectively, (the last trading day in 2022 and 2021).

22.2 BDO American Depositary Receipt Program

On April 18, 2013, the Parent Bank launched its Sponsored Level 1 American Depositary Receipt (ADR) Program by which negotiable securities representing underlying BDO common shares can be traded in the U.S. over-the-counter (OTC) market. This provides flexibility for U.S. investors to trade BDO common shares in their time zone and settle their transactions locally. It is meant to tap the pool of U.S. ADR investors, enhance visibility and global presence and diversify and broaden the Parent Bank's shareholder base. ADRs are quoted and traded in U.S. dollars, and cash dividends received on the underlying shares are paid to investors also in U.S. dollars. The ADR ratio for BDO's sponsored Level 1 ADR Program is 1:10, with each ADR representing ten underlying BDO common shares.

The sponsored Level 1 ADR Program does not necessitate the issuance of new shares as ADRs are traded on the U.S. OTC/secondary market using existing shares, in contrast to the sponsored Level II ADR or sponsored Level III ADR where shares are fully listed on a recognized U.S. exchange (e.g., NYSE, NASDAQ). As such, a Level 1 ADR is not a capital raising transaction, to differentiate it from Level III ADR, which allows the issuer to raise capital through a public offering of ADRs in the U.S.

The sponsored Level 1 ADR is exempt, under U.S. SEC Rule 12g3-2(b), from SEC registration, disclosure requirements and reporting obligations, including Sarbanes-Oxley and U.S. generally accepted accounting principles.

The Parent Bank appointed Deutsche Bank (DB) as the exclusive depositary of ADRs for a period of five years. As depositary bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker. In October 2018, the Parent Bank renewed the appointment of DB as the exclusive depositary of ADRs for another five years.

As of December 31, 2022 and 2021, 554,539 and 442,787 ADRs valued at US$11,566,297 and US$11,046,429 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US$20.86/share and US$24.95/share, respectively).

22.3 Surplus Free

The details of the Parent Bank's cash dividend distributions are as follows:

Date Declared and Approved	Common shares dividend Per Share	Common shares dividend Total Amount	Record Date	Date Paid/Payable
February 27, 2020	P 0.30	P 1,315	March 13, 2020	March 27, 2020
May 30, 2020	0.30	1,315	June 17, 2020	June 29, 2020
August 29, 2020	0.30	1,315	September 15, 2020	September 28, 2020
December 5, 2020	0.30	1,316	December 22, 2020	December 29, 2020
February 24, 2021	0.30	1,315	March 15, 2021	March 25, 2021
May 29, 2021	0.30	1,315	June 16, 2021	June 25, 2021
August 27, 2021	0.30	1,316	September 15, 2021	September 24, 2021
December 4, 2021	0.30	1,316	December 22, 2021	December 29, 2021
February 24, 2022	0.30	1,316	March 14, 2022	March 31, 2022
April 22, 2022	1.00	4,386	May 6, 2022	May 31, 2022
May 28, 2022	0.30	1,316	June 14, 2022	June 30, 2022
August 26, 2022	0.30	1,316	September 13, 2022	September 30, 2022
December 3, 2022	0.30	1,579	December 20, 2022	December 29, 2022

Date Declared and Approved	Preferred shares dividend Per Annum	Preferred shares dividend Total Amount	Date Paid/ Payable
February 1, 2020	6.50%	339	February 21, 2020
January 30, 2021	6.50%	340	February 22, 2021
January 29, 2022	6.50%	339	February 22, 2022

On March 26, 2022, the BOD approved the declaration of stock dividends equivalent to 20% of the BDO Unibank's outstanding capital stock to be issued out of the increase in BDO Unibank's authorized capital stock (common shares) from 5,500,000,000 to 8,500,000,000 shares amounting to P85,000 with par value of P10 per share and 103,000,000 preferred shares with a par value of P10 per share, payable to all stockholders as of record date. On November 29, 2022, the Bank received the approval from the SEC for this stock dividend issuance, setting December 15, 2022 as the record date. The stock dividends were issued on December 29, 2022.

22.4 ESOP

For options that were exercised in 2022 and 2021, BDO Unibank Group issued new common shares of 1,275,033 and 1,291,100, respectively, from its authorized capital stock (see Note 22).

Set out below are summaries of number of options vested under the plan:

	BDO Unibank Group		Parent Bank	
	2022	2021	**2022**	2021
Balance at beginning of year	**14,950,363**	6,498,024	**12,985,298**	4,530,459
Vested during the year	**10,018,699**	14,118,934	**9,492,930**	13,552,572
Forfeited during the year	**(43,235)**	(46,800)	**(36,135)**	(29,250)
Expired during the year	**(557,900)**	(373,000)	**(431,400)**	(337,500)
Exercised during the year	**(5,982,040)**	(5,246,795)	**(5,412,845)**	(4,730,983)
Balance at end of year	**18,385,887**	14,950,363	**16,597,848**	12,985,298

The weighted average exercise price was P110.69 and P109.97 for the years ended December 31, 2022 and 2021, respectively.

The share options expensed and included as part of Compensation and benefits under Other Operating Expenses in the BDO Unibank Group's statements of income, amounted to P294, P273 and P354 in 2022, 2021 and 2020, respectively, and in the Parent Bank's statements of income, amounted to P289, P252 and P316, respectively (see Note 26.1).

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

	2022	2021
Average option life	**5 years**	5 years
Average share price at grant date	**P 119.50**	P 101.80
Average exercise price at grant date	**P 118.29**	P 93.25
Average fair value of options at grant date	**P 41.07**	P 34.77
Average standard deviation of share price returns	**30.29%**	34.94%
Average dividend yield	**0.97%**	1.20%
Average risk-free investment rate	**5.72%**	2.75%

The underlying expected volatility was determined by reference to historical prices of the Parent Bank's shares over a period of one year.

22.5 Surplus Reserves

The Parent Bank appropriated its Surplus Free amounting to P132 in 2022, P44 for 2021 and P40 in 2020 representing insurance fund on losses due to fire, robbery, and other cash losses. This was approved by the Parent Bank's President. BDO Network appropriated its Surplus Free amounting to P5, P3 and P2 in 2022, 2021 and 2020, respectively, representing insurance fund on losses due to fire, robbery and other cash losses, which was approved by its Chairman.

The BDO Unibank Group and the Parent Bank appropriated its Surplus Free for impairment of general loan loss portfolio amounting to P2,475 and P2,311 in 2022, P1,337 and P1,250 in 2021 and (P830) and (P827) in 2020, respectively. The accumulated amount of appropriation to surplus reserves for general loan loss portfolio as of December 31, 2022, 2021 and 2020 amounted to P15,905, P13,430 and P12,093, respectively, for BDO Unibank Group and P15,477, P13,166 and P11,916, respectively, for the Parent Bank. This appropriation was prescribed by BSP and was recognized as part of Surplus Reserves account.

In compliance with BSP regulations, 10% of BDO Unibank Group and the Parent Bank's profit from trust business amounting to P251, P263 and P272 in 2022, 2021 and 2020, respectively, and P251, P263 and P223 in 2022, 2021 and 2020, respectively, is appropriated to surplus reserves (see Note 28).

On June 10, 2020 and July 2, 2020, the BOD of BDO Securities approved the appropriation of P60 as additional capital requirements and the reversal of the previously approved appropriation for cash dividends amounting to P200, respectively.

Also, included in the 2022, 2021 and 2020 surplus reserves are the appropriations made by BDO Securities and ASI (see Note 2.3) totaling P5, P2 and P5 respectively, as part of the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*. On May 26, 2020, the BOD of BDO Nomura approved the reversal of the Surplus Reserves amounting to P9 back to Surplus Free. On July 28, 2022, ASI was sold to a third party which resulted in the reversal of Surplus Reserves amounting to P14 (see Note 2.3).

23. INTEREST INCOME

Interest income consists of the following:

		BDO Unibank Group		
	Notes	2022	2021	2020
Loans and other receivables	11, 27	**P 140,760**	P 124,548	P 138,736
Trading and investment securities:				
At amortized cost	10.3	**17,490**	12,410	10,424
At FVOCI	10.2	**7,275**	6,215	5,546
At FVTPL	10.1	**103**	92	122
Due from BSP and other banks	8, 9	**3,366**	1,554	2,158
Others		**77**	60	45
		P 169,071	P 144,879	P 157,031

		Parent Bank		
	Notes	2022	2021	2020
Loans and other receivables	11, 27	**P 134,036**	P 119,566	P 134,329
Trading and investment securities at:				
At amortized cost	10.3	**16,612**	11,633	9,689
At FVOCI	10.2	**4,641**	3,939	3,440
At FVTPL	10.1	**69**	59	84
Due from BSP and other banks	8, 9	**3,207**	1,533	2,120
Others		**67**	42	35
		P 158,632	P 136,772	P 149,697

24. INTEREST EXPENSE

Interest expense is composed of the following:

		BDO Unibank Group		
	Notes	2022	2021	2020
Deposit liabilities	17, 27	**P 12,377**	P 6,952	P 15,521
Bills payable and other borrowings	18, 19, 21, 26.2	**6,535**	5,764	7,120
Finance lease liabilities	13.2, 21, 27	**927**	817	690
		P 19,839	P 13,533	P 23,331

	Notes	Parent Bank 2022	2021	2020
Deposit liabilities	17, 27	**P 11,572**	P 6,644	P 15,196
Bills payable and other borrowings	18, 19, 21, 26.2	**6,251**	5,455	6,529
Finance lease liabilities	13.2, 21	**905**	807	675
		P 18,728	P 12,906	P 22,400

25. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	BDO Unibank Group 2022	2021	2020
Service charges, fees and commissions	27	**P 38,545**	P 30,485	P 24,822
Insurance premiums		**18,938**	18,136	15,009
Foreign exchange gains	10.1	**6,060**	3,621	1,748
Trust fees	28	**4,555**	4,364	3,811
Rental	14	**1,301**	1,269	1,430
Income from assets sold or exchanged	14	**483**	1,275	1,169
Dividends	10.1	**147**	207	551
Trading gains (losses) - net	10.1	**(600)**	220	5,563
Miscellaneous - net		**2,106**	1,777	1,107
		P 71,535	P 61,354	P 55,210

	Notes	Parent Bank 2022	2021	2020
Service charges, fees and commissions	27	**P 31,061**	P 25,293	P 21,152
Share in net income of subsidiaries and associates	15.2	**8,710**	6,350	3,839
Foreign exchange gains		**5,182**	3,273	1,591
Trust fees	28	**3,395**	3,477	3,035
Rental	14	**492**	482	514
Income from assets sold or exchanged	14	**326**	1,174	1,097
Dividends		**18**	19	258
Trading gains (losses) - net	10.1	**(299)**	(349)	5,230
Miscellaneous - net		**1,244**	916	538
		P 50,129	P 40,635	P 37,254

Other operating expenses consist of the following:

	Notes	BDO Unibank Group 2022	2021	2020
Compensation and benefits	26.1	**P 44,405**	P 41,744	P 37,392
Fees and commissions		**22,570**	17,140	14,994
Policy reserves, insurance benefits and claims	20	**14,492**	15,633	13,136
Taxes and licenses	14	**13,167**	11,180	12,703
Occupancy	13, 15.6 27	**10,553**	9,222	9,572
Insurance		**6,342**	5,828	5,551
Security, clerical, messengerial and janitorial		**4,202**	3,851	3,674
Repairs and maintenance		**2,334**	1,982	1,600
Advertising		**2,016**	2,586	2,621
Power, light and water		**1,402**	1,130	1,011
Amortization of computer software	15.6	**1,356**	1,342	734
Representation and entertainment		**1,317**	1,806	1,877
Information technology		**1,104**	1,136	919
Traveling		**991**	883	1,034
Litigation on assets acquired		**854**	773	601
Supplies		**794**	731	767
Telecommunication		**520**	560	616
Freight		**422**	378	257
Miscellaneous	15.6	**2,367**	1,970	3,581
		P 131,208	P 119,875	P 112,640

	Notes	Parent Bank 2022	2021	2020
Compensation and benefits	26.1	**P 37,955**	P 35,786	P 32,525
Fees and commissions		**21,606**	16,600	14,575
Taxes and licenses	14	**11,509**	10,009	11,631
Occupancy	13, 15.6 27	**9,182**	7,963	8,199
Insurance		**6,218**	5,715	5,457
Security, clerical, messengerial and janitorial		**3,843**	3,522	3,382
Repairs and maintenance		**2,158**	1,855	1,487
Advertising		**1,823**	2,509	2,495
Power, light and water		**1,263**	1,047	912
Amortization of computer software	15.6	**1,259**	1,291	696
Representation and entertainment		**1,141**	1,573	1,637
Information technology		**1,057**	1,113	885
Litigation on assets acquired		**834**	766	592
Supplies		**675**	606	676
Traveling		**638**	619	778
Telecommunication		**421**	456	523
Freight		**372**	339	241
Miscellaneous	15.6	**2,165**	1,844	3,376
		P 104,119	P 93,613	P 90,067

26. COMPENSATION AND BENEFITS

26.1 Compensation and Benefits

Expenses recognized for compensation and benefits (see Note 25) are presented below.

		BDO Unibank Group		
	Notes	2022	2021	2020
Salaries and wages		**P 26,465**	P 23,914	P 22,206
Bonuses		**8,387**	7,876	7,269
Retirement - defined benefit plan	26.2	**2,961**	2,421	2,097
Social security costs		**1,413**	1,254	1,013
Employee stock option plan	26.3	**294**	273	354
Other benefits		**4,885**	6,006	4,453
	25	**P 44,405**	P 41,744	P 37,392

		Parent Bank		
	Notes	2022	2021	2020
Salaries and wages		**P 22,375**	P 20,409	P 19,147
Bonuses		**7,360**	6,942	6,424
Retirement - defined benefit plan	26.2	**2,583**	1,825	1,850
Social security costs		**1,195**	1,062	863
Employee stock option plan	26.3	**289**	252	316
Other benefits		**4,153**	5,296	3,925
	25	**P 37,955**	P 35,786	P 32,525

26.2 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The BDO Unibank Group and the Parent Bank maintain a fully funded, multi-employer and tax-qualified noncontributory retirement plan that is being administered by the Parent Bank's trust and investment group as trustee covering all regular full-time employees.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of ten years of credited service and late retirement up to age 65. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited service but not less than the regulatory benefit under Republic Act No. 7641, plus the cash conversion of accumulated vacation and sick leaves, if any.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions. All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2022 and 2021.

The amounts of Retirement assets and benefit obligation recognized under Other Assets accounts (see Note 15) and Other Liabilities accounts (see Note 21), respectively, in the statements of financial position are determined as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Present value of the DBO	P 43,139	P 42,440	P 39,252	P 38,325
Fair value of plan assets	(43,396)	(38,647)	(39,252)	(34,675)
Deficiency (surplus) of plan assets	(257)	3,793	-	3,650
Effect of asset ceiling	42	7	-	-
Retirement benefit obligation (assets)	(P 215)	P 3,800	P -	P 3,650

The movements in the present value of the DBO are as follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	P 42,440	P 34,288	P 38,325	P 31,318
Benefits paid by the plan	(2,285)	(3,231)	(2,086)	(3,037)
Current service cost	2,961	2,040	2,583	1,825
Interest expense	2,399	1,323	2,167	1,215
Past service cost	-	381	-	-
Transfer to/(from) the plan	-	-	110	(49)
Remeasurements:				
Actuarial losses (gains) arising from changes in:				
– financial assumption	(5,357)	3,173	(4,759)	3,464
– demographic assumptions	1,915	330	1,824	54
– experience adjustments	1,066	4,136	1,088	3,535
Balance at end of year	P 43,139	P 42,440	P 39,252	P 38,325

The movements in the fair value of plan assets are presented below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Balance at beginning of year	P 38,647	P 35,650	P 34,675	P 32,582
Contributions paid into the plan	8,746	4,286	8,136	3,500
Interest income	2,107	1,378	1,899	1,272
Benefits paid by the plan	(2,285)	(3,231)	(2,086)	(3,037)
Transfer to/(from) the plan	-	-	110	(49)
Remeasurement loss - return on plan assets (excluding amounts included in net interest)	(3,819)	564	(3,482)	407
Balance at end of year	P 43,396	P 38,647	P 39,252	P 34,675

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics are shown below.

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Debt securities:				
Government bonds	P 25,317	P 19,400	P 22,900	P 17,407
Corporate bonds	7,416	7,726	6,708	6,932
UITFs	10,706	8,919	9,683	8,003
Loans and other receivables	2,400	499	2,171	447
Equity securities	512	881	463	790
Cash and cash equivalents	126	74	114	66
Other properties – net	(3,081)	1,148	(2,787)	1,030
	P 43,396	P 38,647	P 39,252	P 34,675

Actual returns on plan assets were (P1,712) and (P1,583) in 2022 and P1,943 and P1,679 in 2021 in the BDO Unibank Group and the Parent Bank's financial statements, respectively.

Certain plan assets include BDO Unibank Group's own financial instruments [see Note 27(c)].

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for UITFs which are at Level 2, loans and other receivables and other properties, which are at Level 3.

The components of amounts recognized in profit or loss and in other comprehensive income of the BDO Unibank Group and the Parent Bank in respect to the defined benefit plan is as follows:

	BDO Unibank Group		
	2022	2021	2020
Recognized in profit or loss:			
Current service costs	P 2,961	P 2,040	P 2,097
Past service costs	-	381	-
Interest expense (income)	292	(53)	68
	P 3,253	P 2,368	P 2,165
Recognized in other comprehensive income, net of tax (see Note 31.1):			
Actuarial losses (gains) arising from change in:			
- experience adjustments	P 799	P 3,102	P 729
- demographic assumptions	1,436	248	-
- financial assumptions	(4,018)	2,379	(2,105)
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	2,864	(423)	580
- changes in the effect of the asset ceiling	27	(43)	33
	1,108	5,263	(763)
Effect of change in income tax rate	-	750	-
	1,108	6,013	(763)
Share in actuarial losses of associates	(11)	9	7
	P 1,097	P 6,022	(P 756)

	Parent Bank		
	2022	2021	2020
Recognized in profit or loss:			
Current service costs	P 2,583	P 1,825	P 1,850
Interest expense (income)	268	(55)	70
	P 2,851	P 1,770	P 1,920
Recognized in other comprehensive income, net of tax (see Note 31.1):			
Actuarial losses (gains) arising from change in:			
– experience adjustments	P 816	P 2,651	P 693
– demographic assumptions	1,368	40	-
– financial assumptions	(3,569)	2,599	(1,935)
Remeasurement losses (gains) arising from:			
– return on plan assets (excluding amounts included in net interest expense)	2,612	(305)	477
– changes in the effect of the asset ceiling	-	(37)	33
	1,227	4,948	(732)
Effect of change in income tax rate	-	715	-
	1,227	5,663	(732)
Share in actuarial losses (gains) of subsidiaries and associates	(126)	342	(20)
	P 1,101	P 6,005	(P 752)

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses account (see Note 25) while interest expense or income are presented or offset against Interest Expense account (see Note 24) in the statements of income of the BDO Unibank Group and the Parent Bank.

Amounts recognized in other comprehensive income were included within the items that will not be reclassified subsequently to profit or loss in the statements of comprehensive income.

In determining the amounts of post-employment benefit obligation, the following significant actuarial assumptions were used:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Discount rates	**7.62% - 7.88%**	5.03% - 5.04%	**7.63%**	5.03%
Expected rate of salary increases	**2.00% - 14.00%**	2.00% - 11.70%	**4.75% - 11.00%**	4.00% - 11.70%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 22.6 years. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero-coupon government bond with terms of maturity approximating the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the BDO Unibank Group and the Parent Bank to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) Investment and Interest Risks

The present value of the DBO is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is composed of investment in UITF, debt and equity instruments, cash and cash equivalents, and loans and receivables. Due to the long-term nature of plan obligation, a level of continuing debt securities is an appropriate element of the BDO Unibank Group's long-term strategy to manage the plans effectively.

(ii) Longevity and Salary Risks

The present value of the DBO is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described in the succeeding pages.

(i) Sensitivity Analysis

The table below summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit asset as of December 31, 2022 and 2021.

		Impact on Retirement Benefit Obligation	
	Change in Assumption	Increase in Assumption	Decrease in Assumption
BDO Unibank Group			
December 31, 2022			
Discount rate	**+/-1%**	**(P 1,954)**	**P 2,166**
Salary increase rate	**+/-1%**	**2,150**	**(1,978)**
December 31, 2021			
Discount rate	+/-1%	(P 1,850)	P 2,051
Salary increase rate	+/-1%	1,990	(1,835)
Parent Bank			
December 31, 2022			
Discount rate	**+/-1%**	**(P 1,615)**	**P 1,764**
Salary increase rate	**+/-1%**	**1,757**	**(1,639)**
December 31, 2021			
Discount rate	+/-1%	(P 1,474)	P 1,601
Salary increase rate	+/-1%	1,556	(1,463)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, BDO Unibank Group through its Compensation Committee, ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds or UITFs) with maturities that match the benefit payments as they fall due and in the appropriate currency. BDO Unibank Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2022 and 2021 consists of debt instruments and UITFs, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents, equity instruments and properties. The debt instruments include government bonds and corporate bonds.

There has been no change in the BDO Unibank Group and the Parent Bank's strategies to manage its risks from previous periods.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2022, the plan of the BDO Unibank Group is overfunded by P215 while the Parent Bank is fully funded based on the latest actuarial valuation report.

The BDO Unibank Group and the Parent Bank expect to pay P9,200 and P8,300, respectively, as contributions to retirement benefit plans in 2023.

The expected maturity of undiscounted expected benefits payments of BDO Unibank Group and the Parent Bank from the plan for the next ten years is presented as follows:

	BDO Unibank Group	Parent Bank
Between one to five years	P 41,416	P 38,877
Between six to ten years	28,413	25,443
	P 69,829	**P 64,320**

The weighted average duration of the defined benefit obligation at the end of the reporting period is 3.5 to 13.2 years for the BDO Unibank Group and 5.4 years for the Parent Bank.

26.3 ESOP

BDO Unibank Group's ESOP expense includes the amounts recognized by the Parent Bank and its subsidiaries over the vesting period. In 2022 and 2021, vested shares totaled 10,018,699 shares and 14,118,934 shares, respectively, for BDO Unibank Group, and 9,492,930 shares and 13,552,572 shares, respectively, for Parent Bank.

The ESOP expense, included as part of Compensation and benefits under Other Operating Expenses in the BDO Unibank Group's statements of income, amounted to P294, P273 and P354 in 2022, 2021 and 2020, respectively, and in the Parent Bank's statements of income, amounted to P289, P252 and P316, respectively (see Note 26.1).

27. RELATED PARTY TRANSACTIONS

The Parent Bank created a Related Party Transactions Committee composed of two independent directors and a non-executive director, as of December 31, 2022. The said committee exercises oversight role to ensure bank compliance with BSP regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2022 and 2021 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction 2022	2021	2020	Outstanding Balance 2022	2021
DOSRI Loans	27(a)					
Stockholders		**P 11,241**	P 24,854	P 3,636	**P 21,122**	P 34,266
Related Parties under Common Ownership		**2**	12	24	**-**	-
Directors		**-**	3	3	**-**	-
Officers and Employees		**1,900**	1,807	1,418	**2,254**	2,068
Deposit Liabilities	27(b)					
Stockholders		**500,212**	468,175	390,344	**27,962**	19,852
Related Parties under Common Ownership		**16,992**	2,670	5,099	**227**	227
Directors		**561**	443	451	**32**	54
Officers and Employees		**-**	222	82	**-**	1
Other Transactions with Associates	27(d)					
Loans and Advances		**-**	480	500	**7,895**	8,261
Interest Income		**295**	251	359	**98**	58
Related Parties Under Common Ownership	27(d)					
Right-of-use Asset		**1,619**	1,677	378	**4,818**	3,904
Lease Liabilities		**1,361**	1,474	285	**3,199**	2,816
Interest Expense		**87**	77	3	**237**	178
Depreciation Expense		**263**	184	39	**1,098**	524
Key Management Personnel	27(d)					
Compensation		**1,673**	1,543	1,589	**-**	-
Retirement Plan	27(c)	**(263)**	160	238	**5,705**	8,351

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2022 and 2021 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction 2022	2021	2020	Outstanding Balance 2022	2021
DOSRI Loans	27(a)					
Stockholders		P **11,241**	P 24,854	P 3,636	P **21,122**	P 34,266
Related Parties under Common Ownership		**2**	12	24	-	-
Directors		-	3	3	-	-
Officers and Employees		**1,898**	1,805	1,411	**2,250**	2,065
Deposit Liabilities	27(b)					
Stockholders		**500,212**	468,175	390,344	**27,962**	19,852
Related Parties under Common Ownership		**990**	2,324	4,152	**83**	111
Directors		**561**	443	451	**32**	54
Officers and Employees		-	222	82	-	1
Other Transactions with Subsidiaries	27(d)					
Loans and Advances		P **28,755**	P 25,011	P 37,123	P **9,339**	P 2,912
Derivative Assets		**3,059**	992	-	**123**	31
Derivative Liabilities		**1,738**	612	1,471	**60**	-
Deposit Liabilities		**6,599**	(572)	(1,881)	**11,368**	4,769
Accounts Payable		-	-	(2)	-	**1**
Miscellaneous Assets		(**83**)	117	259	**59**	142
Miscellaneous Liabilities		**28**	(28)	-	-	-
Interest Income		**183**	119	238	**24**	3
Rent Income		**143**	136	132	-	-
Service Fees		**1,070**	874	796	-	-
Interest Expense		**79**	5	25	**70**	-
Right-of-use Asset		**24**	-	-	**100**	97
Lease Liabilities		**3**	(12)	(11)	**117**	113
Depreciation/Amortization		**16**	14	13	-	-
Interest Expense – Finance Lease Payment Payable		**7**	7	7	-	-
Trust Fees		**120**	120	107	-	-
Miscellaneous Expense		**83**	117	123	-	-
Insurance Expense		**56**	42	40	-	-
Trading Gain/Loss		**230**	(20)	(90)	-	-
Miscellaneous Income		**123**	49	3	-	-
Repairs and Maintenance		**1**	1	1	-	-
Fees and Commission		**135**	140	149	-	-
Other Transactions with Associates	27(d)					
Loans and Advances		-	480	500	**7,895**	8,261
Interest Income		**295**	251	344	**98**	58
Related Parties under Common Ownership	27(d)					
Right-of-use Asset		**1,619**	1,677	378	**4,818**	3,904
Lease Liabilities		**1,361**	1,474	285	**3,199**	2,816
Interest Expense		**87**	77	3	**237**	178
Depreciation Expense		**263**	184	39	**1,098**	524
Key Management Personnel	27(d)					
Compensation		**966**	905	1,006	-	-
Retirement Plan	27(c)	(**263**)	160	238	**5,703**	8,349

In the ordinary course of business, the BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain DOSRI as described below and in the succeeding pages.

(a) Loans to Related Parties

Under existing policies of the BDO Unibank Group and the Parent Bank, these loans bear interest rates ranging from 0.00% to 9.00% per annum in 2022, 2021 and 2020, which are substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the unencumbered deposit and book value of the investment in the BDO Unibank Group and the Parent Bank.

Secured DOSRI loans are collateralized by publicly-listed shares, hold-out on deposits, chattels and real estate mortgages and are payable within 20 years.

The total loan releases and collections in 2022 amounted to P13,143 and P26,101 for the BDO Unibank Group and P13,141 and P26,100 for the Parent Bank, respectively. The total loan releases and collections in 2021 amounted to P26,676 and P15,713 for the BDO Unibank Group and P26,674 and P15,709 for the Parent Bank, respectively. The total loan releases and collections in 2020 amounted to P5,081 and P10,265 for the BDO Unibank Group and P5,074 and P10,257 for the Parent Bank, respectively.

(b) Deposits from Related Parties

The total deposits made by the related parties amounted to P517,765, P471,510 and P395,976 in 2022, 2021 and 2020 for the BDO Unibank Group, and P501,763, P471,164 and P395,029 in 2022, 2021 and 2020 for the Parent Bank, respectively, and bearing interest rates range of 0.00% to 5.38% in 2022, and 0.00% to 4.53% in 2021 and 2020. The related interest expense from deposits amounted to P935, P795 and P860 in 2022, 2021 and 2020, respectively (see Note 24).

(c) Transactions with Retirement Plan

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group as of December 31, 2022 and 2021 and for each of the three years ended are as follows:

	Amounts of Transaction			Outstanding Balance	
Related Party Category	**2022**	2021	2020	**2022**	2021
Loans to employees					
BDO Unibank, Inc.	**P -**	P -	P -	**P 4**	P 7
Investment in shares of					
BDO Unibank, Inc.	**-**	-	-	**195**	48
Dominion Holdings	**-**	-	-	**2**	2
Deposit liabilities (including LTNCDs)					
BDO Unibank, Inc.	**-**	-	-	**5,504**	8,294
Trading gain (loss)					
BDO Unibank, Inc.	**(271)**	158	235	**-**	-
Interest expense					
BDO Unibank, Inc.	**6**	-	1	**-**	-
Rental income					
BDO Unibank, Inc.	**2**	2	2	**-**	-

The BDO Unibank Group's retirement fund has transactions directly and indirectly with the Parent Bank as of December 31, 2022 and 2021 and for each of the three years ended are as follows:

Related Party Category	Amounts of Transaction 2022	2021	2020	Outstanding Balance 2022	2021
Loans to employees					
BDO Unibank, Inc.	P -	P -	P -	P 4	P 7
Investment in shares of –					
BDO Unibank, Inc.	-	-	-	195	48
Deposit liabilities (including LTNCDs)					
BDO Unibank, Inc.	-	-	-	5,504	8,294
Trading gain (loss)					
BDO Unibank, Inc.	(271)	158	235	-	-
Interest expense					
BDO Unibank, Inc.	6	-	1	-	-
Rental income					
BDO Unibank, Inc.	2	2	2	-	-

Details of the contributions of the BDO Unibank Group and the Parent Bank, and benefits paid out by the plan to the employees are presented in Note 26.2.

(d) Other Transactions with Related Parties

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties are shown in the section that follows. These transactions are generally unsecured and payable in cash, unless otherwise stated.

(i) Transactions with and between subsidiaries have been eliminated in the BDO Unibank Group's financial statements. Significant transactions with subsidiaries are as follows:

(1) Loans and Advances to Subsidiaries

The Parent Bank grants noninterest-bearing advances to subsidiaries for working capital requirements, which are unsecured, payable in cash and without fixed repayment terms. The total advances granted and collected amounted to P259 and P111, P111 and P28, and P46 and P44, in 2022, 2021 and 2020, respectively. The outstanding advances to subsidiaries recognized as part of Accounts receivable under Loans and Other Receivables in the Parent Bank's statements of financial position amounted to P259 and P111 as of December 31, 2022 and 2021, respectively (see Note 11).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P9,080 and P2,801 as of December 31, 2022 and 2021, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position (see Note 11). The total loans granted amounted to P28,496, P24,900 and P37,076 while total loans collected amounted to P22,217, P27,215 and P35,593 for 2022, 2021 and 2020, respectively. These loans are payable in cash with a term between eight days to five years. Interest income recognized on these is presented as part of Interest Income in the Parent Bank's statements of income (see Note 23). Interest rate on these loans ranges from 3.32% to 6.50%, 2.50% to 3.50% and 2.27% to 5.75% per annum in 2022, 2021 and 2020, respectively.

(2) Income to the Parent Bank

BDO subsidiaries engaged the Parent Bank, under service agreements to provide various support such as maintenance, administration of properties/assets management, supplies procurement, facilities management, accounting functions, loan documentation, safekeeping/custodianship of securities and collateral documents, credit card services, human resources management, information technology needs, internal audit, corporate secretarial services, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. The service agreement shall continue to be in force unless terminated by either party through a written notice, at least 30 calendar days prior to the date intended for termination. The services fees are payable monthly in cash and shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by the subsidiaries to the Parent Bank.

The total service fees are presented as part of Service charges, fees and commissions under Other Operating Income account in the Parent Bank's statements of income (see Note 25). There are no outstanding balance arising from these transactions as of December 31, 2022 and 2021. Total service fees amounted to P1,070, P874 and P796 in 2022, 2021 and 2020, respectively.

BDO Life has an existing Investment Management Agreement with the Parent Bank. For services rendered, BDO Life pays the Parent Bank management fees in cash equivalent to certain percentage based on the average daily balance of the fund and are deducted quarterly from the fund. The total trust fees is presented as part of Trust fees under Other Operating Income account in the Parent Bank's statements of income (see Note 25). Outstanding balances arising from this as of December 31, 2022 and 2021 are included as part of Accounts receivable under Loans and Other Receivables (see Note 11). The total trust fees amounted to P120 for both 2022 and 2021, and P107 for 2020.

Certain subsidiaries lease office space and equipment from the Parent Bank. The total rent collected from the subsidiaries is included as part of Miscellaneous under Other Operating Income in the Parent Bank's statements of income (see Note 25). The term of the lease office space ranges from three years to five years and is payable in cash. There are no outstanding receivable from subsidiaries as of December 31, 2022 and 2021. The total rent income amounted to P143, P136 and P132 in 2022, 2021 and 2020, respectively.

(3) Expenses of the Parent Bank

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space from BDO Network, BDOSHI and Averon for its branch operations, amounting to P100 and P97, as of December 31, 2022 and 2021, respectively, which are presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Depreciation expense and amortization of the right-of-use assets arising from these transactions amounted to P16, P14 and P13 in 2022, 2021 and 2020, respectively, and presented as part of Occupancy under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total interest expense on lease liability is included as part of Interest expense on finance lease liabilities under the Interest Expense account in the Parent Bank's statement on income amounted to P7 for years 2022, 2021 and 2020 (see Note 24). Outstanding balance arising from these transactions amounted to P117, P113 and P118 as of December 31, 2022, 2021 and 2020, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The total amount paid for repairs and maintenance of leased properties is included as part of Repairs and Maintenance account under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total repairs and maintenance expense amounted to P1 in 2022, 2021 and 2020.

The Parent Bank pays for the group life insurance of its employees and life and accident insurance of enrolled qualified remitters of Kabayan accounts to BDO Life. The total amount paid is included as part of Insurance Expense account under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). Total insurance expense amounted to P56, P42 and P40 in 2022, 2021 and 2020, respectively.

In 2020, the Parent Bank purchased receivables from Dominion Holdings (see Note 30.3). This resulted to a loss amounting to P290 which was initially booked under Miscellaneous Asset and will be amortized over the term of the loan. The amortized loss incurred was recognized as part of Miscellaneous Expense account under Other Operating Expenses in the Parent Bank's statements of income amounting to P83 and P117 in 2022 and 2021, respectively (see Note 25). No similar transaction occurred in 2022 and 2021.

The Parent Bank pays commission to BDO Network and BDO Private related to the referred trust services to the Parent Bank. Also, the Parent Bank pays for various services rendered by foreign subsidiaries. The amount paid for both commission and services are included as part of Fees and Commission account under Other Operating Expense in the Parent Bank's statements of income. The total payments amounted to P135, P140 and P149 in 2022, 2021 and 2020, respectively.

(4) Derivatives

In 2022 and 2021, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards. As of December 31, 2022 and 2021, the outstanding balance of derivatives assets and liabilities are presented as part of Financial assets at FVTPL under Trading and Investment Securities account (see Note 10.1) and Derivatives with negative fair values under Other Liabilities account in the statements of financial position (see Note 21).

(5) Deposit Liabilities

The total deposits made by the subsidiaries to the Parent Bank during 2022, 2021 and 2020 amounted to P801,252, P669,405 and P559,611, respectively. These are with yearly corresponding withdrawals amounting to P794,653 for 2022, P668,833 for 2021 and P561,492 for 2020. These deposits bear interest rates of 0.00% to 4.88% in 2022, 0.00% to 0.50% in 2021 and 0.00% to 3.25% in 2020. The related interest expense from these deposits is included as part of Interest Expense account on deposit liabilities in the statements of income (see Note 24).

In 2022, the BOD approved the assignment of additional government securities to BDO Network amounting to P1.0 billion to secure transactions between the Parent Bank and BDO Network. As of December 31, 2022 and 2021, the total assigned government securities to BDO Network amounted to P2.0 billion and P1.0 billion, respectively. Additionally, the total assigned government securities to BDO Private for purposes of securing transactions amounted to P2.0 billion for both 2022 and 2021.

(6) Real Estate Joint Venture

On October 23, 2021 and November 11, 2021, the respective BOD of BDO Unibank and BDOSHI have approved the Real Estate Joint Venture Agreement between the two companies wherein BDOSHI will contribute its 3,695 square meters vacant lots and Air Rights in Valero St. Makati City. BDO Unibank will construct Annex A Building on the said lots as part of the BDO Makati Campus Project and shall bear the estimated cost of the construction subject to any adjustment based on the final calculations by the parties. As of December 31, 2022, construction of the said building has not yet started.

(ii) Other transactions with associates are shown below.

Loans and Advances to Associates

As of December 31, 2022 and 2021, the outstanding secured and unsecured interest-bearing loans and advances to associates amounting to P7,895 and P8,261 for the BDO Unibank Group and P7,895 and P8,261 for the Parent Bank, respectively, and are presented as part of Loans and discounts and Accounts receivable under Loans and Other Receivables account in the statements of financial position (see Note 11).

These loans are payable in cash between seven and a half years to twelve years. The total collections on loans and advances amounted to P366, P444 and P75 for BDO Unibank Group and P366, P262 and P57 for the Parent Bank in 2022, 2021 and 2020, respectively.

Annual interest rates on these loans are 4.95% and 2.94% in 2022 and 2021, respectively. For 2020, annual interest rates range from 2.95% to 7.70%. The related interest income is presented as part of Interest Income on loans and other receivables in the BDO Unibank Group's statements of income (see Note 23). As of December 31, 2022, 2021 and 2020, there were no impairment losses recognized on these loans and advances.

(iii) Transaction of the Parent Bank with related parties under common ownership is shown below.

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space from related parties for its branch operations, amounting to P4,818 and P3,904 as of December 31, 2022 and 2021, respectively, which is presented as part of Premises, Furniture, Fixtures and Equipment (see Note 12). Amortization expense on right-of-use assets arising from this transaction, amounting to P263, P184, and P39 in 2022, 2021 and 2020, respectively, and is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's statement of income (see Note 25).

The total interest expense on lease liabilities from related parties, included as part of Interest expense on finance lease liabilities under the Interest Expense account amounted to P87, P77, and P3 in 2022, 2021 and 2020, respectively, in the Parent Bank's statements of income (see Note 24). The outstanding balances arising from this transaction amounted to P3,199 and P2,816 as of December 31, 2022 and 2021, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The terms of the lease are from one to ten years and is payable in cash.

(iv) Key Management Personnel Compensation

The compensation and benefits given to BDO Unibank Group and the Parent Bank's key management are as follows (see Note 26.1):

	BDO Unibank Group		
	2022	2021	2020
Salaries and other benefits	**P 1,450**	P 1,381	P 1,368
Retirement expense	**223**	162	221
	P 1,673	P 1,543	P 1,589

	Parent Bank		
	2022	2021	2020
Salaries and other benefits	**P 809**	P 819	P 849
Retirement expense	**157**	86	157
	P 966	P 905	P 1,006

28. TRUST OPERATIONS

The following securities and other properties held by BDO Unibank Group in fiduciary or agency capacity (for a fee) for its customers are not included in BDO Unibank Group and the Parent Bank's statements of financial position since these are not resources of the BDO Unibank Group [see Note 35(h)].

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Investments	**P 1,813,001**	P 1,769,064	**P 1,246,315**	P 1,223,191
Others	**12,018**	9,654	**9,436**	7,679
	P 1,825,019	P 1,778,718	**P 1,255,751**	P 1,230,870

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

(a) Investment in government securities which are shown as part of Investment securities at amortized cost with a total face value of P19,695 and P18,435 as of December 31, 2022 and 2021 (see Note 10.3), respectively, in BDO Unibank Group and, P13,495 and P12,178 as of December 31, 2022 and 2021, respectively, in the Parent Bank are deposited with the BSP as security for BDO Unibank Group's faithful compliance with its fiduciary obligations; and,

(b) A certain percentage of the trust income is transferred to surplus reserves. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of BDO Unibank Group's authorized capital stock. As of December 31, 2022 and 2021, the additional reserve for trust functions amounted to P251 and P263 for both the BDO Unibank Group and Parent Bank, and is included as part of Surplus Reserves account in statements of changes in equity (see Note 22.5).

Income from trust operations, shown as Trust fees under Other Operating Income account, amounted to P4,555, P4,364 and P3,811 for the years ended December 31, 2022, 2021 and 2020, respectively, in BDO Unibank Group's statements of income and P3,395, P3,477 and P3,035 for the years ended December 31, 2022, 2021 and 2020, respectively, in the Parent Bank's statements of income (see Note 25).

29. UNIT-LINKED FUNDS

VUL insurance contracts of BDO Life are life insurance policies wherein a portion of the premiums received are invested in VUL funds, which are composed mainly of investments in equity and debt securities. The withdrawal or surrender amount of a VUL policy can be computed by multiplying the total units held by the policyholder by the fund's Net Asset Value per unit, which changes daily depending on the fund's performance.

In 2013, BDO Life obtained the approval from IC to issue VUL products, where payments to policyholders are linked to internal investment funds set up by BDO Life. The VUL funds are managed by the Trust and Investment Group of the Parent Bank.

As of December 31, 2022 and 2021, BDO Life has 12 VUL funds. The details of the investment funds, which comprise the assets backing the unit-linked liabilities, are presented in the table below. The assets and liabilities of these investment funds have been consolidated to the appropriate accounts in the BDO Unibank Group's financial statements.

	2022	2021
Assets:		
Cash and cash equivalents	P 161	P 153
Financial assets at FVTPL	27,760	24,592
Other receivables	55	36
	P 27,976	P 24,781
Liabilities and Equity:		
Other liabilities	P 159	P 191
Net assets attributable to unitholders	27,817	24,590
	P 27,976	P 24,781

30. MERGERS AND ACQUISITIONS

30.1 Subscription of Additional Shares in BDO Remit International Holdings, B.V. (formerly CBN Grupo)

On October 21, 2016, BDO Capital subscribed to an additional 3,273,000 shares in BDO Remit International Holdings, B.V. (BDO RIH) for P170, making BDO Capital the owner of approximately 96% of the outstanding capital stock of BDO RIH (see Note 15.2). The total goodwill recognized amounted to P123 and is presented as part of Goodwill under Other Resources on BDO Unibank Group's statement of financial position (see Notes 15.2 and 15.3).

On December 9, 2020, BDO Capital approved the corporate dissolution and liquidation of BDO RIH and to acquire its assets and assume its liabilities. Since the liabilities to be assumed by BDO Capital is higher than the assets it will absorb, BDO Capital also approved the additional investment in BDO RIH amounting to P276 in 2021 and P16 in 2022. This was approved by the BSP on November 9, 2021 and by the BDO RIH shareholders on February 2, 2022.

On July 20, 2022, BDO Capital made additional investment of P47 for its purchase of the shares of BDO Remit UK.

30.2 Merger of BDO Nomura and BDO Securities

On June 23, 2020, the Parent Bank and Nomura Asia came to an agreement and signed a term sheet on the proposed buy-out of Nomura Asia's 49% equity stake in BDO Nomura. The BOD of the Parent Bank authorized BDO Capital to acquire the shares of Nomura Asia and the transaction was completed on November 25, 2020 with settlement amount of P42.

On July 2, 2020, the BOD of BDO Nomura and BDO Securities, at their respective meetings, approved the merger of the two companies, with BDO Securities as the surviving entity, and the Plan of Merger. The same were likewise approved by the respective stockholders of the two entities on July 7, 2020. The merger was approved by the SEC on November 25, 2020 and was implemented on December 1, 2020.

30.3 Sale of Assets of Dominion Holdings

On May 25, 2019, the BOD of BDO Unibank approved the restructuring of the leasing business of the BDO Unibank Group. Under the restructuring, a new, privately-held company BDO Finance was incorporated on December 9, 2019 to carry on the leasing business of the BDO Unibank Group. Dominion Holdings, on the other hand, has sold substantially all of its assets to BDO Unibank, BDO Finance and other subsidiaries.

On October 9, 2020, the BOD of BDO Finance approved the purchase of the BDO Rental shares owned by Dominion Holdings. The sale was consummated through a Deed of Absolute Sale of Shares with BDO Rental becoming a wholly-owned subsidiary of BDO Finance. BDO Finance started its commercial operations on October 19, 2020.

On July 18, 2022, the SEC approved the change in name and purpose of BDO Leasing into Dominion Holdings, Inc, a holding company and remains listed in the PSE.

30.4 Dissolution of BDO Remit Italia

On June 13, 2020, BDO Remit Italia has completed its liquidation and made partial repatriation of funds to BDO Strategic Holdings, Inc. amounting to P7. Final capital return was made on July 1, 2021 amounting to P51.

31. TAXES

31.1 Current and Deferred Tax

On March 26, 2021, 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 BDO Unibank Group:

- 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.

The components of tax expense relating to profit or loss and other comprehensive income follows:

	BDO Unibank Group		
	2022	2021	2020
Reported in profit or loss:			
Current tax expense:			
Regular corporate income tax (RCIT) at 25% in 2022 and 2021 and 30% in 2020	P 10,187	P 9,422	P 14,762
Final taxes at 20%, 15% and 10%	4,011	2,689	2,286
Adjustment to current income tax from prior year	(69)	(13)	-
Minimum corporate income tax (MCIT) at 1% in 2022 and 2021 and 2% in 2020	7	(5)	33
Adjustment in 2020 income taxes due to change in income tax rate	-	(1,378)	-
	14,136	10,715	17,081
Deferred tax expense relating to origination and reversal of temporary differences	1,823	2,213	695
Effect of the change in income tax rate	-	1	-
Application of previously unrecognized MCIT	-	(22)	-
	1,823	2,192	695
	P 15,959	P 12,907	P 17,776
Reported in other comprehensive income:			
Actuarial gains (losses)	(P 389)	(P 1,754)	P 321
Fair value of financial assets at FVOCI	(21)	4	-
Effect of the change in income tax rate	-	683	-
Revaluation increment	-	(4)	-
	(P 410)	(P 1,071)	P 321

	Parent Bank		
	2022	2021	2020
Reported in profit or loss:			
Current tax expense:			
RCIT at 25% and 30%	P 8,380	P 8,411	P 13,998
Final taxes at 20%, 15% and 10%	3,357	2,165	1,801
Adjustment in 2020 income taxes due to change in income tax rate	-	(1,300)	-
Adjustment to current income tax from prior year	(68)	(13)	-
	11,669	9,263	15,799
Deferred tax expense relating to origination and reversal of temporary differences	1,664	2,112	483
Effect of the change in income tax rate	-	3	-
	1,664	2,115	483
	P 13,333	P 11,378	P 16,282
Reported in other comprehensive income:			
Actuarial gains (losses)	(P 408)	(P 1,649)	P 314
Fair value of financial assets at FVOCI	(22)	12	-
Effect of the change in income tax rate	-	647	-
Revaluation increment	-	(4)	-
	(P 430)	(P 994)	P 314

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below and in the succeeding page.

	BDO Unibank Group		
	2022	2021	2020
Tax on pretax profit at 25% and 30%	P 18,298	P 13,940	P 13,809
Adjustment for income subjected to lower income tax rates	(1,007)	(561)	(879)
Adjustment in 2020 income taxes due to change in income tax rate	-	(1,377)	-
Tax effects of:			
Income exempt from tax	(7,246)	(2,884)	(4,062)
Non-deductible expenses	6,644	4,245	9,736
Deductible temporary differences not recognized	(914)	(312)	(903)
Net operating loss carryover (NOLCO) not recognized	94	4	91
Adjustment to current income tax from prior year	(69)	(13)	-
Application of previously unrecognized MCIT	-	(29)	-
Utilization of previously unrecognized NOLCO	-	-	(1)
Others	159	(106)	(15)
Tax expense reported in profit or loss	P 15,959	P 12,907	P 17,776

	Parent Bank		
	2022	2021	2020
Tax on pretax profit at 25% in 2022 and 2021 and 30% in 2020	P 17,581	P 13,515	P 13,467
Adjustment for income subjected to lower income tax rates	(738)	(436)	(865)
Adjustment in 2020 income taxes due to change in income tax rate	-	(1,297)	-
Tax effects of:			
Income exempt from tax	(9,004)	(4,120)	(4,969)
Non-deductible expenses	6,306	4,103	9,519
Deductible temporary differences not recognized	(743)	(374)	(870)
Adjustment to current income tax from prior year	(69)	(13)	-
Tax expense reported in profit or loss	P 13,333	P 11,378	P 16,282

Components of the net deferred tax assets (see Note 15) as of December 31 follow:

	Statements of Financial Position			
	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Deferred tax assets:				
Unamortized past service costs	P 3,521	P 2,577	P 3,190	P 2,280
Allowance for impairment	2,681	4,088	2,455	3,747
Retirement obligation (net of OCI)	(344)	606	(344)	568
Recognition of right-of-use assets and lease liabilities	87	67	84	47
Lease income differential	7	-	-	-
Others	13	66	-	-
	5,965	7,404	5,385	6,642

	Statements of Financial Position			
	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Deferred tax liabilities:				
Revaluation increment	P 336	P 337	P 335	P 335
Retirement asset (net of OCI)	54	-	-	-
Capitalized interest	31	33	31	33
Changes in fair values of financial assets at FVOCI	(7)	11	(9)	12
Lease income differential	2	2	-	-
Others	194	253	-	-
	610	636	357	380
Net deferred tax assets	P 5,355	P 6,768	P 5,028	P 6,262

Movements in net deferred tax assets for the years ended December 31 follow:

BDO Unibank Group

	Statements of Income		
	2022	2021	2020
Allowance for impairment	P 1,407	P 2,289	P 160
Retirement obligation (asset)	1,392	(405)	1,059
Unamortized past service costs	(944)	317	(591)
Recognition of right-of-use assets and lease liabilities	(19)	(45)	47
Lease income differential	(8)	-	-
Capitalized interest	(2)	(9)	(3)
Others	(3)	67	23
Deferred tax expense	P 1,823	P 2,214	P 695

Parent Bank

	Statements of Income		
	2022	2021	2020
Retirement obligation (asset)	P 1,321	(P 412)	P 1,012
Unamortized past service costs	(910)	451	(576)
Allowance for impairment	1,292	2,111	-
Recognition of right-of-use assets and lease liabilities	(37)	(26)	49
Capitalized interest	(2)	(9)	(2)
Deferred tax expense	P 1,664	P 2,115	P 483

	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2022	2021	2020	2022	2021	2020
Movements in actuarial losses	(P 389)	(P 1,004)	P 321	(P 408)	(P 934)	P 314
Movements in fair value of financial assets at FVOCI	(21)	5	-	(22)	12	-
Movements in revaluation increment	-	(72)	-	-	(72)	-
Deferred tax expense (income)	(P 410)	(P 1,071)	P 321	(P 430)	(P 994)	P 314

The BDO Unibank Group is subject to MCIT, which is computed at 1% of gross income, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO and MCIT with the corresponding validity periods are as follows for the BDO Unibank Group (nil for the Parent Bank):

Year	NOLCO	MCIT	Valid Until
2022	P 359	P 6	2025

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2022 and 2021 are as follows:

	BDO Unibank Group			
	2022		2021	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	**P 71,760**	**P 17,940**	P 57,101	P 14,275
NOLCO	**359**	**90**	-	-
MCIT	**6**	**6**	2	2
Others	**834**	**208**	1,037	259
	P 72,959	**P 18,244**	P 58,140	P 14,536

	Parent Bank			
	2022		2021	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	**P 69,935**	**P 17,484**	P 56,568	P 14,142
Others	**1,022**	**255**	1,021	255
	P 70,957	**P 17,739**	P 57,589	P 14,397

The BDO Unibank Group and the Parent Bank continue claiming itemized deduction for income tax purposes.

31.2 Gross Receipts Tax

Gross Receipts Tax (GRT), pursuant to Sections 121 and 122 of the Tax Code, is imposed on banks, non-banks financial intermediaries and finance companies (per RA 9238).

GRT is levied on the BDO Unibank Group's lending income, which includes interest, commission and discounts arising from instruments with maturity of five years or less and other income. The tax is computed at the prescribed rates of either 7%, 5% or 1% of the related income (per RA 9337).

31.3 Documentary Stamp Tax

Documentary stamp tax (DST) (at varying rates) is imposed on the following:

(a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;

(b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other notes payable at sight or on demand;

(c) Acceptance of bills of exchange and letters of credit; and,

(d) Bills of lading or receipt.

On December 19, 2017, RA No. 10963 known as Train Law was passed amending the rates of DST, the significant provisions of which are summarized as follows:

(a) On every issue of debt instruments, there shall be collected a DST of one peso and fifty centavos on each two hundred pesos or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.

(b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of one peso and 50 centavos on each two hundred pesos, or fractional part thereof, of the par value of such stock.

(c) On all bills of exchange or drafts, there shall be collected a DST of 60 centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or draft.

(d) The following instruments, documents and papers shall be exempt from DST:

- Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
- Loan agreements or promissory notes, the aggregate of which does not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
- Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the effectivity of RA No. 9243;
- Fixed income and other securities traded in the secondary market or through an exchange;
- Derivatives including repurchase agreements and reverse repurchase agreements;
- Bank deposit accounts without a fixed term or maturity; and,
- Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

31.4 Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The BIR issued Revenue Regulations (RR) No. 15-2010 on November 25, 2010, which required certain tax information to be disclosed as part of the notes to the financial statements.

The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with PFRS; it is neither a required disclosure under the Philippine SEC rules and regulations covering form and content of financial statements under the revised Securities Regulation Code Rule 68.

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

32. EARNINGS PER SHARE

Basic earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	2022	2021 (As Restated)	2020 (As Restated)
Net profit attributable to shareholders of the Parent Bank	**P 57,054**	P 42,791	P 28,246
Dividends on preferred shares	**(339)**	(340)	(339)
Net profit available to common shares	**56,715**	42,451	27,907
Divided by the weighted average number of outstanding common shares (in millions)	**5,264**	5,262	5,261
Basic earnings per share	**P 10.77**	P 8.07	P 5.30

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	2022	2021 (As Restated)	2020 (As Restated)
Net profit attributable to shareholders of the Parent Bank	**P 57,054**	P 42,791	P 27,907*
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	**5,264**	5,262	5,261
Potential common shares from assumed conversion of preferred shares	**58**	51	*
Potential common shares from stock option plan	**	**	**
Total weighted average number of common shares after assumed conversion of convertible preferred shares	**5,322**	5,313	5,261
Diluted earnings per share	**P 10.72**	P 8.05	P 5.30

* *Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred share as these were not assumed to be converted.*

** *Potential common shares from assumed conversion of stock option plan made through primary issuance do not significantly affect the computation of diluted earnings per share.*

The 2021 and 2020 earnings per share of BDO Unibank Group were restated to account for the stock dividends declared in 2022 (Note 2.26). As a result of this restatement, the 2021 and 2020 basic earnings per share decreased from P9.68 to P8.07 and from P6.37 to P5.30, respectively. On the other hand, the 2021 and 2020 diluted earnings per share decreased from P9.66 to P8.05 and from P6.37 to P5.30, respectively.

33. EVENTS AFTER THE REPORTING PERIOD

33.1 Dividend

On January 28, 2023, the Parent Bank's BOD approved the declaration of annual cash dividends on preferred shares "Series A" at the rate of 6.50% per annum of the par value for a total dividend of P407. The dividends will be paid within 60 days from dividend declaration date.

33.2 Liquidation of BDO Remit (Spain)

On February 7, 2023, BDO Remit (Spain) S.A. has completed its liquidation as confirmed by the Mercantile Registry of Barcelona.

34. COMMITMENTS AND CONTINGENCIES

34.1 Litigations

BDO Unibank Group has pending claims and/or is a defendant in various legal actions arising from the ordinary course of business operations. As of December 31, 2022, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

34.1.1 Applicability of RR 4-2011

On March 15, 2011, the BIR issued Revenue Regulations No. 4-2011 (RR 4-2011) regarding the proper allocation of costs and expenses amongst income earnings of banks and other financial institutions for income tax reporting purposes. RR 4-2011 prescribed a special method of allocation of cost and expenses for banks such that when computing the amount allowable as deduction from regular banking unit operations, all costs and expenses should first be allocated between the regular banking unit and FCDU/expanded FCDU or offshore banking unit.

On April 6, 2015, Consortium of Banks (Petitioners) filed a Petition for Declaratory Relief with Application for Temporary Restraining Order and/or Writ of Preliminary Injunction, docketed as Civil Case No. 15-287 with the Regional Trial Court (RTC) of Makati. BDO Unibank Inc., and BDO Private Bank, Inc. are among the Petitioners in Civil Case No. 15-287 assailing the validity of RR 4-2011.

In the Petition, the Petitioners sought to annul RR No. 4-2011 as there is no provision in the National Internal Revenue Code which authorized the issuance of RR 4-2011 that a bank's cost and expenses be allocated to its different income streams.

The Petitioners also claimed that RR 4-2011 deprived them of their legal right under the Tax Code to claim ordinary and necessary expenses as tax deductions.

On April 8, 2015, the RTC of Makati issued a temporary restraining order, enjoining the BIR from enforcing RR 4-2011. Subsequently, the RTC of Makati issued a Writ of Preliminary Injunction also enjoining the BIR from enforcing, carrying out, or implementing in any way or manner RR 4-2011 against the Petitioners, including the issuance of preliminary assessment notice or final assessment notice, as the case may be, based on the revenue regulations, pending litigation, unless sooner dissolved.

On May 25, 2018, the RTC declared RR 4-2011 as null and void. The writs of preliminary injunction issued by the RTC on April 25, 2015 and February 28, 2018 were also made permanent, thereby enjoining Department of Finance (DOF) and BIR from implementing RR 4-2011 and prohibiting them from issuing a preliminary assessment notice or final assessment notice, or deciding any administrative matter pending before it, according to or in relation to said regulation.

On July 10, 2018, the DOF and BIR filed a Motion for Extension of Time to File a Petition for Review on Certiorari ("Motion for Extension") before the Supreme Court. The Supreme Court granted the Motion for Extension.

On August 9, 2018, DOF and BIR filed a Petition for Review on Certiorari dated August 1, 2018 ("Petition") assailing the RTC decision based on the following grounds: (i) the RTC has no jurisdiction over petitions assailing the constitutionality and validity of tax laws, rules and regulation, and other administrative issuance of the BIR; (ii) the Court of Tax Appeals has the exclusive jurisdiction to determine the constitutionality or validity of Tax Laws, Rules and Regulations issued by the Commissioner of Internal Revenue; and, (iii) RR 4-2011 is a valid regulation issued pursuant to the rule-making power of the DOF and the BIR.

In a Resolution dated March 27, 2019, the Supreme Court ordered Respondents to file their Comment on the Petition. On August 5, 2019, the Consortium of Banks filed their Comment on/Opposition to the Petition.

All other Respondents have filed their respective Comments and/or Oppositions to the Petition.

In a Decision dated December 1, 2021, the Supreme Court denied the Petition and declared that RR 4-2011 issued by the Secretary of the Department of Finance is void for having been issued ultra vires. The decision became final and executory on June 7, 2022, and was recorded in the Book of Entries of Judgement.

34.1.2 First e-Bank

In 2002, First e-Bank ("FeB") experienced liquidity problems prompting PDIC to invite several banks to propose a solution for FeB's bailout. PDIC entered into contract with BDO Unibank where in consideration of the assumption by BDO Unibank of FeB's liabilities in the maximum amount of P10,000, PDIC will provide BDO Unibank P10,000 of Financial Assistance and PDIC will receive FeB's assets to recover said financial assistance.

About P5,000 of the financial assistance was released to BDO Unibank and the remaining P5,000 was deposited in escrow with BDO - TIG in accordance with the escrow agreement dated October 23, 2002 entered into by BDO Unibank, PDIC, and BDO - TIG.

In August 2016, PDIC authorized the release of a total amount of P4,650 from escrow inclusive of proportional interest. However, as of August 26, 2016, the amount of P1,224 remains in escrow, which includes: (i) P602, which covers assets BDO Unibank still considers capable of delivery worth P214 and the remaining assets PDIC classified as undeliverable; and (ii) all interest earnings thereon. Unable to agree on the release of the remaining amount in escrow, on September 20, 2016, the PDIC filed a Complaint for Specific Performance and Damages against BDO Unibank, which case was raffled to RTC Makati City Branch 60.

On October 14, 2016, BDO Unibank filed its Answer to the Complaint affirming that it has assumed P10,000 in liabilities of FeB and is thus entitled to release of the remaining escrow of P1,224.

In a judgement dated May 31, 2018, RTC Makati dismissed the complaint, granted BDO Unibank's counterclaim and ordered BDO - TIG to immediately release the remaining escrow amount, plus interests, to BDO Unibank. PDIC filed Motion for Reconsideration but the same was denied by RTC Makati. PDIC filed Notice of Appeal. In the Decision dated June 15, 2020, the Court of Appeals (CA) dismissed PDIC's appeal. PDIC filed Motion for Reconsideration but the same was denied by the CA in a Resolution dated January 25, 2021. PDIC filed Petition for Review with the Supreme Court.

On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. As of December 30, 2021, the difference between the amount received and the balance of the amount in escrow amounts to P572. This is presented as part of Others under Other Liabilities account and is not yet recognized as income due to the pending resolution of the Petition for Review filed by PDIC (see Note 21).

The case is still pending before the Supreme Court as of December 31, 2022.

34.1.3 Others

BDO Unibank Group is also a defendant in various cases pending in courts for alleged claims against BDO Unibank Group, the outcomes of which are not fully determinable at present. As of December 31, 2022, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of BDO Unibank Group and will be recognized if and when a final resolution by the courts is made on each claim.

34.2 Lease Commitments – as Lessor

The following are the significant lease commitments involving the BDO Unibank Group:

34.2.1 Finance Leases

BDO Unibank Group, as a lessor, enters into finance leases covering various equipment and vehicles with lease term ranging from one to more than four years. The BDO Unibank Group is subject to risk incidental to the operation of its leased properties, which include, among others, changes in market rental rates, inability to renew leases upon lease expiration, and inability to collect rent from lessees due to bankruptcy or insolvency of lessees. Majority of the BDO Unibank Group's revenue from rental properties are derived from various equipment and vehicles. If the expected growth, particularly from the lessees, does not meet management's expectations, the BDO Unibank Group may not be able to lease their properties in a timely manner or collect rent at profitable rates.

To manage its risks over these finance leases, the BDO Unibank Group retains its legal title over the underlying assets and uses these as securities over the finance lease receivables. Moreover, it requires lessees to pay security deposits, which are presented as Lease Deposits under Other Liabilities in the BDO Unibank Group's statements of financial position (see Note 21).

Future minimum lease payments receivable (MLPR) under these finance leases together with the present value of net minimum lease payments receivable (NMLPR) follow:

	2022		2021	
	Future MLPR	**PV of NMLPR**	Future MLPR	PV of NMLPR
Within one year	**P 1,301**	**P 1,297**	P 770	P 767
After one year but not more than two years	**1,148**	**1,091**	725	705
After two years but not more than three years	**694**	**603**	616	506
After three years but not more than five years	**612**	**329**	224	129
More than five years	**-**	**-**	3	2
Total MLPR	**3,755**	**3,320**	2,338	2,109
Unearned lease income	**(435)**	**-**	(229)	-
Present value of MLPR	**P 3,320**	**P 3,320**	P 2,109	P 2,109

The net investment relating to these finance leases, presented as Others under Loans and Other Receivables in the BDO Unibank Group's statements of financial position for the years ended December 31, 2022 and 2021, amounted to P3,320 and P2,109, respectively, for the BDO Unibank Group and nil in both years for the Parent Bank (see Note 11). The change in the carrying amount of the net investment in finance leases during the year pertains to new lease arrangements entered, amortization of interest income and paydowns.

Interest income recognized on the net investment in finance leases, presented under Others as part of Interest Income in the BDO Unibank Group's statements of income for the years ended December 31, 2022, 2021 and 2020, amounted to P185, P94 and P622, respectively, for the BDO Unibank Group and nil for the Parent Bank (see Note 23).

34.2.2 Operating Leases

The BDO Unibank Group and the Parent Bank entered into various operating leases covering land, offices and equipment with lease terms ranging from less than 1 year to 15 years. Operating lease income, presented under Rental account as part of Other Operating Income and Expenses in the BDO Unibank Group's statements of income for the years ended December 31, 2022, 2021 and 2020, amounted to P1,301, P1,269 and P1,430, respectively, for the BDO Unibank Group and P492, P482 and P514, respectively, for the Parent Bank (see Note 25).

Future minimum rental receivables as of December 31, 2022 under operating leases follow:

	BDO Unibank Group	Parent Bank
Within one year	P 1,171	P 443
More than one year to two years	859	320
More than two years to three years	445	170
More than three years to four years	198	70
More than four years to five years	84	14
More than five years	7	1
	P 2,764	P 1,018

35. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below and in the succeeding pages are the supplementary information required by the BSP under Section 174 (Appendix 55) of the BSP Manual of Regulations for Banks (MORB) to be disclosed as part of the notes to financial statements based on BSP Circular No. 1074, *Amendments to Regulations on Financial Audit of Banks.*

(a) Selected Financial Performance Indicators

The following are some indicators of the of BDO Unibank Group and Parent Bank's financial performance.

	2022	2021	2020
BDO Unibank Group			
Return on common equity*: Net profit / Average common equity	**13.0%**	10.5%	7.6%
Return on average equity*: Net profit / Average total capital accounts	**12.9%**	10.4%	7.5%
Return on average resources*: Net profit / Average total resources	**1.5%**	1.2%	0.9%
Net interest margin*: Net interest income / Average interest earning resources	**4.1%**	4.0%	4.4%
Parent Bank			
Return on common equity*: Net profit / Average total common equity	**13.0%**	10.5%	7.6%
Return on average equity*: Net profit / Average total capital accounts	**12.9%**	10.4%	7.6%
Return on average resources*: Net profit / Average total resources	**1.5%**	1.3%	0.9%
Net interest margin*: Net interest income / Average interest earning resources	**4.1%**	4.0%	4.4%

** In 2022, average asset, capital, and interest-earning assets are computed as the simple average of outstanding balance of assets, capital, and interest-earning assets at average of December 2021 and December 2022. (2 data points)*

** In 2021 and 2020, averages are computed as the simple average of outstanding balance at average of December 2020, March 2021, June 2021, September 2021 and December 2021. (5 data points)*

(b) Capital Instruments Issued

As of December 31, 2022 and 2021, the BDO Unibank Group has only two classes of capital stock, which are common and preferred shares.

(c) Significant Credit Exposures for Loans

The BDO Unibank Group and Parent Bank's concentration of credit as to industry for its receivables from customer's gross of allowance for ECL below (amounts in millions) are disclosed in Note 4.3.3.

BDO Unibank Group

	2022		2021	
	Amount	Percentage	Amount	Percentage
Financial and insurance activities	P 402,156	15.4%	P 397,823	16.6%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	399,101	15.3%	356,129	14.8%
Real estate activities	324,074	12.4%	307,048	12.8%
Wholesale and retail trade	299,896	11.5%	282,446	11.8%
Electricity, gas, steam and air-conditioning supply	281,036	10.7%	282,036	11.8%
Manufacturing	232,488	8.9%	206,445	8.6%
Construction	90,712	3.5%	68,951	2.9%
Information and communication	90,342	3.5%	42,845	1.8%
Transportation and storage	87,256	3.3%	88,043	3.7%
Arts, entertainment and recreation	83,076	3.2%	77,010	3.2%
Education	71,731	2.7%	37,199	1.5%
Water supply, sewerage, waste management and remediation activities	38,760	1.5%	26,912	1.1%
Accommodation and food service activities	36,529	1.4%	39,937	1.7%
Human health and social service activities	31,875	1.2%	30,653	1.3%
Agriculture, forestry and fishing	15,642	0.6%	15,266	0.6%
Mining and quarrying	10,578	0.4%	10,175	0.4%
Professional, scientific, and technical activities	9,912	0.4%	9,642	0.4%
Administrative and support services	9,581	0.4%	7,592	0.3%
Public administrative and defense; compulsory social security	1,030	0.0%	693	0.0%
Other service activities	98,036	3.7%	113,348	4.7%
	P 2,613,811	100%	P 2,400,193	100%

	2022		2021	
	Amount	Percentage	Amount	Percentage
Parent Bank				
Financial and insurance activities	P 401,394	15.8%	P 397,733	16.9%
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	391,623	15.4%	347,713	14.8%
Real estate activities	325,088	12.8%	308,053	13.1%
Wholesale and retail trade	294,838	11.6%	278,173	11.8%
Electricity, gas, steam and air-conditioning supply	280,969	11.1%	281,990	12.0%
Manufacturing	231,327	9.1%	205,679	8.7%
Information and communication	90,123	3.6%	42,634	1.8%
Construction	89,326	3.5%	68,108	2.9%
Transportation and storage	87,613	3.5%	88,607	3.8%
Arts, entertainment and recreation	82,107	3.3%	76,004	3.3%
Water supply, sewerage, waste management and remediation activities	38,714	1.5%	26,870	1.2%
Accommodation and food service activities	36,329	1.4%	39,688	1.7%
Human health and social service activities	31,616	1.2%	30,392	1.3%
Agriculture, forestry and fishing	14,876	0.6%	14,600	0.6%
Mining and quarrying	10,483	0.4%	10,122	0.4%
Education	10,151	0.4%	4,373	0.2%
Professional, scientific, and technical activities	9,861	0.4%	9,601	0.4%
Administrative and support services	9,375	0.4%	7,430	0.3%
Public administrative and defense; compulsory social security	1,030	0.0%	693	0.0%
Other service activities	100,801	4.0%	113,088	4.8%
	P 2,537,644	100%	P 2,351,551	100%

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio plus the outstanding interbank loans receivable or 10% of Tier 1 capital.

As of December 31, 2022, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P40,110 million and P37,083 million, respectively. As of December 31, 2021, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P37,229 million and P34,744 million, respectively. The table below and in the succeeding pages show the industry groups exceeding this level (amounts in millions).

	BDO Unibank Group	Parent Bank
December 31, 2022		
Financial and insurance activities	P 402,156	P 401,394
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	399,101	391,623
Real estate activities	324,074	325,088
Wholesale and retail trade	299,896	294,838
Electricity, gas, steam and air-conditioning supply	281,036	280,969
Manufacturing	232,488	231,327
Construction	90,712	89,326
Information and communication	90,342	90,123

	BDO Unibank Group	Parent Bank
December 31, 2022		
Transportation and storage	P 87,256	P 87,613
Arts, entertainment and recreation	83,076	82,107
Education	71,731	10,151
Water supply, sewerage, waste management and remediation activities	38,760	38,714
Other service activities	98,036	100,801
December 31, 2021		
Financial and insurance activities	P 397,823	P 397,733
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	356,129	347,713
Real estate activities	307,048	308,053
Wholesale and retail trade	282,446	278,173
Electricity, gas, steam and air-conditioning supply	282,036	281,990
Manufacturing	206,445	205,679
Transportation and storage	88,043	88,607
Arts, entertainment and recreation	77,010	76,004
Construction	68,951	68,108
Information and communication	42,845	42,634
Accommodation and food service activities	39,937	39,688
Other service activities	113,348	113,088

(d) Credit Status of Loans

The breakdown of receivable from customers as to status is shown below and in the succeeding page:

	2022		
	Performing	Non-Performing	Total Loan Portfolio
BDO Unibank Group			
Gross carrying amount:			
Corporate	P 2,005,115	P 19,823	P 2,024,938
Consumer	554,461	34,412	588,873
Allowance for ECL	(41,372)	(32,404)	(73,776)
Net carrying amount	P 2,518,204	P 21,831	P 2,540,035

	2022		
	Performing	Non-Performing	Total Loan Portfolio
Parent Bank			
Gross carrying amount:			
Corporate	**P 1,998,357**	**P 19,821**	**P 2,018,178**
Consumer	**487,990**	**31,476**	**519,466**
Allowance for ECL	**(40,689)**	**(30,887)**	**(71,576)**
Net carrying amount	**P 2,445,658**	**P 20,410**	**P 2,466,068**

	2021		
	Performing	Non-Performing	Total Loan Portfolio
BDO Unibank Group			
Gross carrying amount:			
Corporate	P 1,860,981	P 21,443	P 1,882,424
Consumer	468,097	49,672	517,769
Allowance for ECL	(31,001)	(34,258)	(65,259)
Net carrying amount	P 2,298,077	P 36,857	P 2,334,934
Parent Bank			
Gross carrying amount:			
Corporate	P 1,855,300	P 21,443	P 1,876,743
Consumer	428,553	46,255	474,808
Allowance for ECL	(30,535)	(32,739)	(63,274)
Net carrying amount	P 2,253,318	P 34,959	P 2,288,277

Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2022 and 2021 are presented below as net of specific allowance for impairment in compliance with BSP Circular No. 941, *Amendments to Regulations on Past Due and Non-Performing Loans.*

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
NPL	**P 53,314**	P 69,821	**P 50,543**	P 66,601
Allowance for impairment	**(31,766)**	(33,498)	**(30,395)**	(32,149)
	P 21,548	P 36,323	**P 20,148**	P 34,452

Per MORB, loans shall be considered non-performing, even without any missed contractual payments, when it is considered impaired under existing accounting standards, classified as doubtful or loss, in litigation, and/or there is evidence that full repayment of principal and interest is unlikely without foreclosure of collateral, if any. All other loans, even if not considered impaired, shall be considered non-performing if any principal and/or interest are unpaid for more than 90 days from contractual due date, or accrued interests for more than 90 days have been capitalized, refinanced, or delayed by agreement. Microfinance and other small loans with similar credit characteristics shall be considered non-performing after contractual due date or after it has become past due. Restructured loans shall be considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained.

As at December 31, 2022 and 2021, the non-performing loans (NPLs) not fully covered by allowance for credit losses follow:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Gross NPLs	**P 53,314**	P 69,821	**P 50,543**	P 66,601
NPLs fully covered by allowance for impairment	**(17,217)**	(9,689)	**(17,130)**	(9,359)
	P 36,097	P 60,132	**P 33,413**	P 57,242

Restructured loans are generally considered non-performing. However, if prior to restructuring, the loans were categorized as performing, such classification shall be retained. Moreover, NPLs shall remain classified as such until (a) there is sufficient evidence to support that full collection of principal and interests is probable and payments of interest and/or principal are received for at least six months; or (b) written off.

Restructured loans amount to P102,416 and P143,337 for BDO Unibank Group and P101,110 and P142,062 for Parent Bank as of December 31, 2022 and 2021, respectively. The related allowance for credit loss of such loans amounted to P22,918 and P21,137 for BDO Unibank Group and P22,228 and P20,578 for Parent Bank as of December 31, 2022 and 2021, respectively.

As of December 31, 2022, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank as reported to BSP were 1.95% and 0.79%, and 1.89% and 0.76%, respectively. As of December 31, 2021, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank were 2.80% and 1.46%, and 2.72% and 1.41%, respectively. Most of the NPLs are secured by real estate or chattel mortgages.

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

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to secured and unsecured follows:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Secured:				
Real estate mortgage	**P 342,468**	P 327,719	**P 335,612**	P 320,993
Chattel mortgage	**90,508**	94,875	**87,153**	92,748
Other securities	**86,575**	83,797	**84,574**	81,998
	519,551	506,391	**507,339**	495,739
Unsecured	**2,094,260**	1,893,802	**2,030,305**	1,855,812
	P 2,613,811	P 2,400,193	**P 2,537,644**	P 2,351,551

(f) Information on Related Party Loans

In the ordinary course of business, the Parent Bank has loan transactions with subsidiaries, affiliates, and certain DOSRI. Under existing policies of the Parent Bank, these loans are made substantially on the same terms as loans to other individuals and businesses of comparable risks.

Under the current BSP regulations, the amount of individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of the encumbered deposit and book value of the investment in the Parent Bank and/or any of its lending and nonbank financial subsidiaries. In aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of the BDO Unibank Group and the Parent Bank, whichever is lower. However, non-risk loans are excluded in both individual and aggregate ceiling computation.

The following table shows the information relating to the loans, other credit accommodations and guarantees granted to DOSRI as of December 31 in accordance with BSP reporting guidelines:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Total DOSRI loans	**P 23,376**	P 36,334	**P 23,372**	P 36,331
Unsecured DOSRI loans	**2,123**	1,919	**2,123**	1,919
Past due DOSRI loans	**11**	3	**11**	3
Non-performing DOSRI loans	**16**	12	**16**	12
% of DOSRI loans to total loan portfolio	**0.89%**	1.51%	**0.92%**	1.54%
% of unsecured DOSRI loans to total DOSRI loans	**9.08%**	5.28%	**9.08%**	5.28%
% of past due DOSRI loans to total DOSRI loans	**0.05%**	0.01%	**0.05%**	0.01%
% of non-performing DOSRI loans to total DOSRI loans	**0.07%**	0.03%	**0.07%**	0.03%

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 0.00% to 9.00% in 2022, 2021 and 2020 (except for credit card receivables which bear a monthly interest rate of 0.00% to 2.00% in 2022 and 0.00% to 3.64% for both in 2021 and 2020).

The following table shows the other information relating to the loans, other credit accommodations and guarantees granted to related parties (inclusive of DOSRI) as of December 31 as reported to the BSP:

	BDO Unibank Group		Parent Bank	
	2022	2021	2022	2021
Total Related Party loans	**P 119,439**	P 111,024	**P 119,388**	P 110,966
Unsecured Related Party	**80,819**	66,036	**80,819**	66,036
Past due Related Party	**11**	3	**11**	3
Non-performing Related Party	**16**	12	**16**	12
% of Related Party loans to total loan portfolio	**4.57%**	4.63%	**4.70%**	4.72%
% of unsecured Related Party loans to total Related Party loans	**67.67%**	59.48%	**67.69%**	59.51%
% of past due Related Party loans to total Related Party loans	**0.01%**	0.00%	**0.01%**	0.00%
% of non-performing Related Party loans to total Related Party loans	**0.01%**	0.01%	**0.01%**	0.01%

In accordance with existing BSP regulations, the reported DOSRI performing loans exclude loans extended to certain borrowers before these borrowers became DOSRI.

Under BSP regulations, total outstanding exposures to each of the Parent Bank's subsidiaries and affiliates shall not exceed 10.0% of the BDO Unibank Group's net worth, the unsecured portion of which shall not exceed 5.0% of such net worth. Further, the total outstanding exposures to subsidiaries and affiliates shall not exceed 20.0% of the net worth of the Parent Bank.

As of December 31, 2022 and 2021, the BDO Unibank Group and Parent Bank is in compliance with these regulatory requirements.

(g) *Secured Liabilities and Assets Pledged as Security*

The aggregate amount of resources pledged as security and secured liabilities in 2022 totaled to P22,573 and P15,179 for the BDO Unibank Group and P16,191 and P12,679 for the Parent Bank, respectively. In 2021, the aggregate amount of resources pledged as security and secured liabilities totaled to P1,320 and P1,088 for the BDO Unibank Group and nil for the Parent Bank, respectively.

(b) Contingencies and Commitments arising from Off-Balance Sheet Items

In the normal course of BDO Unibank Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in BDO Unibank Group's financial statements. BDO Unibank Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2022 and 2021, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group as a result of the above commitments and contingencies.

The summary of BDO Unibank Group's commitments and contingent accounts is shown below.

	Notes	BDO Unibank Group		Parent Bank	
		2022	2021	**2022**	2021
Trust department accounts	28	**P 1,825,019**	P 1,778,718	**P 1,255,751**	P. 1,230,870
Committed credit lines	4.3.2	**445,683**	433,247	**445,683**	433,247
Forward exchange sold		**194,235**	190,055	**161,324**	164,674
Forward exchange bought		**164,713**	177,434	**133,773**	153,492
Unused commercial letters of credit	4.3.2	**94,851**	75,758	**94,851**	75,758
Bills for collection		**14,889**	8,673	**14,889**	8,673
Export letters of credit confirmed		**14,757**	4,644	**14,757**	4,644
Spot exchange sold		**12,945**	15,646	**12,290**	15,618
ROP warrants		**8,475**	8,475	**8,475**	8,475
Spot exchange bought		**5,038**	9,233	**4,383**	9,205
Interest rate swap receivable		**4,660**	6,993	**4,110**	4,493
Interest rate swap payable		**4,660**	6,993	**4,110**	4,493
Other contingent accounts		**2,889**	1,710	**5,472**	3,049
Outstanding guarantees issued		**2,270**	4,202	**2,270**	4,202
Late deposits/payments received		**1,417**	461	**1,399**	450

Supplementary Management Discussion

The capital-to-risk assets ratio of BDO Unibank Group as presented in the Capital Adequacy Ratio (Basel III) reports as of December 31, 2022 and 2021 are shown in the table below.

	BDO Unibank Group	Parent Bank	BDO Unibank Group	Parent Bank
	December 31, 2022		December 31, 2021	
	(in Millions)		(in Millions)	
Common Equity Tier 1 (CET1) Capital	437,138	437,314	403,388	404,134
Additional Tier 1 (AT1) Capital	6,180	6,180	5,150	5,150
Tier 1 Capital	443,318	443,494	408,538	409,284
Tier 2 Capital	27,501	26,540	25,209	24,265
Gross Qualifying Capital	470,819	470,034	433,747	433,549
Less: Regulatory adjustments/deductions	42,219	72,666	35,097	61,769
Total Qualifying Capital	428,600	397,368	398,650	371,780
Credit risk-weighted assets	2,663,057	2,566,617	2,417,899	2,338,937
Market risk-weighted assets	12,845	11,811	10,801	8,441
Operational risk-weighted assets	279,033	267,602	286,120	270,369
Risk Weighted Assets (RWA)	2,954,935	2,846,030	2,714,820	2,617,747
Total Capital Ratio	14.5%	14.0%	14.7%	14.2%
Tier 1 Capital Ratio	13.6%	13.0%	13.8%	13.3%
CET1 Capital Ratio	13.4%	12.8%	13.6%	13.1%
Capital conservation buffer	7.4%	6.8%	7.6%	7.1%

Capital ratios involving components of regulatory capital are calculated as follows:

Total Capital Ratio	:	Total Qualifying Capital / Risk-Weighted Assets	428,600 / 2,954,935	397,368 / 2,846,030	398,650 / 2,714,820	371,780 / 2,617,747
Tier 1 Capital Ratio	:	Tier 1 Capital (net of Regulatory Deductions) / Risk-Weighted Assets	401,099 / 2,954,935	370,828 / 2,846,030	373,441 / 2,714,820	347,515 / 2,617,747
CET1 Capital Ratio	:	CET1 Capital (net of Regulatory Deductions) / Risk-Weighted Assets	394,919 / 2,954,935	364,648 / 2,846,030	368,291 / 2,714,820	342,365 / 2,617,747

The regulatory qualifying capital is composed of Tier 1 and Tier 2 capital. Tier 1 capital is comprised of paid-up common and preferred stock, surplus including current year profit, surplus reserves (excluding appropriated surplus free for deficiency in BSP-required 1% general provision), other comprehensive income (net unrealized gains or losses on AFS securities; cumulative foreign currency translation and actuarial gain/(loss)), and minority interest (for consolidated basis only) less regulatory deductions such as unsecured credit accommodations to directors, officers, stockholders and their related interests (DOSRI), unsecured loans, other credit accommodations and guarantees granted to subsidiaries, deferred tax assets, goodwill, other intangible assets, and defined benefit pension fund assets. The other component of regulatory capital is Tier 2 capital, which includes appraisal increment reserve and general loan loss provision (including appropriated surplus free for deficiency in BSP-required 1% general provision).

The components of Tier 1 capital and deductions follow:

	BDO Unibank Group	Parent Bank	BDO Unibank Group	Parent Bank
	December 31, 2022 (in Millions)		December 31, 2021 (in Millions)	
Common Equity Tier 1 (CET1) Capital				
Paid-up common stock	52,641	52,641	43,855	43,855
Additional paid-in capital	231,690	231,690	124,447	124,428
Retained earnings	125,372	125,594	211,851	212,518
Undivided profits	56,900	56,972	42,728	42,681
Net unrealized gains or losses on AFS securities	(17,966)	(17,965)	(79)	195
Cumulative foreign currency translation	38	34	44	50
Remeasurements of Net Defined Benefit Liability/(Asset)	(17,588)	(17,588)	(16,628)	(17,167)
Others	5,936	5,936	(2,909)	(2,426)
Minority interest in subsidiary banks which are less than wholly-owned	115	-	79	-
Sub-total	437,138	437,314	403,388	404,134
Less: Regulatory adjustments/deductions				
Common stock treasury shares	1	1	-	-
Total outstanding unsecured credit accommodations, both direct and indirect, to directors, officers, stockholders and their related interests (DOSRI)	2,119	2,119	1,916	1,916
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	2	2,577	48	2,848
Deferred tax assets	5,360	5,080	6,715	6,262
Goodwill	3,011	-	3,021	-
Other intangible assets	7,039	6,782	7,178	7,057
Defined benefit pension fund assets (liabilities)	131	-	-	-
Investments in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after deducting related goodwill, if any (for solo basis only and as applicable)	-	32,472	-	27,534
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies after deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	18,590	18,132	11,022	10,955
Other equity investments in non-financial allied undertakings and non-allied undertakings	5,966	5,503	5,197	5,197
Sub-total	42,219	72,666	35,097	61,769
Total Common Equity Tier 1 Capital	394,919	364,648	368,291	342,365
Additional Tier 1 Capital				
Perpetual preferred shares	6,180	6,180	5,150	5,150
Additional paid-in capital	-	-	-	-
	6,180	6,180	5,150	5,150
Total Tier 1 Capital	401,099	370,828	373,441	347,515

The components of Tier 2 capital follow:

	BDO Unibank Group	Parent Bank	BDO Unibank Group	Parent Bank
	December 31, 2022 (in Millions)		December 31, 2021 (in Millions)	
Tier 2 Capital				
Instruments issued by the bank that are eligible as Tier 2 capital	-	-	-	-
Appraisal increment reserve-bank premises, as authorized by the Monetary Board	846	846	1,009	851
General loan loss provision, limited to a maximum of 1% of credit risk-weighted assets (CRWA), and any amount in excess thereof shall be deducted from the credit risk-weighted assets in computing the denominator of the risk-based capital ratio	26,655	25,694	24,200	23,414
	27,501	26,540	25,209	24,265

Below is the full reconciliation of all regulatory capital elements back to the balance sheet in the audited financial statements for 2022 AND 2021:

Qualifying Capital	December 31, 2022					
	BDO Unibank Group			Parent Bank		
	Regulatory Capital	Adjustments	Per AFS	Regulatory Capital	Adjustments*	Per AFS
	(in Millions)			(in Millions)		
A.1 Common Equity Tier 1 (CET1) Capital	**437,138**	**(400)**	**436,738**	**437,314**	**(79)**	**437,235**
Paid-up common stock	52,641	-	52,641	52,641	-	52,641
Additional paid-in capital	231,690	(1,743)	229,947	231,690	(1,763)	229,927
Retained earnings	125,372	2,721	128,093	125,594	1,234	126,828
Undivided profits	56,900	154	57,054	56,972	21	56,993
Other comprehensive income	(29,580)	(1,532)	(31,112)	(29,583)	429	(29,154)
Net unrealized gains or losses on AFS securities	(17,966)	(1,984)	(19,950)	(17,965)	5,738	(12,227)
Cumulative foreign currency translation	38	-	38	34	(58)	(24)
Remeasurements of Net Defined Benefit Liability/(Asset)	(17,588)	22	(17,566)	(17,588)	686	(16,902)
Others	5,936	430	6,366	5,936	(5,937)	(1)
Minority interest in subsidiary banks which are less than wholly-owned	115	-	115	-	-	-
A.2 Regulatory adjustments to CET1 capital	**(42,219)**	**18,944**	**(23,275)**	**(72,666)**	**44**	**(72,622)**
Common stock treasury shares	(1)	-	(1)	(1)	-	(1)
Total outstanding unsecured credit accommodations both direct and indirect, to DOSRI	(2,119)	-	(2,119)	(2,119)	-	(2,119)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	(2)	-	(2)	(2,577)	-	(2,577)
Deferred tax assets	(5,360)	5	(5,355)	(5,080)	52	(5,028)
Goodwill	(3,011)	(10)	(3,021)	-	-	-
Other intangible assets	(7,039)	(22)	(7,061)	(6,782)	-	(6,782)
Defined benefit pension fund assets (liabilities)	(131)	(84)	(215)	-	-	-
Investment in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after related goodwill, if any (for solo basis only and as applicable)	-	-	-	(32,472)	-	(32,472)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	(18,590)	18,590	-	(18,132)	(8)	(18,140)
Other equity investments in non-financial allied undertakings and non-allied undertakings	(5,966)	465	(5,501)	(5,503)	-	(5,503)
Total Common Equity Tier 1 Capital	**394,919**	**18,544**	**413,463**	**364,648**	**(35)**	**364,613**
Additional tier 1 capital	6,180	-	6,180	6,180	-	6,180
TOTAL TIER 1 CAPITAL	**401,099**	**18,544**	**419,643**	**370,828**	**(35)**	**370,793**
Tier 2 Capital	**27,501**	**1,097**	**28,598**	**26,540**	**244**	**26,784**
Instruments issued by the bank that are eligible as Tier 2 capital	-	-	-	-	-	-
Deposit for subscription of Tier 2 capital	-	-	-	-	-	-
Appraisal increment reserve-bank premises, as authorized by the MB	846	164	1,010	846	160	1,006
General loan loss provision, limited to a maximum of 1% of CRWA, and any amount in excess thereof deducted from the CRWA in computing the denominator of the risk-based capital ratio	26,655	933	27,588	25,694	84	25,778
TOTAL QUALIFYING CAPITAL	**428,600**	**19,641**	**448,241**	**397,368**	**209**	**397,577**

*Per summary of adjustments as of December 31, 2022 as submitted to the Bangko Sentral ng Pilipinas

Qualifying Capital	December 31, 2021					
	BDO Unibank Group			Parent Bank		
	Regulatory Capital	Adjustments	Per AFS	Regulatory Capital	Adjustments*	Per AFS
	(in Millions)			(in Millions)		
A.1 Common Equity Tier 1 (CET1) Capital	**402,954**	**434**	**403,388**	**404,220**	**(86)**	**404,134**
Paid-up common stock	43,855	-	43,855	43,855	-	43,855
Additional paid-in capital	126,757	(2,310)	124,447	126,757	(2,329)	124,428
Retained earnings	209,647	2,204	211,851	210,721	1,797	212,518
Undivided profits	42,659	69	42,728	42,572	109	42,681
Other comprehensive income	(20,043)	471	(19,572)	(19,685)	337	(19,348)
Net unrealized gains or losses on AFS securities	(173)	94	(79)	157	38	195
Cumulative foreign currency translation	44	-	44	42	8	50
Remeasurements of Net Defined Benefit Liability/(Asset)	(16,391)	(237)	(16,628)	(16,361)	(806)	(17,167)
Others	(3,523)	614	(2,909)	(3,523)	1,097	(2,426)
Minority interest in subsidiary banks which are less than wholly-owned	79	-	79	-	-	-
A.2 Regulatory adjustments to CET1 capital	**(35,817)**	**720**	**(35,097)**	**(61,926)**	**157**	**(61,769)**
Common stock treasury shares	-	-	-	-	-	-
Total outstanding unsecured credit accommodations both direct and indirect, to DOSRI	(1,916)	-	(1,916)	(1,916)	-	(1,916)
Total outstanding unsecured loans, other credit accommodations and guarantees granted to subsidiaries	(48)	-	(48)	(2,848)	-	(2,848)
Deferred tax assets	(6,761)	46	(6,715)	(6,323)	61	(6,262)
Goodwill	(3,021)	-	(3,021)	-	-	-
Other intangible assets	(7,178)	-	(7,178)	(7,057)	-	(7,057)
Defined benefit pension fund assets (liabilities)	-	-	-	-	-	-
Investment in equity of unconsolidated subsidiary banks and quasi-banks, and other financial allied undertakings (excluding subsidiary securities dealers/brokers and insurance companies), after related goodwill, if any (for solo basis only and as applicable)	-	-	-	(27,540)	6	(27,534)
Investments in equity of unconsolidated subsidiary securities dealers/brokers and insurance companies deducting related goodwill, if any (for both solo and consolidated bases and as applicable)	(11,283)	261	(11,022)	(11,045)	90	(10,955)
Other equity investments in non-financial allied undertakings and non-allied undertakings	(5,610)	413	(5,197)	(5,197)	-	(5,197)
Total Common Equity Tier 1 Capital	**367,137**	**1,154**	**368,291**	**342,294**	**71**	**342,365**
Additional tier 1 capital	5,150	-	5,150	5,150	-	5,150
TOTAL TIER 1 CAPITAL	**372,287**	**1,154**	**373,441**	**347,444**	**71**	**347,515**
Tier 2 Capital	**25,059**	**150**	**25,209**	**24,285**	**(20)**	**24,265**
Instruments issued by the bank that are eligible as Tier 2 capital	-	-	-	-	-	-
Deposit for subscription of Tier 2 capital	-	-	-	-	-	-
Appraisal increment reserve-bank premises, as authorized by the MB	857	152	1,009	857	(6)	851
General loan loss provision, limited to a maximum of 1% of CRWA, and any amount in excess thereof deducted from the CRWA in computing the denominator of the risk-based capital ratio	24,202	(2)	24,200	23,428	(14)	23,414
TOTAL QUALIFYING CAPITAL	**397,346**	**1,304**	**398,650**	**371,729**	**51**	**371,780**

*Per summary of adjustments as of December 31, 2021 as submitted to the Bangko Sentral ng Pilipinas

Comparative risk-weighted assets by type of exposure as of December 31, 2022 and 2021 consist of the following:

	Credit Risk *		Market Risk **		Operational Risk ****	
			December 31, 2022			
	Group	Parent	Group	Parent	Group	Parent
			(in Millions)			
On-Balance Sheet	2,610,419	2,518,561				
Off-Balance Sheet	45,418	45,418				
Counterparty (Banking/Trading Book)	9,677	5,414				
Credit-Linked Notes in the Banking Book	-	-				
Securitization Exposures	-	-				
Deductions ***	(2,457)	(2,776)				
Interest Rate Exposures			5,286	3,169		
Equity Exposures			1	-		
Foreign Exchange Exposures			7,555	8,642		
Options			-	-		
New Standardized Approach (NSA)					279,033	267,602
Total	2,663,057	2,566,617	12,845	11,811	279,033	267,602
Capital Requirements	266,306	256,662	1,285	1,181	27,903	26,760

* Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard and Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, LGUs, Government Corporations, and Corporates.

** Excludes interest rate risks in the banking book (IRRBB). For IRRBB, please refer to 2022 NFS Section 4.2.2. As a matter of policy, frequency of measurement for IRRBB is monthly.

***General loan loss provision (in excess of the amount permitted to be included in Tier 2).

****The Monetary Board (MB), in its Resolution No. 941 dated 29 June 2022, approved the request of BDO Unibank, Inc. (BDO), for full implementation of the new SA for operational risk capital measurement under Basel III, for prudential reporting purposes effective 30 June 2022.

On-Balance Sheet Assets

			BDO Unibank Group						
			Risk Weights						
Type of Exposures	Principal Amount (in millions)	Exposures After CRM (in millions)	0%	20%	50%	75%	100%	150%	Total
Cash on Hand	93,497	93,497	93,497	-	-	-	-	-	93,497
Checks and Other Cash Items	12	12	-	12	-	-	-	-	12
Due from Bangko Sentral ng Pilipinas	385,779	385,779	385,779	-	-	-	-	-	385,779
Due from Other Banks	58,668	58,668	-	7,991	50,554	-	123	-	58,668
Financial Assets Designated at Fair Value through Profit or Loss	1,263	1,263	-	-	258	-	1,005	-	1,263
Available for Sale Securities	119,042	119,042	42,801	1,783	37,595	-	36,810	53	119,042
Held-to-Maturity (HTM) Securities	509,438	498,638	312,182	6,452	119,083	-	60,895	26	498,638
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-
Loans and Receivables	2,671,462	2,575,697	-	251,908	173,884	-	2,133,363	16,542	2,575,697
Loans and Receivables Arising from Repurchase Agreements	26,305	26,305	26,305	-	-	-	-	-	26,305
Sales Contract Receivable	1,295	1,295	-	-	-	-	926	369	1,295
Real and Other Properties Acquired	14,714	14,714	-	-	-	-	-	14,714	14,714
Other Assets	82,389	82,389	-	-	-	-	82,389	-	82,389
Total Exposures	3,963,864	3,857,299	860,564	268,146	381,374	-	2,315,511	31,704	3,857,299
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM			-	53,629	190,687	-	2,315,511	47,556	2,607,383
Total Risk-weighted On-Balance Sheet Assets Covered by CRM			-	7	-	-	3,029	-	3,036
Total Risk-weighted On-Balance Sheet Assets			-	53,636	190,687	-	2,318,540	47,556	2,610,419

Off-Balance Sheet Assets

		Risk Weights						
Type of Exposures	Credit Equivalent (in millions)	0%	20%	50%	75%	100%	150%	Total
Direct credit substitutes	37	-	-	-	-	37	-	37
Transaction-related contingencies	32,891	-	293	-	-	31,424	-	31,717
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	13,664	-	-	-	-	13,664	-	13,664
	46,592	-	293	-	-	45,125	-	45,418

On-Balance Sheet Assets

Type of Exposures	Principal Amount (in millions)	Exposures After CRM (in millions)	Parent Bank — Risk Weights						
			0%	20%	50%	75%	100%	150%	Total
Cash on Hand	91,226	91,226	91,226	-	-	-	-	-	91,226
Checks and Other Cash Items	12	12	-	12	-	-	-	-	12
Due from Bangko Sentral ng Pilipinas	382,210	382,210	382,210	-	-	-	-	-	382,210
Due from Other Banks	51,055	51,055	-	1,214	49,660	-	181	-	51,055
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-
Available for Sale Securities	109,625	109,625	36,253	1,684	36,162	-	35,473	53	109,625
Held-to-Maturity (HTM) Securities	491,377	480,577	299,915	5,511	116,103	-	59,021	27	480,577
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-
Loans and Receivables	2,599,908	2,504,365	-	251,908	168,054	-	2,069,360	15,043	2,504,365
Loans and Receivables Arising from Repurchase Agreements	26,091	26,091	26,091	-	-	-	-	-	26,091
Sales Contract Receivable	1,198	1,198	-	-	-	-	891	307	1,198
Real and Other Properties Acquired	14,584	14,584	-	-	-	-	-	14,584	14,584
Other Assets	83,459	83,459	14,937	-	-	-	68,522	-	83,459
Total Exposures	3,850,745	3,744,402	850,632	260,329	369,979	-	2,233,448	30,014	3,744,402
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM			-	52,066	184,990	-	2,233,448	45,021	2,515,525
Total Risk-weighted On-Balance Sheet Assets Covered by CRM			-	7	-	-	3,029	-	3,036
Total Risk-weighted On-Balance Sheet Assets			-	52,073	184,990	-	2,236,477	45,021	2,518,561

Off-Balance Sheet Assets

Type of Exposures	Credit Equivalent (in millions)	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total
Direct credit substitutes	37	-	-	-	-	37	-	37
Transaction-related contingencies	32,891	-	293	-	-	31,424	-	31,717
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	13,664	-	-	-	-	13,664	-	13,664
	46,592	-	293	-	-	45,125	-	45,418

Risk-weighted on balance sheet assets covered by credit risk mitigants are mostly exposures covered by deposits or guarantees by the Philippine National Government. There are no securitization exposures, no exposures covered by credit derivatives, no outstanding credit protection provided by the Bank through credit derivatives, and no outstanding investments in Structured Products. Moreover, the Bank has no outstanding accounting hedges. In case there are accounting hedges, the Bank performs both prospective and retrospective hedge effectiveness tests to monitor the continuing effectiveness of accounting hedges as a matter of policy.

	Credit Risk *		Market Risk **		Operational Risk	
	December 31, 2021					
	Group	Parent	Group	Parent	Group	Parent
			(In Millions)			
On-Balance Sheet	2,369,991	2,295,492				
Off-Balance Sheet	42,537	42,537				
Counterparty (Banking/Trading Book)	7,444	3,334				
Credit-Linked Notes in the Banking Book	-	-				
Securitization Exposures	-	-				
Deductions ***	(2,073)	(2,426)				
Interest Rate Exposures			5,417	2,128		
Equity Exposures			6	-		
Foreign Exchange Exposures			5,378	6,313		
Options			-	-		
Basic Indicator Approach (BIA)					286,120	270,369
Total	2,417,899	2,338,937	10,801	8,441	286,120	270,369
Capital Requirements	241,790	233,894	1,080	844	28,612	27,037

* Standardized credit risk weights were used in the credit assessment of asset exposures. Third party credit assessments were based on ratings by Standard and Poor's, Moody's, Fitch and PhilRatings on exposures to Sovereigns, MDBs, LGUs, Government Corporations, and Corporates.

** Excludes interest rate risks in the banking book (IRRBB). For IRRBB, please refer to NFS Section 4.2.2. As a matter of policy, frequency of measurement for IRRBB is monthly.

***General loan loss provision (in excess of the amount permitted to be included in Tier 2).

On-Balance Sheet Assets

BDO Unibank Group

Type of Exposures	Principal Amount (in millions)	Exposures After CRM (in millions)	Risk Weights						
			0%	20%	50%	75%	100%	150%	Total
Cash on Hand	74,684	74,684	74,684	-	-	-	-	-	74,684
Checks and Other Cash Items	17	17	-	17	-	-	-	-	17
Due from Bangko Sentral ng Pilipinas	304,906	304,906	304,906	-	-	-	-	-	304,906
Due from Other Banks	69,891	69,891	-	4,144	65,559	-	188	-	69,891
Financial Assets Designated at Fair Value through Profit or Loss	8,721	8,721	-	-	259	-	8,462	-	8,721
Available for Sale Securities	130,465	130,465	46,707	1,659	41,767	-	40,332	-	130,465
Held-to-Maturity (HTM) Securities	393,887	384,008	224,436	7,836	111,691	-	40,045	-	384,008
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-
Loans and Receivables	2,437,644	2,345,535	-	249,421	158,305	-	1,921,612	16,197	2,345,535
Loans and Receivables Arising from Repurchase Agreements	17,095	17,095	17,095	-	-	-	-	-	17,095
Sales Contract Receivable	1,171	1,171	-	-	-	-	932	239	1,171
Real and Other Properties Acquired	11,346	11,346	-	-	-	-	-	11,346	11,346
Other Assets	72,051	72,051	-	-	-	-	72,051	-	72,051
Total Exposures	3,521,878	3,419,890	667,828	263,077	377,581	-	2,083,622	27,782	3,419,890
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM			-	52,615	188,791	-	2,083,622	41,673	2,366,701
Total Risk-weighted On-Balance Sheet Assets Covered by CRM			-	4	-	-	3,286	-	3,290
Total Risk-weighted On-Balance Sheet Assets			-	52,619	188,791	-	2,086,908	41,673	2,369,991

Off-Balance Sheet Assets

Type of Exposures	Credit Equivalent (in millions)	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total
Direct credit substitutes	37	-	-	-	-	37	-	37
Transaction-related contingencies	34,242	-	344	-	-	32,523	-	32,867
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	9,633	-	-	-	-	9,633	-	9,633
	43,912	-	344	-	-	42,193	-	42,537

On-Balance Sheet Assets

Parent Bank

Type of Exposures	Principal Amount (in millions)	Exposures After CRM (in millions)	Risk Weights						
			0%	20%	50%	75%	100%	150%	Total
Cash on Hand	72,020	72,020	72,020	-	-	-	-	-	72,020
Checks and Other Cash Items	17	17	-	17	-	-	-	-	17
Due from Bangko Sentral ng Pilipinas	302,660	302,660	302,660	-	-	-	-	-	302,660
Due from Other Banks	64,349	64,349	-	1,313	62,976	-	60	-	64,349
Financial Assets Designated at Fair Value through Profit or Loss	-	-	-	-	-	-	-	-	-
Available for Sale Securities	115,965	115,965	38,256	1,553	38,939	-	37,217	-	115,965
Held-to-Maturity (HTM) Securities	377,382	367,502	214,072	6,339	108,545	-	38,546	-	367,502
Unquoted Debt Securities Classified as Loans	-	-	-	-	-	-	-	-	-
Loans and Receivables	2,392,360	2,300,469	-	249,421	152,928	-	1,883,458	14,662	2,300,469
Loans and Receivables Arising from Repurchase Agreements	15,800	15,800	15,800	-	-	-	-	-	15,800
Sales Contract Receivable	1,116	1,116	-	-	-	-	898	218	1,116
Real and Other Properties Acquired	11,309	11,309	-	-	-	-	-	11,309	11,309
Other Assets	59,316	59,316	-	-	-	-	59,316	-	59,316
Total Exposures	3,412,294	3,310,523	642,808	258,643	363,388	-	2,019,495	26,189	3,310,523
Total Risk-weighted On-Balance Sheet Assets Not Covered by CRM			-	51,729	181,694	-	2,019,495	39,284	2,292,202
Total Risk-weighted On-Balance Sheet Assets Covered by CRM			-	4	-	-	3,286	-	3,290
Total Risk-weighted On-Balance Sheet Assets			-	51,733	181,694	-	2,022,781	39,284	2,295,492

Off-Balance Sheet Assets

Type of Exposures	Credit Equivalent (in millions)	Risk Weights						
		0%	20%	50%	75%	100%	150%	Total
Direct credit substitutes	37	-	-	-	-	37	-	37
Transaction-related contingencies	34,242	-	344	-	-	32,523	-	32,867
Trade-related contingencies arising from movement of goods and commitments with an original maturity of up to one (1) year	9,633	-	-	-	-	9,633	-	9,633
	43,912	-	344	-	-	42,193	-	42,537

Risk-weighted on balance sheet assets covered by credit risk mitigants are mostly exposures covered by deposits or guarantees by the Philippine National Government. There are no securitization exposures, no exposures covered by credit derivatives, no outstanding credit protection provided by the Bank through credit derivatives, and no outstanding investments in Structured Products. Moreover, the Bank has no outstanding accounting hedges. In case there are accounting hedges, the Bank performs both prospective and retrospective hedge effectiveness tests to monitor the continuing effectiveness of accounting hedges as a matter of policy.

Basel III Leverage Ratios of BDO Unibank Group and Parent Bank as of December 31, 2022 and 2021 as submitted to the Bangko Sentral ng Pilipinas (BSP).

Basel III Leverage Ratio Common Disclosure Template

In Million Pesos; Ratios in Percent

	Item	2022		2021	
		BDO Unibank Group	Parent Bank	BDO Unibank Group	Parent Bank
	On-balance sheet exposures				
1	On-balance sheet items [1/]	3,993,360.035	3,908,033.885	3,550,428.322	3,479,037.517
2	(Asset amounts deducted in determining Basel III Tier 1 Capital)	-42,219.122	-72,666.181	-35,817.059	-61,926.467
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	**3,951,140.913**	**3,835,367.705**	**3,514,611.263**	**3,417,111.050**
	Derivative exposures				
4	Replacement Cost associated with all derivatives transactions	7,732.152	3,336.262	5,502.337	2,360.431
5	Add-on amounts for Potential Future Exposure associated with all derivative transactions	5,423.263	3,264.453	5,607.073	3,630.274
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework [2/]				
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions) [2/]				
8	(Exempted CCP leg of client-cleared trade exposures) [2/]				
9	Adjusted effective notional amount of written credit derivatives	0.000	0.000	0.000	0.000
10	(Adjusted effective offsets and add-on deductions for written credit derivatives)				
11	**Total derivative exposures (sum of lines 4 to 10)**	**13,155.415**	**6,600.715**	**11,109.411**	**5,990.705**
	Securities financing transaction exposures				
12	Gross SFT assets (with no recognition of netting)	26,298.227	26,084.421	17,095.425	15,800.317
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)[2/]				
14	CCR exposures for SFT assets				
15	Agent transaction exposures [3/]				
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	**26,298.227**	**26,084.421**	**17,095.425**	**15,800.317**
	Other off-balance sheet exposures				
17	Off-balance sheet exposure at gross notional amount	596,393.634	595,635.903	553,995.279	553,956.467
18	(Adjustments for conversion to credit equivalent amounts)				
19	**Off-balance sheet items**	**92,817.445**	**92,741.672**	**87,642.786**	**87,638.905**
	Capital and total exposures				
20	**Tier 1 capital**	**401,098.808**	**370,828.074**	**372,288.422**	**347,442.612**
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	**4,083,412.001**	**3,960,794.512**	**3,630,458.886**	**3,526,540.977**
	Leverage ratio				
22	**Basel III leverage ratio**	**9.82%**	**9.36%**	**10.25%**	**9.85%**

[1/] Gross of General Loan Loss Provision (GLLP) and excluding derivatives and SFTs

[2/] Not included under the framework

[3/] When a bank/non-bank acting as an agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of the collateral the borrower has provided

Summary Comparison of Accounting Assets vs. Leverage Ratio Exposure
In Million Pesos

	Item	2022		2021	
		BDO Unibank Group	Parent Bank	BDO Unibank Group	Parent Bank
1	Total consolidated assets as per published financial statements [1/]	4,013,797.175	3,924,462.613	3,559,961.081	3,484,525.192
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation [2/]				
3	Adjustment for fiduciary assets recognized on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure [2/]				
4	Adjustments for derivative financial instruments	5,423.263	3,264.453	5,607.073	3,630.274
5	Adjustments for securities financial transactions (i.e., repos and similar secured lending)	0.000	0.000	0.000	0.000
6	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	92,817.445	92,741.672	87,642.786	87,638.905
7	Other adjustments	-28,625.883	-59,674.225	-22,752.055	-49,253.394
8	**Leverage ratio exposure [3/]**	**4,083,412.001**	**3,960,794.512**	**3,630,458.886**	**3,526,540.977**

[1/] Refers to total on-balance sheet assets per quarterly published balance sheet
[2/] Not included under the framework
[3/] Sum of Items 1 to 7. Should be consistent with item 21 of the Basel III Leverage Ratio Common Disclosure Template

There is no significant difference between the banks' total balance sheet assets in its financial statements and the on-balance sheet exposures in the Leverage Ratio Report.

The Bank's Leverage Ratio remains well above the regulatory minimum requirement of 5%. The leverage ratio has declined year-on-year (Y-o-Y) by about 49 basis points (bps) and 43bps on Solo and Consolidated Basis, respectively. The dropped was mainly due to a Y-o-Y increase of about 12% in total exposures, despite an increase of 7% and 8% in Tier 1 Capital on Solo and Consolidated Basis, respectively.

Basel III Liquidity Coverage Ratio (LCR) of BDO Unibank Group as of December 31, 2022 and December 31, 2021 per Bangko Sentral ng Pilipinas (BSP) required disclosure.

LIQUIDITY COVERAGE RATIO DISCLOSURE TEMPLATE - CONSOLIDATED (In Single Currency, Absolute Amount)				
	BDO Unibank Group			
	2022		2021	
NATURE OF ITEM	TOTAL UNWEIGHTED [1] VALUE (AVERAGE)	TOTAL WEIGHTED [2] VALUE (AVERAGE)	TOTAL UNWEIGHTED [1] VALUE (AVERAGE)	TOTAL WEIGHTED [2] VALUE (AVERAGE)
STOCK OF HIGH-QUALITY LIQUID ASSETS (HQLA)				
1. TOTAL STOCK OF HQLA		842,682,194,526.94		750,664,348,544.69
EXPECTED CASH OUTFLOWS				
2. Deposits, of which:	2,961,889,090,046.29	662,676,116,487.30	2,661,510,712,115.38	575,276,282,120.14
3. Retail funding	1,718,811,442,379.80	179,698,404,255.29	1,598,858,760,527.04	164,376,521,292.01
4. Wholesale Funding of which:	1,243,077,647,666.49	482,977,712,232.01	1,062,651,951,588.34	410,899,760,828.13
5. Operational deposits	*884,586,218,033.48*	*265,375,865,410.04*	*768,455,929,195.02*	*230,536,778,758.51*
6. Non-operational deposits (all counterparties)	*358,491,429,633.01*	*217,601,846,821.97*	*294,196,022,393.32*	*180,362,982,069.62*
7. Unsecured wholesale funding (all counterparties)	18,366,108,107.74	18,053,192,832.21	12,142,018,406.18	11,959,208,742.38
8. Secured Funding		125,405,128.38		0.00
9. Derivatives contracts, of which:	183,570,282,627.95	183,570,282,627.95	129,815,332,695.72	129,815,332,695.72
10. Outflows related to derivatives exposures (net)	183,570,282,627.95	183,570,282,627.95	129,815,332,695.72	129,815,332,695.72
11. Outflows related to collateral requirements	0.00	0.00	0.00	0.00
12. Structured financing instruments	0.00	0.00	0.00	0.00
13. Committed business facilities (all counterparties)	23,403,000,000.00	2,340,300,000.00	34,069,447,442.98	3,376,619,526.70
14. Other contractual obligations within a 30-day period	26,084,632,852.41	26,084,632,852.41	23,333,397,051.71	23,333,397,051.71
15. Other contingent funding obligations	2,928,275,407,017.22	87,848,262,210.52	2,736,034,876,404.68	82,081,046,292.14
16 TOTAL EXPECTED CASH OUTFLOWS		980,698,192,138.77		825,841,886,428.79
EXPECTED CASH INFLOWS				
17. Secured lending	267,974,509.48	53,131,417.41	94,061,108.28	32,800,611.09
18. Fully performing exposures (all counterparties)	309,437,214,064.17	197,663,450,461.83	250,695,082,527.93	156,007,091,561.11
19. Other cash inflows	195,112,147,723.46	195,112,147,723.46	139,340,184,490.03	139,340,184,490.03
20. TOTAL EXPECTED CASH INFLOWS	504,817,336,297.11	392,828,729,602.70	390,129,328,126.24	295,380,076,662.23
		Total Adjusted [3] Value		Total Adjusted [3] Value
21. TOTAL STOCK OF HQLA		842,682,194,526.94		750,664,348,544.69
22. TOTAL EXPECTED NET CASH OUTFLOWS		587,869,462,536.07		530,461,809,766.56
23. LIQUIDITY COVERAGE RATIO (%)		143.35%		141.51%

[1] Unweighted values must be calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).

[2] Weighted values must be calculated after the application of respective haircuts (for HQLA) or inflow and outflow rates (for inflows and outflows).

[3] Adjusted values must be calculated after the application of both: (i) haircuts (for Total HQLA) and inflow and outflow rates (for Total Net Cash Outflows); and (ii) applicable cap and ceiling (i.e., cap on Level 2 assets for HQLA and ceiling on inflows).

Datapoints used were the simple average of the quarterly consolidated report as of March 31; June 30; September 30 and December 31, for both 2022 and 2021.

The LCR results have been stable and above the regulatory floor of 100% over the past 4 quarters in 2022. The LCR has improved year-on-year (Y-o-Y) by 1.84% driven mainly by an increase in HQLA and relatively stable cashflows. Majority of the Group's HQLA is comprised of Level 1 assets, primarily in the form of cash on hand, cash reserves with the BSP, overnight and term deposits with the BSP, and eligible securities representing claims on or guaranteed by the Philippine National Government.

One of the operating principles of the Group is to ensure that it has a diversified funding base, taking into account all available market opportunities. Sound liquidity management requires that the sources of funds available are diversified, particularly in terms of maturities and market share. The Group's primary funding source comes from regular customer deposits, which is composed largely of lower-cost funds. In addition to regular deposits, the Group also opportunistically raises funding through the issuance of Long Term Negotiable Certificate of Deposits (LTNCD), peso denominated bonds, and foreign currency senior debt instruments. The Group aims to finance current and future asset growth in the most cost-effective manner possible.

The Group's outstanding derivative contracts are comprised mainly of short-term foreign exchange (FX) forwards and swaps, and any potential collateral calls by counterparties are not significant to impact liquidity. There are also no significant currency mismatches in the LCR.

The Asset-Liability Committee (ALCO) has responsibility for ensuring that Group policy for liquidity management is adhered to on a continual basis, and that Treasury is responsible for executing liquidity directives and operating within the liquidity policy. Treasury ensures that the funding requirements of all the Business Units (BUs) are addressed, excess funds are deployed to maximize returns, and regulatory requirements on reserves are complied. As such, all the BUs closely interact and coordinate with Treasury. The Liquidity Management function is centralized under the Treasury Group for the Parent Bank, and similarly for each major subsidiary of the Group.

All material and significant inflows and outflows that are relevant to the Group's liquidity profile are captured in the LCR.

Corporate Information

COMPANY HEADQUARTERS

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Philippines
Trunkline: +63 (2) 8840-7000
Website: www.bdo.com.ph

BRANCHES AND ATMs

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

STOCKHOLDER INQUIRIES

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

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

Stock Transfer Service, Inc.
34/F Unit D Rufino Pacific Tower
6784 Ayala Avenue
Makati City 1200
Philippines
Telephone: +63 (2) 8403-2410 to 12
Facsimile: +63 (2) 8403-2414
Email: stsi.bdo@stocktransfer.com.ph

The Bank will provide, without charge, a copy of the 2022 Annual Report and Financial Statements to its stockholders upon receipt of a written request addressed to the Corporate Secretary.

BDO Corporate Secretary
21/F BDO Towers Valero
8741 Paseo de Roxas
Salcedo Village
Makati City 1226
Philippines
Telephone: +63 (2) 8840-7000 local 37610
Email: corporate_secretary@bdo.com.ph

INVESTOR INQUIRIES

BDO Unibank, Inc. welcomes inquiries from analysts, investors, and the financial community. Please visit www.bdo.com.ph or contact BDO Investor Relations & Corporate Planning.

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The 2022 Annual Report and Financial Supplements and the 2022 Sustainability Report can be viewed and downloaded on the BDO website.

BDO Unibank is regulated by the Bangko Sentral ng Pilipinas. https://www.bsp.gov.ph

For concerns, please visit any BDO branch nearest you, or contact us thru our 24x7 hotline +63 (2) 8631-8000 or email us via callcenter@bdo.com.ph.

