



Financial Statements and  
Independent Auditors' Report

**BDO Unibank, Inc. and Subsidiaries**

December 31, 2024, 2023 and 2022

## **Report of Independent Auditors**

### **The Board of Directors and Stockholders**

#### **BDO Unibank, Inc.**

BDO Towers Valero

8741 Paseo de Roxas, Salcedo Village

Makati City, Philippines

### **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, 2024 and 2023, 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, 2024, and notes to financial statements, including material accounting policy information.

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, 2024 and 2023, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2024 in accordance with Philippine Financial Reporting Standards (PFRS Accounting Standards).

#### ***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, 2024, the BDO Unibank Group and the Parent Bank had loans and other receivables amounting to P3,272,518 million and P3,168,757 million, respectively, net of allowance for impairment of P92,091 million and P89,414 million, respectively. Loans and other receivables are the most significant resources of the BDO Unibank Group and the Parent Bank which account for 67% and 68% 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 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, included among others, evaluating the BDO Unibank Group's and the Parent Bank's accounting policies and methodologies as to whether they: (a) are established and implemented consistent with the underlying principles of PFRS 9; (b) are appropriate in the context of the BDO Unibank Group's and Parent Bank's lending activities and asset portfolio given different segments of credit exposures and the relevant regulatory framework; and, (c) are supported by pertinent processes and controls, including documentations of policies that capture in sufficient detail the judgment, including estimation applied in the development of the Group's ECL model.

With respect to the use of judgment and estimation of inputs and assumptions used in the ECL model, our procedures included:

- testing the design and operating effectiveness of relevant controls over credit review process as it relates to the determination of credit risk rating used in impairment provisioning;
- assessing the BDO Unibank Group's and Parent Bank's segmentation of credit risk exposures based on homogeneity of credit risk characteristics and evaluating the appropriateness of impairment approach applied on each loan portfolio;
- engaging our Firm's specialist in evaluating the appropriateness of methodologies and assumptions used in the ECL calculation including testing the discriminatory power of the Internal Credit Risk Rating System for each loan portfolio across all quarters during the year;
- evaluating the reasonableness of the credit risk ratings assigned to loan accounts to assess appropriateness of credit risk monitoring;
- testing the BDO Unibank Group's and Parent Bank's loan classification and staging scheme based on the determined days past due and other qualitative factors, including proper tagging of non-performing loans;
- evaluating management's quantitative and qualitative criteria in determining events that constitute default and significant increase in credit risk against the requirements set forth in PFRS 9;
- for probability of default, checking whether indications of default on selected accounts per loan type were properly captured within the observation period and were considered in the calculation of historical default rates;
- for loss given default, validating the accuracy of historical recoveries and associated costs for each loan portfolio by inspecting relevant records of collections and disposals of related collaterals from selected defaulted accounts;
- reconciling exposure at default against relevant loan databases;
- on selected individually assessed loan accounts, evaluating the accuracy of management's forecast of recoverable cash flows based on agreed restructuring agreement and valuation of collaterals and estimates of recovery from other sources of collection;
- 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 and traceable to trusted publicly available information. 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; and,
- evaluating the completeness and appropriateness of the disclosures to the financial statements against the requirements of relevant reporting standards.

**(b) Valuation of Derivatives***Description of the Matter*

In general, the fair valuation of the investments 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 investments 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 investments 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, 2024, the derivative financial assets and derivatives with negative fair values of the BDO Unibank Group that are carried at fair value amounted to P8,291 million and P6,361 million, respectively, while that of the Parent Bank amounted to P4,633 million and P3,090 million, respectively.

The details of such investments are disclosed in Note 10, while the disclosures of the BDO Unibank Group and the Parent Bank on exposure to investments valuation risk are included in Note 4 to the financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures, included among others, the following:

- evaluating whether fair value prices used were appropriate by testing the inputs against reliable market sources;
- 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) Valuation 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, 2024, 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 P3,522 million as of December 31, 2024.

This annual impairment testing of goodwill and other intangible assets with indefinite useful lives 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 17 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 or financial performance 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, 2024 did not identify events or conditions that may cast significant doubt on BDO Network's ability to continue as a going concern.

**(d) Accounting for Legal Merger Between the Parent Bank and its Subsidiary***Description of the Matter*

The Parent Bank, together with The Podium Complex (TPCI and, formerly, SM Keppel Land, Inc.), a wholly owned subsidiary, executed a merger effective December 1, 2024, which was previously approved by a majority vote of the Parent Bank's Board of Directors (BOD) and by the vote of the stockholders owning or representing at least two-thirds of the outstanding capital stock on January 27, 2024 and April 19, 2024, respectively. The same was filed with the Banko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) and was subsequently approved on October 22, 2024, and November 18, 2024, respectively.

The merger of the Parent Bank and TPCI was of importance to our audit due to the significance of the amounts involved and complexity of the transaction and its accounting treatment. Such merger is classified as business combination under common control and is out of scope of PFRS 3, *Business Combination*, and, accordingly, significant judgment is involved in determining the appropriate accounting policies to be applied.

The Parent Bank has accounted for the merger using the pooling of interest method, wherein the assets and liabilities of TPCI are included in the Parent Bank's separate financial statements at their book values as reported in its consolidated financial statements and no goodwill is recognized as a result of the combination. At the date of merger, the Parent Bank recognized additional assets and liabilities amounting to P16,580 million and P9,746 million, respectively, and issued common shares with a fair value of P7,076 million, consequently recognizing merger reserves amounting to P6,256 million.

The Parent Bank's accounting policy and disclosures of the merger and pooling of interest method are included in Notes 2 and 30 to the financial statements.

*How the Matter was Addressed in the Audit*

Our audit procedures, included among others, the following:

- reviewing the minutes of meeting of the BOD for the approval of the merger and the approval of the BSP and SEC;
- reviewing the Articles and Plan of Merger to understand the key terms and conditions, and confirming our understanding with the management;
- evaluating the appropriateness of the application of the pooling of interest method used by the management, including identification and measurement of individual assets and liabilities of TPCI in accordance with the terms of Articles and Plan of Merger and relevant PFRS Accounting Standards and interpretations; and,
- assessing the adequacy of disclosures made in the financial statements of the Parent Bank.

***Other Information***

Management is responsible for the other information. The other information comprises the information included in the BDO Unibank Group's SEC Form 20-IS (Definitive Information Statement) and SEC Form 17-A, and Annual Report for the year ended December 31, 2024, 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, 2024 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 Accounting Standards, 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.

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.



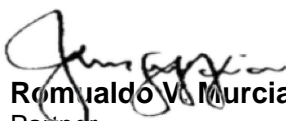
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation 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, 2024 and 2023 required by the 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 Accounting Standards; 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. 10465910, January 2, 2025, Makati City  
BIR AN 08-002511-022-2022 (until October 13, 2025)  
BOA/PRC Cert. of Reg. No. 0002/P-001 (until August 12, 2027)

February 22, 2025

BDO UNIBANK, INC. AND SUBSIDIARIES  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2024 AND 2023  
(With Corresponding Figures as of January 1, 2023)  
(Amounts in Millions of Philippine Pesos)

		BDO Unibank Group			Parent Bank	
	Notes	December 31, 2024	December 31, 2023	January 1, 2023	2024	2023
<b><u>RESOURCES</u></b>						
CASH AND OTHER CASH ITEMS	8	P 109,744	P 94,278	P 82,944	P 105,767	P 91,635
DUE FROM BANGKO SENTRAL NG PILIPINAS	8	249,593	335,076	385,779	246,815	332,428
DUE FROM OTHER BANKS - Net	9	90,448	85,974	60,455	77,511	76,791
TRADING AND INVESTMENT SECURITIES - Net	10	876,108	824,807	641,734	839,988	787,691
LOANS AND OTHER RECEIVABLES - Net	11	3,272,518	2,881,945	2,692,523	3,168,757	2,809,547
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	12, 13	54,204	48,085	46,471	49,299	43,878
INVESTMENT PROPERTIES - Net	14	33,825	42,429	17,183	29,796	13,408
EQUITY INVESTMENTS - Net	15	4,711	3,879	5,501	66,150	70,832
INVESTMENT SECURITIES AND OTHER ASSETS FOR LIFE INSURANCE CONTRACTS - Net	16	121,911	115,601	89,493	-	-
OTHER RESOURCES - Net	17	62,988	45,587	52,625	57,115	36,437
TOTAL RESOURCES		P 4,876,050	P 4,477,661	P 4,074,708	P 4,641,198	P 4,262,647
<b><u>LIABILITIES AND EQUITY</u></b>						
DEPOSIT LIABILITIES	19	P 3,794,027	P 3,567,550	P 3,220,883	P 3,686,052	P 3,476,867
BILLS PAYABLE	20	261,470	189,582	198,891	240,288	167,988
INSURANCE CONTRACT AND OTHER LIABILITIES FOR LIFE INSURANCE CONTRACTS	16	91,471	82,521	69,385	-	-
OTHER LIABILITIES	21	151,687	119,454	124,092	139,543	107,595
Total Liabilities		4,298,655	3,959,107	3,613,251	4,065,883	3,752,450
EQUITY	22					
Attributable to:						
Shareholders of the Parent Bank		574,671	515,916	459,332	575,315	510,197
Non-controlling Interests		2,724	2,638	2,125	-	-
		577,395	518,554	461,457	575,315	510,197
TOTAL LIABILITIES AND EQUITY		P 4,876,050	P 4,477,661	P 4,074,708	P 4,641,198	P 4,262,647

See Notes to Financial Statements.

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos Except Per Share Data)*

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
<b>INTEREST INCOME</b>	23	<b>P 272,039</b>	P 231,704	P 161,820	<b>P 260,751</b>	P 221,977	P 153,968
<b>INTEREST EXPENSE</b>	24	<b>85,443</b>	59,317	22,861	<b>81,885</b>	56,323	21,534
<b>NET INTEREST INCOME</b>		<b>186,596</b>	172,387	138,959	<b>178,866</b>	165,654	132,434
<b>IMPAIRMENT LOSSES (RECOVERIES) - Net</b>	18						
Financial assets	9, 10, 11, 17	14,262	16,406	16,565	13,147	15,665	15,815
Non-financial assets	12, 14, 17	( 218 )	( 44 )	( 230 )	( 227 )	( 44 )	( 232 )
Others	21	( 14 )	19	5	( 14 )	19	5
		<b>14,030</b>	16,381	16,340	<b>12,906</b>	15,640	15,588
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES (RECOVERIES)</b>		<b>172,566</b>	156,006	122,619	<b>165,960</b>	150,014	116,846
<b>OTHER OPERATING INCOME</b>	25	<b>70,893</b>	65,315	52,224	<b>66,430</b>	57,314	50,129
<b>INCOME ATTRIBUTABLE TO INSURANCE OPERATIONS - Net</b>	16	<b>6,845</b>	6,372	4,976	-	-	-
<b>OTHER OPERATING EXPENSES</b>	25	<b>146,613</b>	130,512	106,626	<b>132,099</b>	119,318	96,649
<b>PROFIT BEFORE TAX</b>		<b>103,691</b>	97,181	73,193	<b>100,291</b>	88,010	70,326
<b>TAX EXPENSE</b>	31	<b>21,471</b>	23,621	15,959	<b>18,175</b>	20,811	13,333
<b>NET PROFIT</b>		<b>P 82,220</b>	P 73,560	P 57,234	<b>P 82,116</b>	P 67,199	P 56,993
Attributable to:							
Shareholders of the Parent Bank		<b>P 82,019</b>	P 73,411	P 57,054			
Non-controlling Interests		<b>201</b>	149	180			
		<b>P 82,220</b>	P 73,560	P 57,234			
<b>Earnings Per Share:</b>	32						
Basic		<b>P 15.48</b>	P 13.86	P 10.77			
Diluted		<b>P 15.43</b>	P 13.82	P 10.72			

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos)*

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
<b>NET PROFIT</b>		<b>P 82,220</b>	P 73,560	P 57,234	<b>P 82,116</b>	P 67,199	P 56,993
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>							
<b>Items that are or will be reclassified subsequently to profit or loss:</b>							
Net unrealized gains (losses) on debt investments at fair value through other comprehensive income (FVOCI), net of tax	10	( 1,086 )	7,487	( 17,959 )	( 1,092 )	7,459	( 17,883 )
Transfer of realized losses (gains) on disposed debt investments at FVOCI to statements of income, net of tax		( 26 )	19	11	( 26 )	20	11
Impairment losses (recoveries) on debt investments at FVOCI	10	( 25 )	108	67	( 25 )	108	67
Net gains (losses) on FVOCI securities, net of tax		( 1,137 )	7,614	( 17,881 )	( 1,143 )	7,587	( 17,805 )
Translation adjustment related to foreign operations		( 46 )	16	( 5 )	( 41 )	25	( 10 )
		( 1,183 )	7,630	( 17,886 )	( 1,184 )	7,612	( 17,815 )
<b>Items that will not be reclassified to profit or loss:</b>							
Remeasurement on life insurance reserves		391	( 4,072 )	9,620	391	( 4,072 )	9,620
Actuarial losses on remeasurement of retirement benefit obligation, net of tax	26	( 3,540 )	( 5,517 )	( 1,097 )	( 3,524 )	( 5,487 )	( 1,101 )
Net unrealized gains (losses) on equity investments at FVOCI, net of tax	10	369	160	( 498 )	369	160	( 498 )
		( 2,780 )	( 9,429 )	8,025	( 2,764 )	( 9,399 )	8,021
<b>Other Comprehensive Loss, net of tax</b>		( 3,963 )	( 1,799 )	( 9,861 )	( 3,948 )	( 1,787 )	( 9,794 )
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P 78,257</b>	P 71,761	P 47,373	<b>P 78,168</b>	P 65,412	P 47,199
Attributable to:							
Shareholders of the Parent Bank		P 78,066	P 71,615	P 47,265			
Non-controlling Interests		191	146	108			
		<b>P 78,257</b>	P 71,761	P 47,373			

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos)*

BDO Unibank Group																
Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares at Cost	Surplus Reserves	Other Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on FVOCI	Accumulated Actuarial Losses	Revaluation Increment	Remeasurement on Life Insurance Reserves	Accumulated Translation Adjustment	Accumulated Share in Other Comprehensive Income (Loss) of Associates	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2024	P 52,684	P 6,180	P 230,452	( P 1)	P 25,054	P 7	P 233,369	( P 12,210)	( P 23,048)	P 1,010	P 2,375	P 54	( P 10)	P 515,916	P 2,638	P 518,554
Transactions with owners																
Issuance of shares during the year	39	-	482	-	-	-	-	-	-	-	-	-	-	521	-	521
Options transferred during the year	-	-	-	( 637)	-	-	-	-	-	-	-	-	( 637)	-	( 637)	-
Options expensed during the year	-	-	-	981	-	-	-	-	-	-	-	-	-	981	-	981
Issuance of shares due to merger	542	-	6,534	( 7,076)	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	-	( 20,172)	-	-	-	-	-	-	( 20,172)	( 373)	( 20,545)
	581	-	7,016	( 7,076)	344	-	( 20,172)	-	-	-	-	-	-	( 19,307)	( 373)	( 19,680)
Total comprehensive income (loss)	-	-	-	-	-	-	82,019	( 774)	( 3,523)	-	391	( 46)	( 1)	78,066	191	78,257
Transfer from Surplus Free																
Trust reserve	-	-	-	-	284	-	( 284)	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,690	-	( 2,690)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	584	-	( 584)	-	-	-	-	-	-	-	-	-
	-	-	-	-	3,558	-	( 3,558)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	( 4)	4	-	-	-	-	-	-	-	-
Other adjustments																
Additional capital contribution to a subsidiary	-	-	-	-	-	( 4)	-	-	-	-	-	-	-	( 4)	268	264
<b>BALANCE AT DECEMBER 31, 2024</b>	<b>P 53,265</b>	<b>P 6,180</b>	<b>P 237,468</b>	<b>( P 7,077)</b>	<b>P 28,956</b>	<b>P 3</b>	<b>P 291,654</b>	<b>( P 12,980)</b>	<b>( P 26,571)</b>	<b>P 1,010</b>	<b>P 2,766</b>	<b>P 8</b>	<b>( P 11)</b>	<b>P 574,671</b>	<b>P 2,724</b>	<b>P 577,395</b>
BALANCE AT JANUARY 1, 2023	P 52,641	P 6,180	P 229,946	( P 1)	P 22,131	( P 76)	P 178,537	( P 19,950)	( P 17,566)	P 1,010	P 6,447	P 38	( P 5)	P 459,332	P 2,125	P 461,457
Transactions with owners																
Issuance of shares during the year	43	-	506	-	-	-	-	-	-	-	-	-	-	549	-	549
Options transferred during the year	-	-	-	( 359)	-	-	-	-	-	-	-	-	( 359)	-	( 359)	-
Options expensed during the year	-	-	-	903	-	-	-	-	-	-	-	-	-	903	-	903
Cash dividends	-	-	-	-	-	-	( 16,207)	-	-	-	-	-	-	( 16,207)	-	( 16,207)
	43	-	506	-	544	-	( 16,207)	-	-	-	-	-	-	( 15,114)	-	( 15,114)
Total comprehensive income (loss)	-	-	-	-	-	-	73,411	7,747	( 5,482)	-	( 4,072)	16	( 5)	71,615	146	71,761
Transfer from Surplus Free																
Trust reserve	-	-	-	-	262	-	( 262)	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,090	-	( 2,090)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	27	-	( 27)	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,379	-	( 2,379)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	7	( 7)	-	-	-	-	-	-	-	-
Other adjustments																
Additional capital contribution to a subsidiary	-	-	-	-	-	83	-	-	-	-	-	-	-	83	367	450
<b>BALANCE AT DECEMBER 31, 2023</b>	<b>P 52,684</b>	<b>P 6,180</b>	<b>P 230,452</b>	<b>( P 1)</b>	<b>P 25,054</b>	<b>P 7</b>	<b>P 233,369</b>	<b>( P 12,210)</b>	<b>( P 23,048)</b>	<b>P 1,010</b>	<b>P 2,375</b>	<b>P 54</b>	<b>( P 10)</b>	<b>P 515,916</b>	<b>P 2,638</b>	<b>P 518,554</b>
BALANCE AT JANUARY 1, 2022	P 43,855	P 5,150	P 124,447	p -	P 19,930	P 29	P 249,743	( P 1,630)	( P 16,454)	P 1,010	( P 3,173)	P 43	( P 16)	P 422,934	P 1,614	P 424,548
Transactions with owners																
Issuance of shares during the year	13	-	131	-	-	-	-	-	-	-	-	-	-	144	-	144
Options transferred during the year	-	-	-	( 947)	-	-	-	-	-	-	-	-	( 947)	-	( 947)	-
Options expensed during the year	-	-	-	294	-	-	-	-	-	-	-	-	-	294	-	294
Stock dividends	8,773	1,030	105,368	( 1)	-	-	( 115,171)	-	-	-	-	-	( 1)	-	( 1)	-
Cash dividends	-	-	-	-	-	-	( 10,252)	-	-	-	-	-	-	( 10,252)	( 2)	( 10,254)
	8,786	1,030	105,499	( 1)	( 653)	-	( 125,423)	-	-	-	-	-	-	( 10,762)	( 2)	( 10,764)
Total comprehensive income (loss)	-	-	-	-	-	-	57,054	( 18,303)	( 1,112)	-	9,620	( 5)	11	47,265	108	47,373
Transfer from Surplus Free																
Trust reserve	-	-	-	-	251	-	( 251)	-	-	-	-	-	-	-	-	-
Reversal of appropriation	-	-	-	( 14)	-	-	14	-	-	-	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,475	-	( 2,475)	-	-	-	-	-	-	-	-	-
Other reserves	-	-	-	-	142	-	( 142)	-	-	-	-	-	-	-	-	-
	-	-	-	-	2,854	-	( 2,854)	-	-	-	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	17	( 17)	-	-	-	-	-	-	-	-
Other adjustments																
Additional capital contribution to a subsidiary	-	-	-	-	-	( 105)	-	-	-	-	-	-	-	( 105)	405	300
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>P 52,641</b>	<b>P 6,180</b>	<b>P 229,946</b>	<b>( P 1)</b>	<b>P 22,131</b>	<b>( P 76)</b>	<b>P 178,537</b>	<b>( P 19,950)</b>	<b>( P 17,566)</b>	<b>P 1,010</b>	<b>P 6,447</b>	<b>P 38</b>	<b>( P 5)</b>	<b>P 459,332</b>	<b>P 2,125</b>	<b>P 461,457</b>

See Notes to Financial Statements.

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos)*

Parent Bank													
Notes	Common Stock	Preferred Stock	Additional Paid-in Capital	Treasury Shares at Cost	Surplus Reserves	Merger and Other 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, 2024	P 52,684	P 6,180	P 230,433	( P 1 )	P 23,816	p -	P 227,028	( P 8,471 )	( P 22,047 )	P 1,007	P 3	( P 435 )	P 510,197
Transactions with owners	22												
Issuance of shares during the year	39	-	482	-	-	-	-	-	-	-	-	-	521
Options transferred during the year	-	-	-	-	( 561 )	-	-	-	-	-	-	( 561 )	-
Options expensed during the year	-	-	-	-	906	-	-	-	-	-	-	-	906
Issuance of shares due to merger	30	542	6,534	( 7,076 )	-	6,256	-	-	-	-	-	-	6,256
Cash dividends	-	-	-	-	-	-	( 20,172 )	-	-	-	-	-	( 20,172 )
	581	-	7,016	( 7,076 )	345	6,256	( 20,172 )	-	-	-	-	-	( 13,050 )
Total comprehensive income (loss)	-	-	-	-	-	-	82,116	( 47 )	( 3,289 )	-	( 60 )	( 552 )	78,168
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	284	-	( 284 )	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,391	-	( 2,391 )	-	-	-	-	-	-
Other reserves	22	-	-	-	580	-	( 580 )	-	-	-	-	-	-
	-	-	-	-	3,255	-	( 3,255 )	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	( 4 )	-	-	-	-	4	-
<b>BALANCE AT DECEMBER 31, 2024</b>	<b>P 53,265</b>	<b>P 6,180</b>	<b>P 237,449</b>	<b>( P 7,077 )</b>	<b>P 27,416</b>	<b>P 6,256</b>	<b>P 285,713</b>	<b>( P 8,518 )</b>	<b>( P 25,336 )</b>	<b>P 1,007</b>	<b>( P 57 )</b>	<b>( P 983 )</b>	<b>P 575,315</b>
BALANCE AT JANUARY 1, 2023	P 52,641	P 6,180	P 229,927	( P 1 )	P 21,001	p -	P 178,300	( P 12,228 )	( P 16,902 )	P 1,007	( P 25 )	( P 1 )	P 459,899
Transactions with owners	22												
Issuance of shares during the year	43	-	506	-	-	-	-	-	-	-	-	-	549
Options transferred during the year	-	-	-	-	( 314 )	-	-	-	-	-	-	( 314 )	-
Options expensed during the year	-	-	-	-	858	-	-	-	-	-	-	-	858
Cash dividends	-	-	-	-	-	-	( 16,207 )	-	-	-	-	-	( 16,207 )
	43	-	506	-	544	-	( 16,207 )	-	-	-	-	-	( 15,114 )
Total comprehensive income (loss)	-	-	-	-	-	-	67,199	3,757	( 5,145 )	-	28	( 427 )	65,412
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	262	-	( 262 )	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	1,986	-	( 1,986 )	-	-	-	-	-	-
Other reserves	22	-	-	-	23	-	( 23 )	-	-	-	-	-	-
	-	-	-	-	2,271	-	( 2,271 )	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	7	-	-	-	-	( 7 )	-
BALANCE AT DECEMBER 31, 2023	P 52,684	P 6,180	P 230,433	( P 1 )	P 23,816	p -	P 227,028	( P 8,471 )	( P 22,047 )	P 1,007	P 3	( P 435 )	P 510,197
BALANCE AT JANUARY 1, 2022	P 43,855	P 5,150	P 124,428	-	P 18,959	p -	P 249,407	( P 348 )	( P 15,675 )	P 1,007	P 36	( P 3,358 )	P 423,461
Transactions with owners	22												
Issuance of shares during the year	13	-	131	-	-	-	-	-	-	-	-	-	144
Options transferred during the year	-	-	-	-	( 941 )	-	-	-	-	-	-	( 941 )	-
Options expensed during the year	-	-	-	-	289	-	-	-	-	-	-	-	289
Stock dividends	8,773	1,030	105,368	( 1 )	-	-	( 115,171 )	-	-	-	-	( 1 )	-
Cash dividends	-	-	-	-	-	-	( 10,252 )	-	-	-	-	-	( 10,252 )
	8,786	1,030	105,499	( 1 )	( 652 )	-	( 125,423 )	-	-	-	-	-	( 10,761 )
Total comprehensive income (loss)	-	-	-	-	-	-	56,993	( 11,873 )	( 1,227 )	-	( 61 )	3,367	47,199
Transfer from Surplus Free													
Trust reserve	22, 28	-	-	-	251	-	( 251 )	-	-	-	-	-	-
Appropriation of excess GLPP over ECL	-	-	-	-	2,311	-	( 2,311 )	-	-	-	-	-	-
Other reserves	22	-	-	-	132	-	( 132 )	-	-	-	-	-	-
	-	-	-	-	2,694	-	( 2,694 )	-	-	-	-	-	-
Disposals of equity securities classified as FVOCI	-	-	-	-	-	-	17	( 7 )	-	-	-	( 10 )	-
BALANCE AT DECEMBER 31, 2022	P 52,641	P 6,180	P 229,927	( P 1 )	P 21,001	p -	P 178,300	( P 12,228 )	( P 16,902 )	P 1,007	( P 25 )	( P 1 )	P 459,899

See Notes to Financial Statements.

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos)*

	Notes	2024	BDO Unibank Group	2023	2022	2024	Parent Bank	2023	2022												
CASH FLOWS FROM OPERATING ACTIVITIES																					
Profit before tax		P	103,691	P	97,181	P	73,193	P	100,291	P	88,010	P	70,326								
Adjustments for:																					
Interest received			276,675		237,732		166,954		264,335		223,260		156,703								
Interest income	23	(	272,039 )	(	231,704 )	(	161,820 )	(	260,751 )	(	221,977 )	(	153,968 )								
Interest expense	24		85,443		59,317		22,861		81,885		56,323		21,534								
Interest paid		(	82,753 )	(	53,774 )	(	19,959 )	(	80,205 )	(	51,490 )	(	18,798 )								
Impairment losses	9, 10, 11, 12, 14, 17, 21		14,030		16,381		16,340		12,906		15,640		15,588								
Depreciation and amortization	12, 13, 14, 17		12,171		12,656		9,768		10,417		11,444		8,711								
Unrealized foreign exchange losses (gains)		(	9,861 )		543	(	15,455 )	(	9,419 )		269	(	13,859 )								
Income attributable to insurance operations - net		(	4,318 )	(	3,831 )	(	2,336 )		-		-		-								
Share in net profit of subsidiaries and associates	15, 25	(	1,397 )	(	1,273 )	(	849 )	(	9,303 )	(	8,378 )	(	8,710 )								
Fair value losses (gains)		(	1,283 )	(	588 )		679	(	1,200 )	(	526 )		198								
Dividends received from investment in associates			924		726		553		5,441		1,394		3,898								
Loss (gain) from the disposal of financial assets at fair value through other comprehensive income (FVOCI)		(	285 )		31	(	8 )	(	91 )		3	(	13 )								
Gain from the disposal of investment securities at amortized cost		(	1 )		-	(	18 )	(	1 )		-	(	18 )								
Gain on acquisition of a subsidiary	30		-	(	6,276 )		-		804		-		-								
Operating profit before changes in operating resources and liabilities			120,997		127,121		89,903		115,109		113,972		81,592								
Decrease (increase) in financial assets at fair value through profit or loss		(	11,845 )	(	794 )		4,626	(	12,284 )	(	2,045 )	(	1,431 )								
Increase in loans and other receivables		(	393,789 )	(	264,391 )	(	236,688 )	(	368,868 )	(	257,689 )	(	208,206 )								
Increase in investment properties		(	2,439 )	(	1,655 )	(	3,239 )	(	11,758 )	(	1,613 )	(	2,599 )								
Increase in investment securities and other assets for life insurance contracts			1,076	(	1,409 )	(	3,924 )		-		-		-								
Increase in other resources		(	26,863 )	(	25,370 )	(	20,222 )	(	16,995 )	(	20,977 )	(	20,783 )								
Increase in deposit liabilities			226,483		343,249		398,047		209,224		332,613		387,387								
Increase in insurance contract and other liabilities for life insurance contracts			9,341		9,064		8,912		-		-		-								
Increase in other liabilities			42,920		8,864		28,775		38,716		9,724		22,838								
Cash generated from (used in) operations		(	34,119 )		194,679		266,190	(	46,856 )		173,985		258,798								
Cash paid for income taxes		(	18,642 )	(	20,076 )	(	13,640 )	(	15,808 )	(	17,358 )	(	11,242 )								
Net Cash From (Used in) Operating Activities		(	52,761 )		174,603		252,550	(	62,664 )		156,627		247,556								
CASH FLOWS FROM INVESTING ACTIVITIES																					
Acquisitions of financial assets at FVOCI	10	(	1,332,272 )	(	882,675 )	(	270,590 )	(	1,324,855 )	(	872,261 )	(	258,499 )								
Proceeds from disposals of financial assets at FVOCI	10		1,301,294		768,577		276,512		1,292,110		760,430		259,560								
Maturities of investment securities at amortized cost	10		134,598		49,917		60,824		124,675		46,673		56,431								
Acquisitions of investment securities at amortized cost	10	(	128,567 )	(	115,282 )	(	160,857 )	(	117,882 )	(	111,216 )	(	155,379 )								
Acquisitions of financial assets at FVOCI arising from life insurance contracts	16	(	19,527 )	(	23,999 )	(	14,838 )		-		-		-								
Proceeds from disposals of financial assets at FVOCI arising from life insurance contracts	16		13,718		2,413		3,012		-		-		-								
Acquisitions of premises, furniture, fixtures and equipment	12	(	9,634 )	(	6,843 )	(	3,888 )	(	8,549 )	(	5,711 )	(	2,839 )								
Maturities of investment securities at amortized cost arising from life insurance contracts	16		1,874		257		1,107		-		-		-								
Net addition to equity investment		(	360 )	(	1,171 )		-	(	1,853 )	(	1,171 )		-								
Proceeds from disposals of premises, furniture, fixtures and equipment	12		139		111		285		95		39		168								
Acquisitions of investment securities at amortized cost arising from life insurance contracts	16		-	(	28 )	(	191 )		-		-		-								
Net Cash Used in Investing Activities		(	38,737 )	(	208,723 )	(	108,624 )	(	36,259 )	(	183,217 )	(	100,558 )								
CASH FLOWS FROM FINANCING ACTIVITIES																					
Proceeds from bills payable	20		298,109		187,614		140,241		238,358		134,226		110,080								
Payments of bills payable	20	(	232,136 )	(	198,313 )	(	154,424 )	(	171,033 )	(	155,761 )	(	125,969 )								
Dividends paid	22	(	20,545 )	(	16,207 )	(	10,255 )	(	20,172 )	(	16,207 )	(	10,253 )								
Payments of lease liabilities	13	(	4,431 )	(	4,370 )	(	4,192 )	(	4,321 )	(	4,097 )	(	4,032 )								
Proceeds from issuance of common stock	22		521		549		144		521		549		144								
Capital infusion from non-controlling interest	2		264		-		-		-		-		-								
Net Cash From (Used in) Financing Activities			41,782	(	30,727 )	(	28,486 )		43,353	(	41,290 )	(	30,030 )								
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)										( P	49,716 )	( P	64,847 )	P	115,440	( P	55,570 )	( P	67,880 )	P	116,968



Notes	BDO Unibank Group			Parent Bank			
	2024	2023	2022	2024	2023	2022	
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS <i>(Brought Forward)</i>	( P 49,716 )	( P 64,847 )	P 115,440	( P 55,570 )	( P 67,880 )	P 116,968	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR							
Cash and other cash items	8	94,278	82,944	69,105	91,635	80,666	66,440
Due from Bangko Sentral ng Pilipinas (BSP)	8	335,076	385,779	304,906	332,428	382,210	302,660
Due from other banks	9	84,678	58,766	70,092	76,567	51,055	64,349
Investment securities at amortized cost	10	709	-	-	709	-	-
Reverse repurchase agreements	11	25,370	26,305	17,095	24,970	26,091	15,800
Interbank loans receivables	11	48,920	98,942	81,083	49,722	102,293	81,083
Foreign currency notes and coins (FCNC)	17	8,986	10,582	5,597	8,986	10,582	5,597
Investment securities and other assets for life assurance contracts	16	454	-	-	-	-	-
		598,471	663,318	547,878	585,017	652,897	535,929
CASH AND CASH EQUIVALENTS AT END OF YEAR							
Cash and other cash items	8	109,744	94,278	82,944	105,767	91,635	80,666
Due from BSP	8	249,593	335,076	385,779	246,815	332,428	382,210
Due from other banks	9	88,260	84,678	58,766	77,211	76,567	51,055
Investment securities at amortized cost	10	3,545	709	-	2,498	709	-
Reverse repurchase agreements	11	25,463	25,370	26,305	25,012	24,970	26,091
Interbank loans receivables	11	61,844	48,920	98,942	61,844	49,722	102,293
FCNC	17	10,301	8,986	10,582	10,300	8,986	10,582
Investment securities and other assets for life assurance contracts	16	5	454	-	-	-	-
		P 548,755	P 598,471	P 663,318	P 529,447	P 585,017	P 652,897

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

The following are the significant non-cash transactions:

- The BDO Unibank Group and the Parent Bank acquired real and other properties totalling to P5,411 and P5,313, respectively, in 2024, P3,502 and P3,445, respectively, in 2023, and P8,333 and P8,230, respectively, in 2022 in settlement of certain loan accounts (see Note 14).
- The BDO Unibank Group and the Parent Bank recognized additional right-of-use assets amounting to P4,403 and P4,060, respectively, in 2024, P3,716 and P3,309, respectively, in 2023, and P4,683 and P4,414, respectively, in 2022 which are presented as part of Premises, Furnitures, Fixtures and Equipment (see Notes 12 and 13).
- At the date of merger between the Parent Bank and TPCI, the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively (see Note 30).

**Other Information**

Certain investment securities at amortized cost, reverse repurchase agreements, 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, Investment Securities and Other Assets for Life Insurance Contracts, and Other Resources, respectively, in the statements of financial position (see Note 2.4). Margin deposits presented as part of Due from Other Banks is excluded from cash and cash equivalents for cash flow purposes (see Note 9).

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2024, 2023 AND 2022**  
*(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)*

**1. CORPORATE MATTERS**

**1.1 Incorporation and Operations**

BDO Unibank, Inc. (BDO Unibank, BDO or the Parent Bank) was incorporated in the Philippines on December 20, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank or universal 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, 2024 and 2023 follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Local branches	<b>1,791</b>	1,720	<b>1,222</b>	1,206
Foreign branches	<b>2</b>	2	<b>2</b>	2
Automated teller machines (ATMs):				
On-site	<b>2,962</b>	2,863	<b>2,962</b>	2,863
Off-site	<b>1,960</b>	1,939	<b>1,960</b>	1,939
Cash accept machines (CAMs)	<b>411</b>	557	<b>411</b>	557
Branch universal machines	<b>481</b>	150	<b>481</b>	150
Self-service teller machines	-	4	-	4
Mobile automated teller machines	<b>1</b>	1	<b>1</b>	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 2.1%, 1.8% and 1.4% of BDO Unibank Group's total revenues in 2024, 2023 and 2022, respectively, and 2.7% and 2.1% of BDO Unibank Group's total resources as of December 31, 2024 and 2023, respectively. BDO Unibank Group's subsidiaries and associates are shown in Notes 2.3 and 15.

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 Russia - Ukraine Conflict***

On February 24, 2022, Russia started its military offensive on Ukraine which caused far-reaching impact for economies, markets, and businesses. The ongoing military conflict resulted in 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.

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 end-2024, 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 and disruption in supply chains. The Philippines remains a domestically-focused, import-dependent consumption economy, and Philippine Gross Domestic Product (GDP) numbers remained strong and resilient. This, in turn, has led to improved loan growth, steady margins despite declines in interest rates and continued improvement in net income, not just for the BDO Unibank Group, but for the industry in general.

With Donald Trump's re-election as US President, the US government has initiated discussions with Russia on finding a peaceful resolution to the Ukraine conflict. While further negotiations are anticipated, a favorable outcome remains uncertain. Failure to resolve the conflict may lead to renewed disruptions to global supply chains that could impact economic activity, leading to slower growth and less spending.

The BDO Unibank Group is carefully monitoring developments. However, the BDO Unibank Group believes that its strong market position and solid financial condition will insulate the BDO Unibank Group against rekindled short-term risks relating to the conflict.

### ***1.3 Israel - Hamas Conflict***

On October 7, 2023, Hamas militants from Gaza commenced simultaneous incursions into several areas in neighboring Israel, damaging housing and infrastructure, inflicting casualties and taking hundreds of hostages. Israel Defense Forces responded by turning back the attackers and mounting an invasion of Gaza, with the objective of addressing the Hamas threat and rescuing the hostages. The conflict resulted in significant destruction of Gaza and fatalities from both sides, including non-combatants.

A wider conflict in the Middle East (ME) poses a major risk to the Philippine economy, resulting from energy supply disruptions involving major oil-producing countries. In such a situation, the Philippines, which is a net energy importer, would be negatively impacted by higher oil prices and increased inflation, reduced consumer purchasing power, and overall uncertainties in the economic growth outlook. A wider ME conflict may also negatively impact OFW remittances from the region, which accounts for approximately 17% of the total. OFW remittances are a significant contributor to domestic consumption.

The Israel-Hamas conflict expanded beyond Gaza when Houthi rebels in Yemen, in solidarity with the Palestinians, began attacking merchant ships passing through the Red Sea. This forced shipping companies to suspend or re-route their vessels' operations on threat of being attacked. Vessels passing through the Red Sea account for an estimated 11% of global trade and 30% of global container shipping volume.

On January 15, 2025, a three-stage ceasefire agreement between Israel and Hamas to halt Gaza conflict was announced. The ceasefire arrangement included provisions for the release of captives, the withdrawal of Israeli forces and the return of Palestinians to their homes in northern Gaza. However, the ceasefire's success remains uncertain amid allegations by Hamas that Israel has not adhered to the agreement's terms.

The conflict's impact on the Philippine economy and BDO Unibank Group has been negligible so far, and the BDO Unibank Group continues to closely monitor developments on this issue.

#### ***1.4 Impact of Trump Executive Orders on Tariffs and Immigration***

After assuming office last January 20, 2025, US President Donald Trump started imposing tariffs on imports from Canada, Mexico and China, and intensified mass deportations of illegal immigrants through a series of Executive Orders (EO).

The EOs are foreseen to directly affect the global economy, and indirectly the Philippine economy, via foreign exchange and interest rates. Import tariffs and tighter labor supply may translate to higher US inflation and interest rates as well as a stronger US dollar (USD), all else equal.

However, the potential impact on the Philippine economy may be relatively minimal as the Philippines is not a major player in the global supply chain with goods exports being a relatively low contributor to GDP. The country also has a well-diversified migrant work force that is not dependent on the US. While the US officially accounts for 40% of all remittance inflows as most remittances are coursed through global banks, actual worker deployment is much more diversified.

Given the unpredictable nature of recent developments and uncertain outcome, the BDO Unibank Group is carefully monitoring changes that may be related to the BDO Unibank Group and the Philippine economy. Still, BDO Unibank Group believes that its established market position and strong financial condition will mitigate risks relating to the Trump administration's policies.

#### ***1.5 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, 2024 (including the comparative financial statements as of December 31, 2023, with corresponding figures as of January 1, 2023, and for the years ended December 31, 2023 and 2022) were authorized for issue by the Parent Bank's Board of Directors (BOD) on February 22, 2025.

## **2. MATERIAL ACCOUNTING POLICY INFORMATION**

The material accounting policy information 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 Accounting Standards). PFRS Accounting Standards 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 Accounting Standards 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.

(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 2.19).

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.

(d) *Prior Period Restatement and Reclassification of Accounts*

In 2024, the BDO Unibank Group presented separately in the consolidated financial statements the assets and liabilities of the life insurance business held primarily for the beneficial interests of the life insurance policyholders. Such assets and liabilities were reclassified and presented within the line items Investments Securities and Other Assets for Life Insurance Contracts – net, and Insurance Contract and Other Liabilities for Life Insurance Contracts, respectively. The profit or loss items comprising pre-tax income attributable to insurance operations is also presented separately in the consolidated statement of income of the BDO Unibank Group. The reclassifications made did not affect the consolidated financial position, equity and cash flows of the BDO Unibank Group, and the presentation of the separate financial statements of the Parent Bank.

Further, in 2024, the BDO Unibank Group and Parent Bank reclassified certain transaction costs directly attributable to the acquisition, issue or disposal of financial assets or liabilities to the related interest income and interest expense. Such transaction costs were previously recognized as part of Other Operating Expenses in the statement of income. The reclassifications made did not affect the BDO Unibank Group's and Parent Bank's financial position, equity and cash flows.

Presented below and in the succeeding pages is the analysis of the effects of the prior period restatement in the BDO Unibank Group's statements of financial position as of December 31 and January 1, 2023 to align with the current year presentation.

	<u>Notes</u>		<u>As Previously Stated</u>	<u>Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2023</u>					
<i>Changes in resources:</i>					
Trading and investment securities - net	10	P	931,885	(P 107,078)	P 824,807
Loans and other receivables - net	11		2,886,028	( 4,083)	2,881,945
Investment properties - net	14		46,810	( 4,381)	42,429
Investment securities and other assets for life insurance contracts - net	16	-		115,601	115,601
Other resources - net	17		45,646	( 59)	45,587
Effect in total resources				<u>P -</u>	

	<u>Notes</u>		<u>As Previously Stated</u>	<u>Reclassifications</u>	<u>As Restated</u>
<u>December 31, 2023</u>					
<i>Changes in liabilities:</i>					
Insurance contract and other liabilities for life insurance contracts	16	P	-	P 82,521	P 82,521
Insurance contract liabilities	16		77,210	( 77,210 )	-
Other liabilities	21		124,765	( 5,311 )	119,454
Effect in total liabilities				<u>P -</u>	
<u>January 1, 2023</u>					
<i>Changes in resources:</i>					
Trading and investment securities - net	10	P	722,830	(P 81,096 )	P 641,734
Loans and other receivables - net	11		2,696,901	( 4,378 )	2,692,523
Investment properties - net	14		21,158	( 3,975 )	17,183
Investment securities and other assets for life insurance contracts - net	16		-	89,493	89,493
Other resources - net	17		52,669	( 44 )	52,625
Effect in total resources				<u>P -</u>	
<i>Changes in liabilities:</i>					
Insurance contract and other liabilities for life insurance contracts	16	P	-	P 69,385	P 69,385
Insurance contract liabilities	16		64,363	( 64,363 )	-
Other liabilities	21		129,114	( 5,022 )	124,092
Effect in total liabilities				<u>P -</u>	

The total transaction cost reclassified to interest income and interest expense in the 2023 statements of income amounted to P4,412 and P5,581, respectively for the BDO Unibank Group and P4,412 and P5,212, respectively for the Parent Bank. In the 2022 statements of income, the total transaction cost reclassified to interest income and interest expense amounted to P4,664 and P3,096, respectively for the BDO Unibank Group and P4,664 and P2,806 respectively for the Parent Bank. In total, the effect of prior period restatement and reclassifications in the statements of income of BDO Unibank Group and the Parent Bank for the years ended December 31, 2023 and 2022 is summarized below and in the succeeding page.

<b>BDO Unibank Group</b>	<u>Notes</u>		<u>As Previously Stated</u>	<u>Reclassifications</u>	<u>As Restated</u>
<u>2023</u>					
Interest income	23	P	240,196	(P 8,492 )	P 231,704
Interest expense	24		53,809	5,508	59,317
Impairment losses	18		16,396	( 15 )	16,381
Other operating income	25		84,017	( 18,702 )	65,315
Income attributable to insurance operations	16	-	-	6,372	6,372
Other operating expenses	25		156,827	( 26,315 )	130,512
Effect in profit before tax				<u>P -</u>	
<u>2022</u>					
Interest income	23	P	169,071	(P 7,251 )	P 161,820
Interest expense	24		19,839	3,022	22,861
Impairment losses	18		16,366	( 26 )	16,340
Other operating income	25		71,535	( 19,311 )	52,224
Income attributable to insurance operations	16	-	-	4,976	4,976
Other operating expenses	25		131,208	( 24,582 )	106,626
Effect in profit before tax				<u>P -</u>	

<b>Parent Bank</b>	<u>Notes</u>		<u>As Previously Stated</u>	<u>Reclassifications</u>		<u>As Restated</u>
<u>2023</u>						
<i>Change in profit before tax:</i>						
Interest income	23	P	226,389	(P 4,412)	P	221,977
Interest expense	24		51,111	5,212		56,323
Other operating expenses	25		128,942	( 9,624)		119,318
Effect in profit before tax				<u>P -</u>		
<u>2022</u>						
<i>Change in profit before tax:</i>						
Interest income	23	P	158,632	(P 4,664)	P	153,968
Interest expense	24		18,728	2,806		21,534
Other operating expenses	25		104,119	( 7,470)		96,649
Effect in profit before tax				<u>P -</u>		

## 2.2 Adoption of Amended PFRS Accounting Standards

### (a) Effective in 2024 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 to PFRS Accounting Standards, which are mandatorily effective for annual periods beginning on or after January 1, 2024:

PAS 1 (Amendments)	:	Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, and Non-current Liabilities with Covenants
PAS 7 and PFRS 7 (Amendments)	:	Statement of Cash Flow, and Financial Instruments: Disclosures – Supplier Finance Arrangements
PFRS 16 (Amendments)	:	Leases – Lease Liability in a Sale and Leaseback

Discussed below are the relevant information about these pronouncements.

- (i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*. The amendments provide guidance on whether a liability should be classified as either current or non-current. The amendments clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and that the classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants*. The amendments specifies that if the right to defer settlement for at least 12 months is subject to an entity complying with conditions after the reporting period, then those conditions would not affect whether the right to defer settlement exists at the end of the reporting period for the purposes of classifying a liability as current or non-current. For non-current liabilities subject to conditions, an entity is required to disclose information about the conditions, whether the entity would comply with the conditions based on its circumstances at the reporting date and whether and how the entity expects to comply with the conditions by the date on which they are contractually required to be tested. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.



- (iii) PAS 7 and PFRS 7 (Amendments), *Statement of Cash Flows, Financial Instruments: Disclosures – Supplier Finance Arrangements*. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.
- (iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback*. The amendments requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. In addition, the new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease. The application of these amendments had no significant impact on the BDO Unibank Group and the Parent Bank's financial statements.

(b) *Effective Subsequent to 2024 but not Adopted Early*

There are new standards and amendments to existing standards effective for annual periods subsequent to 2024, 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) PFRS 17 *Insurance Contracts – Insurance Contracts* (effective from January 1, 2025). The new standard for insurance contracts, which covers recognition, measurement, presentation and disclosure, will replace PFRS 4, *Insurance Contracts*. On December 15, 2021, the FSRSC amended the effective date of PFRS 17 from January 1, 2023 to January 1, 2025. In line with this, the Insurance Commission (IC) issued Circular Letter No. 2020-62 on May 18, 2020 providing further deferral of the implementation of PFRS 17 for life insurance and non-life insurance industry by two years after the IASB effective date.

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, *Financial Instruments*.

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.

In preparation for the adoption of PFRS 17, the BDO Unibank Group continues to perform end to end system tests, preparing policy and accounting data required for these tests and updating the accounting and actuarial policies and processes to comply with PFRS 17 requirements. Also, the BDO Unibank Group is still assessing the quantitative impact of the initial application of the new standard to its financial statements.

- (ii) PFRS 17 (Amendments), *Insurance Contracts – Initial Application of PFRS 17 and PFRS 9 – Comparative Information* (effective from January 1, 2025)
- (iii) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)
- (iv) PFRS 9 and PFRS 7 (Amendments), *Financial Instruments, and Financial Instruments: Disclosures – Amendments to the Classification and Measurement of Financial Instruments* (effective from January 1, 2026)
- (v) PFRS 18, *Presentation and Disclosure in Financial Statements* (effective from January 1, 2027). The new standard impacts the classification of profit or loss items (i.e., into operating, investing and financing categories) and the presentation of subtotals in the statement of income (i.e., operating profit and profit before financing and income taxes). The new standard also changes the aggregation and disaggregation of information presented in the primary financial statements and in the notes. It also introduces required disclosures about management-defined performance measures. The amendments, however, do not affect how an entity recognizes and measures its financial condition, financial performance and cash flows.
- (vi) PFRS 19, *Subsidiaries without Public Accountability: Disclosures* (effective from January 1, 2027)
- (vii) PFRS 10 and PAS 28 (Amendments), *Consolidated Financial Statements and Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (effective date deferred indefinitely)

### **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, 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**

In the consolidated statements of the BDO Unibank Group, the acquisition method is applied to account for acquired subsidiaries. Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree.

On the other hand, business combinations arising from transfers of interests in entities that are under the common control of the shareholders that controls BDO Unibank Group are accounted for under the pooling-of-interest method and reflected in the financial statements at the date of the combination of the entities under common control; for this purpose, no restatement of financial information for periods prior to the transaction is made. The resources and liabilities acquired are recognized in BDO Unibank Group's financial statements at their carrying amounts (i.e., in the case of a legal merger of a subsidiary to the Parent Bank, at the carrying values in the consolidated financial statements).

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 2.10).

(b) *Investment in Associates*

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.

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 Share in net income of subsidiaries and associates as part of Miscellaneous - net under Other Operating Income account in the statement of income for BDO Unibank Group and Parent Bank, respectively.

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.

(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.

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		
	2024	2023	2022
Rural Bank			
BDO Network Bank, Inc. (BDO Network)	84.92%	84.91%	87.37%
Investment House			
BDO Capital & Investment Corporation (BDO Capital)	99.88%	99.88%	99.88%

Subsidiaries	Percentage of Ownership		
	2024	2023	2022
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%
The Podium Complex, Inc. (TPCI)** (formerly, SM Keppel Land, Inc.)	-	100%	50%
Securities Companies			
BDO Securities Corporation (BDO Securities)	99.88%	99.88%	99.88%
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 & Reinsurance Brokers, Inc. (BDOI) (formerly BDO Insurance Brokers Incorporated)	100%	100%	100%
Holding Companies			
Dominion Holdings, Inc. (Dominion Holdings)	88.54%	88.54%	88.54%
BDO Strategic Holdings, Inc. (BDOSHI)	100%	100%	100%
Remittance Companies			
BDO Remit (USA), Inc. (BRUSA)*****	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%	99.88%	99.88%
BDO Remit International Holdings B.V. (BDO RIH)*	96.20%	96.20%	96.20%
BDO Remit (Spain) S.A.***	-	-	96.20%
CBN Greece S.A.*	96.13%	96.13%	96.13%

\* Under liquidation

\*\* Merged with Parent Bank on December 1, 2024

\*\*\* Liquidated on February 7, 2023 (see Note 30.1)

\*\*\*\* For liquidation

\*\*\*\*\* For sale or liquidation

Non-controlling interests represent the interests not held by BDO Unibank Group in BDO Network, BDO Capital, Dominion Holdings, Averon, BDO Securities, Equimark, BDO Remit (UK), BDO RIH, BDO Remit Spain and CBN Greece (see Note 15).

On November 29, 2023, non-controlling interests infused additional capital amounting to P450 in BDO Network, decreasing the BDO Unibank Group's ownership to 84.91%.

On June 28, 2024, BDO Unibank subscribed to additional 38,930,613 of BDO Network common shares at the total subscription price of P1,494, thereby increasing its shareholdings from 84.91% to 85.99% in 2024.

On September 26, 2024, non-controlling interests infused additional capital amounting to P264 in BDO Network, decreasing the BDO Unibank Group's ownership to 84.92%.

## **2.4 Financial Assets and Financial Liabilities**

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).

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

The classification and measurement of financial assets are described below.

#### *(i) Financial Assets at Amortized Cost*

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 solely payments of principal and interest (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 fair value through profit or loss (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 under Trading and Investment Securities and certain accounts under Investment Securities and Other Assets for Life Insurance Contracts and Other Resources accounts 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*

At initial recognition, BDO Unibank Group can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at fair value through other comprehensive income (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 certain equity instruments as at FVOCI.

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

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.

The fair values of these financial assets are determined by reference to active market transactions or using valuation technique when no active market exists.

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

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

Interest income is recognized using the effective interest rate (EIR) method for all financial instruments measured at amortized cost and financial instruments designated at FVTPL. Interest income on interest bearing financial assets measured at FVOCI are also recorded by using the EIR method.

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 2.4(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 expected credit loss (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 associated with the probability of default (PD) 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 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 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's detailed ECL measurement as determined by the management is disclosed in Note 4.3.5.

*(e) Derecognition of Financial Assets – 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.

(f) *Classification and Measurement of Financial Liabilities*

Financial liabilities include deposit liabilities, bills payable, insurance contract (see Note 2.12) and other liabilities for life insurance contracts 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 2.5).
- *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 No. 888.

(g) *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.

## **2.5 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. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

For more complex instruments, BDO Unibank Group uses valuation models, which usually use the discounted cash flow approach [see Note 3.2(c)]. 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.

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.

## **2.6 Premises, Furniture, Fixtures and Equipment**

Land is stated at cost less impairment losses, if any. All other premises, furniture, fixtures and equipment are carried at cost less accumulated depreciation, amortization and any impairment in value. 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

## **2.7 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 2.6 and 2.18).

## **2.8 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. Costs, which are determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land.

## **2.9 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.

## **2.10 Equity Investments**

In the Parent Bank's financial statements, investments in subsidiaries and associates (presented under Equity Investments account in the statements 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 2.18).

## **2.11 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. 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 2.18).

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 2.18).

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 2.18).

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. As of December 31, 2024, the trademark is fully amortized subject to automatic renewal every five years.

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.

## **2.12 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.

### **(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 (VUL) 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.

### **2.13 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 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 22.5); (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; and, (iv) appropriation for general loan loss provision (GLLP) as prescribed by the BSP to meet the required 1% GLLP on Stage 1 loans.
- (d) Merger reserves pertain to the difference between the consideration paid and the carrying amounts of the net assets acquired in a business combination under common control.
- (e) 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.
- (f) 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.
- (g) Net unrealized gain or loss (NUGL) on FVOCI composed of cumulative mark-to-market valuation of outstanding securities and accumulated impairment on debt securities classified as FVOCI.
- (h) Accumulated actuarial gains or (losses) from the remeasurements of post-employment defined benefit plan.
- (i) Revaluation increment pertains to gains from the revaluation of land under premises, furniture, fixtures and equipment, which is treated as part of the deemed cost of the assets (see Note 2.6).

- (j) Remeasurement on life insurance reserves arises from the increase or decrease of the reserves brought about by changes in discount rates.
- (k) 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 2.19).
- (l) 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.
- (m) 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.

#### **2.14 Related Party Transactions and Relationships**

The BDO Unibank Group has established policies and procedures on related party transactions (RPT) in accordance with the BSP and Securities and Exchange Commission (SEC) regulations. These include definition of related parties, coverage of RPT policy, guidelines in ensuring arm's-length terms, identification and prevention or management of potential or actual conflicts of interest which arise from RPTs, 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, approves and endorses to the BOD for final approval all material RPTs.

Material RPT whose value exceeds 10% of the BDO Unibank Group's total resources based on the latest audited consolidated financial statements, either singly or aggregated within a 12-month period, with the same related party, shall require review of an external independent party appointed by the BOD. The approval of two-thirds vote of the BOD, with at least a majority of the independent directors voting affirmatively shall be obtained prior to the execution of the material RPT. In case that majority of the independent directors' vote is not secured, the material RPT may be ratified by the vote of the stockholders representing at least two-thirds of the outstanding capital stock.

The RPT policy applies to the Parent Bank, its subsidiaries and affiliates, as appropriate, to ensure that every related party transaction is conducted in a manner that will protect the BDO Unibank Group from any conflict of interest which may arise between the BDO Unibank Group and its related parties. The policy also covers the proper review, approval, ratification and disclosure of transactions between the BDO Unibank Group and any of its related party/ies in compliance with legal and regulatory requirements. The policy likewise requires any member of the RPT Committee who has a potential interest in any RPT to abstain from the discussion and endorsement of the RPT. Similarly, any member of the BOD who has an interest in the transaction must abstain from the deliberation and approval of any RPT.

#### **2.15 Other Income and Expense Recognition**

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, *Revenue from Contracts with Customers*. 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.

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 exchanged* – 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 the 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 the 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.

## **2.16 Provisions and Contingencies**

The BDO Unibank Group offers 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 [See Note 3.2 (j)]



## **2.17 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.

### *(b) BDO Unibank Group as Lessee*

Subsequent to initial recognition, the 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 2.18).

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.

## **2.18 Impairment of Non-financial Assets**

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.

## **2.19 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.

### *(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 USD, Canadian Dollar (CAD), European Union Euro (Euro), Great Britain Pound (GBP), Japanese Yen (JPY), Hong Kong Dollars (HKD) or Singapore Dollar (SGD).

On consolidation, exchange differences arising from the translation of foreign branch and net investment in foreign subsidiaries are recognized in other comprehensive income as part of Accumulated Translation Adjustment account. 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.

## ***2.20 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.

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 defined benefit obligation (DBO) is calculated annually by independent actuaries using the projected unit credit method.

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.

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.

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 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.

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.

The stock options are measured at their fair values using the Black-Scholes option model. The 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 statements of financial position).

## ***2.21 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 computed in the same manner, 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).

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

BDO Unibank Group and the Parent Bank's financial statements, prepared in accordance with PFRS Accounting Standards, 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 PD 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.

(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 is 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).

The 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 and loan administration 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 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.

(k) *Recognition of Provisions and Contingencies*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. Similarly, possible outflows of economic benefits to the BDO Unibank Group that do not yet meet the recognition criteria of a liability are considered contingent liabilities, hence, are not recognized in the financial statements. Judgment is exercised by management to distinguish between provisions and contingencies. 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, Loans and Other Receivables, are financial assets at FVOCI for life insurance contracts, and the analysis of the allowance for impairment on such financial assets, are shown in Notes 10.2, 10.3, 11, 16.1 and 18, 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, 10.2, and 16.1.

(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.

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. 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 17, 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, 2024 and 2023 is disclosed in Note 31.1.

(h) *Impairment of Non-financial Assets*

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 and other intangible assets with indefinite useful lives, PAS 36, *Impairment of Assets*, requires that an impairment review be performed when certain impairment indicators are present. 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 18.



(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 the 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.

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, lapses and valuation method subject to the provisions of the Code and guidelines set by the 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 MfAD 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, discount rate and expense.

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 16.2).

(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**

The BOD 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.

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, information technology (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 2024, 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.

#### 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, 2024 and 2023 in accordance with account classification of the BSP are presented 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

		2024				
		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	109,744	P -	P -	P -	P 109,744
Due from BSP and other banks		181,756	17,333	82,281	58,671	340,041
Trading and investment securities		112,439	66,574	164,087	533,008	876,108
Loans and other receivables - net		696,608	383,062	687,332	1,505,516	3,272,518
Investment securities and other assets for life insurance contracts - net		2,914	5,545	12,153	101,299	121,911
Other resources - net*		9,184	2	3	146,539	155,728
Total Resources		1,112,645	472,516	945,856	2,345,033	4,876,050
Liabilities and Equity:						
Deposit liabilities		1,188,587	203,537	1,351,615	1,050,288	3,794,027
Bills payable		28,600	122,430	104,107	6,333	261,470
Insurance contract and other liabilities for life insurance contracts**		1,278	407	( 2,326)	92,112	91,471
Other liabilities		70,347	1,834	1,909	77,597	151,687
Total Liabilities		1,288,812	328,208	1,455,305	1,226,330	4,298,655
Equity		-	-	-	577,395	577,395
Total Liabilities and Equity		1,288,812	328,208	1,455,305	1,803,725	4,876,050
On-book gap (Balance carried forward)	(P	176,167)	P 144,308	(P 509,449)	P 541,308	P -

**BDO Unibank Group**

	2024				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
On-book gap (Balance brought forward)	(P 176,167)	P 144,308	(P 509,449)	P 541,308	P -
Cumulative on-book gap	( 176,167)	( 31,859)	( 541,308)	-	-
Contingent assets	465,296	69,102	32,440	19,804	586,642
Contingent liabilities	512,737	75,437	32,375	22,091	642,640
Off-book gap	( 47,441)	( 6,335)	65	( 2,287)	( 55,998)
Net Periodic Gap	( 223,608)	137,973	( 509,384)	539,021	55,998
Cumulative Total Gap	(P 223,608)	(P 85,635)	(P 595,019)	(P 55,998)	P -

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

\*\* Insurance contract and other liabilities for life insurance contracts with more than one year to three years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

	2023				
	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 94,278	P -	P -	P -	P 94,278
Due from BSP and other banks	219,221	18,098	106,415	77,316	421,050
Trading and investment securities	132,187	71,064	118,646	502,910	824,807
Loans and other receivables - net	571,072	339,043	613,716	1,358,114	2,881,945
Investment securities and other assets for life insurance contracts - net	3,993	7,256	12,131	92,221	115,601
Other resources - net*	3,123	1	3	136,853	139,980
Total Resources	1,023,874	435,462	850,911	2,167,414	4,477,661
Liabilities and Equity:					
Deposit liabilities	1,075,259	174,678	1,300,373	1,017,240	3,567,550
Bills payable	46,576	32,008	104,880	6,118	189,582
Insurance contract and other liabilities					
life insurance contracts**	2,369	( 405)	1,199	79,358	82,521
Other liabilities	46,917	354	1,845	70,338	119,454
Total Liabilities	1,171,121	206,635	1,408,297	1,173,054	3,959,107
Equity	-	-	-	518,554	518,554
Total Liabilities and Equity	1,171,121	206,635	1,408,297	1,691,608	4,477,661
On-book gap	( 147,247)	228,827	( 557,386)	475,806	-
Cumulative on-book gap	( 147,247)	81,580	( 475,806)	-	-
Contingent assets	328,348	67,910	26,231	17,346	439,835
Contingent liabilities	413,073	69,394	28,686	17,311	528,464
Off-book gap	( 84,725)	( 1,484)	( 2,455)	35	( 88,629)
Net Periodic Gap	( 231,972)	227,343	( 559,841)	475,841	88,629
Cumulative Total Gap	(P 231,972)	(P 4,629)	(P 564,470)	(P 88,629)	P -

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

\*\* Insurance contract and other liabilities for life insurance contracts 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**

		2024				
		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	105,767	P -	P -	P -	P 105,767
Due from BSP and other banks		168,824	14,857	82,281	58,364	324,326
Trading and investment securities		108,863	63,829	152,708	514,588	839,988
Loans and other receivables – net		699,868	357,374	644,424	1,467,091	3,168,757
Other resources – net*		-	-	-	202,360	202,360
Total Resources		<u>1,083,322</u>	<u>436,060</u>	<u>879,413</u>	<u>2,242,403</u>	<u>4,641,198</u>
Liabilities and Equity:						
Deposit liabilities		1,154,745	202,915	1,351,427	976,965	3,686,052
Bills payable		31,499	111,142	91,862	5,785	240,288
Other liabilities		<u>50,917</u>	<u>1,565</u>	<u>-</u>	<u>87,061</u>	<u>139,543</u>
Total Liabilities		1,237,161	315,622	1,443,289	1,069,811	4,065,883
Equity		-	-	-	575,315	575,315
Total Liabilities and Equity		<u>1,237,161</u>	<u>315,622</u>	<u>1,443,289</u>	<u>1,645,126</u>	<u>4,641,198</u>
On-book gap		( 153,839 )	120,438	( 563,876 )	597,277	-
Cumulative on-book gap		( 153,839 )	( 33,401 )	( 597,277 )	-	-
Contingent assets		454,069	59,596	2,194	2,135	517,994
Contingent liabilities		<u>501,492</u>	<u>66,116</u>	<u>2,224</u>	<u>2,143</u>	<u>571,975</u>
Off-book gap		( 47,423 )	( 6,520 )	( 30 )	( 8 )	( 53,981 )
Net Periodic Gap		( 201,262 )	113,918	( 563,906 )	597,269	53,981
Cumulative Total Gap		(P 201,262)	(P 87,344)	(P 651,250)	(P 53,981)	P -

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

		2023				
		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	91,635	P -	P -	P -	P 91,635
Due from BSP and other banks		212,083	14,983	106,413	75,740	409,219
Trading and investment securities		128,210	66,734	113,451	479,296	787,691
Loans and other receivables – net		567,671	320,813	575,731	1,345,332	2,809,547
Other resources – net*		-	-	-	164,555	164,555
Total Resources		<u>999,599</u>	<u>402,530</u>	<u>795,595</u>	<u>2,064,923</u>	<u>4,262,647</u>
Liabilities and Equity:						
Deposit liabilities		1,055,779	173,870	1,299,973	947,245	3,476,867
Bills payable		23,379	26,278	115,771	2,560	167,988
Other liabilities		<u>38,157</u>	<u>-</u>	<u>344</u>	<u>69,094</u>	<u>107,595</u>
Total Liabilities		1,117,315	200,148	1,416,088	1,018,899	3,752,450
Equity		-	-	-	510,197	510,197
Total Liabilities and Equity		<u>1,117,315</u>	<u>200,148</u>	<u>1,416,088</u>	<u>1,529,096</u>	<u>4,262,647</u>
On-book gap (Balance carried forward)		(P 117,716)	P 202,382	(P 620,493)	P 535,827	P -

Parent Bank

	2023				
	One to Three Months	More Than Three Months to One Year	More Than One Year to Three Years	More Than Three Years	Total
On-book gap (Balance brought forward)	(P 117,716)	P 202,382	(P 620,493)	P 535,827	P -
Cumulative on-book gap	( 117,716)	84,666	( 535,827)	-	-
Contingent assets	289,716	43,534	2,469	1,053	336,772
Contingent liabilities	374,683	45,129	5,045	1,051	425,908
Off-book gap	( 84,967)	( 1,595)	( 2,576)	2	( 89,136)
Net Periodic Gap	( 202,683)	200,787	( 623,069)	535,829	89,136
Cumulative Total Gap	(P 202,683)	(P 1,896)	(P 624,965)	(P 89,136)	P -

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

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, 2024 and 2023 is as follows.

#### **BDO Unibank Group**

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	P 112	P 359,225	P 359,337	P 58	P 429,296	P 429,354
Due from other banks	83,859	6,589	90,448	79,790	6,184	85,974
Trading and investment securities:						
At FVTPL	7,440	20,489	27,929	3,717	11,032	14,749
At FVOCI	124,185	148,040	272,225	94,236	142,342	236,578
At amortized cost	188,376	387,578	575,954	207,053	366,427	573,480
Investment securities and other assets for life insurance contracts - net	9,824	107,818	117,642	9,014	102,148	111,162
Loans and other receivables	325,754	2,946,764	3,272,518	309,951	2,571,994	2,881,945
Other resources	10,322	1,481	11,803	9,023	5,938	14,961
	<u>P 749,872</u>	<u>P 3,977,984</u>	<u>P 4,727,856</u>	<u>P 712,842</u>	<u>P 3,635,361</u>	<u>P 4,348,203</u>

**BDO Unibank Group**

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Liabilities:						
Deposit liabilities	P 474,428	P 3,319,599	P 3,794,027	P 484,860	P 3,082,690	P 3,567,550
Bills payable	121,451	140,019	261,470	115,768	73,814	189,582
Insurance contract and other liabilities for life insurance contracts	8,316	82,699	91,015	8,227	73,828	82,055
Other liabilities	14,761	125,028	139,789	12,369	97,558	109,927
	<u>P 618,956</u>	<u>P 3,667,345</u>	<u>P 4,286,301</u>	<u>P 621,224</u>	<u>P 3,327,890</u>	<u>P 3,949,114</u>

**Parent Bank**

	2024			2023		
	Foreign Currencies	Philippine Pesos	Total	Foreign Currencies	Philippine Pesos	Total
Resources:						
Cash and other cash items and due from BSP	P 62	P 352,520	P 352,582	P 54	P 424,009	P 424,063
Due from other banks	77,090	421	77,511	76,514	277	76,791
Trading and investment securities:						
At FVTPL	6,047	15,927	21,974	2,711	5,758	8,469
At FVOCI	122,742	139,147	261,889	93,096	131,483	224,579
At amortized cost	183,854	372,271	556,125	201,824	352,819	554,643
Loans and other receivables	325,115	2,843,642	3,168,757	309,287	2,500,260	2,809,547
Other resources	10,300	1,162	11,462	8,988	1,100	10,088
	<u>P 725,210</u>	<u>P 3,725,090</u>	<u>P 4,450,300</u>	<u>P 692,474</u>	<u>P 3,415,706</u>	<u>P 4,108,180</u>
Liabilities:						
Deposit liabilities	P 465,240	P 3,220,812	P 3,686,052	P 475,751	P 3,001,116	P 3,476,867
Bills payable	120,720	119,568	240,288	115,088	52,900	167,988
Other liabilities	14,490	114,556	129,046	12,055	87,454	99,509
	<u>P 600,450</u>	<u>P 3,454,936</u>	<u>P 4,055,386</u>	<u>P 602,894</u>	<u>P 3,141,470</u>	<u>P 3,744,364</u>

**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, 2024 and 2023 based on the expected interest realization or recognition are shown below and in the succeeding pages.

**BDO Unibank Group**

	2024					
	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 109,744	P 109,744
Due from BSP and other banks	23,560	2,476	-	-	314,005	340,041
Trading and investment securities	93,212	66,782	384,359	303,826	27,929	876,108
Loans and other receivables – net	1,709,633	515,177	934,694	122,546	( 9,532)	3,272,518
Investment securities and other assets for life insurance contracts – net	1,494	4,514	22,326	49,552	44,025	121,911
Other resources – net*	-	2	3	-	155,723	155,728
Total Resources	<u>1,827,899</u>	<u>588,951</u>	<u>1,341,382</u>	<u>475,924</u>	<u>641,894</u>	<u>4,876,050</u>
Liabilities and Equity:						
Deposit liabilities	1,533,289	228,105	13,091	383	2,019,159	3,794,027
Bills payable	80,624	85,412	95,434	-	-	261,470
Insurance contract and other liabilities for life insurance contracts**	2,556	( 3,893)	( 2,242)	64,880	30,170	91,471
Other liabilities	-	200	1,317	2,508	147,662	151,687
Total Liabilities	1,616,469	309,824	107,600	67,771	2,196,991	4,298,655
Equity	-	-	-	-	577,395	577,395
Total Liabilities and Equity	<u>1,616,469</u>	<u>309,824</u>	<u>107,600</u>	<u>67,771</u>	<u>2,774,386</u>	<u>4,876,050</u>
On-book gap	<u>211,430</u>	<u>279,127</u>	<u>1,233,782</u>	<u>408,153</u>	<u>( 2,132,492)</u>	<u>-</u>
Cumulative on-book gap	<u>211,430</u>	<u>490,557</u>	<u>1,724,339</u>	<u>2,132,492</u>	<u>-</u>	<u>-</u>
Contingent assets	62,007	292	-	-	-	62,299
Contingent liabilities	37,183	-	24,584	-	-	61,767
Off-book gap	<u>24,824</u>	<u>292</u>	<u>( 24,584)</u>	<u>-</u>	<u>-</u>	<u>532</u>
Net Periodic Gap	<u>236,254</u>	<u>279,419</u>	<u>1,209,198</u>	<u>408,153</u>	<u>( 2,132,492)</u>	<u>( 532 )</u>
Cumulative Total Gap	<u>P 236,254</u>	<u>P 515,673</u>	<u>P 1,724,871</u>	<u>P 2,133,024</u>	<u>P 532</u>	<u>P -</u>

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

\*\* Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

BDO Unibank Group

		2023					
		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 94,278	P 94,278
Due from BSP and other banks		64,132	3,103	-	-	353,815	421,050
Trading and investment securities		124,282	71,063	325,604	290,762	13,096	824,807
Loans and other receivables – net		1,392,152	440,434	949,395	101,493	( 1,529)	2,881,945
Investment securities and other assets for life insurance contracts – net		1,874	4,805	11,079	57,750	40,093	115,601
Other resources – net*		-	-	-	-	139,980	139,980
Total Resources		<u>1,582,440</u>	<u>519,405</u>	<u>1,286,078</u>	<u>450,005</u>	<u>639,733</u>	<u>4,477,661</u>
Liabilities and Equity:							
Deposit liabilities		1,409,286	198,505	28,293	450	1,931,016	3,567,550
Bills payable		80,393	14,832	88,821	5,536	-	189,582
Insurance contract and other liabilities for life insurance contracts**	(	1,171)	( 2,912)	( 2,568)	52,525	36,647	82,521
Other liabilities		-	211	959	2,489	115,795	119,454
Total Liabilities		<u>1,488,508</u>	<u>210,636</u>	<u>115,505</u>	<u>61,000</u>	<u>2,083,458</u>	<u>3,959,107</u>
Equity		-	-	-	-	518,554	518,554
Total Liabilities and Equity		<u>1,488,508</u>	<u>210,636</u>	<u>115,505</u>	<u>61,000</u>	<u>2,602,012</u>	<u>4,477,661</u>
On-book gap		<u>93,932</u>	<u>308,769</u>	<u>1,170,573</u>	<u>389,005</u>	<u>( 1,962,279)</u>	<u>-</u>
Cumulative on-book gap		<u>93,932</u>	<u>402,701</u>	<u>1,573,274</u>	<u>1,962,279</u>	<u>-</u>	<u>-</u>
Contingent assets		30,906	5,550	355	-	-	36,811
Contingent liabilities		<u>27,727</u>	<u>277</u>	<u>8,383</u>	<u>-</u>	<u>-</u>	<u>36,387</u>
Off-book gap		<u>3,179</u>	<u>5,273</u>	<u>( 8,028)</u>	<u>-</u>	<u>-</u>	<u>424</u>
Net Periodic Gap		<u>97,111</u>	<u>314,042</u>	<u>1,162,545</u>	<u>389,005</u>	<u>( 1,962,279)</u>	<u>( 424)</u>
Cumulative Total Gap	P	<u>97,111</u>	<u>411,153</u>	<u>1,573,698</u>	<u>1,962,703</u>	<u>424</u>	<u>-</u>

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

\*\* Insurance Contract and Other Liabilities for Life Insurance Contracts with maturities of one to three months, more than three months to one year and more than one year to five years have negative aging because the renewal premiums (inflow) are greater than the expected insurance benefit liability.

**Parent Bank**

2024						
	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 105,767	P 105,767
Due from BSP and other banks	45,000	-	-	-	279,326	324,326
Trading and investment securities	91,586	63,829	369,183	293,415	21,975	839,988
Loans and other receivables - net	1,707,596	504,686	852,816	103,659	-	3,168,757
Other resources - net*	-	-	-	-	202,360	202,360
Total Resources	<u>1,844,182</u>	<u>568,515</u>	<u>1,221,999</u>	<u>397,074</u>	<u>609,428</u>	<u>4,641,198</u>
Liabilities and Equity:						
Deposit liabilities	1,502,972	224,217	17,189	374	1,941,300	3,686,052
Bills payable	68,513	74,125	97,650	-	-	240,288
Other liabilities	-	-	-	-	139,543	139,543
Total Liabilities	1,571,485	298,342	114,839	374	2,080,843	4,065,883
Equity	-	-	-	-	575,315	575,315
Total Liabilities and Equity	<u>1,571,485</u>	<u>298,342</u>	<u>114,839</u>	<u>374</u>	<u>2,656,158</u>	<u>4,641,198</u>
On-book gap	<u>272,697</u>	<u>270,173</u>	<u>1,107,160</u>	<u>396,700</u>	( 2,046,730)	-
Cumulative on-book gap	<u>272,697</u>	<u>542,870</u>	<u>1,650,030</u>	<u>2,046,730</u>	-	-
Contingent assets	57,210	3,447	-	-	-	60,657
Contingent liabilities	56,700	3,447	-	-	-	60,147
Off-book gap	510	-	-	-	-	510
Net Periodic Gap	<u>273,207</u>	<u>270,173</u>	<u>1,107,160</u>	<u>396,700</u>	( 2,046,730)	( 510)
Cumulative Total Gap	<u>P 273,207</u>	<u>P 543,380</u>	<u>P 1,650,540</u>	<u>P 2,047,240</u>	<u>P 510</u>	<u>P -</u>

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, and Other Resources - net.

2023						
	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 91,635	P 91,635
Due from BSP and other banks	58,963	-	-	-	350,256	409,219
Trading and investment securities	121,949	66,734	297,562	292,977	8,469	787,691
Loans and other receivables - net	1,390,145	431,677	879,690	108,035	-	2,809,547
Other resources - net*	-	-	-	-	164,555	164,555
Total Resources	<u>P 1,571,057</u>	<u>P 498,411</u>	<u>P 1,177,252</u>	<u>P 401,012</u>	<u>P 614,915</u>	<u>P 4,262,647</u>

Parent Bank

		2023				
	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
Liabilities and Equity:						
Deposit liabilities	P 1,381,980	P 194,465	P 26,424	P 5,980	P 1,868,018	P 3,476,867
Bills payable	57,712	9,667	94,174	6,435	-	167,988
Other liabilities	-	-	-	-	107,595	107,595
Total Liabilities	1,439,692	204,132	120,598	12,415	1,975,613	3,752,450
Equity	-	-	-	-	510,197	510,197
Total Liabilities and Equity	1,439,692	204,132	120,598	12,415	2,485,810	4,262,647
On-book gap	131,365	294,279	1,056,654	388,597	( 1,870,895)	-
Cumulative on-book gap	131,365	425,644	1,482,298	1,870,895	-	-
Contingent assets	26,948	7,466	-	-	-	34,414
Contingent liabilities	26,655	7,345	-	-	-	34,000
Off-book gap	293	121	-	-	-	414
Net Periodic Gap	131,658	294,400	1,056,654	388,597	( 1,870,895)	( 414 )
Cumulative Total Gap	P 131,658	P 426,058	P 1,482,712	P 1,871,309	P 414	P -

\* Other resources include Premises, Furniture, Fixtures and Equipment, Investment Properties, Equity Investments - net, 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. 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:

	<u>2024</u>		<u>2023</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
<b><u>BDO Unibank Group</u></b>				
Foreign currency risk	(P 20)	(P 261)	(P 12)	(P 128)
Interest rate risk – Peso	( 38)	( 992)	( 124)	( 2,217)
Interest rate risk – USD	( 11)	( 182)	( 10)	( 200)
	<u>(P 69)</u>	<u>(P 1,435)</u>	<u>(P 146)</u>	<u>(P 2,545)</u>
<b><u>Parent Bank</u></b>				
Foreign currency risk	(P 20)	(P 258)	(P 12)	(P 126)
Interest rate risk – Peso	( 37)	( 948)	( 53)	( 1,052)
Interest rate risk – USD	( 9)	( 160)	( 3)	( 48)
	<u>(P 66)</u>	<u>(P 1,366)</u>	<u>(P 68)</u>	<u>(P 1,226)</u>

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 2024 and 2023 is shown in the succeeding pages.

**BDO Unibank Group**

2024			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 3,063) P 3,063	(P 1,532) P 1,532	
As a percentage of the BDO Unibank Group's net interest income	( 1.64%) 1.64%	( 0.82%) 0.82%	
EAR	P 22,690		
As a percentage of the BDO Unibank Group's net interest income	12.16%		
Average (1yr) EAR	P 17,867		
Average (1yr) Stress EAR	P 21,335		

2023			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 1,681) P 1,681	(P 840) P 840	
As a percentage of the BDO Unibank Group's net interest income	( 0.90%) 0.90%	( 0.45%) 0.45%	
EAR	P 16,394		
As a percentage of the BDO Unibank Group's net interest income	8.80%		
Average (1yr) EAR	P 16,426		
Average (1yr) Stress EAR	P 19,249		

**Parent Bank**

2024			
Change in Interest Rates (in basis points)			
-100	+100	-50	+50
Change on annualized net interest income	(P 3,301) P 3,301	(P 1,650) P 1,650	
As a percentage of the Parent Bank's net interest income	( 1.85%) 1.85%	( 0.92%) 0.92%	
EAR	P 23,047		
As a percentage of the Parent Bank's net interest income	12.89%		
Average (1yr) EAR	P 18,067		
Average (1yr) Stress EAR	P 28,228		

Parent Bank

	2023			
	Change in Interest Rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 1,974)	P 1,974	(P 987)	P 987
As a percentage of the Parent Bank's net interest income	(1.13%)	1.13%	(0.56%)	0.56%
EAR	P 17,100			
As a percentage of the Parent Bank's net interest income	9.80%			
Average (1yr) EAR	P 16,852			
Average (1yr) Stress EAR	P 21,649			

**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, 2024 and 2023. The results are based on the volatility assumption of the benchmark equity index, which was 2.58% and 2.31% in 2024 and 2023, 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			Impact on Other Comprehensive Income		
	Increase			Increase		
	2024	2023	2022	2024	2023	2022
<b>BDO Unibank Group</b>						
Financial assets at FVTPL	P 284	P 609	P 1,054	P -	P -	P -
Financial assets at FVOCI	-	-	-	340	114	158
	<u>P 284</u>	<u>P 609</u>	<u>P 1,054</u>	<u>P 340</u>	<u>P 114</u>	<u>P 158</u>
<b>Parent Bank</b>						
Financial assets at FVOCI	P -	P -	P -	P 12	P 36	P 25

### **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.

(c) *Adversely Classified*

Past due or individually impaired financial assets comprise accounts under the following loan classification:

(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.

(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

This section sets out information about the credit quality of loans and other receivables, financial assets measured at amortized cost, FVOCI debt investments. Unless specifically indicated for financial assets, the amounts represent gross carrying amounts. For loan commitments and other contingent accounts, the amounts in the table, represent the amounts committed. As of December 31, 2024 and 2023, 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, 2024 and 2023 for each internal risk grade and the related allowance for ECL:

#### **BDO Unibank Group**

		2024			
		Stage 1	Stage 2	Stage 3	Total
<b>Due from Other Banks</b>					
Grades AAA to B : Pass/Current	P	90,485	P -	P -	P 90,485
ECL allowance	(	37)	-	-	( 37)
Carrying amount	<u>P</u>	<u>90,448</u>	<u>P -</u>	<u>P -</u>	<u>P 90,448</u>
<b>Receivables from customers - corporate</b>					
Grades AAA to B : Pass/Current	P	2,370,326	P -	P -	P 2,370,326
Grade B- : Watchlisted		25	6,673	312	7,010
Grade C : EM	-		28,697	1,995	30,692
Grade D : Substandard	-		17,067	5,744	22,811
Grade E : Doubtful	-		-	8,390	8,390
Grade F : Loss	-		-	2,883	2,883
		<u>2,370,351</u>	<u>52,437</u>	<u>19,324</u>	<u>2,442,112</u>
ECL allowance	(	6,174)	( 32,673)	( 15,379)	( 54,226)
Carrying amount	<u>P</u>	<u>2,364,177</u>	<u>P 19,764</u>	<u>P 3,945</u>	<u>P 2,387,886</u>
<b>Receivables from customers - consumer</b>					
Grades AAA to B : Pass/Current	P	737,400	P -	P 105	P 737,505
Grade B- : Watchlisted	-		174	7	181
Grade C : EM	8		1,629	22	1,659
Grade D : Substandard	-		2,881	4,883	7,764
Grade E : Doubtful	-		-	6,841	6,841
Grade F : Loss	-		-	29,168	29,168
		<u>737,408</u>	<u>4,684</u>	<u>41,026</u>	<u>783,118</u>
ECL allowance	(	10,594)	( 1,897)	( 22,380)	( 34,871)
Carrying amount	<u>P</u>	<u>726,814</u>	<u>P 2,787</u>	<u>P 18,646</u>	<u>P 748,247</u>
<b>Other receivables</b>					
Grades AAA to B : Pass/Current	P	134,595	P -	P -	P 134,595
Grade D : Substandard		54	211	897	1,162
Grade E : Doubtful		556	446	482	1,484
Grade F : Loss		25	-	2,113	2,138
		<u>135,230</u>	<u>657</u>	<u>3,492</u>	<u>139,379</u>
ECL allowance	(	523)	( 55)	( 2,416)	( 2,994)
Carrying amount	<u>P</u>	<u>134,707</u>	<u>P 602</u>	<u>P 1,076</u>	<u>P 136,385</u>
<b>Debt investment securities at amortized cost</b>					
Grades AAA to B : Pass/Current	P	576,083	P -	P -	P 576,083
Grade E : Doubtful	-		-	1,656	1,656
Grade F : Loss	-		60	267	327
		<u>576,083</u>	<u>60</u>	<u>1,923</u>	<u>578,066</u>
ECL allowance	(	129)	( 60)	( 1,923)	( 2,112)
Carrying amount	<u>P</u>	<u>575,954</u>	<u>P -</u>	<u>P -</u>	<u>P 575,954</u>

**BDO Unibank Group**

		2024			
		Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at FVOCI</b>					
Grades AAA to B : Pass/Current	P	270,029	P -	P -	P 270,029
Grade E : Doubtful		-	-	119	119
		<u>270,029</u>	<u>-</u>	<u>119</u>	<u>270,148</u>
ECL allowance		-	-	(4)	(4)
Carrying amount	P	<u>270,029</u>	<u>-</u>	<u>115</u>	<u>270,144</u>
<b>Investment securities and other assets for life insurance contracts</b>					
Grades AAA to B : Pass/Current	P	74,799	P -	P -	P 74,799
Grade C : EM		-	27	-	27
Grade D : Substandard		-	-	21	21
Grade E : Doubtful		-	-	74	74
Grade F : Loss		-	-	166	166
		<u>74,799</u>	<u>27</u>	<u>261</u>	<u>75,087</u>
ECL allowance	(	<u>11</u> )	(2)	(33)	(46)
Carrying amount	P	<u>74,788</u>	<u>25</u>	<u>228</u>	<u>75,041</u>
<b>Loan commitments and other contingent accounts</b>					
Grades AAA to B : Pass/Current	P	736,794	P -	P -	P 736,794
Grade B : Watchlisted		-	-	-	-
Grade C : EM		-	347	-	347
Grade D : Substandard		-	-	-	-
		<u>736,794</u>	<u>347</u>	<u>-</u>	<u>737,141</u>
ECL allowance	(	<u>89</u> )	(29)	-	(118)
Carrying amount	P	<u>736,705</u>	<u>318</u>	<u>-</u>	<u>737,023</u>
		2023			
		Stage 1	Stage 2	Stage 3	Total
<b>Due from Other Banks</b>					
Grades AAA to B : Pass/Current	P	86,032	P -	P -	P 86,032
ECL allowance	(	<u>58</u> )	-	-	(58)
Carrying amount	P	<u>85,974</u>	<u>-</u>	<u>-</u>	<u>85,974</u>
<b>Receivables from customers - corporate</b>					
Grades AAA to B : Pass/Current	P	2,101,888	P -	P -	P 2,101,888
Grade B : Watchlisted		9	8,773	143	8,925
Grade C : EM		51	40,554	1,462	42,067
Grade D : Substandard		-	13,562	5,580	19,142
Grade E : Doubtful		-	-	7,673	7,673
Grade F : Loss		-	-	3,781	3,781
		<u>2,101,948</u>	<u>62,889</u>	<u>18,639</u>	<u>2,183,476</u>
ECL allowance	(	<u>6,248</u> )	(33,106)	(15,640)	(54,994)
Carrying amount	P	<u>2,095,700</u>	<u>29,783</u>	<u>2,999</u>	<u>2,128,482</u>
<b>Receivables from customers - consumer</b>					
Grades AAA to B : Pass/Current	P	627,269	P -	P 77	P 627,346
Grade B : Watchlisted		-	8	3	11
Grade C : EM		8	1,393	46	1,447
Grade D : Substandard		-	2,105	3,762	5,867
Grade E : Doubtful		-	-	5,085	5,085
Grade F : Loss		-	2	25,563	25,565
		<u>627,277</u>	<u>3,508</u>	<u>34,536</u>	<u>665,321</u>
ECL allowance	(	<u>8,593</u> )	(874)	(18,642)	(28,109)
Carrying amount	P	<u>618,684</u>	<u>2,634</u>	<u>15,894</u>	<u>637,212</u>

BDO Unibank Group

		2023			
		Stage 1	Stage 2	Stage 3	Total
Other receivables					
Grades AAA to B	: Pass/Current	P 114,478	P -	P -	P 114,478
Grade C	: EM	-	11	-	11
Grade D	: Substandard	535	432	725	1,692
Grade E	: Doubtful	-	-	383	383
Grade F	: Loss	25	-	2,370	2,395
		115,038	443	3,478	118,959
ECL allowance		( 238)	( 42)	( 2,428)	( 2,708)
Carrying amount		<u>P 114,800</u>	<u>P 401</u>	<u>P 1,050</u>	<u>P 116,251</u>
Debt investment securities at amortized cost					
Grades AAA to B	: Pass/Current	P 573,704	P -	P -	P 573,704
Grade B	: Watchlisted	-	56	-	56
Grade E	: Doubtful	-	-	1,580	1,580
Grade F	: Loss	-	-	266	266
		573,704	56	1,846	575,606
ECL allowance		( 231)	( 49)	( 1,846)	( 2,126)
Carrying amount		<u>P 573,473</u>	<u>P 7</u>	<u>P -</u>	<u>P 573,480</u>
Debt investment securities at FVOCI					
Grades AAA to B	: Pass/Current	P 234,884	P -	P -	P 234,884
Grade B	: Watchlisted	-	15	-	15
Carrying amount		<u>P 234,884</u>	<u>P 15</u>	<u>P -</u>	<u>P 234,899</u>
Investment securities and other assets for life insurance contracts					
Grades AAA to B	: Pass/Current	P 75,337	P -	P -	P 75,337
Grade C	: EM	-	61	-	61
Grade D	: Substandard	-	-	26	26
Grade E	: Doubtful	-	-	41	41
Grade F	: Loss	-	-	136	136
		75,337	61	203	75,601
ECL allowance		( 17)	( 3)	( 27)	( 47)
Carrying amount		<u>P 75,320</u>	<u>P 58</u>	<u>P 176</u>	<u>P 75,554</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Pass/Current	P 606,864	P -	P -	P 606,864
Grade B	: Watchlisted	-	-	49	49
Grade C	: EM	-	1,052	-	1,052
Grade D	: Substandard	-	27	-	27
		606,864	1,079	49	607,992
ECL allowance		( 176)	( 27)	-	( 203)
Carrying amount		<u>P 606,688</u>	<u>P 1,052</u>	<u>P 49</u>	<u>P 607,789</u>

The table below sets out the credit quality of trading debt securities of the BDO Unibank Group measured at FVTPL (see Note 10.1).

	2024	2023
Grade:		
AAA	<b>P 16,502</b>	P 6,039
AA+ to AA	<b>847</b>	550
BBB+ to BBB-	<b>1,151</b>	603
BB+ to BB-	<b>-</b>	<b>255</b>
	<u><b>P 18,500</b></u>	<u>P 7,447</u>

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 with investment grade counterparty banks. Derivative transactions with non-bank counterparties are on a fully secured basis.

	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
<b>2024</b>								
Derivative assets	P 323,067	P 8,291	P 566	P 18	P 300,238	P 4,615	P 22,263	P 3,658
Derivative liabilities	264,772	6,361	566	13	240,591	3,077	23,615	3,271
<b>2023</b>								
Derivative assets	P 216,702	P 6,070	P 465	P 3	P 178,277	P 2,154	P 37,960	P 3,913
Derivative liabilities	230,684	5,139	465	3	191,980	1,856	38,239	3,280

As of December 31, 2024 and 2023, the BDO Unibank Group held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P449,785 and P515,328, 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**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from Other Banks</b>				
Grades AAA to B : Pass/Current	P 77,542	P -	P -	P 77,542
ECL allowance	( 31)	-	-	( 31)
Carrying amount	<u>P 77,511</u>	<u>P -</u>	<u>P -</u>	<u>P 77,511</u>
<b>Receivables from customers - corporate</b>				
Grades AAA to B : Pass/Current	P 2,362,363	P -	P -	P 2,362,363
Grade B : Watchlisted	-	6,673	312	6,985
Grade C : EM	-	28,675	1,995	30,670
Grade D : Substandard	-	17,045	5,744	22,789
Grade E : Doubtful	-	-	8,390	8,390
Grade F : Loss	-	-	2,878	2,878
	<u>2,362,363</u>	<u>52,393</u>	<u>19,319</u>	<u>2,434,075</u>
ECL allowance	( 6,164)	( 32,643)	( 15,377)	( 54,184)
Carrying amount	<u>P 2,356,199</u>	<u>P 19,750</u>	<u>P 3,942</u>	<u>P 2,379,891</u>
<b>Receivables from customers - consumer</b>				
Grades AAA to B : Pass/Current	P 645,474	P -	P -	P 645,474
Grade B : Watchlisted	-	174	7	181
Grade C : EM	-	1,590	-	1,590
Grade D : Substandard	-	2,415	4,855	7,270
Grade E : Doubtful	-	-	6,495	6,495
Grade F : Loss	-	-	26,330	26,330
	<u>645,474</u>	<u>4,179</u>	<u>37,687</u>	<u>687,340</u>
ECL allowance	( 10,209)	( 1,817)	( 20,445)	( 32,471)
Carrying amount	<u>P 635,265</u>	<u>P 2,362</u>	<u>P 17,242</u>	<u>P 654,869</u>
<b>Other receivables</b>				
Grades AAA to B : Pass/Current	P 132,756	P -	P -	P 132,756
Grade D : Substandard	53	77	490	620
Grade E : Doubtful	556	446	465	1,467
Grade F : Loss	-	-	1,913	1,913
	<u>133,365</u>	<u>523</u>	<u>2,868</u>	<u>136,756</u>
ECL allowance	( 476)	( 55)	( 2,228)	( 2,759)
Carrying amount	<u>P 132,889</u>	<u>P 468</u>	<u>P 640</u>	<u>P 133,997</u>

**Parent Bank**

		2024			
		Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at</b>					
<b>amortized cost</b>					
Grades AAA to B : Pass/Current	P	556,251	P -	P -	P 556,251
Grade E : Doubtful		-	-	1,656	1,656
Grade F : Loss		-	60	267	327
		556,251	60	1,923	558,234
ECL allowance	(	126)	(60)	(1,923)	(2,109)
Carrying amount	P	556,125	P -	P -	P 556,125
<b>Debt investment securities at FVOCI</b>					
Grades AAA to B : Pass/Current	P	259,858	P -	P -	P 259,858
Grade E : Doubtful		-	-	119	119
		259,858	-	119	259,977
ECL allowance	(	-	-	4)	(4)
Carrying amount	P	259,858	P -	P 115	P 259,973
<b>Loan commitments and other</b>					
<b>contingent accounts</b>					
Grades AAA to B : Pass/Current	P	736,794	P -	P -	P 736,794
Grade C : EM		-	347	-	347
		736,794	347	-	737,141
ECL allowance	(	89)	(29)	-	(118)
Carrying amount	P	736,705	P 318	P -	P 737,023
		2023			
		Stage 1	Stage 2	Stage 3	Total
<b>Due from Other Banks</b>					
Grades AAA to B : Pass/Current	P	76,846	P -	P -	P 76,846
ECL allowance	(	55)	-	-	(55)
Carrying amount	P	76,791	P -	P -	P 76,791
<b>Receivables from customers - corporate</b>					
Grades AAA to B : Pass/Current	P	2,094,050	P -	P -	P 2,094,050
Grade B : Watchlisted		-	8,710	143	8,853
Grade C : EM		-	40,546	1,462	42,008
Grade D : Substandard		-	13,539	5,576	19,115
Grade E : Doubtful		-	-	7,673	7,673
Grade F : Loss		-	-	3,779	3,779
		2,094,050	62,795	18,633	2,175,478
ECL allowance	(	6,238)	(33,069)	(15,638)	(54,945)
Carrying amount	P	2,087,812	P 29,726	P 2,995	P 2,120,533
<b>Receivables from customers - consumer</b>					
Grades AAA to B : Pass/Current	P	565,228	P -	P -	P 565,228
Grade B : Watchlisted		-	8	3	11
Grade C : EM		-	1,390	-	1,390
Grade D : Substandard		-	1,723	3,738	5,461
Grade E : Doubtful		-	-	4,741	4,741
Grade F : Loss		-	-	23,171	23,171
		565,228	3,121	31,653	600,002
ECL allowance	(	8,099)	(733)	(17,025)	(25,857)
Carrying amount	P	557,129	P 2,388	P 14,628	P 574,145
<b>Other receivables</b>					
Grades AAA to B : Pass/Current	P	113,642	P -	P -	P 113,642
Grade D : Substandard		534	417	218	1,169
Grade E : Doubtful		-	-	351	351
Grade F : Loss		-	-	2,275	2,275
		114,176	417	2,844	117,437
ECL allowance	(	185)	(42)	(2,341)	(2,568)
Carrying amount	P	113,991	P 375	P 503	P 114,869

Parent Bank

		2023			
		Stage 1	Stage 2	Stage 3	Total
Debt investment securities at amortized cost					
Grades AAA to B	: Pass/Current	P 554,856	P -	P -	P 554,856
Grade B	: Watchlisted	-	56	-	56
Grade E	: Doubtful	-	-	1,580	1,580
Grade F	: Loss	-	-	266	266
		554,856	56	1,846	556,758
ECL allowance		( 220)	( 49)	( 1,846)	( 2,115)
Carrying amount		<u>P 554,636</u>	<u>P 7</u>	<u>P -</u>	<u>P 554,643</u>
Debt investment securities at FVOCI					
Grades AAA to B	: Pass/Current	P 222,992	P -	P -	P 222,992
Grade B-	: Watchlisted	-	15	-	15
Carrying amount		<u>P 222,992</u>	<u>P 15</u>	<u>P -</u>	<u>P 223,007</u>
Loan commitments and other contingent accounts					
Grades AAA to B	: Pass/Current	P 606,864	P -	P -	P 606,864
Grade B	: Watchlisted	-	-	49	49
Grade C	: EM	-	1,052	-	1,052
Grade D	: Substandard	-	27	-	27
		606,864	1,079	49	607,992
ECL allowance		( 176)	( 27)	-	( 203)
Carrying amount		<u>P 606,688</u>	<u>P 1,052</u>	<u>P 49</u>	<u>P 607,789</u>

The table below sets out the credit quality of trading debt securities of the Parent Bank measured at FVTPL (see Note 10.1).

	2024	2023
Grade:		
AAA	P 15,869	P 5,693
AA+ to AA	747	352
BBB+ to BBB-	724	184
BB+ to BB-	-	82
	<u>P 17,340</u>	<u>P 6,311</u>

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
<b>2024</b>									
Derivative assets	P	300,803	P 4,633	P 566	P 18	P 300,237	P 4,615	P -	P -
Derivative liabilities		241,157	3,090	566	13	240,591	3,077	-	-
<b>2023</b>									
Derivative assets	P	178,742	P 2,157	P 465	P 3	P 178,277	P 2,154	P -	P -
Derivative liabilities		192,445	1,859	465	3	191,980	1,856	-	-

As of December 31, 2024 and 2023, the Parent Bank held Cash and Other Cash Items, Due from Other Banks and Due from BSP totaling to P430,093 and P500,854, 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 pages.

#### BDO Unibank Group

	2024							
	<u>Cash and Cash Equivalents*</u>		<u>Receivables from Customers**</u>		<u>Trading Investments Securities***</u>		<u>Investment Securities and Other Assets for Life Insurance Contracts</u>	
Concentration by sector:								
Financial and insurance activities	P	547,752	P	256,720	P	240,478	P	6,392
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use		-		567,360		1		2,031
Electricity, gas, steam and air-conditioning supply		-		405,938		20,084		1,477
Real estate activities		1		410,256		7,659		1,604
Wholesale and retail trade		-		397,620		41		-
Manufacturing		-		306,987		4,319		379
Information and communication		-		163,332		15,449		332
Transportation and storage		-		158,473		5,251		231
Construction		-		103,261		2,750		-
Education		-		82,186		-		-
Arts, entertainment and recreation		-		82,198		1,025		-
Water supply, sewerage waste management and remediation activities		-		52,768		515		-
Accommodation and food service activities		-		45,403		6,938		-
Human health and social work activities		-		39,406		2,460		-
Agriculture, forestry and fishing		-		35,865		-		-
Mining and quarrying		-		16,146		3,499		-
Administrative and support services		-		10,226		1		-
Professional, scientific and technical services		742		9,210		11,035		-
Public administrative and defense; compulsory social security		-		1,069		176		-
Activities of extraterritorial organizations and bodies		-		-		523,739		-
Other service activities		<u>315</u>		<u>80,806</u>		<u>26,040</u>		<u>69,639</u>
	P	<u>548,810</u>	P	<u>3,225,230</u>	P	<u>871,460</u>	P	<u>82,085</u>
Concentration by location:								
Philippines	P	412,236	P	3,063,270	P	703,017	P	82,085
Foreign countries		<u>136,574</u>		<u>161,960</u>		<u>168,443</u>		<u>-</u>
	P	<u>548,810</u>	P	<u>3,225,230</u>	P	<u>871,460</u>	P	<u>82,085</u>

\* 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 2.4).

\*\*Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

\*\*\*Trading and investment securities are reported as gross of allowance.



BDO Unibank Group

	2023							
	Cash and Cash Equivalents*		Receivables from Customers**		Trading Investments Securities***		Investment Securities and Other Assets for Life Insurance Contracts	
Concentration by sector:								
Financial and insurance activities	P	598,091	P	272,746	P	233,206	P	6,019
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use		-		453,579		-		2,569
Electricity, gas, steam and air-conditioning supply		-		369,626		4,122		1,486
Real estate activities		-		363,830		10,044		2,442
Wholesale and retail trade		-		356,962		114		-
Manufacturing		-		282,334		13,493		385
Information and communication		-		120,710		5,592		2,200
Transportation and storage		-		111,991		4,252		330
Construction		-		96,994		2		-
Education		-		74,033		-		-
Arts, entertainment and recreation		-		72,606		1,000		-
Water supply, sewerage waste management and remediation activities		-		46,112		541		-
Accommodation and food service activities		-		41,499		213		-
Human health and social work activities		-		34,431		1,533		-
Agriculture, forestry and fishing		-		33,163		113		-
Mining and quarrying		-		14,688		2,611		-
Administrative and support services		-		10,056		1,171		-
Professional, scientific and technical services		-		8,223		1,900		-
Public administrative and defense; compulsory social security		-		1,159		6,563		-
Activities of extraterritorial organizations and bodies		-		-		484,418		-
Other service activities		459		84,055		52,425		66,309
	P	598,550	P	2,848,797	P	823,313	P	81,740
Concentration by location:								
Philippines	P	471,119	P	2,692,006	P	682,002	P	81,740
Foreign countries		127,431		156,791		141,311		-
	P	598,550	P	2,848,797	P	823,313	P	81,740

\* 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 2.4).

\*\*Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

\*\*\*Trading and investment securities are reported as gross of allowance.

**Parent Bank**

	2024			2023		
	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 528,755	P 256,560	P 229,850	P 585,092	P 272,566	P 215,908
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	-	562,270	1	-	462,899	-
Electricity, gas, steam and air-conditioning supply	-	405,545	20,084	-	369,586	4,122
Real estate activities	-	411,703	7,053	-	365,008	9,174
Wholesale and retail trade	-	389,472	41	-	350,319	114
Manufacturing	-	305,351	4,085	-	280,839	13,146
Information and communication	-	163,187	15,081	-	120,497	5,255
Transportation and storage	-	158,348	5,151	-	112,117	4,252
Construction	-	101,743	2,750	-	95,384	2
Arts, entertainment and recreation	-	82,192	1,025	-	71,681	1,000
Water supply, sewerage waste management and remediation activities	-	52,696	515	-	46,006	541
Accommodation and food service activities	-	45,063	6,938	-	41,373	213
Human health and social work activities	-	39,174	2,460	-	34,238	1,533
Agriculture, forestry and fishing	-	15,428	-	-	18,358	113
Mining and quarrying	-	16,003	3,499	-	14,549	2,611
Administrative and support services	-	9,663	1	-	9,818	1,171
Education	-	8,899	-	-	9,496	-
Professional, scientific and technical services	742	9,127	11,036	-	8,150	1,900
Public administrative and defense; compulsory social security	-	1,002	177	-	1,147	6,564
Activities of extraterritorial organizations and bodies	-	-	523,739	-	-	483,905
Other service activities	-	87,989	4,200	-	91,449	36,001
	<b>P 529,497</b>	<b>P 3,121,415</b>	<b>P 837,686</b>	<b>P 585,092</b>	<b>P 2,775,480</b>	<b>P 787,525</b>
Concentration by location						
Philippines	P 395,425	P 2,959,455	P 673,423	P 459,261	P 2,618,689	P 649,726
Foreign countries	134,072	161,960	164,263	125,831	156,791	137,799
	<b>P 529,497</b>	<b>P 3,121,415</b>	<b>P 837,686</b>	<b>P 585,092</b>	<b>P 2,775,480</b>	<b>P 787,525</b>

\* 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 2.4).

\*\* Receivables from customers are reported as gross of allowance but net of unearned interests or discounts.

\*\*\*Trading and investment securities are reported as gross of allowance.

#### 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 in 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, 2024 and 2023, as follows:

	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
	<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Receivable from customers:				
Corporate:				
Property	P 898,649	P 839,930	P 892,521	P 838,521
Equity securities	200,021	209,053	200,021	208,257
Hold-out deposits	9,271	7,814	9,271	7,206
Debt securities	84,218	27,930	84,218	27,340
Others	<u>102,780</u>	<u>98,301</u>	<u>102,435</u>	<u>98,186</u>
	<u>1,294,939</u>	<u>1,183,028</u>	<u>1,288,466</u>	<u>1,179,510</u>
Consumer:				
Property	718,446	628,009	716,026	617,266
Debt securities	46	71	46	71
Equity securities	1	7	1	7
Hold-out deposits	534	644	534	644
Others	<u>227,788</u>	<u>207,540</u>	<u>225,403</u>	<u>207,540</u>
	<u>946,815</u>	<u>836,271</u>	<u>942,010</u>	<u>825,528</u>
Other receivables:				
Property	2,496	2,754	2,496	2,754
Others	<u>25,000</u>	<u>25,362</u>	<u>25,000</u>	<u>24,963</u>
	<u>27,496</u>	<u>28,116</u>	<u>27,496</u>	<u>27,717</u>
Investment securities and other assets for life insurance contracts:				
Property	<u>5,437</u>	<u>6,397</u>	<u>-</u>	<u>-</u>
	<b><u>P 2,274,687</u></b>	<b><u>P 2,053,812</u></b>	<b><u>P 2,257,972</u></b>	<b><u>P 2,032,755</u></b>

The BDO Unibank Group and the Parent Bank have acquired certain properties in settlement of loan account amounting to P5,411 and P5,313, respectively, in 2024 and P3,502 and P3,445, respectively, in 2023 (see Notes 14 and 17.4).

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 receivables (under stages 2 and 3) and the value of identifiable collateral held against those loans and advances as of December 31, 2024 and 2023 are as follows:

		<u>2024</u>		<u>2023</u>	
		<u>Net Carrying Amount</u>	<u>Identifiable Collateral</u>	<u>Net Carrying Amount</u>	<u>Identifiable Collateral</u>
<b><u>BDO Unibank Group</u></b>					
Receivable from customers:					
Corporate	P	23,709	P 47,617	P 32,782	P 50,434
Consumer		21,433	47,880	18,528	43,408
Investment securities and other assets for life insurance contracts		253	596	234	553
Other receivables		2,128	904	1,456	708
<b><u>Parent Bank</u></b>					
Receivable from customers:					
Corporate	P	23,692	P 47,617	P 32,721	P 49,961
Consumer		19,604	47,880	17,016	45,322
Other receivables		1,109	904	878	708

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, 2024 and 2023 as shown below:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Debt securities:				
At amortized cost	P 575,954	P 573,480	P 556,125	P 554,643
At FVOCI	270,144	234,899	259,973	223,007
At FVTPL	18,500	7,447	17,340	6,311
Investments securities for life insurance contracts	<u>80,052</u>	<u>79,163</u>	<u>-</u>	<u>-</u>
	<u>P 944,650</u>	<u>P 894,989</u>	<u>P 833,438</u>	<u>P 783,961</u>

**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, loss given default (LGD) and exposure at default (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 that could result to rescheduling or restructuring: (i) qualitative indicators, such as net losses, intermittent delays in payment, affected by adverse economic conditions; 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 of 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 increased significantly*

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 that could result to rescheduling or restructuring.

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 using 12-month ECL.

*(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 above, 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 2024.

*(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 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.

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.

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, 2024 and 2023:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Stage 1 (Performing)</b>				
Corporate	P 41,110	P 38,830	P 34,662	P 38,830
Consumer	<u>46,965</u>	<u>58,216</u>	<u>42,773</u>	<u>58,034</u>
	88,075	97,046	77,435	96,864
Allowance for impairment	( <u>247</u> )	( <u>424</u> )	( <u>230</u> )	( <u>413</u> )
	<u>P 87,828</u>	<u>P 96,622</u>	<u>P 77,205</u>	<u>P 96,451</u>
<b>Stage 2 (Underperforming)</b>				
Corporate	P 34,023	P 46,095	P 33,978	P 46,095
Consumer	<u>24,038</u>	<u>21,446</u>	<u>23,506</u>	<u>20,977</u>
	58,061	67,541	57,484	67,072
Allowance for impairment	( <u>23,563</u> )	( <u>17,612</u> )	( <u>23,546</u> )	( <u>17,560</u> )
	<u>P 34,498</u>	<u>P 49,929</u>	<u>P 33,938</u>	<u>P 49,512</u>
<b>Stage 3 (Non-performing)</b>				
Corporate	P 1,638	P 6,079	P 1,635	P 6,078
Consumer	<u>11,257</u>	<u>8,336</u>	<u>10,122</u>	<u>7,612</u>
	12,895	14,415	11,757	13,690
Allowance for impairment	( <u>5,458</u> )	( <u>8,361</u> )	( <u>4,956</u> )	( <u>7,801</u> )
	<u>P 7,437</u>	<u>P 6,054</u>	<u>P 6,801</u>	<u>P 5,889</u>

(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 has an enforceable right to receive payment amounting to P289 and P253, respectively, in 2024, and P306 and P279, respectively, in 2023.

(b) *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**

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<b>2024</b>				
Loans and discounts:				
Corporate	P 2,442,112	P 1,294,939	P 1,147,173	P 1,294,939
Consumer	783,118	946,815	-	783,118
Loans for life				
insurance contracts	2,031	5,437	-	2,031
Reverse repurchase				
agreements	25,463	25,000	463	25,000
Sales contracts receivables	<u>1,864</u>	<u>2,496</u>	<u>-</u>	<u>1,864</u>
	<b><u>P 3,254,588</u></b>	<b><u>P 2,274,687</u></b>	<b><u>P 1,147,636</u></b>	<b><u>P 2,106,952</u></b>

**2023**

Loans and discounts:				
Corporate	P 2,183,476	P 1,193,771	P 989,705	P 1,193,771
Consumer	665,321	825,528	-	665,321
Loans for life				
insurance contracts	2,569	6,397	-	2,569
Reverse repurchase				
agreements	25,370	25,362	8	25,362
Sales contracts receivables	<u>1,384</u>	<u>2,754</u>	<u>-</u>	<u>1,384</u>
	<b><u>P 2,878,120</u></b>	<b><u>P 2,053,812</u></b>	<b><u>P 989,713</u></b>	<b><u>P 1,888,407</u></b>

**Parent Bank**

	<u>Gross Maximum Exposure</u>	<u>Fair Value of Collaterals</u>	<u>Net Exposure</u>	<u>Financial Effect of Collaterals</u>
<b>2024</b>				
Loans and discounts:				
Corporate	P 2,434,075	P 1,288,466	P 1,145,609	P 1,288,466
Consumer	687,340	942,010	-	687,340
Reverse repurchase				
agreements	25,012	25,000	12	25,000
Sales contracts receivables	<u>1,843</u>	<u>2,496</u>	<u>-</u>	<u>1,843</u>
	<b><u>P 3,148,270</u></b>	<b><u>P 2,257,972</u></b>	<b><u>P 1,145,621</u></b>	<b><u>P 2,002,649</u></b>

Parent Bank

		<u>Gross Maximum Exposure</u>		<u>Fair Value of Collaterals</u>		<u>Net Exposure</u>		<u>Financial Effect of Collaterals</u>
<u>2023</u>								
Loans and discounts:								
Corporate	P	2,175,478	P	1,179,510	P	995,968	P	1,179,510
Consumer		600,002		825,528		-		600,002
Reverse repurchase agreements		24,970		24,963		7		24,963
Sales contracts receivables		<u>1,351</u>		<u>2,754</u>		<u>-</u>		<u>1,351</u>
	P	<u>2,801,801</u>	P	<u>2,032,755</u>	P	<u>995,975</u>	P	<u>1,805,826</u>

An analysis of the maximum credit risk exposure relating to Stage 3 financial assets as of December 31, 2024 and 2023 is shown below and in the succeeding page.

BDO Unibank Group

		<u>Gross Maximum Exposure</u>		<u>Fair Value of Collaterals</u>		<u>Net Exposure</u>		<u>Financial Effect of Collaterals</u>
<u>2024</u>								
Loans and discounts:								
Corporate	P	19,324	P	17,040	P	2,284	P	17,040
Consumer		41,026		43,833		-		41,026
Loans for life insurance contracts		253		538		-		253
Sales contracts receivables		<u>559</u>		<u>634</u>		<u>-</u>		<u>559</u>
	P	<u>61,162</u>	P	<u>62,045</u>	P	<u>2,284</u>	P	<u>58,878</u>

2023

Loans and discounts:								
Corporate	P	18,639	P	7,548	P	11,091	P	7,548
Consumer		34,536		41,865		-		34,536
Loans for life insurance contracts		196		432		-		196
Sales contracts receivables		<u>305</u>		<u>628</u>		<u>-</u>		<u>305</u>
	P	<u>53,676</u>	P	<u>50,473</u>	P	<u>11,091</u>	P	<u>42,585</u>

**Parent Bank**

	<b><u>Gross Maximum Exposure</u></b>	<b><u>Fair Value of Collaterals</u></b>	<b><u>Net Exposure</u></b>	<b><u>Financial Effect of Collaterals</u></b>
<b><u>2024</u></b>				
Loans and discounts:				
Corporate	P 19,319	P 17,040	P 2,279	P 17,040
Consumer	37,687	43,833	-	37,687
Sales contracts receivables	<u>559</u>	<u>634</u>	<u>-</u>	<u>559</u>
	<b><u>P 57,565</u></b>	<b><u>P 61,507</u></b>	<b><u>P 2,279</u></b>	<b><u>P 55,286</u></b>

**2023**

Loans and discounts:				
Corporate	P 18,633	P 7,548	P 11,085	P 7,548
Consumer	31,653	41,865	-	31,653
Sales contracts receivables	<u>305</u>	<u>628</u>	<u>-</u>	<u>305</u>
	<b><u>P 50,591</u></b>	<b><u>P 50,041</u></b>	<b><u>P 11,085</u></b>	<b><u>P 39,506</u></b>

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:

	<u>Notes</u>	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
		<b><u>2024</u></b>	<b><u>2023</u></b>	<b><u>2024</u></b>	<b><u>2023</u></b>
Cash equivalents	8, 9	<b><u>P 449,822</u></b>	<b><u>P 515,386</u></b>	<b><u>P 430,124</u></b>	<b><u>P 500,909</u></b>
Debt securities:					
At FVOCI	10.2	<b><u>270,148</u></b>	<b><u>234,899</u></b>	<b><u>259,977</u></b>	<b><u>223,007</u></b>
At amortized cost	10.3	<b><u>578,066</u></b>	<b><u>575,606</u></b>	<b><u>558,234</u></b>	<b><u>556,758</u></b>
Investments securities for life insurance contracts	16	<b><u>71,414</u></b>	<b><u>71,479</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
		<b><u>P 919,628</u></b>	<b><u>P 881,984</u></b>	<b><u>P 818,211</u></b>	<b><u>P 779,765</u></b>

Cash equivalents includes loans with 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 2024 and 2023, the BDO Unibank Group and the Parent Bank performed a 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 tables below and in the succeeding pages show the reconciliation from the opening to the closing balance of the loss allowance by class of financial instrument.

**BDO Unibank Group**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>				
Balance at January 1	P 58	P -	P -	P 58
Net remeasurement of loss allowance	( 21)	-	-	( 21)
Balance at December 31	<u>P 37</u>	<u>P -</u>	<u>P -</u>	<u>P 37</u>
<b>Receivables from customers –</b>				
<b>corporate</b>				
Balance at January 1	P 6,248	P 33,106	P 15,640	P 54,994
Transfers to:				
Stage 1	199	( 196)	( 3)	-
Stage 2	( 36)	( 1,571)	1,607	-
Stage 3	( 1)	4,192	( 4,191)	-
Net remeasurement of loss allowance	( 1,000)	2,424	2,217	3,641
New financial assets originated or purchased	3,208	1,605	1,447	6,260
Derecognition of financial assets	( 2,470)	( 6,888)	( 428)	( 9,786)
Write-offs	-	-	( 1,007)	( 1,007)
Foreign exchange	26	1	97	124
Balance at December 31	<u>P 6,174</u>	<u>P 32,673</u>	<u>P 15,379</u>	<u>P 54,226</u>
<b>Receivables from customers –</b>				
<b>consumer</b>				
Balance at January 1	P 8,593	P 874	P 18,642	P 28,109
Transfers to:				
Stage 1	810	( 214)	( 596)	-
Stage 2	( 242)	609	( 367)	-
Stage 3	( 2,225)	( 1,544)	3,769	-
Net remeasurement of loss allowance	1,426	2,114	10,030	13,570
New financial assets originated or purchased	2,895	322	1,658	4,875
Derecognition of financial assets	( 667)	( 263)	( 3,745)	( 4,675)
Write-offs	-	-	( 7,017)	( 7,017)
Foreign exchange	4	( 1)	6	9
Balance at December 31	<u>P 10,594</u>	<u>P 1,897</u>	<u>P 22,380</u>	<u>P 34,871</u>
<b>Other receivables</b>				
Balance at January 1	P 238	P 42	P 2,428	P 2,708
Transfers to:				
Stage 1	2	-	( 2)	-
Stage 2	-	6	( 6)	-
Stage 3	5	( 35)	30	-
Net remeasurement of loss allowance	( 15)	22	307	314
New financial assets originated or purchased	443	49	513	1,005
Derecognition of financial assets	( 152)	( 29)	( 655)	( 836)
Foreign exchange	2	-	-	2
Write-offs	-	-	( 199)	( 199)
Balance at December 31	<u>P 523</u>	<u>P 55</u>	<u>P 2,416</u>	<u>P 2,994</u>
<b>Debt investment securities at</b>				
<b>amortized cost</b>				
Balance at January 1	P 231	P 49	P 1,846	P 2,126
Transfers to:				
Stage 3	( 5)	-	5	-
Net remeasurement of loss allowance	( 67)	9	-	( 58)
New financial assets originated or purchased	29	-	-	29
Foreign exchange	14	2	72	88
Derecognition of financial assets	( 73)	-	-	( 73)
Balance at December 31	<u>P 129</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 2,112</u>

**BDO Unibank Group**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at FVOCI</b>				
Balance at January 1	P 102	P 97	P -	P 199
Transfers to:				
Stage 3	-	( 99)	99	-
Net remeasurement of loss allowance	( 25)	2	17	( 6)
New financial assets originated or purchased	20	-	-	20
Derecognition of financial assets	( 26)	-	-	( 26)
Balance at December 31	<u>P 71</u>	<u>P -</u>	<u>P 116</u>	<u>P 187</u>
<b>Investment securities and other assets for life insurance contracts</b>				
Balance at January 1	P 39	P 3	P 27	P 69
Transfers to:				
Stage 1	( 7)	2	5	-
Stage 2	-	( 4)	4	-
Net remeasurement of loss allowance	7	1	( 2)	6
Derecognition of financial assets	( 11)	-	( 1)	( 12)
Balance at December 31	<u>P 28</u>	<u>P 2</u>	<u>P 33</u>	<u>P 63</u>
<b>Loan commitments and other contingent accounts</b>				
Balance at January 1	P 176	P 27	P -	P 203
Net remeasurement of loss allowance	( 32)	2	-	( 30)
New financial assets originated or purchased	49	-	-	49
Derecognition of financial assets	( 107)	-	-	( 107)
Foreign exchange	3	-	-	3
Balance at December 31	<u>P 89</u>	<u>P 29</u>	<u>P -</u>	<u>P 118</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>				
Balance at January 1	P 15	P -	P -	P 15
Net remeasurement of loss allowance	46	-	-	46
Derecognition of financial assets	( 3)	-	-	( 3)
Balance at December 31	<u>P 58</u>	<u>P -</u>	<u>P -</u>	<u>P 58</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from customers – corporate</b>				
Balance at January 1	P 6,950	P 26,614	P 14,025	P 47,589
Transfers to:				
Stage 1	3,231	( 3,231)	-	-
Stage 2	( 57)	59	( 2)	-
Stage 3	( 3)	( 80)	83	-
Net remeasurement of loss allowance	( 4,446)	8,199	1,424	5,177
New financial assets originated or purchased	2,947	3,527	598	7,072
Derecognition of financial assets	( 2,370)	( 1,960)	( 207)	( 4,537)
Write-offs	-	-	( 275)	( 275)
Foreign exchange	( 4)	( 22)	( 6)	( 32)
Balance at December 31	<u>P 6,248</u>	<u>P 33,106</u>	<u>P 15,640</u>	<u>P 54,994</u>

BDO Unibank Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers –				
consumer				
Balance at January 1	P 6,608	P 889	P 18,665	P 26,162
Transfers to:				
Stage 1	1,120	( 117)	( 1,003)	-
Stage 2	( 95)	411	( 316)	-
Stage 3	( 744)	( 1,515)	2,259	-
Net remeasurement of loss allowance	246	951	6,113	7,310
New financial assets originated or purchased	2,338	400	2,265	5,003
Derecognition of financial assets	( 880)	( 145)	( 3,428)	( 4,453)
Write-offs	-	-	( 5,912)	( 5,912)
Foreign exchange	-	-	( 1)	( 1)
Balance at December 31	<u>P 8,593</u>	<u>P 874</u>	<u>P 18,642</u>	<u>P 28,109</u>
Other receivables				
Balance at January 1	P 101	P 78	P 2,398	P 2,577
Transfers to:				
Stage 1	22	( 2)	( 20)	-
Stage 2	-	1	( 1)	-
Stage 3	( 3)	( 37)	40	-
Net remeasurement of loss allowance	1	39	66	106
New financial assets originated or purchased	143	36	720	899
Derecognition of financial assets	( 26)	( 73)	( 670)	( 769)
Foreign exchange	-	-	2	2
Write-offs	-	-	( 107)	( 107)
Balance at December 31	<u>P 238</u>	<u>P 42</u>	<u>P 2,428</u>	<u>P 2,708</u>
Debt investment securities at				
amortized cost				
Balance at January 1	P 95	P 29	P 1,519	P 1,643
Transfers to:				
Stage 2	( 2)	2	-	-
Stage 3	( 111)	( 208)	319	-
Net remeasurement of loss allowance	131	226	17	374
New financial assets originated or purchased	132	-	-	132
Foreign exchange	-	-	( 9)	( 9)
Derecognition of financial assets	( 14)	-	-	( 14)
Balance at December 31	<u>P 231</u>	<u>P 49</u>	<u>P 1,846</u>	<u>P 2,126</u>
Debt investment securities at FVOCI				
Balance at January 1	P 43	P 60	P -	P 103
Net remeasurement of loss allowance	53	37	-	90
New financial assets originated or purchased	17	-	-	17
Derecognition of financial assets	( 11)	-	-	( 11)
Balance at December 31	<u>P 102</u>	<u>P 97</u>	<u>P -</u>	<u>P 199</u>
Investment securities and other assets				
for life insurance contracts				
Balance at January 1	P 29	P 1	P 26	P 56
Transfers to:				
Stage 1	( 8)	3	5	-
Stage 3	( 3)	-	3	-
Net remeasurement of loss allowance	22	-	( 6)	16
New financial assets originated or purchased	( 1)	-	-	( 1)
Derecognition of financial assets	( 1)	-	( 1)	( 2)
Balance at December 31	<u>P 38</u>	<u>P 4</u>	<u>P 27</u>	<u>P 69</u>



**BDO Unibank Group**

	2023			
	Stage 1	Stage 2	Stage 3	Total
Loan commitments and other				
contingent accounts				
Balance at January 1	P 233	P -	P -	P 233
Net remeasurement of loss allowance	( 130)	27	-	( 103)
New financial assets originated				
or purchased	119	-	-	119
Derecognition of financial assets	( 44)	-	-	( 44)
Foreign exchange	( 2)	-	-	( 2)
Balance at December 31	<u>P 176</u>	<u>P 27</u>	<u>P -</u>	<u>P 203</u>

**Parent Bank**

	2024			
	Stage 1	Stage 2	Stage 3	Total
Due from other banks				
Balance at January 1	P 55	P -	P -	P 55
Net remeasurement of loss allowance	( 24)	-	-	( 24)
Balance at December 31	<u>P 31</u>	<u>P -</u>	<u>P -</u>	<u>P 31</u>

**Receivables from customers –**

**corporate**

Balance at January 1	P 6,238	P 33,069	P 15,638	P 54,945
Transfers to:				
Stage 1	187	( 184)	( 3)	-
Stage 2	( 14)	( 1,593)	1,607	-
Stage 3	( 1)	4,193	( 4,192)	-
Net remeasurement of loss allowance	( 997)	2,428	2,218	3,649
New financial assets originated				
or purchased	3,203	1,605	1,447	6,255
Derecognition of financial assets	( 2,478)	( 6,876)	( 428)	( 9,782)
Write-offs	-	-	( 1,007)	( 1,007)
Foreign exchange	26	1	97	124
Balance at December 31	<u>P 6,164</u>	<u>P 32,643</u>	<u>P 15,377</u>	<u>P 54,184</u>

**Receivables from customers –**

**consumer**

Balance at January 1	P 8,099	P 733	P 17,025	P 25,857
Transfers to:				
Stage 1	568	( 81)	( 487)	-
Stage 2	( 217)	559	( 342)	-
Stage 3	( 1,695)	( 393)	2,088	-
Net remeasurement of loss allowance	1,352	925	10,121	12,398
New financial assets originated				
or purchased	2,676	294	1,544	4,514
Derecognition of financial assets	( 578)	( 219)	( 3,279)	( 4,076)
Write-offs	-	-	( 6,231)	( 6,231)
Foreign exchange	4	( 1)	6	9
Balance at December 31	<u>P 10,209</u>	<u>P 1,817</u>	<u>P 20,445</u>	<u>P 32,471</u>

**Other receivables**

Balance at January 1	P 185	P 42	P 2,341	P 2,568
Transfers to:				
Stage 1	2	-	( 2)	-
Stage 2	-	6	( 6)	-
Stage 3	5	( 1)	( 4)	-
Net remeasurement of loss allowance	( 14)	( 12)	225	199
New financial assets originated				
or purchased	443	49	507	999
Derecognition of financial assets	( 147)	( 29)	( 634)	( 810)
Write-offs	-	-	( 199)	( 199)
Foreign exchange	2	-	-	2
Balance at December 31	<u>P 476</u>	<u>P 55</u>	<u>P 2,228</u>	<u>P 2,759</u>

**Parent Bank**

		2024			
		Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at</b>					
<b>amortized cost</b>					
Balance at January 1	P	220	P 49	P 1,846	P 2,115
Transfers to:					
Stage 3	(	5)	-	5	-
Net remeasurement of loss allowance	(	59)	9	-	( 50 )
New financial assets originated or purchased		29	-	-	29
Foreign exchange		13	2	72	87
Derecognition of financial assets	(	72)	-	-	( 72 )
Balance at December 31	<u>P</u>	<u>126</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 2,109</u>
<b>Debt investment securities at FVOCI</b>					
Balance at January 1	P	102	P 97	P -	P 199
Transfers to:					
Stage 3	-	(	99)	99	-
Net remeasurement of loss allowance	(	25)	2	13	( 10 )
New financial assets originated or purchased		19	-	-	19
Derecognition of financial assets	(	26)	-	-	( 26 )
Balance at December 31	<u>P</u>	<u>70</u>	<u>P -</u>	<u>P 112</u>	<u>P 182</u>
<b>Loan commitments and other</b>					
<b>contingent accounts</b>					
Balance at January 1	P	176	P 27	P -	P 203
Net remeasurement of loss allowance	(	32)	2	-	( 30 )
New financial assets originated or purchased		49	-	-	49
Derecognition of financial assets	(	107)	-	-	( 107 )
Foreign exchange		3	-	-	3
Balance at December 31	<u>P</u>	<u>89</u>	<u>P 29</u>	<u>P -</u>	<u>P 118</u>
		2023			
		Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>					
Balance at January 1	P	14	P -	P -	P 14
Net remeasurement of loss allowance		41	-	-	41
Balance at December 31	<u>P</u>	<u>55</u>	<u>P -</u>	<u>P -</u>	<u>P 55</u>
<b>Receivables from customers – corporate</b>					
Balance at January 1	P	6,906	P 26,614	P 14,022	P 47,542
Transfers to:					
Stage 1		3,230	( 3,230)	-	-
Stage 2	(	45)	47	( 2)	-
Stage 3	(	3)	( 79)	82	-
Net remeasurement of loss allowance	(	4,435)	8,172	1,426	5,163
New financial assets originated or purchased		2,927	3,527	598	7,052
Derecognition of financial assets	(	2,339)	( 1,960)	( 207)	( 4,506)
Write-offs	-	-	-	( 275)	( 275)
Foreign exchange	(	3)	( 22)	( 6)	( 31)
Balance at December 31	<u>P</u>	<u>6,238</u>	<u>P 33,069</u>	<u>P 15,638</u>	<u>P 54,945</u>

Parent Bank

	2023			
	Stage 1	Stage 2	Stage 3	Total
Receivables from customers –				
consumer				
Balance at January 1	P 6,050	P 775	P 17,209	P 24,034
Transfers to:				
Stage 1	790	( 104)	( 686)	-
Stage 2	( 85)	391	( 306)	-
Stage 3	( 711)	( 520)	1,231	-
Net remeasurement of loss allowance	783	( 42)	5,690	6,431
New financial assets originated				
or purchased	2,012	334	2,079	4,425
Derecognition of financial assets	( 740)	( 101)	( 2,851)	( 3,692)
Write-offs	-	-	( 5,340)	( 5,340)
Foreign exchange	-	-	( 1)	( 1)
Balance at December 31	<u>P 8,099</u>	<u>P 733</u>	<u>P 17,025</u>	<u>P 25,857</u>
Other receivables				
Balance at January 1	P 74	P 78	P 2,272	P 2,424
Transfers to:				
Stage 1	22	( 1)	( 21)	-
Stage 2	-	1	( 1)	-
Stage 3	( 4)	( 1)	5	-
Net remeasurement of loss allowance	( 20)	2	117	99
New financial assets originated				
or purchased	138	36	718	892
Derecognition of financial assets	( 25)	( 73)	( 652)	( 750)
Write-offs	-	-	( 99)	( 99)
Foreign exchange	-	-	2	2
Balance at December 31	<u>P 185</u>	<u>P 42</u>	<u>P 2,341</u>	<u>P 2,568</u>
Debt investment securities at				
amortized cost				
Balance at January 1	P 92	P 29	P 1,519	P 1,640
Transfers to:				
Stage 1	-	-	-	-
Stage 2	( 2)	2	-	-
Stage 3	( 111)	( 208)	319	-
Net remeasurement of loss allowance	122	226	16	364
New financial assets originated				
or purchased	132	-	-	132
Foreign exchange	-	-	( 8)	( 8)
Derecognition of financial assets	( 13)	-	-	( 13)
Balance at December 31	<u>P 220</u>	<u>P 49</u>	<u>P 1,846</u>	<u>P 2,115</u>
Debt investment securities at FVOCI				
Balance at January 1	P 42	P 60	P -	P 102
Net remeasurement of loss allowance	52	37	-	89
New financial assets originated				
or purchased	17	-	-	17
Derecognition of financial assets	( 9)	-	-	( 9)
Balance at December 31	<u>P 102</u>	<u>P 97</u>	<u>P -</u>	<u>P 199</u>
Loan commitments and other				
contingent accounts				
Balance at January 1	P 233	P -	P -	P 233
Net remeasurement of loss allowance	( 130)	27	-	( 103)
New financial assets originated				
or purchased	119	-	-	119
Derecognition of financial assets	( 44)	-	-	( 44)
Foreign exchange	( 2)	-	-	( 2)
Balance at December 31	<u>P 176</u>	<u>P 27</u>	<u>P -</u>	<u>P 203</u>

The following table sets out a reconciliation of changes in the total loss allowance.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at January 1	P 88,466	P 78,378	P 85,942	P 75,989
Net remeasurement of loss allowance	17,416	13,016	16,132	12,084
Derecognition of financial assets	( 15,515)	( 9,833)	( 14,873)	( 9,014)
New financial assets originated or purchased	12,238	13,241	11,865	12,637
Write-offs	( 8,223)	( 6,294)	( 7,437)	( 5,714)
Foreign exchange	226	( 42)	225	( 40)
Balance at December 31	<u>P 94,608</u>	<u>P 88,466</u>	<u>P 91,854</u>	<u>P 85,942</u>

(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 2024 and 2023 contributed to the changes in the allowance for ECL.

**BDO Unibank Group**

	<u>2024</u>			
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
<b>Due from other banks</b>				
Balance at January 1	P 86,032	P -	P -	P 86,032
Net remeasurement of loss allowance	2,084	-	-	2,084
New financial assets originated or purchased	44,450	-	-	44,450
Derecognition of financial assets	( 42,729)	-	-	( 42,729)
Foreign exchange	648	-	-	648
Balance at December 31	<u>P 90,485</u>	<u>P -</u>	<u>P -</u>	<u>P 90,485</u>
<b>Receivables from customers – corporate</b>				
Balance at January 1	P 2,101,948	P 62,889	P 18,639	P 2,183,476
Transfers to:				
Stage 1	1,330	( 1,320)	( 10)	-
Stage 2	( 3,309)	8,297	( 4,988)	-
Stage 3	( 563)	( 4,583)	5,146	-
Net remeasurement of loss allowance	( 1,047)	85	( 2)	( 964)
Foreign exchange	27	-	-	27
New financial assets originated or purchased	2,133,226	3,621	154,418	2,291,265
Derecognition of financial assets	( 1,861,261)	( 16,552)	( 152,705)	( 2,030,518)
Write-offs	-	-	( 1,174)	( 1,174)
Balance at December 31	<u>P 2,370,351</u>	<u>P 52,437</u>	<u>P 19,324</u>	<u>P 2,442,112</u>

**BDO Unibank Group**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Receivables from customers – consumer</b>				
Balance at January 1	P 627,277	P 3,508	P 34,536	P 665,321
Transfers to:				
Stage 1	29,994	( 584)	( 29,410)	-
Stage 2	( 2,744)	3,123	( 379)	-
Stage 3	( 16,446)	( 1,984)	18,430	-
Net remeasurement of loss allowance	( 31,258)	222	28,034	( 3,002)
New financial assets originated or purchased	290,495	750	1,948	293,193
Derecognition of financial assets	( 159,910)	( 351)	( 5,283)	( 165,544)
Write-offs	-	-	( 6,850)	( 6,850)
Balance at December 31	<u>P 737,408</u>	<u>P 4,684</u>	<u>P 41,026</u>	<u>P 783,118</u>
<b>Other receivables</b>				
Balance at January 1	P 115,038	P 443	P 3,478	P 118,959
Transfers to:				
Stage 1	78	( 59)	( 19)	-
Stage 2	( 45)	68	( 23)	-
Stage 3	( 144)	( 53)	197	-
New financial assets originated or purchased	29,452	598	2,391	32,441
Acquired from business combination	( 181)	-	-	( 181)
Derecognition of financial assets	( 8,968)	( 340)	( 2,333)	( 11,641)
Write-offs	-	-	( 199)	( 199)
Balance at December 31	<u>P 135,230</u>	<u>P 657</u>	<u>P 3,492</u>	<u>P 139,379</u>
<b>Debt investment securities at amortized cost</b>				
Balance at January 1	P 573,704	P 56	P 1,846	P 575,606
Amortization	( 2,288)	-	-	( 2,288)
New financial assets originated or purchased	125,311	1	-	125,312
Foreign exchange	8,417	3	71	8,491
Transfers to:				
Stage 3	( 6)	-	6	-
Derecognition of financial assets	( 129,055)	-	-	( 129,055)
Balance at December 31	<u>P 576,083</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 578,066</u>
<b>Debt investment securities at FVOCI</b>				
Balance at January 1	P 234,884	P 15	P -	P 234,899
Amortization	8,212	-	-	8,212
Fair value gain	( 447)	( 6)	102	( 351)
New financial assets originated or purchased	1,322,501	( 1)	4	1,322,504
Foreign exchange	4,598	5	-	4,603
Transfers to:				
Stage 3	-	( 13)	13	-
Derecognition of financial assets	( 1,299,719)	-	-	( 1,299,719)
Balance at December 31	<u>P 270,029</u>	<u>P -</u>	<u>P 119</u>	<u>P 270,148</u>

**BDO Unibank Group**

		2024			
		Stage 1	Stage 2	Stage 3	Total
<b>Investment securities and other assets</b>					
<b>for life insurance contracts</b>					
Balance at January 1	P	75,337	P 61	P 203	P 75,601
Transfers to:					
Stage 1	(	80)	26	54	-
Stage 2		14	( 51)	37	-
Stage 3		23	-	( 23)	-
Amortization	(	246)	-	-	( 246)
Fair value gain	(	775)	-	-	( 775)
Foreign exchange		125	-	-	125
New financial assets originated or purchased		82,434	-	-	82,434
Net remeasurement of loss allowance	(	66,527)	( 3)	( 4)	( 66,534)
Derecognition of financial assets	(	15,506)	( 6)	( 6)	( 15,518)
Balance at December 31	<u>P</u>	<u>74,799</u>	<u>P 27</u>	<u>P 261</u>	<u>P 75,087</u>
<b>Loan commitments and other</b>					
<b>contingent accounts</b>					
Balance at January 1	P	606,864	P 1,079	P 49	P 607,992
Transfers to:					
Stage 1	-	-	-	-	-
New financial assets originated or purchased		130,177	133	-	130,310
Derecognition of financial assets	(	247)	( 865)	( 49)	( 1,161)
Balance at December 31	<u>P</u>	<u>736,794</u>	<u>P 347</u>	<u>P -</u>	<u>P 737,141</u>
		2023			
		Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>					
Balance at January 1	P	59,160	P -	P -	P 59,160
Net remeasurement of loss allowance		30,631	-	-	30,631
New financial assets originated or purchase		2,772	-	-	2,772
Derecognition of financial assets	(	8,111)	-	-	( 8,111)
Acquired from business combination		713	-	-	713
Foreign exchange		867	-	-	867
Balance at December 31	<u>P</u>	<u>86,032</u>	<u>P -</u>	<u>P -</u>	<u>P 86,032</u>
<b>Receivables from customers – corporate</b>					
Balance at January 1	P	1,922,484	P 75,102	P 17,756	P 2,015,342
Transfers to:					
Stage 1		12,266	( 12,248)	( 18)	-
Stage 2	(	9,634)	9,634	-	-
Stage 3	(	471)	( 765)	1,236	-
New financial assets originated or purchased		1,837,736	6,885	914	1,845,535
Derecognition of financial assets	(	1,660,433)	( 15,719)	( 974)	( 1,677,126)
Write-offs		-	-	( 275)	( 275)
Balance at December 31	<u>P</u>	<u>2,101,948</u>	<u>P 62,889</u>	<u>P 18,639</u>	<u>P 2,183,476</u>
<b>Receivables from customers – consumer</b>					
Balance at January 1	P	557,477	P 2,597	P 35,118	P 595,192
Transfers to:					
Stage 1		34,438	( 29,716)	( 4,722)	-
Stage 2	(	2,449)	2,809	( 360)	-
Stage 3	(	11,457)	( 2,592)	14,049	-
Net remeasurement of loss allowance	(	59,202)	30,863	2,350	( 25,989)
New financial assets originated or purchased		222,907	540	1,208	224,655
Derecognition of financial assets	(	114,437)	( 993)	( 7,195)	( 122,625)
Write-offs		-	-	( 5,912)	( 5,912)
Balance at December 31	<u>P</u>	<u>627,277</u>	<u>P 3,508</u>	<u>P 34,536</u>	<u>P 665,321</u>

BDO Unibank Group

	2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Other receivables</b>				
Balance at January 1	P 154,729	P 535	P 3,053	P 158,317
Transfers to:				
Stage 1	89	( 7)	( 82)	-
Stage 2	( 11)	57	( 46)	-
Stage 3	( 187)	( 36)	223	-
Net remeasurement of loss allowance	-	( 36)	( 32)	( 68)
New financial assets originated or purchased	12,858	198	1,486	14,542
Acquired from business combination	181	-	-	181
Derecognition of financial assets	( 52,621)	( 268)	( 1,017)	( 53,906)
Write-offs	-	-	( 107)	( 107)
Balance at December 31	<u>P 115,038</u>	<u>P 443</u>	<u>P 3,478</u>	<u>P 118,959</u>
<b>Debt investment securities at amortized cost</b>				
Balance at January 1	P 509,385	P 56	P 1,519	P 510,960
Amortization	12,625	-	-	12,625
New financial assets originated or purchased	100,352	3	15	100,370
Foreign exchange	( 709)	1	( 10)	( 718)
Transfers to:				
Stage 1	( 332)	( 1)	333	-
Derecognition of financial assets	( 47,617)	( 3)	( 11)	( 47,631)
Balance at December 31	<u>P 573,704</u>	<u>P 56</u>	<u>P 1,846</u>	<u>P 575,606</u>
<b>Debt investment securities at FVOCI</b>				
Balance at January 1	P 117,370	P 53	P -	P 117,423
Amortization	4,196	-	-	4,196
Fair value gain	3,842	( 37)	-	3,805
New financial assets originated or purchased	874,506	-	-	874,506
Foreign exchange	( 555)	( 1)	-	( 556)
Derecognition of financial assets	( 764,475)	-	-	( 764,475)
Balance at December 31	<u>P 234,884</u>	<u>P 15</u>	<u>P -</u>	<u>P 234,899</u>
<b>Investment securities and other assets for life insurance contracts</b>				
Balance at January 1	P 50,882	P 11	P 190	P 51,083
Transfers to:				
Stage 1	10	( 5)	( 5)	-
Stage 2	( 1)	1	-	-
Stage 3	( 3)	( 1)	4	-
Amortization	( 253)	-	-	( 253)
Fair value gain	3,528	-	-	3,528
Foreign exchange	( 131)	-	-	( 131)
New financial assets originated or purchased	36,467	-	-	36,467
Net remeasurement of loss allowance	( 490)	58	25	( 407)
Derecognition of financial assets	( 14,672)	( 3)	( 11)	( 14,686)
Write-offs	-	-	-	-
Balance at December 31	<u>P 75,337</u>	<u>P 61</u>	<u>P 203</u>	<u>P 75,601</u>
<b>Loan commitments and other contingent accounts</b>				
Balance at January 1	P 131,273	P 37	P -	P 131,310
Transfers to:				
Stage 1	3	( 3)	-	-
New financial assets originated or purchased	565,483	1,052	49	566,584
Derecognition of financial assets	( 89,895)	( 7)	-	( 89,902)
Balance at December 31	<u>P 606,864</u>	<u>P 1,079</u>	<u>P 49</u>	<u>P 607,992</u>

**Parent Bank**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>				
Balance at January 1	P 76,846	P -	P -	P 76,846
Net remeasurement of loss allowance	2,988	-	-	2,988
New financial assets originated or purchased	1	-	-	1
Derecognition of financial assets	( 2,882)	-	-	( 2,882)
Foreign exchange	589	-	-	589
Balance at December 31	<u>P 77,542</u>	<u>P -</u>	<u>P -</u>	<u>P 77,542</u>
<b>Receivables from customers – corporate</b>				
Balance at January 1	P 2,094,050	P 62,795	P 18,633	P 2,175,478
Transfers to:				
Stage 1	1,223	( 1,213)	( 10)	-
Stage 2	( 3,320)	8,308	( 4,988)	-
Stage 3	( 563)	( 4,582)	5,145	-
New financial assets originated or purchased	2,129,184	3,621	154,418	2,287,223
Derecognition of financial assets	( 1,858,211)	( 16,536)	( 152,705)	( 2,027,452)
Write-offs	-	-	( 1,174)	( 1,174)
Balance at December 31	<u>P 2,362,363</u>	<u>P 52,393</u>	<u>P 19,319</u>	<u>P 2,434,075</u>
<b>Receivables from customers – consumer</b>				
Balance at January 1	P 565,228	P 3,121	P 31,653	P 600,002
Transfers to:				
Stage 1	2,099	( 599)	( 1,500)	-
Stage 2	( 2,735)	3,129	( 394)	-
Stage 3	( 15,443)	( 1,752)	17,195	-
New financial assets originated or purchased	218,892	578	1,705	221,175
Derecognition of financial assets	( 122,567)	( 298)	( 4,908)	( 127,773)
Write-offs	-	-	( 6,064)	( 6,064)
Balance at December 31	<u>P 645,474</u>	<u>P 4,179</u>	<u>P 37,687</u>	<u>P 687,340</u>
<b>Other receivables</b>				
Balance at January 1	P 114,176	P 417	P 2,844	P 117,437
Transfers to:				
Stage 1	47	( 27)	( 20)	-
Stage 2	( 45)	69	( 24)	-
Stage 3	( 144)	( 20)	164	-
New financial assets originated or purchased	24,913	423	1,959	27,295
Derecognition of financial assets	( 5,582)	( 339)	( 1,856)	( 7,777)
Write-offs	-	-	( 199)	( 199)
Balance at December 31	<u>P 133,365</u>	<u>P 523</u>	<u>P 2,868</u>	<u>P 136,756</u>
<b>Debt investment securities at amortized cost</b>				
Balance at January 1	P 554,856	P 56	P 1,846	P 556,758
Amortization	( 2,288)	-	-	( 2,288)
New financial assets originated or purchased	117,892	1	-	117,893
Foreign exchange	8,194	3	71	8,268
Transfers to:				
Stage 3	( 6)	-	6	-
Derecognition of financial assets	( 122,397)	-	-	( 122,397)
Balance at December 31	<u>P 556,251</u>	<u>P 60</u>	<u>P 1,923</u>	<u>P 558,234</u>



**Parent Bank**

	2024			
	Stage 1	Stage 2	Stage 3	Total
<b>Debt investment securities at FVOCI</b>				
Balance at January 1	P 222,994	P 15	P -	P 223,009
Amortization	8,211	-	-	8,211
Fair value gain	( 494)	( 6)	102	( 398)
New financial assets originated or purchased	1,316,413	( 1)	4	1,316,416
Foreign exchange	4,512	5	-	4,517
Transfers to : Stage 3	-	( 13)	13	-
Derecognition of financial assets	( 1,291,778)	-	-	( 1,291,778)
Balance at December 31	<u>P 259,858</u>	<u>P -</u>	<u>P 119</u>	<u>P 259,977</u>
<b>Loan commitments and other contingent accounts</b>				
Balance at January 1	P 606,864	P 1,079	P 49	P 607,992
New financial assets originated or purchased	130,177	133	-	130,310
Derecognition of financial assets	( 247)	( 865)	( 49)	( 1,161)
Balance at December 31	<u>P 736,794</u>	<u>P 347</u>	<u>P -</u>	<u>P 737,141</u>
	2023			
	Stage 1	Stage 2	Stage 3	Total
<b>Due from other banks</b>				
Balance at January 1	P 51,448	P -	P -	P 51,448
Net remeasurement of loss allowance	24,525	-	-	24,525
Foreign exchange	873	-	-	873
Balance at December 31	<u>P 76,846</u>	<u>P -</u>	<u>P -</u>	<u>P 76,846</u>
<b>Receivables from customers – corporate</b>				
Balance at January 1	P 1,914,938	P 75,102	P 17,750	P 2,007,790
Transfers to:				
Stage 1	12,023	( 12,005)	( 18)	-
Stage 2	( 9,541)	9,541	-	-
Stage 3	( 471)	( 764)	1,235	-
New financial assets originated or purchased	1,833,568	6,638	915	1,841,121
Derecognition of financial assets	( 1,656,467)	( 15,717)	( 974)	( 1,673,158)
Write-offs	-	-	( 275)	( 275)
Balance at December 31	<u>P 2,094,050</u>	<u>P 62,795</u>	<u>P 18,633</u>	<u>P 2,175,478</u>
<b>Receivables from customers – consumer</b>				
Balance at January 1	P 494,913	P 2,271	P 32,670	P 529,854
Transfers to:				
Stage 1	2,563	( 504)	( 2,059)	-
Stage 2	( 2,185)	2,516	( 331)	-
Stage 3	( 10,649)	( 1,179)	11,828	-
New financial assets originated or purchased	162,533	362	855	163,750
Derecognition of financial assets	( 81,947)	( 345)	( 5,970)	( 88,262)
Write-offs	-	-	( 5,340)	( 5,340)
Balance at December 31	<u>P 565,228</u>	<u>P 3,121</u>	<u>P 31,653</u>	<u>P 600,002</u>

Parent Bank

	2023							
	Stage 1		Stage 2		Stage 3		Total	
Other receivables								
Balance at January 1	P	154,475	P	416	P	2,686	P	157,577
Transfers to								
Stage 1		68	(	7)	(	61)		-
Stage 2		-		1	(	1)		-
Stage 3	(	131)	(	15)		146		-
New financial assets originated or purchased		11,176		186		1,171		12,533
Derecognition of financial assets	(	51,412)	(	164)	(	998)	(	52,574)
Write-offs		-		-		99)		99)
Balance at December 31	<u>P</u>	<u>114,176</u>	<u>P</u>	<u>417</u>	<u>P</u>	<u>2,844</u>	<u>P</u>	<u>117,437</u>
Debt investment securities at amortized cost								
Balance at January 1	P	491,324	P	56	P	1,519	P	492,899
Amortization		12,625		-		-		12,625
New financial assets originated or purchased		96,439		3		15		96,457
Foreign exchange	(	675)		1	(	10)	(	684)
Transfers to:								
Stage 1	(	332)	(	1)		333		-
Stage 2		-		-		-		-
Stage 3		-		-		-		-
Derecognition of financial assets	(	44,525)	(	3)	(	11)	(	44,539)
Balance at December 31	<u>P</u>	<u>554,856</u>	<u>P</u>	<u>56</u>	<u>P</u>	<u>1,846</u>	<u>P</u>	<u>556,758</u>
Debt investment securities at FVOCI								
Balance at January 1	P	108,053	P	53	P	-	P	108,106
Amortization		4,196		-		-		4,196
Fair value gain		3,645	(	37)		-		3,608
New financial assets originated or purchased		867,743		-		-		867,743
Foreign exchange	(	532)	(	1	)	-	(	533)
Transfers to:								
Stage 2		-		-		-		-
Derecognition of financial assets	(	760,113)		-		-	(	760,113)
Balance at December 31	<u>P</u>	<u>222,992</u>	<u>P</u>	<u>15</u>	<u>P</u>	<u>-</u>	<u>P</u>	<u>223,007</u>
Loan commitments and other contingent accounts								
Balance at January 1	P	131,273	P	37	P	-	P	131,310
Transfers to Stage 1		3	(	3)		-		-
New financial assets originated or purchased		565,483		1,052		49		566,584
Derecognition of financial assets	(	89,895)	(	7)		-	(	89,902)
Balance at December 31	<u>P</u>	<u>606,864</u>	<u>P</u>	<u>1,079</u>	<u>P</u>	<u>49</u>	<u>P</u>	<u>607,992</u>

(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, 2024 and 2023 that would result from reasonably possible changes in these parameters from the actual assumptions used in the BDO Unibank Group's economic variable assumptions.

	2024			2023		
	Impact on ECL			Impact on ECL		
	Change in MEVs	Increase in MEVs	Decrease in MEVs	Change in MEVs	Increase in MEVs	Decrease in MEVs
Corporate or Commercial Loans:						
GDP growth rate	+/-1%	-3.80%	3.80%	+/-1%	-11.0%	11.0%
Inflation rate	+/-1%	0.43%	-0.74%	+/-1%	4.2%	-4.9%

	2024			2023		
	Change in MEVs	Impact on ECL		Change in MEVs	Impact on ECL	
		Increase in MEVs	Decrease in MEVs		Increase in MEVs	Decrease in MEVs
Credit Card Receivables or Personal Loans:						
GDP growth rate	+/-1%	-0.80%	0.80%	+/-1%	-1.6%	1.6%
Unemployment rate	+/-1%	2.33%	-2.33%	+/-1%	3.3%	-3.3%
Home/Housing Loans:						
GDP growth rate	+/-1%	-0.09%	0.09%	+/-1%	0.0%	0.0%
Inflation rate	+/-1%	0.14%	-0.24%	+/-1%	0.1%	-0.1%
Auto Loans:						
GDP growth rate	+/-1%	-0.45%	0.45%	+/-1%	-0.02%	0.02%
Unemployment rate	+/-1%	2.33%	-2.33%	+/-1%	1.4%	-1.4%

#### 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 BDO Unibank Group 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.

##### *(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 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.

#### ***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, Terrorist Financing and Proliferation 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 clients and their transactions; (iv) regulatory reporting; (v) record-keeping; (vi) training of all officers and staff including the BOD; (vii) Independent Compliance Testing (ICT); and, (viii) Institutional Risk Assessment.

For AML transaction monitoring and end-to-end AML investigation, the Parent Bank has made substantial investments in a robust AML Solution (SAS EAML 8.2) that continues to be deployed in phases in the Parent Bank, and in a similar fashion across the enterprise. This system also facilitates the preparation and filing of regulatory reports required under the AMLC Registration and Reporting Guidelines (ARRG), and will be further enhanced to ensure compliance with the recently issued AMLC Guidelines on Transaction Reporting and Compliance Submissions (GoTRACS).

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/CPF Program.

#### 4.7 Maturity Profile of Resources and Liabilities

The table below presents the maturity profile of 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:

	2024			2023		
	Within 12 Months	Beyond 12 Months	Total	Within 12 Months	Beyond 12 Months	Total
<b>BDO Unibank Group</b>						
<b>Resources</b>						
Cash and other cash items	P 109,744	P -	P 109,744	P 94,278	P -	P 94,278
Due from BSP and other banks	340,041	-	340,041	421,050	-	421,050
Trading and investment securities	190,884	685,224	876,108	216,151	608,656	824,807
Loans and other receivables - net	1,128,526	2,143,992	3,272,518	962,161	1,919,784	2,881,945
Premises, furniture, fixtures, and equipment - net	-	54,204	54,204	-	48,085	48,085
Investment properties - net	-	33,825	33,825	-	42,429	42,429
Equity investments - net	-	4,711	4,711	-	3,879	3,879
Investment securities and other assets for life insurance contracts – net	8,181	113,730	121,911	10,530	105,071	115,601
Other resources - net	18,663	44,325	62,988	18,808	26,779	45,587
	<b>P 1,796,039</b>	<b>P 3,080,011</b>	<b>P 4,876,050</b>	<b>P 1,722,978</b>	<b>P 2,754,683</b>	<b>P 4,477,661</b>
<b>Liabilities</b>						
Deposit liabilities	P 3,743,846	P 50,181	P 3,794,027	P 3,499,775	P 67,775	P 3,567,550
Bills payable	141,793	119,677	261,470	111,913	77,669	189,582
Insurance contract and other liabilities for life insurance contracts	8,801	82,670	91,471	7,578	74,943	82,521
Other liabilities	131,884	19,803	151,687	100,017	19,437	119,454
	<b>P 4,026,324</b>	<b>P 272,331</b>	<b>P 4,298,655</b>	<b>P 3,719,283</b>	<b>P 239,824</b>	<b>P 3,959,107</b>
<b>Parent Bank</b>						
<b>Resources</b>						
Cash and other cash items	P 105,767	P -	P 105,767	P 91,635	P -	P 91,635
Due from BSP and other banks	324,326	-	324,326	409,219	-	409,219
Trading and investment securities	182,941	657,047	839,988	206,190	581,501	787,691
Loans and other receivables - net	1,121,265	2,047,492	3,168,757	955,510	1,854,037	2,809,547
Premises, furniture, fixtures, and equipment - net	-	49,299	49,299	-	43,878	43,878
Investment properties - net	-	29,796	29,796	-	13,408	13,408
Equity investments - net	-	66,150	66,150	-	70,832	70,832
Other resources - net	18,573	38,542	57,115	12,981	23,456	36,437
	<b>P 1,752,872</b>	<b>P 2,888,326</b>	<b>P 4,641,198</b>	<b>P 1,675,535</b>	<b>P 2,587,112</b>	<b>P 4,262,647</b>
<b>Liabilities</b>						
Deposit liabilities	P 3,637,577	P 48,475	P 3,686,052	P 3,411,696	P 65,171	P 3,476,867
Bills payable	130,064	110,224	240,288	99,547	68,441	167,988
Other liabilities	123,563	15,980	139,543	91,577	16,018	107,595
	<b>P 3,891,204</b>	<b>P 174,679</b>	<b>P 4,065,883</b>	<b>P 3,602,820</b>	<b>P 149,630</b>	<b>P 3,752,450</b>

## 5. CAPITAL MANAGEMENT

### 5.1 *Capital Management and Regulatory Capital*

The Internal Capital Adequacy Assessment Process (ICAAP) document, as required by the BSP, 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 Bank likewise incorporates sensitivity analysis and contingency planning, and has set benchmarks that will trigger management action when necessary. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

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. 854, universal banks with more than 100 branches are required to comply with the minimum capital requirement of P20 billion. As of December 31, 2024 and 2023, the Parent Bank has complied, and is well above the minimum capitalization requirement.

BSP issued Circular No. 856 on the guidelines on the framework for dealing with domestically 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 meet the CET 1 capital ranging from 1.50% to 2.50%, effective October 17, 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 January 4, 2019.

BDO Unibank Group and the Parent Bank's regulatory capital position (computed using balances prepared under PFRS Accounting Standards) based on the Basel 3 risk-based capital adequacy framework as of December 31, 2024 and 2023 as follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Tier 1 Capital				
CET 1	<b>P 557,373</b>	P 490,815	<b>P 557,016</b>	P 490,437
Additional Tier 1	<b>6,180</b>	6,180	<b>6,180</b>	6,180
	<b>563,553</b>	496,995	<b>563,196</b>	496,617
Tier 2 Capital	<b>33,540</b>	30,251	<b>32,184</b>	29,030
Total Regulatory Capital	<b>597,093</b>	527,246	<b>595,380</b>	525,647
Deductions	<b>( 60,926)</b>	( 55,664)	<b>( 95,159)</b>	( 89,251)
Total Qualifying Capital	<b>P 536,167</b>	P 471,582	<b>P 500,221</b>	P 436,396
Total Risk-Weighted Assets	<b>P 3,520,956</b>	P 3,163,658	<b>P 3,365,717</b>	P 3,025,832
Capital ratios:				
Total Capital Ratio	<b>15.2%</b>	14.9%	<b>14.9%</b>	14.4%
Tier 1 Capital Ratio	<b>14.3%</b>	14.0%	<b>13.9%</b>	13.5%
Total CET 1 Ratio	<b>14.1%</b>	13.8%	<b>13.7%</b>	13.3%

At the end of each reporting period, the BDO Unibank Group and the Parent Bank have complied and are all well above 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 (BLR) have been stable and are comfortably above the regulatory floor as reported to the BSP:

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
BLR	<b>10.3%</b>	9.9%	9.8%	<b>9.9%</b>	9.4%	9.4%

## 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, 2024, 2023, and 2022 have been stable and are comfortably above the regulatory floor as summarized below.

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
LCR	<b>132.1%</b>	123.2%	140.7%	<b>134.1%</b>	123.5%	141.2%

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, 2024, 2023 and 2022 have been stable and are comfortably above the regulatory floor as summarized below.

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
NSFR	<b>122.1%</b>	124.1%	123.9%	<b>122.1%</b>	123.8%	123.5%

## 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, *Operating Segments*, 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.

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

## 6.2 Analysis of Segment Information

Segment information (by service lines) as of and for the years ended December 31, 2024, 2023 and 2022 are as follows:

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
<b>December 31, 2024</b>							
<b>Revenues</b>							
From external customer							
Interest income	P 269,538	P 92	P 1,285	P 883	P 4,499	P 242	P 276,539
Interest expense	( 84,675)	( 5)	( 173)	( 583)	7	( 13)	( 85,442)
Net interest income	184,863	87	1,112	300	4,506	229	191,097
Intersegment revenue							
Interest income	1,447	12	-	18	23	56	1,556
Interest expense	( 234)	( 92)	( 47)	( 524)	( 588)	( 128)	( 1,613)
Net interest income	1,213	( 80)	( 47)	( 506)	( 565)	( 72)	( 57)
Other operating income							
Investment banking fees	-	2,432	-	-	-	-	2,432
Others	70,988	387	1,915	2,732	22,996	559	99,577
	70,988	2,819	1,915	2,732	22,996	559	102,009
<b>Total net revenues</b>	<b>257,064</b>	<b>2,826</b>	<b>2,980</b>	<b>2,526</b>	<b>26,937</b>	<b>716</b>	<b>293,049</b>
<b>Expenses</b>							
Other operating expenses							
Depreciation and amortization	10,999	86	121	989	328	87	12,610
Impairment losses	13,934	( 1)	89	14	( 7)	( 3)	14,026
Others	129,903	931	2,074	1,674	19,795	319	154,696
	154,836	1,016	2,284	2,677	20,116	403	181,332
Segment operating income	102,228	1,810	696	( 151)	6,821	313	111,717
Tax expense	18,920	472	269	191	1,541	78	21,471
<b>Segment net income</b>	<b>P 83,308</b>	<b>P 1,338</b>	<b>P 427</b>	<b>( P 342)</b>	<b>P 5,280</b>	<b>P 235</b>	<b>P 90,246</b>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
<b>December 31, 2024</b>							
<b>Statement of Financial Position</b>							
Total Resources							
Segment assets	P 4,757,066	P 6,829	P 33,075	P 13,552	P 125,955	P 7,783	P 4,944,260
Deferred tax assets (liabilities) - net	57	( 162)	14	14	124	( 2)	45
Intangible assets	<u>8,038</u>	<u>90</u>	<u>116</u>	<u>-</u>	<u>79</u>	<u>1</u>	<u>8,324</u>
	<u>P 4,765,161</u>	<u>P 6,757</u>	<u>P 33,205</u>	<u>P 13,566</u>	<u>P 126,158</u>	<u>P 7,782</u>	<u>P 4,952,629</u>
Total liabilities	<u>P 4,174,130</u>	<u>P 1,670</u>	<u>P 25,821</u>	<u>P 11,878</u>	<u>P 100,307</u>	<u>P 2,383</u>	<u>P 4,316,189</u>
<b>Other segment information</b>							
Capital expenditures	<u>P 12,705</u>	<u>P 17</u>	<u>P 32</u>	<u>P 635</u>	<u>P 68</u>	<u>P 7</u>	<u>P 13,464</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,864</u>	<u>P 4,864</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,397</u>	<u>P 1,397</u>
<b>December 31, 2023</b>							
<b>Revenues</b>							
From external customer							
Interest income	P 229,384	P 70	P 1,261	P 695	P 4,080	P 294	P 235,784
Interest expense	( 58,810)	6	( 147)	( 373)	( 69)	3	( 59,390)
Net interest income	<u>170,574</u>	<u>76</u>	<u>1,114</u>	<u>322</u>	<u>4,011</u>	<u>297</u>	<u>176,394</u>
Intersegment revenue							
Interest income	1,055	11	-	-	35	90	1,191
Interest expense	( 230)	( 49)	( 17)	( 12)	( 793)	( 122)	( 1,223)
Net interest income	<u>825</u>	<u>( 38)</u>	<u>( 17)</u>	<u>( 12)</u>	<u>( 758)</u>	<u>( 32)</u>	<u>( 32)</u>
Other Operating Income							
Investment banking fees	-	1,781	-	-	-	-	1,781
Others	<u>61,210</u>	<u>278</u>	<u>1,680</u>	<u>566</u>	<u>21,043</u>	<u>459</u>	<u>85,236</u>
	<u>61,210</u>	<u>2,059</u>	<u>1,680</u>	<u>566</u>	<u>21,043</u>	<u>459</u>	<u>87,017</u>
Total net revenues	<u>232,609</u>	<u>2,097</u>	<u>2,777</u>	<u>876</u>	<u>24,296</u>	<u>724</u>	<u>263,379</u>
<b>Expenses</b>							
Other operating expenses							
Depreciation and amortization	11,984	88	105	400	286	82	12,945
Impairment losses	16,365	1	6	-	18	6	16,396
Others	<u>114,816</u>	<u>1,017</u>	<u>1,573</u>	<u>267</u>	<u>17,903</u>	<u>365</u>	<u>135,941</u>
	<u>143,165</u>	<u>1,106</u>	<u>1,684</u>	<u>667</u>	<u>18,207</u>	<u>453</u>	<u>165,282</u>
Segment operating income	89,444	991	1,093	209	6,089	271	98,097
Tax expense	<u>21,361</u>	<u>306</u>	<u>305</u>	<u>50</u>	<u>1,525</u>	<u>74</u>	<u>23,621</u>
Segment net income	<u>P 68,083</u>	<u>P 685</u>	<u>P 788</u>	<u>P 159</u>	<u>P 4,564</u>	<u>P 197</u>	<u>P 74,476</u>
<b>Statement of Financial Position</b>							
Total Resources							
Segment assets	P 4,360,295	P 6,415	P 30,331	P 27,784	P 119,632	P 10,790	P 4,555,247
Deferred tax assets (liabilities) - net	2,133	( 151)	12	( 1,579)	81	( 5)	491
Intangible assets	<u>8,205</u>	<u>52</u>	<u>142</u>	<u>1</u>	<u>53</u>	<u>-</u>	<u>8,453</u>
	<u>P 4,370,633</u>	<u>P 6,316</u>	<u>P 30,485</u>	<u>P 26,206</u>	<u>P 119,766</u>	<u>P 10,785</u>	<u>P 4,564,191</u>
Total liabilities	<u>P 3,847,611</u>	<u>P 1,857</u>	<u>P 23,512</u>	<u>P 17,563</u>	<u>P 97,739</u>	<u>P 2,296</u>	<u>P 3,990,578</u>
<b>Other segment information</b>							
Capital expenditures	<u>P 8,734</u>	<u>P 10</u>	<u>P 15</u>	<u>P 618</u>	<u>P 626</u>	<u>P 26</u>	<u>P 10,029</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 4,032</u>	<u>P 4,032</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 1,273</u>	<u>P 1,273</u>

	Commercial Banking	Investment Banking	Private Banking	Leasing and Financing	Insurance	Others	Total
<u>December 31, 2022</u>							
<b>Revenues</b>							
From external customer							
Interest income	P 159,983	P 53	P 1,156	P 629	P 2,587	(P 1)	P 164,407
Interest expense	( 22,567 )	( 11 )	( 86 )	( 199 )	( 76 )	4	( 22,935 )
Net interest income	<u>137,416</u>	<u>42</u>	<u>1,070</u>	<u>430</u>	<u>2,511</u>	<u>3</u>	<u>141,472</u>
Intersegment revenue							
Interest income	182	2	-	-	6	72	262
Interest expense	( 121 )	( 33 )	( 16 )	( 18 )	( 54 )	( 67 )	( 309 )
Net interest income	<u>61</u>	<u>( 31 )</u>	<u>( 16 )</u>	<u>( 18 )</u>	<u>( 48 )</u>	<u>5</u>	<u>( 47 )</u>
Other Operating Income							
Investment banking fees	-	2,856	-	-	-	-	2,856
Others	<u>54,066</u>	<u>245</u>	<u>1,667</u>	<u>651</u>	<u>21,331</u>	<u>600</u>	<u>78,560</u>
	<u>54,066</u>	<u>3,101</u>	<u>1,667</u>	<u>651</u>	<u>21,331</u>	<u>600</u>	<u>81,416</u>
Total net revenues	<u>191,543</u>	<u>3,112</u>	<u>2,721</u>	<u>1,063</u>	<u>23,794</u>	<u>608</u>	<u>222,841</u>
<b>Expenses</b>							
Other operating expenses							
Depreciation and amortization	9,091	85	85	418	296	82	10,057
Impairment losses	16,321	1	( 1 )	20	26	3	16,370
Others	<u>94,043</u>	<u>1,030</u>	<u>1,315</u>	<u>298</u>	<u>18,340</u>	<u>347</u>	<u>115,373</u>
	<u>119,455</u>	<u>1,116</u>	<u>1,399</u>	<u>736</u>	<u>18,662</u>	<u>432</u>	<u>141,800</u>
Segment operating income	72,088	1,996	1,322	327	5,132	176	81,041
Tax expense	<u>13,961</u>	<u>592</u>	<u>120</u>	<u>88</u>	<u>1,156</u>	<u>42</u>	<u>15,959</u>
Segment net income	<u>P 58,127</u>	<u>P 1,404</u>	<u>P 1,202</u>	<u>P 239</u>	<u>P 3,976</u>	<u>P 134</u>	<u>P 65,082</u>
<b>Statement of Financial Position</b>							
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	<u>6,908</u>	<u>65</u>	<u>170</u>	<u>-</u>	<u>32</u>	<u>-</u>	<u>7,175</u>
	<u>P 3,987,552</u>	<u>P 7,963</u>	<u>P 37,170</u>	<u>P 8,532</u>	<u>P 92,747</u>	<u>P 10,492</u>	<u>P 4,144,456</u>
Total liabilities	<u>P 3,516,144</u>	<u>P 4,112</u>	<u>P 31,151</u>	<u>P 7,154</u>	<u>P 74,067</u>	<u>P 2,205</u>	<u>P 3,634,833</u>
<b>Other segment information</b>							
Capital expenditures	<u>P 6,794</u>	<u>P 31</u>	<u>P 7</u>	<u>P 585</u>	<u>P 1,160</u>	<u>P 36</u>	<u>P 8,613</u>
Investment in associate under equity method	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 5,654</u>	<u>P 5,654</u>
Share in the profit of associates	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P -</u>	<u>P 849</u>	<u>P 849</u>

### 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.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Revenue</b>			
Total segment net revenues	<b>P 293,049</b>	P 263,379	P 222,841
Expenses of insurance operations presented as part of income attributable to insurance operations - net	<b>( 18,049 )</b>	( 16,337 )	( 16,849 )
Elimination of intersegment revenues	<b>( 10,666 )</b>	( 2,968 )	( 9,833 )
Net revenues as reported in profit or loss	<b><u>P 264,334</u></b>	<u>P 244,074</u>	<u>P 196,159</u>
<b>Profit or loss</b>			
Total segment net income	<b>P 90,246</b>	P 74,476	P 65,082
Elimination of intersegment profit	<b>( 8,026 )</b>	( 916 )	( 7,848 )
Net profit as reported in profit or loss	<b><u>P 82,220</u></b>	<u>P 73,560</u>	<u>P 57,234</u>

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>Resources</b>			
Total segment resources	P 4,952,629	P 4,564,191	P 4,144,456
Elimination of intersegment assets	( 76,579 )	( 86,530 )	( 69,748 )
Total resources	<u>P 4,876,050</u>	<u>P 4,477,661</u>	<u>P 4,074,708</u>
<b>Liabilities</b>			
Total segment liabilities	P 4,316,189	P 3,990,578	P 3,634,833
Elimination of intersegment liabilities	( 17,534 )	( 31,471 )	( 21,582 )
Total liabilities	<u>P 4,298,655</u>	<u>P 3,959,107</u>	<u>P 3,613,251</u>

## 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 as of December 31 that are presented in the statements of financial position are shown below and in the succeeding page.

<b>BDO Unibank Group</b>				
<u>2024</u>		<u>2023</u>		
<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	
<b>Financial Assets</b>				
At amortized cost:				
Cash and other cash items	P 109,744	P 109,744	P 94,278	P 94,278
Due from BSP	249,593	249,593	335,076	335,077
Due from other banks	90,448	90,485	85,974	86,032
Investment securities at amortized cost	576,591	557,019	575,986	556,721
Loans and other receivables	3,276,148	3,271,396	2,886,028	2,903,715
Other resources	<u>11,803</u>	<u>11,803</u>	<u>14,961</u>	<u>14,961</u>
	<u>4,314,327</u>	<u>4,290,040</u>	<u>3,992,303</u>	<u>3,990,784</u>
At fair value:				
Investment securities at FVTPL	64,001	64,001	47,220	47,220
Investment securities at FVOCI	<u>349,528</u>	<u>349,528</u>	<u>308,680</u>	<u>308,680</u>
	<u>413,529</u>	<u>413,529</u>	<u>355,900</u>	<u>355,900</u>
	<u>P 4,727,856</u>	<u>P 4,703,569</u>	<u>P 4,348,203</u>	<u>P 4,346,684</u>
<b>Financial Liabilities</b>				
At amortized cost:				
Deposit liabilities	P 3,794,027	P 3,801,843	P 3,567,550	P 3,576,455
Bills payable	261,470	260,914	189,582	188,421
Insurance contract liabilities	86,170	86,170	77,210	77,210
Other liabilities	<u>138,273</u>	<u>138,273</u>	<u>109,633</u>	<u>109,633</u>
	<u>4,279,940</u>	<u>4,287,200</u>	<u>3,943,975</u>	<u>3,951,719</u>
At fair value –				
Other liabilities	<u>6,361</u>	<u>6,361</u>	<u>5,139</u>	<u>5,139</u>
	<u>P 4,286,301</u>	<u>P 4,293,561</u>	<u>P 3,949,114</u>	<u>P 3,956,858</u>

	Parent Bank			
	2024		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
At amortized cost:				
Cash and other cash items	P 105,767	P 105,767	P 91,635	P 91,635
Due from BSP	246,815	246,815	332,428	332,429
Due from other banks	77,511	77,542	76,791	76,846
Investment securities at amortized cost	556,125	536,831	554,643	535,742
Loans and other receivables	3,168,757	3,169,449	2,809,547	2,827,453
Other resources	<u>11,462</u>	<u>11,462</u>	<u>10,088</u>	<u>10,088</u>
	<u>4,166,437</u>	<u>4,147,866</u>	<u>3,875,132</u>	<u>3,874,193</u>
At fair value:				
Investment securities at FVTPL	21,974	21,974	8,469	8,469
Investment securities at FVOCI	<u>261,889</u>	<u>261,889</u>	<u>224,579</u>	<u>224,579</u>
	<u>283,863</u>	<u>283,863</u>	<u>233,048</u>	<u>233,048</u>
	<u>P 4,450,300</u>	<u>P 4,431,729</u>	<u>P 4,108,180</u>	<u>P 4,107,241</u>
<b>Financial Liabilities</b>				
At amortized cost:				
Deposit liabilities	P 3,686,052	P 3,687,771	P 3,476,867	P 3,479,618
Bills payable	240,288	239,852	167,988	167,070
Other liabilities	<u>125,956</u>	<u>125,956</u>	<u>97,650</u>	<u>97,650</u>
	<u>4,052,296</u>	<u>4,053,579</u>	<u>3,742,505</u>	<u>3,744,338</u>
At fair value –				
Other liabilities	<u>3,090</u>	<u>3,090</u>	<u>1,859</u>	<u>1,859</u>
	<u>P 4,055,386</u>	<u>P 4,056,669</u>	<u>P 3,744,364</u>	<u>P 3,746,197</u>

Net income (loss) contributed by financial assets at FVTPL recognized in the BDO Unibank Group's statement of income under Interest Income, Other Operating Income and Income Attributable to Insurance Operations – Net, amounted to P329, P1,350 and (P918) in 2024, 2023 and 2022, respectively.

Gain (loss) on disposal of FVOCI debt securities recognized BDO Unibank Group's statement of income under Other Operating Income and Income Attributable to Insurance Operations – Net amounted P90, (P39) and P44 in 2024, 2023 and 2022, respectively.

Income from equity instruments designated at FVOCI recognized in the BDO Unibank Group's statement of income under Other Operating Income and Income Attributable to Insurance Operations – Net, amounted to P162, P106 and P81 in 2024, 2023 and 2022, respectively.

Interest income from debt instruments recognized in the BDO Unibank Group's statement of income under Interest Income and Income Attributable to Insurance Operations – Net, amounted to P19,658, P14,272 and P7,275 in 2024, 2023 and 2022, respectively for debt instruments at FVOCI and P26,908, P23,117 and P17,490 in 2024, 2023 and 2022, respectively for debt instruments at amortized cost.

## **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 Accounting Standards, 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, 2024 and 2023 are grouped into the fair value hierarchy as presented in the succeeding pages.

Unquoted equity securities consist of preferred and common shares of various unlisted local companies.

**BDO Unibank Group**

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2024</u></b>					
Resources:					
Financial assets at FVTPL:	10.1, 16.1				
Equity securities - quoted		P 27,501	P 1,068	P -	P 28,569
Government debt securities		16,391	6,261	-	22,652
Corporate debt securities		145	4,344	-	4,489
Derivative financial assets		-	8,291	-	8,291
		<u>44,037</u>	<u>19,964</u>	<u>-</u>	<u>64,001</u>
Financial assets at FVOCI:	10.2, 16.1				
Government debt securities		P 227,175	P 52,471	P -	P 279,646
Corporate debt securities		29,807	31,465	-	61,272
Equity securities - quoted		7,781	565	-	8,346
Equity securities - not quoted		<u>79</u>	<u>80</u>	<u>105</u>	<u>264</u>
		<u>264,842</u>	<u>84,581</u>	<u>105</u>	<u>349,528</u>
		<u>P 308,879</u>	<u>P 104,545</u>	<u>P 105</u>	<u>P 413,529</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 101</u>	<u>P 6,260</u>	<u>P -</u>	<u>P 6,361</u>
<b><u>December 31, 2023</u></b>					
Financial assets at FVTPL:	10.1, 16.1				
Equity securities - quoted		P 24,824	P 1,187	P -	P 26,011
Government debt securities		8,763	2,444	-	11,207
Corporate debt securities		668	3,264	-	3,932
Derivative financial assets		-	6,070	-	6,070
		<u>34,255</u>	<u>12,965</u>	<u>-</u>	<u>47,220</u>
Financial assets at FVOCI:	10.2, 16.1				
Government debt securities		202,683	36,966	-	239,649
Corporate debt securities		35,566	28,649	-	64,215
Equity securities - quoted		4,215	447	-	4,662
Equity securities - not quoted		<u>-</u>	<u>112</u>	<u>42</u>	<u>154</u>
		<u>242,464</u>	<u>66,174</u>	<u>42</u>	<u>308,680</u>
		<u>P 276,719</u>	<u>P 79,139</u>	<u>P 42</u>	<u>P 355,900</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 97</u>	<u>P 5,042</u>	<u>P -</u>	<u>P 5,139</u>



**Parent Bank**

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2024</u></b>					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 11,004	P 6,050	P -	P 17,054
Derivative financial assets		-	4,633	-	4,633
Corporate debt securities		105	181	-	286
Equity securities - quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>11,110</u>	<u>10,864</u>	<u>-</u>	<u>21,974</u>
Financial assets at FVOCI:	10.2				
Government debt securities		155,004	50,419	-	205,423
Corporate debt securities		23,774	30,776	-	54,550
Equity securities - quoted		1,206	564	-	1,770
Equity securities - not quoted		<u>79</u>	<u>67</u>	<u>-</u>	<u>146</u>
		<u>180,063</u>	<u>81,826</u>	<u>-</u>	<u>261,889</u>
		<u>P 191,173</u>	<u>P 92,690</u>	<u>P -</u>	<u>P 283,863</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 101</u>	<u>P 2,989</u>	<u>P -</u>	<u>P 3,090</u>
<b><u>December 31, 2023</u></b>					
Resources:					
Financial assets at FVTPL:	10.1				
Government debt securities		P 3,947	P 2,231	P -	P 6,178
Derivative financial assets		-	2,157	-	2,157
Corporate debt securities		44	89	-	133
Equity securities - quoted		<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>
		<u>3,992</u>	<u>4,477</u>	<u>-</u>	<u>8,469</u>
Financial assets at FVOCI:	10.2				
Government debt securities		134,115	35,329	-	169,444
Corporate debt securities		25,624	27,939	-	53,563
Equity securities - quoted		1,024	448	-	1,472
Equity securities - not quoted		<u>-</u>	<u>100</u>	<u>-</u>	<u>100</u>
		<u>160,763</u>	<u>63,816</u>	<u>-</u>	<u>224,579</u>
		<u>P 164,755</u>	<u>P 68,293</u>	<u>P -</u>	<u>P 233,048</u>
Liabilities –					
Derivatives with negative fair values	21	<u>P 97</u>	<u>P 1,762</u>	<u>P -</u>	<u>P 1,859</u>

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

Discussed below and in the succeeding page is the information about how fair values of the BDO Unibank Group and the Parent Bank's classes of financial assets are determined.

(a) Equity securities

- (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 Bloomberg Valuation (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 pages 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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2024</u></b>				
Resources:				
Cash and other cash items	P 109,744	P -	P -	P 109,744
Due from BSP	249,593	-	-	249,593
Due from other banks	90,485	-	-	90,485
Investment securities at amortized cost	288,390	268,350	279	557,019
Loans and other receivables	-	-	3,271,396	3,271,396
Other resources	<u>10,304</u>	<u>-</u>	<u>1,499</u>	<u>11,803</u>
	<u>P 748,516</u>	<u>P 268,350</u>	<u>P 3,273,174</u>	<u>P 4,290,040</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,801,843	P 3,801,843
Bills payable	-	168,710	92,204	260,914
Insurance Contract Liabilities	-	-	86,170	86,170
Other liabilities	<u>-</u>	<u>-</u>	<u>138,273</u>	<u>138,273</u>
	<u>P -</u>	<u>P 168,710</u>	<u>P 4,118,490</u>	<u>P 4,287,200</u>
<b><u>December 31, 2023</u></b>				
Resources:				
Cash and other cash items	P 94,278	P -	P -	P 94,278
Due from BSP	335,077	-	-	335,077
Due from other banks	86,032	-	-	86,032
Investment securities at amortized cost	314,162	240,408	2,151	556,721
Loans and other receivables	-	-	2,903,715	2,903,715
Other resources	<u>8,989</u>	<u>-</u>	<u>5,972</u>	<u>14,961</u>
	<u>P 838,538</u>	<u>P 240,408</u>	<u>P 2,911,838</u>	<u>P 3,990,784</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,576,455	P 3,576,455
Bills payable	-	99,264	89,157	188,421
Insurance contract liabilities	-	-	77,210	77,210
Other liabilities	<u>-</u>	<u>-</u>	<u>109,633</u>	<u>109,633</u>
	<u>P -</u>	<u>P 99,264</u>	<u>P 3,852,455</u>	<u>P 3,951,719</u>

**Parent Bank**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b><u>December 31, 2024</u></b>				
Resources:				
Cash and other cash items	P 105,767	P -	P -	P 105,767
Due from BSP	246,815	-	-	246,815
Due from other banks	77,542	-	-	77,542
Investment securities at amortized cost	277,562	259,269	-	536,831
Loans and other receivables	-	-	3,169,449	3,169,449
Other resources	<u>10,301</u>	<u>-</u>	<u>1,161</u>	<u>11,462</u>
	<u>P 717,987</u>	<u>P 259,269</u>	<u>P 3,170,610</u>	<u>P 4,147,866</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,687,771	P 3,687,771
Bills payable	-	168,710	71,142	239,852
Other liabilities	<u>-</u>	<u>-</u>	<u>125,956</u>	<u>125,956</u>
	<u>P -</u>	<u>P 168,710</u>	<u>P 3,884,869</u>	<u>P 4,053,579</u>
<b><u>December 31, 2023</u></b>				
Resources:				
Cash and other cash items	P 91,635	P -	P -	P 91,635
Due from BSP	332,429	-	-	332,429
Due from other banks	76,846	-	-	76,846
Investment securities at amortized cost	301,387	234,355	-	535,742
Loans and other receivables	-	-	2,827,453	2,827,453
Other resources	<u>8,987</u>	<u>-</u>	<u>1,101</u>	<u>10,088</u>
	<u>P 811,284</u>	<u>P 234,355</u>	<u>P 2,828,554</u>	<u>P 3,874,193</u>
Liabilities:				
Deposit liabilities	P -	P -	P 3,479,618	P 3,479,618
Bills payable	-	99,264	67,806	167,070
Other liabilities	<u>-</u>	<u>-</u>	<u>97,650</u>	<u>97,650</u>
	<u>P -</u>	<u>P 99,264</u>	<u>P 3,645,074</u>	<u>P 3,744,338</u>

For financial assets and financial liabilities, management considers that the carrying amounts of those short-term financial instruments approximate their fair values. The following are the methods used to determine the fair value of financial assets and financial liabilities 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 17) 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 based on the reference price per Bloomberg which used Bloomberg Valuation (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. 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; hence categorized as Level 1 or Level 2.

(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, 2024 and 2023 are shown below.

	BDO Unibank Group				Parent Bank			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>December 31, 2024</b>								
Investment properties:								
Land	P -	P -	P 36,325	P 36,325	P -	P -	P 28,782	P 28,782
Building and improvements	-	-	35,707	35,707	-	-	30,493	30,493
Non-current assets held for sale	-	-	1,185	1,185	-	-	1,185	1,185
	<u>P -</u>	<u>P -</u>	<u>P 73,217</u>	<u>P 73,217</u>	<u>P -</u>	<u>P -</u>	<u>P 60,460</u>	<u>P 60,460</u>
<b>December 31, 2023</b>								
Investment properties:								
Land	P -	P -	P 32,118	P 32,118	P -	P -	P 24,184	P 24,184
Building and improvements	-	-	20,181	20,181	-	-	14,813	14,813
Non-current assets held for sale	-	-	1,238	1,238	-	-	1,238	1,238
	<u>P -</u>	<u>P -</u>	<u>P 53,537</u>	<u>P 53,537</u>	<u>P -</u>	<u>P -</u>	<u>P 40,235</u>	<u>P 40,235</u>

The fair value of the investment properties of the BDO Unibank Group and the Parent Bank as of December 31, 2024 and 2023 (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 above is their current use. The fair value discussed above as determined by the appraisers were used by the BDO Unibank Group and the Parent Bank in determining the fair value of 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 2024 and 2023.

**7.6 Offsetting Financial Assets and Financial Liabilities**

Certain financial assets of the BDO Unibank Group and the Parent Bank with amounts presented in the statements of financial position as of December 31, 2024 and 2023 are subject to offsetting, enforceable master netting arrangements and similar agreements.

**BDO Unibank Group**

	<b>Gross amounts recognized in the statements of financial position</b>	<b>Related amounts not set off in the statements of financial position</b>		
		<b>Financial instruments</b>	<b>Collateral received</b>	<b>Net amount</b>
<b><u>December 31, 2024</u></b>				
Loans and other receivables - net	P 3,272,518	P -	( P 8,682 )	P 3,263,836
Trading and investment securities - net	<u>876,108</u>	( <u>15,030</u> )	<u>-</u>	<u>861,078</u>
	<b><u>P 4,148,626</u></b>	<b>( <u>P 15,030</u> )</b>	<b>( <u>P 8,682</u> )</b>	<b><u>P 4,124,914</u></b>
<b><u>December 31, 2023</u></b>				
Loans and other receivables - net	P 2,881,945	P -	( P 6,226 )	P 2,875,719
Trading and investment securities - net	<u>824,807</u>	( <u>16,381</u> )	<u>-</u>	<u>808,426</u>
	<b><u>P 3,706,752</u></b>	<b>( <u>P 16,381</u> )</b>	<b>( <u>P 6,226</u> )</b>	<b><u>P 3,684,145</u></b>

**Parent Bank**

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
<b><u>December 31, 2024</u></b>				
Loans and other receivables - net	P 3,168,757	P -	( P 8,672 )	P 3,160,085
Trading and investment securities - net	<u>839,988</u>	( <u>13,185</u> )	<u>-</u>	<u>826,803</u>
	<b><u>P 4,008,745</u></b>	<b>( P 13,185 )</b>	<b>( P 8,672 )</b>	<b><u>P 3,986,888</u></b>
<b><u>December 31, 2023</u></b>				
Loans and other receivables - net	P 2,809,547	P -	( P 5,672 )	P 2,803,875
Trading and investment securities - net	<u>787,691</u>	( <u>14,560</u> )	<u>-</u>	<u>773,131</u>
	<b><u>P 3,597,238</u></b>	<b>( P 14,560 )</b>	<b>( P 5,672 )</b>	<b><u>P 3,577,006</u></b>

Included in the trading and investment securities - net are the currency forwards and interest rate swaps with 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.

Certain 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**

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
<b><u>December 31, 2024</u></b>				
Deposit liabilities	P 3,794,027	( P 8,682 )	P -	P 3,785,345
Bills payable	261,470	-	( 13,723 )	247,747
Other liabilities	<u>151,687</u>	<u>685</u>	<u>-</u>	<u>152,372</u>
	<b><u>P 4,207,184</u></b>	<b>( P 7,997 )</b>	<b>( P 13,723 )</b>	<b><u>P 4,185,464</u></b>
<b><u>December 31, 2023</u></b>				
Deposit liabilities	P 3,567,550	( P 6,226 )	P -	P 3,561,324
Bills payable	189,582	-	( 15,080 )	174,502
Other liabilities	<u>119,454</u>	( <u>888</u> )	<u>-</u>	<u>118,566</u>
	<b><u>P 3,876,586</u></b>	<b>( P 7,114 )</b>	<b>( P 15,080 )</b>	<b><u>P 3,854,392</u></b>



**Parent Bank**

	Gross amounts recognized in the statements of financial position	Related amounts not set off in the statements of financial position		
		Financial instruments	Collateral received	Net amount
<b>December 31, 2024</b>				
Deposit liabilities	P 3,686,052	(P 8,672)	P -	P 3,677,380
Bills payable	240,288	-	( 13,155)	227,133
Other liabilities	<u>139,543</u>	<u>31</u>	<u>-</u>	<u>139,574</u>
	<b>P 4,065,883</b>	<b>(P 8,641)</b>	<b>(P 13,155)</b>	<b>P 4,044,087</b>
<b>December 31, 2023</b>				
Deposit liabilities	P 3,476,867	(P 5,672)	P -	P 3,471,195
Bills payable	167,988	-	( 14,500)	153,488
Other liabilities	<u>107,595</u>	<u>( 60)</u>	<u>-</u>	<u>107,535</u>
	<b>P 3,752,450</b>	<b>(P 5,732)</b>	<b>(P 14,500)</b>	<b>P 3,732,218</b>

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	
	2024	2023	2024	2023
Cash and other cash items	<b>P 109,744</b>	P 94,278	<b>P 105,767</b>	P 91,635
Due from BSP:				
Mandatory reserves	<b>217,803</b>	281,591	<b>216,856</b>	279,263
Other than mandatory reserves	<u><b>31,790</b></u>	<u>53,485</u>	<u><b>29,959</b></u>	<u>53,165</u>
	<u><b>249,593</b></u>	<u>335,076</u>	<u><b>246,815</b></u>	<u>332,428</u>
	<b>P 359,337</b>	P 429,354	<b>P 352,582</b>	P 424,063

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 19).

The Parent Bank opened a Special Savings Account (SSA) with the BSP to comply with InstaPay facility requirement. As of December 31, 2024 and 2023, the balance of this account amounted to P2,393 and P783, respectively, and is presented as part of Due from BSP.

The Parent Bank opened a Demand Deposit Account 3 (DDA3) with the BSP for PESONet transactions. As of December 31, 2023, the balance of this account amounted to P7,390 and is presented as part of Due from BSP. After the 4:00 PM Cycle 2 settlement cut-off on January 05, 2024 (Friday), participants must perform the total defunding of their respective DDA3 and ensure that the resulting balance is zero at the end-of-day.

Due from BSP, excluding mandatory reserves which has no interest, bears annual interest rate of 5.25% to 6.65% in 2024, 5.00% to 6.76% in 2023, and 1.50% to 6.45% in 2022.

The total interest income earned amounted to P3,023, P5,201, and P2,558 in 2024, 2023 and 2022, respectively, in BDO Unibank Group's statements of income, and P2,975, P5,146 and P2,533 in 2024, 2023 and 2022, 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	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Foreign banks		<b>P 80,495</b>	P 78,641	<b>P 76,390</b>	P 76,220
Local banks		<b>9,990</b>	7,391	<b>1,152</b>	626
		<b>90,485</b>	86,032	<b>77,542</b>	76,846
Allowance for impairment	18	( <b>37</b> )	( 58 )	( <b>31</b> )	( 55 )
		<b>P 90,448</b>	P 85,974	<b>P 77,511</b>	P 76,791

The breakdown of this account as to currency follows:

		<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
U.S. dollars		<b>P 51,427</b>	P 52,219	<b>P 47,374</b>	P 49,906
Other foreign currencies		<b>32,432</b>	27,571	<b>29,716</b>	26,608
Philippine pesos		<b>6,589</b>	6,184	<b>421</b>	277
		<b>P 90,448</b>	P 85,974	<b>P 77,511</b>	P 76,791

Annual interest rates on these deposits range from:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
BDO Unibank Group	<b>0.00% – 6.38%</b>	0.00% – 6.40%	0.00% – 5.50%
Parent Bank	<b>0.00% – 5.25%</b>	0.00% – 5.46%	0.00% – 4.40%

There are deposits such as current accounts, which do not earn interest. The total interest income earned amounted to P3,215, P2,538, and P808 in 2024, 2023, and 2022, respectively, in the BDO Unibank Group's statements of income, and P2,625, P2,171, and P674, in 2024, 2023, and 2022, respectively, in the Parent Bank's statements of income (see Note 23). Except for margin deposits amounting to P2,189 and P1,298 as of December 31, 2024 and 2023, respectively, for the BDO Unibank Group and P300 and P224 as of December 31, 2024 and 2023, respectively, for the Parent Bank, 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	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Financial assets at FVTPL	10.1	<b>P 27,929</b>	P 14,749	<b>P 21,974</b>	P 8,469
Financial assets at FVOCI	10.2	<b>272,225</b>	236,578	<b>261,889</b>	224,579
Investment securities at amortized cost - net	10.3	<b>575,954</b>	573,480	<b>556,125</b>	554,643
		<b>P 876,108</b>	P 824,807	<b>P 839,988</b>	P 787,691

### 10.1 Financial Assets at FVTPL

This account is composed of the following:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Derivative financial assets	<b>P 8,291</b>	P 6,070	<b>P 4,633</b>	P 2,157
Government debt securities	<b>18,114</b>	6,690	<b>17,054</b>	6,178
Corporate debt securities	<b>386</b>	757	<b>286</b>	133
	<b>26,791</b>	13,517	<b>21,973</b>	8,468
Equity securities - quoted	<b>1,138</b>	1,232	<b>1</b>	1
	<b>P 27,929</b>	P 14,749	<b>P 21,974</b>	P 8,469

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.

	Notes	<b>BDO Unibank Group</b>		
		<b>2024</b>	<b>2023</b>	<b>2022</b>
Interest income	23	<b>P 520</b>	P 128	P 104
Trading gain (loss) - net	25	<b>( 233)</b>	1,439	( 443)
Foreign exchange loss	25	<b>( 160)</b>	( 355)	( 549)
Dividend income	25	<b>56</b>	1	2
Net income (loss)		<b>P 183</b>	P 1,213	(P 886)

	Notes	<b>Parent Bank</b>		
		<b>2024</b>	<b>2023</b>	<b>2022</b>
Interest income	23	<b>P 500</b>	P 89	P 69
Trading gain (loss) - net	25	<b>( 491)</b>	1,223	( 333)
Net income (loss)		<b>P 9</b>	P 1,312	(P 264)

Effective interest rates of debt securities at FVTPL range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b><u>BDO Unibank Group</u></b>			
Government debt securities	0.00% – 9.50%	0.25% – 9.50%	1.38% – 9.50%
Corporate debt securities	0.00% – 9.38%	2.00% – 8.62%	0.09% – 8.51%

**Parent Bank**

Government debt securities	0.00% – 9.50%	1.65% – 9.50%	1.38% – 9.50%
Corporate debt securities	0.00% – 9.38%	2.00% – 8.62%	2.13% – 8.51%

Foreign currency-denominated securities amounted to P7,440 and P3,717 as of December 31, 2024 and 2023, respectively, in the BDO Unibank Group's statements of financial position, and P6,047 and P2,711 as of December 31, 2024 and 2023, 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. 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)].

	<u>2024</u>			<u>2023</u>		
	<u>Notional Amount</u>	<u>Fair Values</u>		<u>Notional Amount</u>	<u>Fair Values</u>	
		<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>
<b><u>BDO Unibank Group</u></b>						
Currency forwards/futures	P 529,441	P 4,256	P 2,594	P 353,693	P 1,828	P 1,462
Cross currency swaps	46,491	4,007	346	79,164	4,208	3,540
ROP warrants	8,475	-	101	8,475	-	96
Interest rate swaps	<u>3,432</u>	<u>28</u>	<u>3,320</u>	<u>6,054</u>	<u>34</u>	<u>41</u>
	<u>P 587,839</u>	<u>P 8,291</u>	<u>P 6,361</u>	<u>P 447,386</u>	<u>P 6,070</u>	<u>P 5,139</u>
<b><u>Parent Bank</u></b>						
Currency forwards/futures	P 524,322	P 4,217	P 2,594	P 351,276	P 1,813	P 1,457
ROP warrants	8,475	-	101	8,475	-	96
Cross currency swaps	5,731	388	372	5,382	310	265
Interest rate swaps	<u>3,432</u>	<u>28</u>	<u>23</u>	<u>6,054</u>	<u>34</u>	<u>41</u>
	<u>P 541,960</u>	<u>P 4,633</u>	<u>P 3,090</u>	<u>P 371,187</u>	<u>P 2,157</u>	<u>P 1,859</u>

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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Government debt securities	<b>P 214,905</b>	P 178,219	<b>P 205,423</b>	P 169,444
Corporate debt securities	<b>55,243</b>	56,680	<b>54,554</b>	53,563
Equity securities:				
Quoted	<b>1,817</b>	1,525	<b>1,770</b>	1,472
Not quoted	<b>264</b>	154	<b>146</b>	100
	<b>272,229</b>	236,578	<b>261,893</b>	224,579
Allowance for impairment	<b>( 4)</b>	-	<b>( 4)</b>	-
	<b>P 272,225</b>	P 236,578	<b>P 261,889</b>	P 224,579

As to currency, this account is composed of the following:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Foreign currencies	<b>P 124,185</b>	P 94,236	<b>P 122,742</b>	P 93,096
Philippine peso	<b>148,040</b>	142,342	<b>139,147</b>	131,483
	<b>P 272,225</b>	P 236,578	<b>P 261,889</b>	P 224,579

The maturity profile of this account is presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Within one year	<b>P 89,738</b>	P 108,225	<b>P 88,884</b>	P 105,228
One to five years	<b>117,874</b>	72,269	<b>111,877</b>	66,320
Beyond five years	<b>64,613</b>	56,084	<b>61,128</b>	53,031
	<b>P 272,225</b>	P 236,578	<b>P 261,889</b>	P 224,579

Effective interest rates of financial assets at FVOCI range from:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
<b><u>BDO Unibank Group</u></b>			
Government debt securities	<b>1.84% – 7.44%</b>	1.84% – 7.95%	0.53% – 10.63%
Corporate debt securities	<b>2.14% – 9.38%</b>	1.84% – 8.76%	1.87% – 8.76%
<b><u>Parent Bank</u></b>			
Government debt securities	<b>1.84% – 7.44%</b>	1.84% – 7.95%	0.54% – 10.63%
Corporate debt securities	<b>2.14% – 9.38%</b>	1.84% – 8.76%	1.87% – 8.76%

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 reported under Trading and Investments Securities - Net is shown below:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>P 236,578</b>	P 119,061	<b>P 224,579</b>	P 109,647
Additions	<b>1,332,272</b>	882,675	<b>1,324,855</b>	872,261
Disposals	<b>( 1,301,208)</b>	( 768,601)	<b>( 1,292,019)</b>	( 760,433)
Foreign currency revaluation	<b>4,592</b>	( 584)	<b>4,504</b>	( 560)
Unrealized fair value losses	<b>( 177)</b>	3,989	<b>( 196)</b>	3,666
Realized fair value losses on FVOCI	<b>172</b>	38	<b>170</b>	( 2)
Impairment loss - net	<b>( 4)</b>	-	<b>( 4)</b>	-
Balance at end of year	<b><u>P 272,225</u></b>	<u>P 236,578</u>	<b><u>P 261,889</u></b>	<u>P 224,579</u>

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under Trading and Investment Securities - Net, and Investment Securities and Other Assets for Life Insurance Contracts - Net, reported under equity is shown below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>(P 12,210)</b>	(P 19,950)	<b>(P 8,471)</b>	(P 12,228)
Changes on unrealized fair value gains (losses) during the year:				
Fair value gains (losses) during the year	<b>( 722)</b>	7,619	<b>( 196)</b>	3,666
Expected credit losses on FVOCI securities	<b>( 25)</b>	108	<b>( 16)</b>	97
Deferred tax assets (liabilities)	<b>( 3)</b>	( 6)	<b>( 5)</b>	( 4)
	<b>( 12,960)</b>	( 12,229)	<b>( 8,688)</b>	( 8,469)
Realized fair value (gains) loss on securities disposed during the year - net	<b>( 20)</b>	19	<b>170</b>	( 2)
Balance at end of year	<b><u>(P 12,980)</u></b>	<u>(P 12,210)</u>	<b><u>(P 8,518)</u></b>	<u>(P 8,471)</u>
Net unrealized fair value losses, net of tax:				
Attributable to:				
Shareholder of the Parent Bank	<b>(P 722)</b>	(P 7,619)		
Non-controlling interest	<b>5</b>	( 28)		
	<b><u>(P 717)</u></b>	<u>(P 7,647)</u>		

The BDO Unibank Group disposed of FVOCI securities under equity amounting to P4, P3 and P6 in 2024, 2023 and 2022, respectively. The Parent Bank did not dispose any FVOCI equity securities in 2024, 2023 and 2022.

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 (loss) on disposal of FVOCI debt securities amounting to P90 and P90, respectively, in 2024, (P39) and nil, respectively, in 2023, and P44 and P16, respectively, in 2022.

Impairment losses (recoveries) recognized for FVOCI debt securities presented in NUGL for BDO Unibank Group and the Parent Bank amounted to (P25) and (P17), respectively, in 2024, P108 and P97, respectively, in 2023 and P67 and P65, respectively, in 2022. The total accumulated impairment losses presented in NUGL for the BDO Unibank Group and the Parent Bank amounted to P200 and P182 respectively, as of December 31, 2024, and P225 and P199, respectively, as of December 31, 2023 (see Note 4.3.5).

### 10.3 Investment Securities at Amortized Cost

This account consists of:

	Note	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Government debt securities		<b>P 492,529</b>	P 501,606	<b>P 474,652</b>	P 485,264
Corporate debt securities:					
Quoted		<b>83,874</b>	72,000	<b>81,919</b>	70,008
Not quoted		<b>1,663</b>	2,000	<b>1,663</b>	1,486
		<b>578,066</b>	575,606	<b>558,234</b>	556,758
Allowance for impairment	18	( <b>2,112</b> )	( 2,126 )	( <b>2,109</b> )	( 2,115 )
		<b>P 575,954</b>	P 573,480	<b>P 556,125</b>	P 554,643

As to currency, this account is composed of the following:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Foreign currencies	<b>P 188,376</b>	P 207,053	<b>P 183,854</b>	P 201,824
Philippine peso	<b>387,578</b>	366,427	<b>372,271</b>	352,819
	<b>P 575,954</b>	P 573,480	<b>P 556,125</b>	P 554,643

The maturity profile of this account is presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Less than one year	<b>P 76,139</b>	P 96,291	<b>P 72,263</b>	P 92,690
One to five years	<b>259,810</b>	241,953	<b>250,897</b>	230,506
Beyond five years	<b>240,005</b>	235,236	<b>232,965</b>	231,447
	<b>P 575,954</b>	P 573,480	<b>P 556,125</b>	P 554,643

The reconciliation of the carrying amounts of investment securities at amortized cost is as follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>P 573,480</b>	P 509,316	<b>P 554,643</b>	P 491,259
Additions	<b>128,567</b>	115,282	<b>117,882</b>	111,216
Maturities and disposals	( <b>134,598</b> )	( 49,917 )	( <b>124,675</b> )	( 46,673 )
Foreign currency gains (losses) – net	<b>8,407</b>	( 707 )	<b>8,186</b>	( 673 )
Impairment loss (recovery)	<b>98</b>	( 494 )	<b>89</b>	( 486 )
	<b>P 575,954</b>	P 573,480	<b>P 556,125</b>	P 554,643

Effective interest rates of investment securities at amortized cost range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b><u>BDO Unibank Group</u></b>			
Government debt securities	<b>0.65% – 7.47%</b>	0.47% – 10.25%	0.18% – 10.25%
Corporate debt securities	<b>1.82% – 7.60%</b>	1.29% – 7.81%	1.27% – 7.88%
<b><u>Parent Bank</u></b>			
Government debt securities	<b>0.65% – 7.47%</b>	0.47% – 7.47%	0.18% – 7.56%
Corporate debt securities	<b>1.82% – 7.60%</b>	1.82% – 7.81%	1.82% – 7.88%

In 2024 and 2023, the BDO Unibank Group disposed of debt securities from its amortized cost portfolio amounting to P353 and P2,584, respectively, resulting in a net trading loss amounting to nil and P3, respectively. In the same year, the Parent Bank disposed of debt securities from its amortized cost portfolio amounting to P353 and P2,292, respectively, resulting in a net trading loss amounting to nil and P3, respectively. These disposals were all initiated by the issuers.

Management has assessed that such disposals of investment securities in 2024 and 2023 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

The loans and other receivables account consists of the following:

	<u>Notes</u>	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Receivables from customers:					
Loans and discounts	27, 34.2.1 P	<b>2,894,293</b>	P 2,596,551	<b>P 2,789,625</b>	P 2,522,613
Credit card receivables		<b>215,382</b>	162,047	<b>215,382</b>	162,047
Customers' liabilities under letters of credit and trust receipts		<b>103,272</b>	80,952	<b>103,272</b>	80,952
Bills purchased		<b>13,700</b>	10,685	<b>13,697</b>	10,633
		<b>3,226,647</b>	2,850,235	<b>3,121,976</b>	2,776,245
Unearned interests or discounts		( <b>1,417</b> )	( 1,438 )	( <b>561</b> )	( 765 )
Allowance for impairment	18	( <b>89,097</b> )	( 83,103 )	( <b>86,655</b> )	( 80,802 )
		( <b>90,514</b> )	( 84,541 )	( <b>87,216</b> )	( 81,567 )
		<b>3,136,133</b>	2,765,694	<b>3,034,760</b>	2,694,678
Other receivables:					
Interbank loans receivables		<b>81,988</b>	69,174	<b>82,567</b>	69,975
Reverse repurchase agreements		<b>25,463</b>	25,370	<b>25,012</b>	24,970
Accounts receivable	27	<b>29,137</b>	22,561	<b>27,334</b>	21,141
Sales contract receivables	34.2.1	<b>1,864</b>	1,384	<b>1,843</b>	1,351
Others		<b>927</b>	470	<b>-</b>	-
		<b>139,379</b>	118,959	<b>136,756</b>	117,437
Allowance for impairment	18	( <b>2,994</b> )	( 2,708 )	( <b>2,759</b> )	( 2,568 )
		<b>136,385</b>	116,251	<b>133,997</b>	114,869
		<b>P 3,272,518</b>	P 2,881,945	<b>P 3,168,757</b>	P 2,809,547



The maturity profile of receivable from customers (net of unearned interest or discounts) based on the remaining term is presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Less than one year	<b>P 1,054,600</b>	P 890,953	<b>P 1,048,312</b>	P 884,527
One to five years	<b>1,139,230</b>	1,095,419	<b>1,060,428</b>	1,044,197
Beyond five years	<b>1,031,400</b>	862,425	<b>1,012,675</b>	846,756
	<b><u>P 3,225,230</u></b>	<u>P 2,848,797</u>	<b><u>P 3,121,415</u></b>	<u>P 2,775,480</u>

The breakdown of total loans (receivable from customers, net of unearned interests or discounts) as to type of interest rate follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Variable interest rates	<b>P 2,585,736</b>	P 2,205,871	<b>P 2,472,274</b>	P 2,194,927
Fixed interest rates	<b>639,494</b>	642,926	<b>649,141</b>	580,553
	<b><u>P 3,225,230</u></b>	<u>P 2,848,797</u>	<b><u>P 3,121,415</u></b>	<u>P 2,775,480</u>

Annual interest rates ranges from:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
Loans and discounts	<b>0.00% – 60.96%</b>	0.00% – 60.96%	0.00% – 60.96%
Other receivables	<b>0.00% – 16.00%</b>	0.00% – 19.00%	0.00% – 19.00%

The total interest income earned (see Note 23) amounted to:

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Loans and discounts	<b>P 215,974</b>	P 183,348	P 133,170	<b>P 206,691</b>	P 175,534	P 126,802
Other receivables	<b>6,761</b>	6,719	2,626	<b>6,822</b>	6,751	2,571
	<b><u>P 222,735</u></b>	<u>P 190,067</u>	<u>P 135,796</u>	<b><u>P 213,513</u></b>	<u>P 182,285</u>	<u>P 129,373</u>

Interest income recognized on impaired loans and receivables amounted to P28,459, P23,713 and P6,398 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group, and P28,234, P23,706 and P6,395 in 2024, 2023 and 2022, respectively, for the Parent Bank.

Certain receivables from customers of the BDO Unibank Group and the Parent Bank amounting to P10,092 and P8,672, respectively, as of December 31, 2024 and P8,657 and P5,672, respectively, as of December 31, 2023, are subject to offsetting with the corresponding collaterals received as a means of security amounting to P8,682 and P8,672, respectively, as of December 31, 2024, and P6,226 and P5,672, respectively, as of December 31, 2023, 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 P14,404 and P13,273, respectively, in 2024, P15,771 and P15,041, respectively, in 2023, and P16,414 and P15,665, respectively, in 2022 (see Note 18).

## 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 2024 and 2023 are shown below.

### BDO Unibank Group

			<u>Furniture, Fixtures and Equipment</u>		<u>Buildings</u>		<u>Leasehold Rights and Improvement</u>		<u>Construction in Progress</u>		<u>Right-of- Use Assets</u>		<u>Total</u>
	<u>Land</u>												
December 31, 2024													
Cost	P	8,812	P	35,061	P	25,248	P	9,514	P	4,245	P	22,585	P 105,465
Accumulated depreciation and amortization		-	(	22,998)	(	8,965)	(	7,969)	-	(	10,707)	(	50,639)
Allowance for impairment (see Note 18)	(	330)	-	(	292)	-	-	-	-	-	-	(	622)
Net Carrying Amount	<u>P</u>	<u>8,482</u>	<u>P</u>	<u>12,063</u>	<u>P</u>	<u>15,991</u>	<u>P</u>	<u>1,545</u>	<u>P</u>	<u>4,245</u>	<u>P</u>	<u>11,878</u>	<u>P 54,204</u>
December 31, 2023													
Cost	P	8,810	P	30,453	P	24,679	P	9,106	P	1,930	P	20,623	P 95,601
Accumulated depreciation and amortization		-	(	21,437)	(	8,145)	(	7,694)	-	(	9,621)	(	46,897)
Allowance for impairment (see Note 18)	(	330)	-	(	289)	-	-	-	-	-	-	(	619)
Net Carrying Amount	<u>P</u>	<u>8,480</u>	<u>P</u>	<u>9,016</u>	<u>P</u>	<u>16,245</u>	<u>P</u>	<u>1,412</u>	<u>P</u>	<u>1,930</u>	<u>P</u>	<u>11,002</u>	<u>P 48,085</u>
January 1, 2023													
Cost	P	8,430	P	29,066	P	25,345	P	8,660	P	1,266	P	19,561	P 92,328
Accumulated depreciation and amortization		-	(	19,682)	(	10,047)	(	7,295)	-	(	8,189)	(	45,213)
Allowance for impairment (see Note 18)	(	340)	-	(	304)	-	-	-	-	-	-	(	644)
Net Carrying Amount	<u>P</u>	<u>8,090</u>	<u>P</u>	<u>9,384</u>	<u>P</u>	<u>14,994</u>	<u>P</u>	<u>1,365</u>	<u>P</u>	<u>1,266</u>	<u>P</u>	<u>11,372</u>	<u>P 46,471</u>

### Parent Bank

			<u>Furniture, Fixtures and Equipment</u>		<u>Buildings</u>		<u>Leasehold Rights and Improvement</u>		<u>Construction in Progress</u>		<u>Right-of- Use Assets</u>		<u>Total</u>
	<u>Land</u>												
December 31, 2024													
Cost	P	8,082	P	30,278	P	23,275	P	8,167	P	4,238	P	21,300	P 95,340
Accumulated depreciation and amortization		-	(	20,088)	(	8,233)	(	7,096)	-	(	10,148)	(	45,565)
Allowance for impairment (see Note 18)	(	192)	-	(	284)	-	-	-	-	-	-	(	476)
Net Carrying Amount	<u>P</u>	<u>7,890</u>	<u>P</u>	<u>10,190</u>	<u>P</u>	<u>14,758</u>	<u>P</u>	<u>1,071</u>	<u>P</u>	<u>4,238</u>	<u>P</u>	<u>11,152</u>	<u>P 49,299</u>
December 31, 2023													
Cost	P	8,080	P	25,847	P	22,737	P	7,949	P	1,929	P	20,299	P 86,841
Accumulated depreciation and amortization		-	(	18,541)	(	7,463)	(	6,956)	-	(	9,527)	(	42,487)
Allowance for impairment (see Note 18)	(	192)	-	(	284)	-	-	-	-	-	-	(	476)
Net Carrying Amount	<u>P</u>	<u>7,888</u>	<u>P</u>	<u>7,306</u>	<u>P</u>	<u>14,990</u>	<u>P</u>	<u>993</u>	<u>P</u>	<u>1,929</u>	<u>P</u>	<u>10,772</u>	<u>P 43,878</u>
January 1, 2023													
Cost	P	7,693	P	24,804	P	23,466	P	7,674	P	1,250	P	18,911	P 83,798
Accumulated depreciation and amortization		-	(	16,859)	(	9,409)	(	6,678)	-	(	7,962)	(	40,908)
Allowance for impairment (see Note 18)	(	197)	-	(	299)	-	-	-	-	-	-	(	496)
Net Carrying Amount	<u>P</u>	<u>7,496</u>	<u>P</u>	<u>7,945</u>	<u>P</u>	<u>13,758</u>	<u>P</u>	<u>996</u>	<u>P</u>	<u>1,250</u>	<u>P</u>	<u>10,949</u>	<u>P 42,394</u>

A reconciliation of the carrying amounts at the beginning and end of 2024 and 2023 of premises, furniture, fixtures and equipment is shown below.

**BDO Unibank Group**

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	P 8,480	P 9,016	P 16,245	P 1,412	P 1,930	P 11,002	P 48,085
Additions	2	6,017	502	750	2,363	4,403	14,037
Disposals	-	( 53)	-	( 84)	-	( 41)	( 178)
Reclassifications	-	39	44	39	( 46)	-	76
Allowance for impairment	-	-	( 2)	-	-	-	( 2)
Adjustments	-	-	-	( 1)	-	( 28)	( 29)
Reversal	-	-	-	( 1)	( 3)	-	( 4)
Foreign exchange revaluation	-	-	22	-	-	30	52
Effect of merger	-	-	-	-	1	-	1
Depreciation and amortization charges for the year	-	( 2,956)	( 820)	( 570)	-	( 3,488)	( 7,834)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	<u>P 8,482</u>	<u>P 12,063</u>	<u>P 15,991</u>	<u>P 1,545</u>	<u>P 4,245</u>	<u>P 11,878</u>	<u>P 54,204</u>
Balance at January 1, 2023, 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
Additions	409	2,916	2,127	554	837	3,716	10,559
Disposals	( 7)	( 59)	-	-	( 33)	( 192)	( 291)
Reclassifications	( 17)	32	126	65	( 136)	-	70
Allowance for impairment	5	-	-	-	-	-	5
Adjustments	-	( 1)	-	( 9)	-	( 377)	( 387)
Reversal	-	-	( 3)	-	( 4)	-	( 7)
Foreign exchange revaluation	-	1	15	-	-	( 2)	14
Acquired from business combination	-	29	-	-	-	-	29
Depreciation and amortization charges for the year	-	( 3,286)	( 1,014)	( 563)	-	( 3,515)	( 8,378)
Balance at December 31, 2023, net of accumulated depreciation, amortization and impairment	<u>P 8,480</u>	<u>P 9,016</u>	<u>P 16,245</u>	<u>P 1,412</u>	<u>P 1,930</u>	<u>P 11,002</u>	<u>P 48,085</u>

**Parent Bank**

	<u>Land</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvement</u>	<u>Construction in Progress</u>	<u>Right-of- Use Assets</u>	<u>Total</u>
Balance at January 1, 2024, net of accumulated depreciation, amortization and impairment	P 7,888	P 7,306	P 14,990	P 993	P 1,929	P 10,772	P 43,878
Additions	2	5,194	477	521	2,355	4,060	12,609
Disposals	-	( 13)	-	( 79)	-	( 277)	( 369)
Reclassifications	-	44	44	39	( 44)	-	83
Adjustment	-	-	-	-	-	( 21)	( 21)
Reversal	-	-	-	-	( 3)	-	( 3)
Foreign exchange revaluation	-	-	18	-	-	5	23
Effect of merger	-	26	-	-	1	-	27
Depreciation and amortization charges for the year	-	( 2,367)	( 771)	( 403)	-	( 3,387)	( 6,928)
Balance at December 31, 2024, net of accumulated depreciation, amortization and impairment	<u>P 7,890</u>	<u>P 10,190</u>	<u>P 14,758</u>	<u>P 1,071</u>	<u>P 4,238</u>	<u>P 11,152</u>	<u>P 49,299</u>
Balance at January 1, 2023, 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
Additions	409	2,064	2,065	355	818	3,309	9,020
Disposals	-	( 32)	-	-	-	( 192)	( 224)
Reclassifications	( 17)	39	124	67	( 135)	-	78
Adjustment	-	-	-	-	-	( 14)	( 14)
Reversal	-	-	( 3)	-	( 4)	-	( 7)
Foreign exchange revaluation	-	-	16	-	-	( 1)	15
Depreciation and amortization charges for the year	-	( 2,710)	( 970)	( 425)	-	( 3,279)	( 7,384)
Balance at December 31, 2023, net of accumulated depreciation, amortization and impairment	<u>P 7,888</u>	<u>P 7,306</u>	<u>P 14,990</u>	<u>P 993</u>	<u>P 1,929</u>	<u>P 10,772</u>	<u>P 43,878</u>

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, 2024 and 2023, 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, 2024 and 2023 are still being used in operations with acquisition costs amounting to P10,228 and P11,147, respectively, in the BDO Unibank Group's financial statements and P9,851 and P9,348, respectively, in the Parent Bank's financial statements.

On March 9, 2023, the Parent Bank recorded the derecognition of fully depreciated BDO Corporate Tower located in Makati City with a total cost amounting to P2,907.

### 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.

	Number of Right-of-use Asset Leased		Range of Remaining Term		Average Remaining Lease Term	
	2024	2023	2024	2023	2024	2023
<b>BDO Unibank Group</b>						
Land	53	53	0 mo. – 60.0 yrs.	0 mo. – 30.0 yrs.	12.6 yrs.	12.4 yrs.
Building	1,850	1,765	0 mo. – 20.0 yrs.	0 mo. – 15.0 yrs.	7.8 yrs.	2.8 yrs.
<b>Parent Bank</b>						
Land	53	53	0 mo. – 60.0 yrs.	0 mo. – 30.0 yrs.	12.6 yrs.	12.4 yrs.
Building	1,381	1,347	0 mo. – 20.0 yrs.	0 mo. – 14.8 yrs.	3.7 yrs.	3.6 yrs.

#### 13.1 Right-of-Use Assets

The carrying amounts of BDO Unibank Group and the Parent Bank's right-of-use assets as of December 31, 2024 and 2023 and the movements during the periods are shown below and in the succeeding page (see Note 12).

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2024	P 484	P 10,518	P 11,002	P 508	P 10,264	P 10,772
Additions	227	4,176	4,403	227	3,833	4,060
Disposals	( 3)	( 38)	( 41)	( 3)	( 274)	( 277 )
Reclassification	8	( 8)	-	8	( 8)	-
Adjustment	-	( 28)	( 28)	-	( 21)	( 21 )
Foreign exchange revaluation	-	30	30	-	5	5
Depreciation and amortization	( 51)	( 3,437)	( 3,488)	( 52)	( 3,335)	( 3,387 )
Balance at December 31, 2024	<b>P 665</b>	<b>P 11,213</b>	<b>P 11,878</b>	<b>P 688</b>	<b>P 10,464</b>	<b>P 11,152</b>

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2023	P 446	P 10,926	P 11,372	P 471	P 10,478	P 10,949
Additions	121	3,595	3,716	121	3,188	3,309
Disposals	( 3)	( 189)	( 192)	( 3)	( 189)	( 192)
Reclassification	( 28)	28	-	( 28)	28	-
Adjustment	-	( 377)	( 377)	-	( 14)	( 14)
Foreign exchange revaluation	-	( 2)	( 2)	-	( 1)	( 1)
Depreciation and amortization	( 52)	( 3,463)	( 3,515)	( 53)	( 3,226)	( 3,279)
Balance at December 31, 2023	<u>P 484</u>	<u>P 10,518</u>	<u>P 11,002</u>	<u>P 508</u>	<u>P 10,264</u>	<u>P 10,772</u>

### 13.2 Lease Liabilities

Lease liabilities amounting to P14,001 and P13,034 as of December 31, 2024 and 2023, respectively, for the BDO Unibank Group and P13,215 and P12,807, as of December 31, 2024 and 2023, 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 of December 31, 2024, the terms of the lease contracts of the BDO Unibank Group and the Parent Bank are renewable upon mutual agreement of the parties.

The lease liabilities are secured by the related underlying assets. The undiscounted maturity analyses of lease liabilities are as follows:

#### December 31, 2024

##### 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 4,387	P 3,566	P 2,858	P 1,981	P 1,156	P 2,527	P 1,755	P 18,230
Finance charges	( 915)	( 687)	( 490)	( 338)	( 242)	( 638)	( 919)	( 4,229)
Net present value	<u>P 3,472</u>	<u>P 2,879</u>	<u>P 2,368</u>	<u>P 1,643</u>	<u>P 914</u>	<u>P 1,889</u>	<u>P 836</u>	<u>P 14,001</u>

##### Parent Bank

Lease payments	P 4,093	P 3,329	P 2,701	P 1,888	P 1,102	P 2,410	P 1,790	P 17,313
Finance charges	( 863)	( 652)	( 468)	( 324)	( 234)	( 627)	( 930)	( 4,098)
Net present value	<u>P 3,230</u>	<u>P 2,677</u>	<u>P 2,233</u>	<u>P 1,564</u>	<u>P 868</u>	<u>P 1,783</u>	<u>P 860</u>	<u>P 13,215</u>

#### December 31, 2023

##### 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 3,951	P 3,289	P 2,675	P 1,975	P 1,124	P 2,332	P 780	P 16,126
Finance charges	( 813)	( 622)	( 445)	( 302)	( 208)	( 498)	( 204)	( 3,092)
Net present value	<u>P 3,138</u>	<u>P 2,667</u>	<u>P 2,230</u>	<u>P 1,673</u>	<u>P 916</u>	<u>P 1,834</u>	<u>P 576</u>	<u>P 13,034</u>

##### Parent Bank

Lease payments	P 3,905	P 3,249	P 2,624	P 1,881	P 1,091	P 2,282	P 818	P 15,850
Finance charges	( 799)	( 606)	( 430)	( 293)	( 203)	( 496)	( 216)	( 3,043)
Net present value	<u>P 3,106</u>	<u>P 2,643</u>	<u>P 2,194</u>	<u>P 1,588</u>	<u>P 888</u>	<u>P 1,786</u>	<u>P 602</u>	<u>P 12,807</u>

The Parent Bank subleases its leased properties. The total income earned from the subleasing activities amounted to P6, P9 and P6 in 2024, 2023 and 2022, respectively. This is presented as part of Miscellaneous - net under Other Operating Income in the statements of income (see Note 25).

The total cash outflow in respect to leases amounted to P4,431, P4,370 and P4,192 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P4,321, P4,097 and P4,032 in 2024, 2023 and 2022, respectively, for the Parent Bank. Interest expense in relation to lease liabilities amounted to P1,036, P939 and P926 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P1,005, P883 and P905 in 2024, 2023 and 2022, 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 Note 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 P10 and P406 in 2024, P14 and P387 in 2023, and P4 and P350 in 2022 for the BDO Unibank Group, respectively, and P4 and P398 in 2024, P5 and P381 in 2023, and nil and P348 in 2022 for the Parent Bank, respectively. Moreover, the expenses relating to variable lease payments amounted to P426, P273, P171 for both BDO Unibank Group and the Parent Bank in 2024, 2023 and 2022, 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 P427 and 156 in 2024, P615 and P78 in 2023, and P590 and P83 in 2022 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 P70 and 5 in 2024, P80 and P3 in 2023, and P61 and P3 in 2022 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 2024 and 2023 are shown below.

Note	BDO Unibank Group			Parent Bank		
	Land	Building	Total	Land	Building	Total
<b>December 31, 2024</b>						
Cost	P 12,018	P 31,224	P 43,242	P 9,763	P 28,223	P 37,986
Accumulated depreciation	-	( 7,919)	( 7,919)	-	( 7,001)	( 7,001)
Allowance for impairment	18 ( 1,403)	( 95)	( 1,498)	( 1,129)	( 60)	( 1,189)
Net carrying amount	<u>P 10,615</u>	<u>P 23,210</u>	<u>P 33,825</u>	<u>P 8,634</u>	<u>P 21,162</u>	<u>P 29,796</u>
<b>December 31, 2023</b>						
Cost	P 14,625	P 36,435	P 51,060	P 8,184	P 12,771	P 20,955
Accumulated depreciation	-	( 6,831)	( 6,831)	-	( 6,052)	( 6,052)
Allowance for impairment	18 ( 1,733)	( 67)	( 1,800)	( 1,453)	( 42)	( 1,495)
Net carrying amount	<u>P 12,892</u>	<u>P 29,537</u>	<u>P 42,429</u>	<u>P 6,731</u>	<u>P 6,677</u>	<u>P 13,408</u>
<b>January 1, 2023</b>						
Cost	P 10,457	P 14,266	P 24,723	P 8,199	P 11,530	P 19,729
Accumulated depreciation	-	( 6,033)	( 6,033)	-	( 5,370)	( 5,370)
Allowance for impairment	18 ( 1,442)	( 65)	( 1,507)	( 1,162)	( 24)	( 1,186)
Net carrying amount	<u>P 9,015</u>	<u>P 8,168</u>	<u>P 17,183</u>	<u>P 7,037</u>	<u>P 6,136</u>	<u>P 13,173</u>

A reconciliation of the carrying amounts, at the beginning and end of 2024 and 2023, of investment properties is shown below.

	BDO Unibank Group			Parent Bank		
	Land	Buildings	Total	Land	Buildings	Total
Balance at January 1, 2024						
net of accumulated depreciation and impairment	P 12,892	P 29,537	P 42,429	P 6,731	P 6,677	P 13,408
Additions	1,099	2,727	3,826	1,098	2,595	3,693
Effect of merger	-	-	-	4,188	20,255	24,443
Reclassification	( 2,774)	( 6,542)	( 9,316)	( 2,781)	( 6,537)	( 9,318)
Disposals	( 839)	( 548)	( 1,387)	( 839)	( 543)	( 1,382)
Foreign exchange revaluation	-	41	41	-	-	-
Impairment recoveries (losses)	237	( 6)	231	237	-	237
Depreciation for the year	-	( 1,999)	( 1,999)	-	( 1,285)	( 1,285)
Balance at December 31, 2024						
net of accumulated depreciation and impairment	<u>P 10,615</u>	<u>P 23,210</u>	<u>P 33,825</u>	<u>P 8,634</u>	<u>P 21,162</u>	<u>P 29,796</u>
Balance at January 1, 2023						
net of accumulated depreciation and impairment	P 9,015	P 8,168	P 17,183	P 7,037	P 6,136	P 13,173
Additions	559	2,062	2,621	559	1,996	2,555
Acquired from business combination	4,188	20,812	25,000	-	-	-
Reclassification	( 268)	8	( 260)	( 268)	( 8)	( 276)
Disposals	( 602)	( 364)	( 966)	( 597)	( 345)	( 942)
Foreign exchange revaluation	-	75	75	-	-	-
Depreciation for the year	-	( 1,224)	( 1,224)	-	( 1,102)	( 1,102)
Balance at December 31, 2023						
net of accumulated depreciation and impairment	<u>P 12,892</u>	<u>P 29,537</u>	<u>P 42,429</u>	<u>P 6,731</u>	<u>P 6,677</u>	<u>P 13,408</u>

The fair value of investment properties as of December 31, 2024 and 2023, determined using observable recent prices of the reference properties adjusted for difference and replacement cost approach, amounted to P72,032 and P52,299, respectively, for the BDO Unibank Group's financial statements and P59,275 and P38,997, 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, 2024 and 2023 was based on value in use computed through discounted cash flows method at an effective rate of 2.48% and 2.31% in 2024 and 2023, 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, 2024 and 2023, ROPA, gross of allowance, comprise of the following:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Investment properties	P 14,374	P 13,136	P 14,083	P 12,935
Financial assets at FVOCI	560	945	560	945
Non-current assets held for sale	<u>1,226</u>	<u>1,294</u>	<u>1,226</u>	<u>1,294</u>
	<u>P 16,160</u>	<u>P 15,375</u>	<u>P 15,869</u>	<u>P 15,174</u>

## 15. EQUITY INVESTMENTS

Equity investments consist of the following:

		<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>% Held</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b><u>Philippine subsidiaries</u></b>					
BDO Network	84.92%	P -	P -	P 13,909	P 12,416
TPCI (see Note 30.2)	100.00%	-	-	-	9,819
BDOSHI	100.00%	-	-	5,684	5,684
BDO Life	97.00%	-	-	3,403	3,403
BDO Private	100.00%	-	-	2,579	2,579
Dominion Holdings	87.43%	-	-	1,878	1,878
BDO Capital	99.88%	-	-	1,878	1,878
BDOI	100.00%	-	-	11	11
Equimark	60.00%	-	-	4	4
		-	-	29,346	37,672
<b><u>Foreign subsidiaries</u></b>					
BDORO	100.00%	-	-	169	169
BDO Remit (Japan) Ltd.	100.00%	-	-	92	92
BDO Remit (Canada) Ltd.	100.00%	-	-	50	50
BRUSA	100.00%	-	-	26	26
		-	-	337	337
<b><u>Associates</u></b>					
NLEX Corporation	12.08%	1,765	1,405	1,765	1,405
NorthPine Land, Inc.	20.00%	232	232	232	232
Taal Land, Inc.	33.33%	170	170	170	170
BDO Securities	0.80%	-	-	35	35
		2,167	1,807	2,202	1,842
<b><u>Accumulated equity in total comprehensive income:</u></b>					
Balance at beginning of year		2,225	2,189	31,134	24,578
Equity in net profit (see Note 25)		1,397	1,273	9,303	8,378
Equity in other comprehensive loss	( 1 )	( 5 )	( 552 )	( 428 )	
Consolidation of TPCI	-	( 506 )	-	-	
Effect of merger	-	-	( 26 )	-	
Dividends	( 924 )	( 726 )	( 5,441 )	( 1,394 )	
Balance at end of year		2,697	2,225	34,418	31,134
<b><u>Net investments in associates/subsidiaries</u></b>					
		4,864	4,032	66,303	70,985
<b><u>Allowance for impairment (see Note 18)</u></b>					
		( 153 )	( 153 )	( 153 )	( 153 )
		P 4,711	P 3,879	P 66,150	P 70,832

The equity shares in other comprehensive income or loss of subsidiaries and associates consists of the following:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Accumulated actuarial losses	(P 1)	(P 5)	(P 246)	(P 341)
Remeasurement on life insurance reserves	-	-	380	( 4,072 )
Accumulated translation adjustment	-	-	19	( 3 )
Net unrealized fair value gains (losses) on FVOCI	-	-	( 705 )	3,988
Equity in other comprehensive losses	(P 1)	(P 5)	(P 552)	(P 428)

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank in both 2024 and 2023, 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) and 97.00% and 87.43%, for the Parent Bank, respectively, in 2024 and 2023. For BDO Securities, the interest held is at 99.88% for BDO Unibank Group (see Note 2.3), in both years and 0.80% and 1.09% for Parent Bank, in 2024 and 2023, respectively.



BDO Unibank Group's subsidiaries as of December 31, 2024 are all incorporated in the Philippines, except for the following:

<u>Foreign Subsidiaries</u>	<u>Country of Incorporation</u>
BRUSA	United States of America
BDORO	United Kingdom
BDO RIH**	Netherlands
BDO Remit UK, Ltd. **	United Kingdom
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 13th Floor, One Angel Court, London, EC2R 7HJ.

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.

On June 30, 2021, the BOD of BDO Network Bank approved the conversion from a rural bank to savings bank. This was ratified by the BDO Network Bank shareholders on August 13, 2021 and approved by the BSP on January 20, 2022. SEC approval was obtained on December 27, 2024 and the application for Certificate of Authority to operate as a thrift bank was submitted to the BSP last January 17, 2025.

BDO Unibank Group includes two subsidiaries, Dominion Holdings and BDO Network, with significant NCI:

<u>Name</u>	<u>Proportion of Ownership Interest and Voting Rights</u>		<u>Profit Allocated to NCI</u>			<u>Accumulated NCI</u>		
	<u>Held by NCI</u>							
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
Dominion Holdings	11.46%	11.46%	P 23	P 30		P 380	P 730	
BDO Network	15.08%	15.09%	P 176	P 117		P 2,370	P 1,935	

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 ONB Center, Km. 9, Sasa, Davao City.

Dividends paid to NCI amounted to P373 and nil in 2024 and 2023, respectively.

The summarized financial information of Dominion Holdings and BDO Network, before intragroup eliminations, follows:

	<u>Dominion Holdings</u>		<u>BDO Network</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<i>Statements of financial position:</i>				
Total current resources	P 3,328	P 6,381	P 8,523	P 16,434
Total non-current resources	-	-	115,529	91,551
Total current liabilities	11	11	94,879	80,419
Total non-current liabilities	-	-	13,458	14,742
Equity attributable to owners of the Parent Bank	2,937	5,640	13,345	10,889
Non-controlling interest	380	730	2,370	1,935
<i>Statements of comprehensive income:</i>				
Total interest income	P 263	P 343	P 10,279	P 8,487
Total other operating income	-	1	4,558	3,896
Profit attributable to owners of the Parent Bank	179	235	1,016	767
Profit attributable to NCI	23	30	176	117
Profit	202	265	1,192	884
Total comprehensive income attributable to owners of the Parent Bank	P 169	P 244	P 967	P 751
Total comprehensive income attributable to NCI	<u>22</u>	<u>32</u>	<u>166</u>	<u>114</u>
<b>Total comprehensive income</b>	<b><u>P 191</u></b>	<b><u>P 276</u></b>	<b><u>P 1,133</u></b>	<b><u>P 865</u></b>
<i>Statements of cash flows:</i>				
Net cash from (used in) operating activities	P 221	P 184	P 1,360	(P 3,981)
Net cash from (used in) investing activities	6,216	( 191)	( 1,501)	( 324)
Net cash from (used in) financing activities	( <u>3,244</u> )	<u>-</u>	( <u>1,486</u> )	<u>7,451</u>
<b>Net cash inflow (outflow)</b>	<b><u>P 3,193</u></b>	<b><u>(P 7)</u></b>	<b><u>(P 1,627)</u></b>	<b><u>P 3,146</u></b>

The following table presents the summarized financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2024, 2023 and 2022:

	NLEX Corporation		Others		Total	
<u>December 31, 2024</u> <u>(Unaudited)</u>						
Assets	P	94,015	P	2,994	P	97,009
Current		6,488		2,994		9,482
Non-current		87,527		-		87,527
Liabilities		60,051		249		60,300
Current		15,559		249		15,808
Non-current		44,492		-		44,492
Equity		33,964		2,745		36,709
Revenues		23,409		15		23,424
Net profit		10,792	(	31)		10,761

		NLEX Corporation		Others (Unaudited)		Total
<u>December 31, 2023 (Audited)</u>						
Assets	P	86,712	P	3,042	P	89,754
Current		6,498		3,040		9,538
Non-current		80,214		2		80,216
Liabilities		58,570		265		58,835
Current		18,307		250		18,557
Non-current		40,263		15		40,278
Equity		28,142		2,777		30,919
Revenues		31,972		331		32,303
Net profit (loss)		10,013		221		10,234

		NLEX Corporation		TPCI* (Unaudited)		Others (Unaudited)		Total
<u>December 31, 2022 (Audited)</u>								
Assets	P	78,133	P	11,234	P	2,793	P	92,160
Current		7,743		1,952		2,791		12,486
Non-current		70,390		9,282		2		79,674
Liabilities		52,293		9,185		237		61,715
Current		10,547		1,440		223		12,210
Non-current		41,746		7,745		14		49,505
Equity		25,840		2,049		2,556		30,445
Revenues		26,228		1,580		197		28,005
Net profit (loss)		8,004		245	(	72)		8,177

\* As adjusted to conform to the cost model used in the measurement of Investment Properties of BDO Unibank Group.

The following table presents the reconciliation of equity interest to NLEX Corporation as of December 31, 2024 and 2023.

		<u>2024</u>		<u>2023</u>
Net assets of NLEX Corporation	<b>P</b>	<b>33,964</b>	P	28,142
Proportion of interest		<u>12.08%</u>		<u>11.70%</u>
		<b>4,103</b>		3,293
Others		<u>61</u>		<u>33</u>
Carrying amount of investment	<b>P</b>	<b><u>4,164</u></b>	P	<u>3,326</u>

## 16. ASSETS AND LIABILITIES FOR LIFE INSURANCE CONTRACTS

The details of the investment securities and other assets for life insurance contract and other liabilities for life insurance contracts of the BDO Unibank Group are as follows:

			<u>2024</u>		<u>2023</u>
Investment securities and other assets for life insurance contracts:					
Financial assets at FVTPL	16.1	P	36,072	P	32,470
Financial assets at FVOCI	16.1		77,303		72,102
Investment securities at amortized cost - net			637		2,506
Loans and other receivables - net			3,630		4,083
Investment properties - net			4,208		4,381
Other resources			<u>61</u>		<u>59</u>
		P	<u>121,911</u>	P	<u>115,601</u>
Insurance contract and other liabilities for life insurance contracts:					
Insurance contract liabilities	16.2	P	86,170	P	77,210
Premium of deposit fund			3,944		3,819
Insurance payables			89		91
Other liabilities			<u>1,268</u>		<u>1,401</u>
		P	<u>91,471</u>	P	<u>82,521</u>

The details of the income attributable to insurance operations before income tax and minority interest of the BDO Unibank Group for the years ended December 31 are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Insurance premium - net	P 19,610	P 18,121	P 18,938
Insurance benefits and claims - net	( 15,025)	( 13,702)	( 14,492)
Interest income	4,499	4,080	2,587
Operating expenses	( 3,023)	( 2,708)	( 2,430)
Other income	<u>784</u>	<u>581</u>	<u>373</u>
	<u>P 6,845</u>	<u>P 6,372</u>	<u>P 4,976</u>

### 16.1 Financial Assets at FVTPL and FVOCI

The details of the carrying amount of financial assets at FVTPL and FVOCI of the BDO Unibank Group for life insurance contracts are as follows:

	<u>FVTPL</u>		<u>FVOCI</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Government debt securities	P 4,538	P 4,517	P 64,741	P 61,430
Corporate debt securities	4,103	3,174	6,033	7,535
Equity securities	<u>27,431</u>	<u>24,779</u>	<u>6,529</u>	<u>3,137</u>
	<u>P 36,072</u>	<u>P 32,470</u>	<u>P 77,303</u>	<u>P 72,102</u>

As to currency, the financial assets are composed of the following:

	<b>FVTPL</b>		<b>FVOCI</b>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign currencies	<b>P 3,630</b>	P 2,441	<b>P 6,106</b>	P 6,572
Philippine peso	<u><b>32,442</b></u>	<u>30,029</u>	<u><b>71,197</b></u>	<u>65,530</u>
	<u><b>P 36,072</b></u>	<u>P 32,470</u>	<u><b>P 77,303</b></u>	<u>P 72,102</u>

The maturity profile of these financial assets is as follows:

	<b>FVTPL</b>		<b>FVOCI</b>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Within one year	<b>P 357</b>	P 337	<b>P 5,910</b>	P 6,601
One to five years	<b>2,612</b>	2,587	<b>18,221</b>	17,591
Beyond five years	<u><b>33,103</b></u>	<u>29,546</u>	<u><b>53,172</b></u>	<u>47,910</u>
	<u><b>P 36,072</b></u>	<u>P 32,470</u>	<u><b>P 77,303</b></u>	<u>P 72,102</u>

Effective interest rates of debt securities at FVTPL and FVOCI range from:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b>FVTPL</b>			
Government debt securities	<b>03.56% – 10.63%</b>	3.38% – 10.63%	2.38% – 10.63%
Corporate debt securities	<b>0.00% – 0.00%</b>	0.00% – 0.00%	0.09% – 6.25%
<b>FVOCI</b>			
Government debt securities	<b>2.02% – 8.13%</b>	2.02% – 8.37%	0.00% – 10.63%
Corporate debt securities	<b>3.45% – 8.49%</b>	3.38% – 8.49%	3.38% – 8.49%

The reconciliation of the carrying amounts of financial assets at FVOCI is as follows:

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	<b>P 72,102</b>	P 47,007
Additions	<b>19,527</b>	23,999
Maturities and disposals	<b>( 13,718)</b>	( 2,413)
Unrealized fair value losses	<b>( 541)</b>	3,658
Foreign currency revaluation	<b>125</b>	( 131)
Realized fair value losses	<b>( 192)</b>	( 18)
Balance at end of year	<u><b>P 77,303</b></u>	<u>P 72,102</u>

The reconciliation of unrealized fair value losses on financial assets at FVOCI reported under equity is shown below.

	<u>2024</u>	<u>2023</u>
Balance at beginning of year	( P 1,403 )	( P 5,051 )
Changes on unrealized fair value gains (losses) during the year:		
Fair value losses	( 541 )	3,658
Expected credit losses on FVOCI securities	( 5 )	8
	( 1,949 )	( 1,385 )
Realized fair value gains on securities disposed during the year - net	( 192 )	( 18 )
Balance at end of year	( P 2,141 )	( P 1,403 )

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).

## 16.2 Insurance Contract Liabilities

This account consists of:

	<u>2024</u>	<u>2023</u>
Legal policy reserves	P 80,747	P 71,996
Policy and contract claims payable	2,851	3,222
Policyholders' dividends	<u>2,572</u>	<u>1,992</u>
	<u>P 86,170</u>	<u>P 77,210</u>

Insurance contract liabilities may be analyzed as follows:

	<u>Insurance Contract Liabilities</u>		<u>Reinsurer's Share of Liabilities</u>		<u>Net</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Aggregate reserves for:						
Ordinary life policies	P 50,132	P 41,731	P -	P -	P 50,132	P 41,731
Variable unit-linked (VUL) contracts	29,706	29,565	-	-	29,706	29,565
Group life insurance policies	697	652	26	19	671	633
Accident and health policies	212	48	-	-	212	48
Policy and contract claims	2,851	3,222	35	40	2,816	3,182
Policyholders' dividends	<u>2,572</u>	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>2,572</u>	<u>1,992</u>
	<u>P 86,170</u>	<u>P 77,210</u>	<u>P 61</u>	<u>P 59</u>	<u>P 86,109</u>	<u>P 77,151</u>

The movements in legal policy reserves are as follows:

	Legal Policy Reserves				Reinsurer's Share of Liabilities				Net			
	2024		2023		2024		2023		2024		2023	
Balance at the beginning of the year	P	71,996	P	59,321	P	19	P	20	P	71,977	P	59,301
Premiums received		19,778		18,362		87		98		19,691		18,264
Liability released for payments of death, maturity and surrender benefits and claims	(	15,718)	(	11,635)	(	80)	(	99)	(	15,638)	(	11,536)
Accretion of investment income or change in unit prices		3,869		1,183	-	-	-	-		3,869		1,183
Changes in valuation of interest rate	(	391)		4,073	-	-	-	-	(	391)		4,073
Change in assumptions/MfAD		961		731	-	-	-	-		961		731
Foreign exchange adjustments		252	(	39)	-	-	-	-		252	(	39)
Balance at end of year	P	80,747	P	71,996	P	26	P	19	P	80,721	P	71,977

The movement in Legal policy reserves for the years ended December 31, 2024 and 2023 is recognized as part of Policy reserves, insurance benefits and claims under Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income (see Note 25).

### 16.2.1 Key Assumptions

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.

### 16.2.2 Liability Adequacy Test

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.

- 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.
- 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 5.50% for Peso and 5.00% for Dollar in 2024, and 5.50% for Peso and 5.00% for Dollar in 2023.
- 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.
- 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 Resources under Investment Securities and Other Assets for Life Insurance Contracts - Net in the BDO Unibank Group's statements of financial position.

## 17. OTHER RESOURCES

The components of the other resources account are shown below.

	Notes	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Non-current assets held for sale	17.4	<b>P 10,672</b>	P 1,294	<b>P 10,672</b>	P 1,294
Foreign currency notes and coins on hand		<b>10,301</b>	8,986	<b>10,300</b>	8,986
Deferred charges	17.1	<b>8,399</b>	6,910	<b>8,399</b>	6,910
Retirement assets	26.2	<b>6,676</b>	572	<b>6,123</b>	-
Goodwill	17.2	<b>4,535</b>	4,535	<b>1,391</b>	1,391
Computer software - net	17.5	<b>4,393</b>	4,814	<b>4,390</b>	4,546
Branch licenses	17.3	<b>3,020</b>	3,020	<b>3,020</b>	3,020
Prepaid documentary stamps		<b>938</b>	1,019	<b>866</b>	944
Returned checks and other cash items		<b>854</b>	271	<b>188</b>	270
Customer lists - net	17.5	<b>487</b>	487	<b>487</b>	487
Real properties for development and sale		<b>89</b>	171	-	-
Deferred tax assets - net	31.1	<b>45</b>	491	-	1,790
Others	16.2.2, 17.5, 27(d)	<b>14,701</b>	15,198	<b>13,158</b>	8,688
		<b>65,110</b>	47,768	<b>58,994</b>	38,326
Allowance for impairment	18	<b>( 2,122)</b>	( 2,181)	<b>( 1,879)</b>	( 1,889)
		<b>P 62,988</b>	P 45,587	<b>P 57,115</b>	P 36,437

### 17.1 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 19). This also includes originating costs related to Fixed Rate Bonds, Bills Payable and Senior Notes (see Note 20).

### 17.2 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., BDO RIH, BDO Network and Rural Bank of Pandi, Inc., which were acquired in 2005, 2006, 2007, 2009, 2012, 2013, 2015 and 2019, respectively.



The reconciliation of the carrying amount of goodwill (net of allowance for impairment) of the BDO Unibank Group and the Parent Bank is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year	P 4,535	P 4,535	P 1,391	P 1,391
Allowance for impairment	( <u>1,514</u> )	( <u>1,514</u> )	( <u>1,391</u> )	( <u>1,391</u> )
Carrying amount	<u>P 3,021</u>	<u>P 3,021</u>	<u>P -</u>	<u>P -</u>

In 2024 and 2023, 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 Group pertains to the goodwill from acquisition of BDO Network amounting to P2,907.

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 2024 and 2023 are 5.42% and 5.50%, respectively.
- (b) *Total income growth rate.* The growth rates used to extrapolate cash flow projections range from 12.56% to 14.53% in 2024 and 10.67% to 17.89% in 2023. 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 2024 and 2023 to materially exceed its recoverable amount.

The BDO Unibank Group did not recognize any impairment loss in 2024, 2023 and 2022.

### **17.3 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 Banco De Oro Savings Bank, Inc. 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 2024 and 2023 are 6.10% and 6.33%, respectively.
- (b) *Compound annual growth rate.* The growth rates used to extrapolate cash flow projections are 9.44% in 2024 and 8.64% in 2023. 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 2024 and 2023 to materially exceed its recoverable amount.

In 2024 and 2023, 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.

#### **17.4 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 2022 to 2024 in both the BDO Unibank Group and Parent Bank's financial statements.

In 2024, the Parent Bank obtained full ownership of the Podium Mall, located at 12 ADB Avenue, Ortigas Center, Mandaluyong City, with a carrying amount of P9,437 at the date of transfer, following the merger with TPCI (see Note 30.7). The mall was classified as a non-current asset held for sale, as the BSP required it to be disposed of within six months from the date of effectivity of the merger.

#### **17.5 Others**

Trademark arising from acquisition of Diners credit card portfolio is fully amortized as of December 31, 2024 and 2023. The amortization expense on trademark amounted to nil in both 2024 and 2023.

Other intangible assets with indefinite useful lives comprise of branch licenses, customer lists and equity securities with Philippine Clearing House Committee and LGU Guaranty Corporation amounting to P3,020, P487, P15, respectively, as of December 31, 2024, 2023 and 2022 in the BDO Unibank Group and the Parent Bank's financial statements.

Amortization expense on computer software licenses amounted to P2,141, P2,917 and P1,343 in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's financial statements and P2,055, P2,842 and P1,259 in 2024, 2023 and 2022, 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 P150, P117 and P84 in 2024, 2023 and 2022, 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 additional impairment loss was recognized by the Parent Bank from 2022 to 2024 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.

## 18. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment for the periods ended December 31, 2024 and 2023, are summarized below.

	Notes	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Balance at beginning of year:					
Due from other banks	9	P 58	P 15	P 55	P 14
Investment securities at amortized cost	10.3	2,126	1,644	2,115	1,640
Loans and other receivables	11	85,811	76,328	83,370	74,000
Bank premises	12	619	644	476	496
Investment properties	14	1,800	1,507	1,495	1,186
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	47	42	-	-
Other resources	17	<u>2,181</u>	<u>2,578</u>	<u>1,889</u>	<u>2,265</u>
		<u>92,795</u>	<u>82,911</u>	<u>89,553</u>	<u>79,754</u>
Impairment losses (recoveries):					
Due from other banks	9	( 21)	46	( 24)	41
FVOCI	10.2	4	-	4	-
Investment securities at amortized cost	10.3	( 98)	494	( 89)	486
Loans and other receivables	11	14,404	15,764	13,272	15,041
Bank premises	12	3	-	-	-
Investment properties	14	( 231)	-	( 237)	-
Investment securities and other assets for life insurance contracts	16	( 1)	5	-	-
Other resources	17	<u>4</u>	<u>( 41)</u>	<u>11</u>	<u>( 44)</u>
		<u>14,064</u>	<u>16,268</u>	<u>12,937</u>	<u>15,524</u>
Write-offs and other adjustments:					
Write-offs		( 8,245)	( 6,321)	( 7,458)	( 5,714)
Foreign currency revaluation		220	( 42)	219	( 43)
Adjustments		( 105)	( 32)	-	-
Reclassification		101	32	101	32
Acquired from business combination		-	-	4	-
Reversals		<u>( 145)</u>	<u>( 21)</u>	<u>( 101)</u>	<u>-</u>
		<u>( 8,174)</u>	<u>( 6,384)</u>	<u>( 7,235)</u>	<u>( 5,725)</u>
Balance at end of year:					
Due from other banks	9	37	58	31	55
FVOCI	10.2	4	-	4	-
Investment securities at amortized cost	10.3	2,112	2,126	2,109	2,115
Loans and other receivables	11	92,091	85,811	89,414	83,370
Bank premises	12	622	619	476	476
Investment properties	14	1,498	1,800	1,189	1,495
Equity investments	15	153	153	153	153
Investment securities and other assets for life insurance contracts	16	46	47	-	-
Other resources	17	<u>2,122</u>	<u>2,181</u>	<u>1,879</u>	<u>1,889</u>
		<u>P 98,685</u>	<u>P 92,795</u>	<u>P 95,255</u>	<u>P 89,553</u>

The BDO Unibank Group and the Parent Bank provided impairment loss (recovery) on debt securities measured as FVOCI amounting to (P25) and (P17), respectively, in 2024, P108 and P97, respectively, in 2023 and P67 and P65, respectively, in 2022. 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 (recovery) on loan commitments and other contingent accounts amounting to (P14), P12 and P5 in 2024, 2023 and 2022, respectively, and on miscellaneous liabilities – damage suit amounting to nil in 2024, P7 in 2023 and nil in 2022, which is recognized as part of Provision – Others under Other Liabilities in the statements of financial position (see Note 21).

The total impairment losses on certain financial assets amounted to P14,282, P16,313 and P16,497 in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's statements of income and P13,164, P15,568 and P15,750 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income.

The total impairment losses (recoveries) on non-financial assets amounted to (P218), (P44) and (P203) in 2024, 2023 and 2022, respectively, in the BDO Unibank Group's statements of income and (P227), (P44), and (P232) in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income.

## 19. DEPOSIT LIABILITIES

The breakdown of this account follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Demand	P 567,904	P 504,763	P 548,275	P 487,327
Savings	2,143,915	2,050,709	2,088,889	2,009,375
Time	<u>1,082,208</u>	<u>1,012,078</u>	<u>1,048,888</u>	<u>980,165</u>
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

This account is composed of the following (by counterparties):

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Due to other banks:				
Demand	P 2,999	P 4,600	P 2,981	P 4,581
Savings	3,462	1,899	5,492	3,970
Time	<u>2,304</u>	<u>11,502</u>	<u>1,872</u>	<u>7,497</u>
	<u>8,765</u>	<u>18,001</u>	<u>10,345</u>	<u>16,048</u>
Due to customers:				
Demand	564,905	500,163	545,294	482,746
Savings	2,140,453	2,048,810	2,083,397	2,005,405
Time	<u>1,079,904</u>	<u>1,000,576</u>	<u>1,047,016</u>	<u>972,668</u>
	<u>3,785,262</u>	<u>3,549,549</u>	<u>3,675,707</u>	<u>3,460,819</u>
	<u>P 3,794,027</u>	<u>P 3,567,550</u>	<u>P 3,686,052</u>	<u>P 3,476,867</u>

The breakdown of deposit liabilities as to currency is as follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Philippine pesos	P 3,319,599	P 3,082,690	P 3,220,812	P 3,001,116
Foreign currencies	<u>474,428</u>	<u>484,860</u>	<u>465,240</u>	<u>475,751</u>
	<u>P3,794,027</u>	<u>P 3,567,550</u>	<u>P3,686,052</u>	<u>P 3,476,867</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Less than one year	<b>P 3,743,846</b>	P 3,499,775	<b>P 3,637,577</b>	P 3,411,696
One to five years	<b>38,431</b>	28,954	<b>37,944</b>	27,508
Beyond five years	<b>11,750</b>	38,821	<b>10,531</b>	37,663
	<b><u>P 3,794,027</u></b>	<u>P 3,567,550</u>	<b><u>P 3,686,052</u></b>	<u>P 3,476,867</u>

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 6.38% in 2024, 0.00% to 6.40% in 2023, and 0.00% to 5.38% in 2022. 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, 2024 and 2023 as follows:

<u>BSP Approval</u>	<u>Effective Rate</u>	<u>Principal Amount</u>	<u>Outstanding Balance</u>		<u>Issue Date</u>	<u>Maturity Date</u>
			<u>2024</u>	<u>2023</u>		
May 11, 2018	5.375%	7,320	<b>P -</b>	P 7,397	April 12, 2019	October 12, 2024
August 15, 2019	4.000%	6,500	<b>6,500</b>	6,500	September 27, 2019	March 27, 2025
			<b><u>P 6,500</u></b>	<u>P 13,897</u>		

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.

On June 23, 2023, the BSP approved BSP Circular No. 1175, *Reduction in Reserve Requirements*, which lowered the reserve requirements of universal banks (UBs) and commercial banks (KBs) from 12.0% to 9.5%, effective June 30, 2023.

On September 20, 2024, the BSP approved BSP Circular No. 1201, *Reduction in Reserve Requirements*, which lowered the reserve requirements of UBs and KBs from 9.50% to 7.00%, effective reserve week starting October 25, 2024.

## 20. **BILLS PAYABLE**

This account is composed of the following borrowings from:

	<u>Note</u>	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Fixed rate bonds	20.2	<b>P 119,568</b>	P 52,899	<b>P 119,568</b>	P 52,899
Foreign banks		<b>58,324</b>	51,133	<b>57,593</b>	50,454
Senior notes	20.1	<b>49,555</b>	47,333	<b>49,555</b>	47,333
Local banks		<b>20,743</b>	23,717	<b>292</b>	2,802
Deposit substitutes		<b>13,280</b>	14,500	<b>13,280</b>	14,500
		<b><u>P 261,470</u></b>	<u>P 189,582</u>	<b><u>P 240,288</u></b>	<u>P 167,988</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Foreign currencies	P 121,451	P 115,768	P 120,720	P 115,088
Philippine pesos	<u>140,019</u>	<u>73,814</u>	<u>119,568</u>	<u>52,900</u>
	<u>P 261,470</u>	<u>P 189,582</u>	<u>P 240,288</u>	<u>P 167,988</u>

The maturity profile of this account is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
One to three months	P 28,193	P 80,375	P 18,885	P 73,199
More than three months to one year	113,600	31,538	111,179	26,348
More than one to three years	113,925	70,853	104,472	62,942
More than three years	<u>5,752</u>	<u>6,816</u>	<u>5,752</u>	<u>5,499</u>
	<u>P 261,470</u>	<u>P 189,582</u>	<u>P 240,288</u>	<u>P 167,988</u>

The range of annual interest rates for interest-bearing bills payable is shown in the table below (see Note 24).

	<u>2024</u>	<u>2023</u>	<u>2022</u>
BDO Unibank Group	2.13% – 7.87%	2.04% – 7.63%	0.45% – 6.50%
Parent Bank	2.13% – 6.24%	2.04% – 6.75%	2.04% – 5.87%

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):

	<u>2024</u>	<u>2023</u>	<u>2022</u>
<b><u>BDO Unibank Group</u></b>			
Fixed rate peso bonds	P 5,599	P 1,725	P 3,035
Foreign banks	3,185	2,574	851
Local banks	1,524	923	207
Senior notes	1,397	1,553	2,350
Deposit substitutes	946	847	138
Others	<u>-</u>	<u>80</u>	<u>65</u>
	<u>P 12,651</u>	<u>P 7,702</u>	<u>P 6,646</u>
<b><u>Parent Bank</u></b>			
Fixed rate peso bonds	P 5,599	P 1,725	P 3,035
Foreign banks	3,159	2,548	849
Senior notes	1,397	1,553	2,350
Deposit substitutes	946	847	138
Local banks	<u>149</u>	<u>50</u>	<u>-</u>
	<u>P 11,250</u>	<u>P 6,723</u>	<u>P 6,372</u>

## 20.1 Senior Notes

The Parent Bank issued US dollar denominated senior notes as follows:

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2024	2023
May 16, 2022	May 16, 2029	3.71%	100	P 5,780	P 5,526
July 13, 2020	January 13, 2026	2.13%	600	34,960	33,380
February 20, 2018	February 20, 2025	4.16%	150	8,815	8,427
				<u>P 49,555</u>	<u>P 47,333</u>

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.

The Parent Bank fully redeemed the US\$654 million Senior Notes in 2023. Partial redemption of US\$10 million was made in January 2023. Full redemption of the remaining balance amounting to US\$644 million was made in March 2023.

## 20.2 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 P52.7 billion 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 matured on January 28, 2024.

On December 13, 2023, the BSP also issued Circular 1185 Grant of Additional Single Borrower's Limit for Financing Eligible Projects and Zero Percent Reserve Requirement Rate Against Eligible Sustainable Bonds. Reserve Requirement to be imposed for bond issuances that qualify under this category will be 1%, in the 1st year of effectivity of Circular, and 0%, in the succeeding year, effective for another 12 months.

On January 29, 2024, the Parent Bank issued P63.3 billion of Peso-denominated fixed ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.0% per annum and will mature on July 29, 2025.

On July 24, 2024, the Parent Bank issued P55.7 billion of Peso-denominated fixed rate ASEAN Sustainability Bonds. The bonds carry an interest rate of 6.3% per annum and will mature on January 24, 2026.

The Parent Bank's issuances of fixed rate peso bonds as follows (amounts in billions of Philippine Pesos):

Issue Date	Maturity Date	Coupon Interest	Principal Amount	Outstanding Balance	
				2024	2023
January 29, 2024	July 29, 2025	6.0%	63.3	P 63.6	P -
July 24, 2024	January 24, 2026	6.3%	55.7	55.9	-

### 20.3 Reconciliation of Liabilities Arising from Financing Activities

Presented below is the reconciliation of liabilities arising from financing activities in 2024, 2023 and 2022, 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, 2024	P 51,133	P 47,333	P 52,899	P 23,717	P 14,500	P -	P -	P 189,582
Cash flows from financing activities								
Additional borrowings	101,306	-	118,085	58,048	20,660	10	-	298,109
Repayment of borrowings	( 94,736 )	-	( 52,899 )	( 61,882 )	( 22,609 )	( 10 )	-	( 232,136 )
Non-cash financing activities								
Interest amortization	144	104	1,483	878	38	-	-	2,647
Revaluation	477	2,118	-	( 18 )	691	-	-	3,268
<b>Balance as of December 31, 2024</b>	<b>P 58,324</b>	<b>P 49,555</b>	<b>P 119,568</b>	<b>P 20,743</b>	<b>P 13,280</b>	<b>P -</b>	<b>P -</b>	<b>P 261,470</b>
Balance as of January 1, 2023	P 39,243	P 84,355	P 52,696	P 8,890	P 12,679	P -	P 1,028	P 198,891
Cash flows from financing activities								
Additional borrowings	83,782	-	-	49,602	49,465	20	4,745	187,614
Repayment of borrowings	( 73,242 )	( 36,187 )	-	( 35,377 )	( 47,730 )	( 20 )	( 5,757 )	( 198,313 )
Non-cash financing activities								
Interest amortization	1,572	( 234 )	203	670	74	-	( 16 )	2,269
Revaluation	( 222 )	( 601 )	-	( 68 )	12	-	-	( 879 )
<b>Balance as of December 31, 2023</b>	<b>P 51,133</b>	<b>P 47,333</b>	<b>P 52,899</b>	<b>P 23,717</b>	<b>P 14,500</b>	<b>P -</b>	<b>P -</b>	<b>P 189,582</b>
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
<b>Balance as of December 31, 2022</b>	<b>P 39,243</b>	<b>P 84,355</b>	<b>P 52,696</b>	<b>P 8,890</b>	<b>P 12,679</b>	<b>P -</b>	<b>P 1,028</b>	<b>P 198,891</b>

#### Parent Bank

Balance as of January 1, 2024	P 50,454	P 47,333	P 52,899	P 2,802	P 14,500	P -	P -	P 167,988
Cash flows from financing activities								
Additional borrowings	99,312	-	118,085	291	20,660	10	-	238,358
Repayment of borrowings	( 92,713 )	-	( 52,899 )	( 2,802 )	( 22,609 )	( 10 )	-	( 171,033 )
Non-cash financing activities								
Interest amortization	109	104	1,483	( 30 )	38	-	-	1,704
Revaluation	431	2,118	-	31	691	-	-	3,271
<b>Balance as of December 31, 2024</b>	<b>P 57,593</b>	<b>P 49,555</b>	<b>P 119,568</b>	<b>P 292</b>	<b>P 13,280</b>	<b>P -</b>	<b>P -</b>	<b>P 240,288</b>
Balance as of January 1, 2023	P 39,142	P 84,355	P 52,696	P -	P 12,679	P -	P -	P 188,872
Cash flows from financing activities								
Additional borrowings	81,922	-	-	2,829	49,465	10	-	134,226
Repayment of borrowings	( 71,834 )	( 36,187 )	-	-	( 47,730 )	( 10 )	-	( 155,761 )
Non-cash financing activities								
Interest amortization	1,539	( 234 )	203	33	74	-	-	1,615
Revaluation	( 315 )	( 601 )	-	( 60 )	12	-	-	( 964 )
<b>Balance as of December 31, 2023</b>	<b>P 50,454</b>	<b>P 47,333</b>	<b>P 52,899</b>	<b>P 2,802</b>	<b>P 14,500</b>	<b>P -</b>	<b>P -</b>	<b>P 167,988</b>
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
<b>Balance as of December 31, 2022</b>	<b>P 39,142</b>	<b>P 84,355</b>	<b>P 52,696</b>	<b>P -</b>	<b>P 12,679</b>	<b>P -</b>	<b>P -</b>	<b>P 188,872</b>



## 21. OTHER LIABILITIES

The other liabilities account consists of the following:

	Notes	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Accounts payable		<b>P 35,015</b>	P 25,723	<b>P 31,954</b>	P 21,961
Outstanding acceptances payable		<b>22,732</b>	13,346	<b>22,732</b>	13,346
Accrued expenses		<b>19,418</b>	19,075	<b>17,854</b>	17,790
Manager's checks		<b>18,729</b>	12,912	<b>17,986</b>	12,843
Lease liabilities	13.2	<b>14,001</b>	13,034	<b>13,215</b>	12,807
Bills purchased – contra		<b>13,362</b>	10,569	<b>13,362</b>	10,569
Derivatives with negative fair values	10.1, 27(d)(i)(4)	<b>6,361</b>	5,139	<b>3,090</b>	1,859
Withholding taxes payable		<b>4,031</b>	3,302	<b>3,759</b>	3,077
Lease deposits	34.2.1	<b>2,269</b>	1,976	<b>519</b>	112
Due to BSP and Treasurer of the Philippines		<b>1,175</b>	1,178	<b>1,171</b>	1,174
Capitalized interest and other charges		<b>314</b>	458	<b>255</b>	255
Due to principal		<b>314</b>	375	-	-
Deferred tax liabilities		-	-	<b>90</b>	-
Others	18, 34.1.2	<b>13,966</b>	12,367	<b>13,556</b>	11,802
		<b>P 151,687</b>	P 119,454	<b>P 139,543</b>	P 107,595

The liability for unredeemed reward points amounting to P3,486 and P3,177 as of December 31, 2024 and 2023, respectively, presented as part of Accrued expenses, 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 2.16).

Others include margin deposits, life insurance deposits, cash letters of credit and other miscellaneous liabilities.

Interest expense on certain liabilities amounting to P167, P58 and P20 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group and P85, P51 and P19 in 2024, 2023 and 2022, respectively, for the Parent Bank which are presented as part of Interest expense on bills payable and other liabilities under Interest Expense account in the statements of income (see Note 24).

Impairment losses (recoveries) recognized for off-books account amounted to (P14), P12 and P5, and on miscellaneous liabilities – damage suit amounting to nil, P7 and nil, for both the BDO Unibank Group and the Parent Bank in 2024, 2023 and 2022, respectively. The accumulated impairment losses as of December 31, 2024, 2023 and 2022 amounting to P118, P203 and P233, 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 18).

## 22. EQUITY

### 22.1 Capital Stock

Capital stock consists of the following:

	<u>Number of Shares</u>		<u>Amount</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
<u>Preferred shares – P10 par value</u>				
Authorized				
Balance at end of year	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>P 10,000</u>	<u>P 10,000</u>
Issued, fully paid and outstanding				
Balance at beginning of year	<u>618,000,000</u>	<u>618,000,000</u>	<u>P 6,180</u>	<u>P 6,180</u>
<u>Common shares – P10 par value</u>				
Authorized				
Balance at end of year	<u>8,500,000,000</u>	<u>8,500,000,000</u>	<u>P 85,000</u>	<u>P 85,000</u>
Issued, fully paid and outstanding				
Balance at beginning of year	<u>5,268,362,374</u>	<u>5,264,131,675</u>	<u>P 52,684</u>	<u>P 52,641</u>
Issued during the year	<u>58,129,671</u>	<u>4,230,699</u>	<u>581</u>	<u>43</u>
Balance at end of year	<u>5,326,492,045</u>	<u>5,268,362,374</u>	<u>53,265</u>	<u>52,684</u>
Treasury shares - at cost	<u>( 54,234,084 )</u>	<u>( 5,070 )</u>	<u>( 7,077 )</u>	<u>( 1 )</u>
Total Outstanding	<u>5,272,257,961</u>	<u>5,268,357,304</u>	<u>P 46,188</u>	<u>P 52,683</u>

#### 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 capital supported the Parent Bank's medium-term growth objectives amid the country's favorable macroeconomic prospects and provide a comfortable buffer over higher capital requirements with the forthcoming imposition of DSIB surcharge.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code and other issuances, is as follows:

<u>Transaction</u>	<u>Subscriber</u>	<u>Issue Date</u>	<u>Number of Shares Issued</u>
IPO	Various	May 21, 2002	908,189,550
Private placement	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
Stock options	Various employees	January 5, 2023 to December 27, 2023	4,230,699
Stock options	Various employees	February 15, 2024 to December 16, 2024	3,900,657
Treasury shares from TPCI		December 1, 2024	54,229,014
			<u>5,326,492,045</u>

## ***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 depository of ADRs for a period of five years. As depository bank, DB is responsible for the issuance and cancellation, as well as the registration of the ADRs; custody of the underlying BDO common shares and maintenance of the register of holders; the distribution of dividends; and execution of corporate actions and services to the Issuer (i.e., BDO)/Investor/Broker. In October 2018, the Parent Bank renewed the appointment of DB as the exclusive depository of ADRs for another five years. Subsequently, the Parent Bank has renewed the appointment of DB as the exclusive depository of ADRs on an annual basis.

As of December 31, 2024 and 2023, 1,665,993 and 802,252 ADRs valued at US\$42,482,822 and US\$18,451,796 (absolute amount), respectively, remained outstanding (computed using ADR closing price of US\$25.50/share and US\$23.00/share, respectively).

### 22.3 Surplus Free

The details of the Parent Bank's cash dividend distributions are as follows:

<u>Date Declared and Approved</u>	<u>Common shares dividend</u>		<u>Record Date</u>	<u>Date Paid/Payable</u>
	<u>Per Share</u>	<u>Total Amount</u>		
February 24, 2022	P 0.30	P 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
February 24, 2023	0.75	3,949	March 13, 2023	March 31, 2023
May 27, 2023	0.75	3,949	June 14, 2023	June 30, 2023
August 25, 2023	0.75	3,951	September 12, 2023	September 29, 2023
December 6, 2023	0.75	3,951	December 22, 2023	December 29, 2023
February 24, 2024	0.75	3,952	March 12, 2024	March 27, 2024
May 25, 2024	1.00	5,269	June 11, 2024	June 28, 2024
August 31, 2024	1.00	5,272	September 17, 2024	September 30, 2024
November 28, 2024	1.00	5,272	December 13, 2024	December 27, 2024

<u>Date Declared and Approved</u>	<u>Preferred shares dividend</u>		<u>Date Paid/ Payable</u>
	<u>Per Annum</u>	<u>Total Amount</u>	
January 29, 2022	6.50%	P 339	February 22, 2022
January 28, 2023	6.50%	407	February 20, 2023
January 27, 2024	6.50%	407	February 19, 2024

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 Parent 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.

On December 7, 2024, the BOD approved the declaration of treasury shares amounting to P7,076 as property dividends (see Note 30.7). The listing of the treasury shares, and the dividend declaration shall be subject to the approvals of the PSE and SEC, respectively (see Note 30.7).

## 22.4 ESOP

For options that were exercised in 2024 and 2023, BDO Unibank Group issued new common shares of 3,900,657 and 4,230,699, respectively, from its authorized capital stock.

Set out below are summaries of number of options vested under the plan:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>17,616,396</b>	18,385,887	<b>16,007,362</b>	16,597,848
Vested during the year	<b>11,292,558</b>	10,659,436	<b>10,691,390</b>	10,137,563
Forfeited during the year	( <b>34,042</b> )	( 57,825 )	( <b>34,042</b> )	( 51,400 )
Expired during the year	( <b>58,050</b> )	( 55,500 )	( <b>58,050</b> )	( 55,500 )
Exercised during the year	( <b>13,143,563</b> )	( 11,315,602 )	( <b>12,542,500</b> )	( 10,621,149 )
Balance at end of year	<b><u>15,673,299</u></b>	<u>17,616,396</u>	<b><u>14,064,160</u></b>	<u>16,007,362</u>

The weighted average exercise price was P122.86 and P116.77 for the years ended December 31, 2024 and 2023, respectively.

The share options expensed and included as part of Compensation and benefits under Other Operating Expenses, and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P981, P903 and P294 in 2024, 2023 and 2022, respectively, and in the Parent Bank's statements of income, amounted to P906, P858 and P289, 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:

	<b>2024</b>	<b>2023</b>
Average option life	<b>5 years</b>	5 years
Average share price at grant date	<b>P 128.20</b>	P 140.00
Average exercise price at grant date	<b>P 135.19</b>	P 120.92
Average fair value of options at grant date	<b>P 31.14</b>	P 47.32
Average standard deviation of share price returns	<b>26.16%</b>	29.55%
Average dividend yield	<b>2.86%</b>	2.60%
Average risk-free investment rate	<b>6.43%</b>	6.07%

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 P580 in 2024, P23 for 2023 and P132 in 2022 representing insurance fund on losses due to fire, robbery, and other cash losses. BDO Network appropriated its Surplus Free amounting to P4, P4 and P5 in 2024, 2023 and 2022, respectively, representing insurance fund on losses due to fire, robbery and other cash losses.

The BDO Unibank Group and the Parent Bank appropriated its Surplus Free for impairment of general loan loss portfolio amounting to P2,690 and P2,391 in 2024, P2,090 and P1,986 in 2023 and P2,475 and P2,311 in 2022, respectively. The accumulated amount of appropriation to surplus reserves for general loan loss portfolio as of December 31, 2024, 2023 and 2022 amounted to P20,685, P17,995 and P15,905, respectively, for BDO Unibank Group and P19,854, P17,463 and P15,477, 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 both amounting to P284, P262 and P251 in 2024, 2023 and 2022, respectively, is appropriated to surplus reserves (see Note 28).

As of December 31, 2024, outstanding surplus reserve of BDO Securities amounted to P 165 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*. No appropriations to surplus reserves were made in 2024, 2023 and 2022.

## 23. INTEREST INCOME

The interest income account consists of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Loans and other receivables	11, 27	<b>P 222,735</b>	P 190,067	P 135,796	<b>P 213,513</b>	P 182,285	P129,373
Trading and investment securities:							
At amortized cost	10.3	<b>26,859</b>	22,999	17,333	<b>26,001</b>	22,184	16,612
At FVOCI	10.2	<b>15,540</b>	10,682	5,145	<b>15,004</b>	10,019	4,641
At FVTPL	10.1	<b>520</b>	128	104	<b>500</b>	89	69
Due from BSP and other banks	8, 9	<b>6,238</b>	7,739	3,366	<b>5,600</b>	7,317	3,207
Others	23	<b>147</b>	89	76	<b>133</b>	83	66
		<b><u>P 272,039</u></b>	<b><u>P 231,704</u></b>	<b><u>P 161,820</u></b>	<b><u>P 260,751</u></b>	<b><u>P 221,977</u></b>	<b><u>P153,968</u></b>

## 24. INTEREST EXPENSE

Interest expense is composed of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Deposit liabilities	19, 27	<b>P 72,012</b>	P 50,916	P 14,977	<b>P 69,904</b>	P 48,914	P 13,970
Bills payable and other liabilities	20, 21, 26.2	<b>12,395</b>	7,462	6,958	<b>10,976</b>	6,526	6,659
Finance lease liabilities	13.2, 21	<b>1,036</b>	939	926	<b>1,005</b>	883	905
		<b><u>P 85,443</u></b>	<b><u>P 59,317</u></b>	<b><u>P 22,861</u></b>	<b><u>P 81,885</u></b>	<b><u>P 56,323</u></b>	<b><u>P 21,534</u></b>

## 25. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Service charges, fees and commissions	27	<b>P 50,803</b>	P 43,201	P 38,545	<b>P 42,872</b>	P 36,677	P 31,061
Foreign exchange gains	10.1	<b>6,824</b>	4,867	5,789	<b>6,593</b>	4,614	5,182
Trust fees	28	<b>5,113</b>	4,698	4,555	<b>3,943</b>	3,539	3,395
Rental	14	<b>3,016</b>	1,081	1,067	<b>595</b>	460	492
ROPA Income	14	<b>1,832</b>	1,114	426	<b>1,827</b>	910	426
Share in net income of subsidiaries and associates	15	<b>1,397</b>	1,273	849	<b>9,303</b>	8,378	8,710
Trading gains (losses) - net	10.1	<b>( 127)</b>	1,455	( 322)	<b>( 405)</b>	1,224	( 299)
Dividends	10.1	<b>77</b>	17	20	<b>21</b>	14	18
Miscellaneous – net	25, 30.2, 34.2.1	<b>1,958</b>	7,609	1,295	<b>1,681</b>	1,498	1,144
		<b><u>P 70,893</u></b>	<u>P 65,315</u>	<u>P 52,224</u>	<b><u>P 66,430</u></b>	<u>P 57,314</u>	<u>P 50,129</u>

Other operating expenses consist of the following:

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Compensation and benefits	26.1	<b>P 53,090</b>	P 46,687	P 43,060	<b>P 46,326</b>	P 40,857	P 37,955
Fees and commissions		<b>30,625</b>	25,547	17,834	<b>29,711</b>	24,603	16,942
Taxes and licenses	14	<b>15,968</b>	13,179	9,746	<b>14,412</b>	12,060	8,707
Occupancy	12, 14, 13.3, 17.5, 27	<b>12,298</b>	11,908	10,350	<b>10,402</b>	10,602	9,182
Insurance	27	<b>7,869</b>	7,098	6,341	<b>7,671</b>	6,954	6,218
Security, clerical, messengerial and janitorial		<b>5,244</b>	4,791	4,172	<b>4,575</b>	4,423	3,843
Advertising		<b>4,372</b>	3,245	1,935	<b>4,232</b>	3,139	1,823
Information technology		<b>2,804</b>	2,888	1,070	<b>2,738</b>	2,840	1,057
Repairs and maintenance	27	<b>2,774</b>	2,564	2,327	<b>2,502</b>	2,384	2,158
Amortization of computer software	17.5	<b>2,141</b>	2,917	1,343	<b>2,055</b>	2,842	1,259
Power, light and water		<b>1,898</b>	1,456	1,398	<b>1,339</b>	1,294	1,263
Representation and entertainment		<b>1,736</b>	1,550	1,296	<b>1,583</b>	1,389	1,141
Traveling		<b>1,296</b>	1,084	955	<b>854</b>	705	638
Supplies		<b>1,074</b>	1,157	775	<b>935</b>	1,022	675
Litigation on assets acquired		<b>973</b>	689	854	<b>941</b>	665	834
Telecommunication		<b>627</b>	552	467	<b>575</b>	495	421
Freight		<b>497</b>	507	422	<b>437</b>	456	372
Miscellaneous	27	<b>1,327</b>	2,693	2,281	<b>811</b>	2,588	2,161
		<b><u>P 146,613</u></b>	<u>P 130,512</u>	<u>P 106,626</u>	<b><u>P 132,099</u></b>	<u>P 119,318</u>	<u>P 96,649</u>

## 26. COMPENSATION AND BENEFITS

### 26.1 Compensation and Benefits

Expenses recognized for compensation and benefits are presented below.

	Notes	BDO Unibank Group			Parent Bank		
		2024	2023	2022	2024	2023	2022
Salaries and wages	27	P 31,311	P 27,598	P 25,419	P 27,321	P 24,162	P 22,375
Bonus		10,278	9,020	8,266	9,027	7,989	7,360
Retirement – defined benefit plan	26.2	3,602	3,277	2,923	3,106	2,836	2,583
Social security costs		2,049	1,727	1,375	1,757	1,484	1,195
Employee stock option plan	22.4, 26.3	968	896	292	906	858	289
Other benefits		4,882	4,169	4,785	4,209	3,528	4,153
	25	P 53,090	P 46,687	P 43,060	P 46,326	P 40,857	P 37,955

### 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 below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2024 and 2023.

The amounts of Retirement assets recognized under Other Resources account (see Note 17), in the statements of financial position are determined as follows:

	BDO Unibank Group		Parent Bank	
	2024	2023	2024	2023
Present value of the DBO	P 63,752	P 53,328	P 57,476	P 48,406
Fair value of plan assets	( 71,015)	( 53,968)	( 64,144)	( 48,406)
Surplus of plan assets	( 7,263)	( 640)	( 6,668)	-
Effect of asset ceiling	587	68	545	-
Retirement benefit assets	(P 6,676)	(P 572)	(P 6,123)	P -



The movements in the present value of the DBO are as follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>P 53,328</b>	P 43,139	<b>P 48,406</b>	P 39,252
Benefits paid by the plan	<b>( 3,158)</b>	( 3,420)	<b>( 2,920)</b>	( 3,167)
Current service cost	<b>3,644</b>	3,306	<b>3,106</b>	2,836
Interest expense	<b>3,684</b>	3,288	<b>3,344</b>	2,988
Transfer to the plan	-	-	<b>( 104)</b>	32
Remeasurements:				
Actuarial losses				
arising from changes in:				
- financial assumptions	<b>3,031</b>	3,943	<b>2,578</b>	3,485
- experience adjustments	<b>3,196</b>	2,079	<b>3,063</b>	2,045
- demographic assumptions	<b>27</b>	990	-	935
Business combinations	<b>-</b>	<b>3</b>	<b>3</b>	-
Balance at end of year	<b>P 63,752</b>	P 53,328	<b>P 57,476</b>	P 48,406

The movements in the fair value of plan assets are presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Balance at beginning of year	<b>P 53,968</b>	P 43,396	<b>P 48,406</b>	P 39,252
Contributions paid into the plan	<b>14,045</b>	10,714	<b>13,255</b>	9,447
Interest income	<b>4,111</b>	3,590	<b>3,704</b>	3,236
Benefits paid by the plan	<b>( 3,158)</b>	( 3,420)	<b>( 2,920)</b>	( 3,167)
Transfer to the plan	-	-	<b>( 104)</b>	32
Remeasurement gain (loss) - return				
on plan assets (excluding				
amounts included in net				
interest)	<b>2,049</b>	( 314)	<b>1,801</b>	( 394)
Business combinations	<b>-</b>	<b>2</b>	<b>2</b>	-
Balance at end of year	<b>P 71,015</b>	P 53,968	<b>P 64,144</b>	P 48,406

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.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Debt securities:				
Government bonds	<b>P 47,616</b>	P 35,003	<b>P 43,009</b>	P 31,396
Corporate bonds	<b>6,079</b>	7,156	<b>5,491</b>	6,419
UITFs	<b>7,812</b>	5,510	<b>7,056</b>	4,942
Equity securities	<b>8,003</b>	5,138	<b>7,229</b>	4,608
Loans and other receivables	-	292	-	261
Cash and cash equivalents	<b>107</b>	76	<b>96</b>	68
Other properties - net	<b>1,398</b>	793	<b>1,263</b>	712
	<b>P 71,015</b>	P 53,968	<b>P 64,144</b>	P 48,406

Actual returns on plan assets were P6,160 and P5,505 in 2024 and P3,276 and P2,842 in 2023 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 are as follows:

	<b>BDO Unibank Group</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<i>Recognized in profit or loss:</i>			
Current service costs	<b>P 3,644</b>	P 3,306	P 2,961
Interest expense (income)	<b>( 423)</b>	( 299)	292
	<b><u>P 3,221</u></b>	<u>P 3,007</u>	<u>P 3,253</u>
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	<b>P 2,397</b>	P 1,559	P 799
- financial assumptions	<b>2,274</b>	2,957	( 4,018)
- demographic assumptions	<b>20</b>	743	1,436
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	<b>( 1,538)</b>	236	2,864
- changes in the effect of the asset ceiling	<b>386</b>	17	27
	<b>3,539</b>	5,512	1,108
Share in actuarial losses (gains) of associates	<b>1</b>	5	( 11)
	<b><u>P 3,540</u></b>	<u>P 5,517</u>	<u>P 1,097</u>
	<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<i>Recognized in profit or loss:</i>			
Current service costs	<b>P 3,106</b>	P 2,836	P 2,583
Interest expense (income)	<b>( 359)</b>	( 248)	268
	<b><u>P 2,747</u></b>	<u>P 2,588</u>	<u>P 2,851</u>
<i>Recognized in other comprehensive income, net of tax (see Note 31.1):</i>			
Actuarial losses (gains) arising from change in:			
- experience adjustments	<b>P 2,297</b>	P 1,534	P 816
- financial assumptions	<b>1,934</b>	2,614	( 3,569)
- demographic assumptions	<b>-</b>	701	1,368
Remeasurement losses (gains) arising from:			
- return on plan assets (excluding amounts included in net interest expense)	<b>( 1,351)</b>	295	2,612
- changes in the effect of the asset ceiling	<b>409</b>	-	-
	<b>3,289</b>	5,144	1,227
Share in actuarial losses (gains) of subsidiaries and associates	<b>235</b>	343	( 126)
	<b><u>P 3,524</u></b>	<u>P 5,487</u>	<u>P 1,101</u>

Current service costs are presented as part of Compensation and benefits under Other Operating Expenses and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 25) while interest expense or income are presented or offset against Interest Expense and Income Attributable to Insurance Operations - Net accounts (see Notes 16 and 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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Discount rates	<b>6.04% - 6.13%</b>	6.92%	<b>6.09%</b>	6.92%
Expected rate of salary increases	<b>1.00% - 13.00%</b>	1.00% - 13.00%	<b>5.00% - 10.00%</b>	5.00% - 10.00%

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 22.8 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 debt and equity instruments, UITF, 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, 2024 and 2023.

<b>BDO Unibank Group</b>					<b>Parent Bank</b>				
	<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>		<u>Change in Assumption</u>		<u>Increase in Assumption</u>	<u>Decrease in Assumption</u>
<b>December 31, 2024</b>									
Discount rate	+/-1%	P	3,622 (P	3,958)	+/-1%	P	3,010 (P	3,258)	
Salary increase rate	+/-1%	(	4,089)	3,584	+/-1%	(	3,359)	2,982	
<b>December 31, 2023</b>									
Discount rate	+/-1%	P	2,913 (P	3,276)	+/-1%	P	2,449 (P	2,723)	
Salary increase rate	+/-1%	(	3,201)	2,906	+/-1%	(	2,666)	2,447	

The 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 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, 2024 and 2023 consists of debt instruments and equity instruments, although the BDO Unibank Group and the Parent Bank also invest in cash and cash equivalents, UITFs 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, 2024, the plan of the BDO Unibank Group and the Parent Bank is overfunded by P7,263 and P6,668, respectively, based on the latest actuarial valuation report.

The BDO Unibank Group and the Parent Bank expect to pay P4,412 and P3,672, respectively, as contributions to retirement benefit plans in 2025.

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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
Between one to five years	P	52,224	P	48,614
Between six to ten years		<u>43,858</u>		<u>39,392</u>
	<b>P</b>	<b><u>96,082</u></b>	<b>P</b>	<b><u>88,006</u></b>

The weighted average duration of the defined benefit obligation at the end of the reporting period is 4.4 to 15.9 years for the BDO Unibank Group and 5.6 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 2024 and 2023, vested shares totalled 11,292,558 shares and 10,659,436 shares, respectively, for BDO Unibank Group, and 10,691,390 shares and 10,137,563 shares, respectively, for Parent Bank.

The ESOP expense, included as part of Compensation and Benefits under Other Operating Expenses, and Income Attributable to Insurance Operations - Net in the BDO Unibank Group's statements of income, amounted to P981, P903 and P294 in 2024, 2023 and 2022, respectively, and in the Parent Bank's statements of income, amounted to P906, P858 and P289, 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, 2024. The said committee exercises oversight role to ensure bank compliance with BSP and SEC regulations on related party transactions.

The summary of BDO Unibank Group's significant transactions with its related parties as of December 31, 2024 and 2023 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
<b>DOSRI Loans</b>	27(a)					
Stockholders		P 18,992	P 15,684	P 11,241	P 16,216	P 25,403
Related Parties under Common Ownership		-	-	2	-	-
Officers and Employees		2,891	2,398	1,900	2,749	2,352
<b>Deposit Liabilities</b>	27(b)					
Stockholders		671,393	537,059	500,212	1,653	21,556
Related Parties under Common Ownership		623	1,768	16,992	52	164
Directors		371	1,096	561	16	15
<b>Other Transactions with Associates</b>	27(d)					
Interest Income		-	559	295	-	-
<b>Related Parties Under Common Ownership</b>	27(d)					
Security Deposit		35	32	42	609	598
Right-of-use Asset		1,395	993	1,619	5,207	4,776
Lease Liabilities		144	104	1,361	3,109	2,764
Interest Expense		71	48	87	243	203
Depreciation Expense		209	154	263	1,061	1,018

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
<b>Key Management Personnel</b>	27(d)					
Compensation		1,842	1,703	1,673	-	-
<b>Retirement Plan</b>	27(c)	2,979	( 194 )	( 263 )	13,235	8,515

The summary of the Parent Bank's significant transactions with its related parties as of December 31, 2024 and 2023 and for each of the three years ended are as follows:

Related Party Category	Note	Amounts of Transaction			Outstanding Balance	
		2024	2023	2022	2024	2023
<b>DOSRI Loans</b>	27(a)					
Stockholders		P 18,992	P 15,684	P 11,241	P 16,216	P 25,403
Related Parties under Common Ownership		-	-	2	-	-
Officers and Employees		2,889	2,398	1,898	2,746	2,350
<b>Deposit Liabilities</b>	27(b)					
Stockholders		671,393	537,059	500,212	1,653	21,556
Related Parties under Common Ownership		623	1,149	990	52	62
Directors		371	1,096	561	16	15
<b>Other Transactions with Subsidiaries</b>	27(d)					
Loans and Advances		30,714	50,421	28,755	11,006	24,284
Derivative Assets		3,205	1,425	3,059	27	15
Derivative Liabilities		2,225	8,249	1,738	28	160
Deposit Liabilities		( 226 )	( 5,485 )	6,599	5,657	5,883
Miscellaneous Assets		15	126	( 83 )	200	185
Miscellaneous Liabilities		-	-	28	-	-
Interest Income		1,446	1,055	183	23	191
Rent Income		132	134	143	-	-
Service Fees		1,422	1,244	1,070	-	-
Interest Expense		107	135	79	9	2
Right-of-use Asset		( 237 )	370	24	71	456
Lease Liabilities		( 461 )	396	3	85	516
Depreciation/Amortization		149	14	16	-	-
Interest Expense – Finance						
Lease Payment Payable		29	3	7	-	-
Trust Fees		202	176	120	-	-
Miscellaneous Expense		14	42	83	-	-
Insurance Expense		57	50	56	-	-
Trading Gain/Loss		( 23 )	( 57 )	230	-	-
Miscellaneous Income		145	110	123	-	-
Repairs and Maintenance		33	1	1	-	-
Fees and Commission		441	216	135	-	-
Management & other professional fees		-	1	-	-	-
Power and light		4	-	-	-	-
Rent expense		1	-	-	-	-
<b>Other Transactions with Associates</b>	27(d)					
Interest Income		-	559	295	-	-
<b>Related Parties under Common Ownership</b>	27(d)					
Security Deposit		35	32	42	609	598
Right-of-use Asset		1,395	993	1,619	5,207	4,776
Lease Liabilities		144	104	1,361	3,109	2,764
Interest Expense		71	48	87	243	203
Depreciation Expense		209	154	263	1,061	1,018
<b>Key Management Personnel</b>	27(d)					
Compensation		1,051	1,006	966	-	-
<b>Retirement Plan</b>	27(c)	2,979	( 194 )	( 263 )	13,234	8,513

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 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 17.28% per annum in 2024, 0.00% to 13.50% per annum in 2023 and 0.00% to 9.00% per annum in 2022, which are substantially the same terms as loans granted to other individuals and businesses of comparable risks. For loans to a DOSRI, at least 70% of the loan, other credit accommodations and guarantees must be secured and the total amount should not exceed the combined value of their unencumbered deposit and book value of their paid-in capital contribution in the Parent Bank. Total loans, credit accommodations, and guarantees extended to DOSRIs must not exceed 15% of the total loan portfolio or 100% of the bank's net worth, whichever is lower. The unsecured portion thereof must not exceed 30% of the aggregate ceiling or the outstanding amount, whichever is lower.

Each subsidiary/affiliate's total loans, credit accommodations, and guarantees must not exceed 10% of the bank's net worth, and the unsecured portion thereof must not exceed 5% of the bank's net worth. Additionally, all subsidiaries/affiliates' total loans, credit accommodations, and guarantees must not exceed 20% of the bank's net worth.

Secured Loans to Related Parties 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 2024 amounted to P21,883 and P30,673 for the BDO Unibank Group and P21,881 and P30,672 for the Parent Bank, respectively. The total loan releases and collections in 2023 amounted to P18,082 and P13,703 for the BDO Unibank Group and P18,082 and P13,701 for the Parent Bank, respectively. 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.

(b) *Deposits from Related Parties*

The total deposits made by the related parties amounted to P672,387, P539,923 and P517,765 in 2024, 2023 and 2022, respectively, for the BDO Unibank Group, and P672,387, P539,304 and P501,763 in 2024, 2023 and 2022 for the Parent Bank, respectively, and bearing interest rates range of 0.00% to 6.13% in 2024, 0.00% to 6.38% in 2023, and 0.00% to 5.38% 2022, respectively. The related interest expense from deposits amounted to P491, P1,035 and P935 in 2024, 2023 and 2022, 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, 2024 and 2023 and for each of the three years ended are as follows:

<b>Related Party Category</b>	<b>Amounts of Transaction</b>			<b>Outstanding Balance</b>	
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>
Loans to employees					
BDO Unibank, Inc.	<b>P</b> -	P -	P -	<b>P</b> 3	P 3
Investment in shares of					
BDO Unibank, Inc.	-	-	-	<b>3,158</b>	2,371
Dominion Holdings	-	-	-	<b>1</b>	2
Deposit liabilities					
(including LTNCDs)					
BDO Unibank, Inc.	-	-	-	<b>10,073</b>	6,139
Trading gain (loss)					
BDO Unibank, Inc.	<b>2,967</b> (	205) (	271)	-	-
Interest expense					
BDO Unibank, Inc.	<b>10</b>	9	6	-	-
Rental income					
BDO Unibank, Inc.	<b>2</b>	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 P132 and P120, P120 and P259, and P259 and P111, in 2024, 2023 and 2022, 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 P132 and P120 as of December 31, 2024 and 2023, respectively (see Note 11).

The Parent Bank also grants both secured and unsecured interest-bearing loans to subsidiaries with outstanding balance of P10,874 and P24,164 as of December 31, 2024 and 2023, 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 P30,582, P50,301 and P28,496 while total loans collected amounted to P43,872, P35,217 and P22,217 for 2024, 2023 and 2022, respectively. These loans are payable in cash with a term between seven 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 5.50% to 7.86%, 5.86% to 7.85% and 3.32% to 6.50% per annum in 2024, 2023 and 2022, 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, ATM-related services, 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). The outstanding balance arising from these transactions, presented as part of Others under Other Resources (see Note 17), amounted to P196 and P168 as of December 31, 2024 and 2023, respectively. Total service fees amounted to P1,422, P1,244 and P1,070 in 2024, 2023 and 2022, respectively.



BDO Life, BDOSHI, BDO Capital and Dominion Holdings have an existing Investment Management Agreement with the Parent Bank for trust services rendered. 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, 2024 and 2023 are included as part of Accounts receivable under Loans and Other Receivables (see Note 11). The total trust fees amounted to P202 for 2024, P176 for 2023, and P120 for 2022.

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 one to fifteen years and is payable in cash. There are no outstanding receivables from subsidiaries as of December 31, 2024 and 2023. The total rent income amounted to P132, P134 and P143 in 2024, 2023 and 2022, respectively.

*(3) Expenses of the Parent Bank*

The Parent Bank, as a lessee, recognized right-of-use assets related to lease of space for its branch operations, amounting to P71 and P456, as of December 31, 2024 and 2023, 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 P149, P14 and P16 in 2024, 2023 and 2022, 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 statements on income amounted to P29 for 2024, P3 for 2023 and P7 for 2022. Outstanding balance arising from these transactions amounted to P85, and P516 as of December 31, 2024, and 2023, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The total amount paid for utilities and maintenance of leased properties is reported under Other Operating Expenses in the Parent Bank's statements of income (see Note 25). The total repairs and maintenance expense amounted to P33 in 2024, and P1 for both 2023 and 2022. In 2024, the total power, light and water expense amounted to P4 while nil for both 2023 and 2022.

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 P57, P50 and P56 in 2024, 2023 and 2022, respectively.

In 2020, the Parent Bank purchased receivables from Dominion Holdings. This resulted in a loss amounting to P290 which was initially booked under Miscellaneous Asset and will be amortized over the term of the receivables. 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 P14, P42 and P83 in 2024, 2023 and 2022, respectively (see Note 25). The outstanding balance of Miscellaneous Asset, presented as part of Others under Other Resources account in the Parent Bank's statements of financial position (see Note 17), amounted to P4 and P17 as of December 31, 2024 and 2023, respectively. No similar transaction occurred in 2024 and 2023.

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 and ATM-related services by BDO Network. The amount paid for both commission and services are included as part of Fees and Commissions account under Other Operating Expense in the Parent Bank's statements of income. The total payments amounted to P441, P216 and P135 in 2024, 2023 and 2022, respectively (see Note 25).

*(4) Derivatives*

In 2024 and 2023, the Parent Bank entered into derivative transactions with certain subsidiary in the form of currency forwards. As of December 31, 2024 and 2023, 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 2024, 2023 and 2022 amounted to P1,008,858, P883,985 and P801,252, respectively. These are with yearly corresponding withdrawals amounting to P1,009,083 for 2024, P889,470 for 2023 and P794,653 for 2022. These deposits bear interest rates of 0.00% to 6.38% in 2024, 0.00% to 6.00% in 2023 and 0.00% to 4.88% in 2022. 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).

As of December 31, 2024 and 2023, the total assigned government securities amounted to P4,300 for BDO Private and P2,000 for BDO Network, in both years.

*(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, 2024, the vacant lots are used as staging area and temporary facilities for construction of the BDO Makati Campus Project.

*(ii) Other transactions with associates are shown below.*

As of December 31, 2024 and 2023, there are no outstanding secured and unsecured interest-bearing loans and advances to associates for both BDO Unibank Group and the Parent Bank.

The total collections on loans and advances amounted to P7,895 and P366 for both BDO Unibank Group and the Parent Bank in 2023 and 2022, respectively.

Annual interest rates on these loans are 4.95% in 2022. 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, 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 P5,207 and P4,776 as of December 31, 2024 and 2023, 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 P209, P154, and P263 in 2024, 2023 and 2022, respectively, and is presented as part of Occupancy under Other Operating Expenses account in the Parent Bank's statements of income (see Note 25). In addition, the Parent Bank recognized security deposit amounting to P609 and P598 as of December 31, 2024 and 2023, respectively, which is presented as part of Other Resources (see Note 17).

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 P71, P48, and P87 in 2024, 2023 and 2022, respectively, in the Parent Bank's statements of income (see Note 24). The outstanding balances arising from this transaction amounted to P3,109 and P2,764 as of December 31, 2024 and 2023, respectively, and is included as part of Lease liabilities under Other Liabilities (see Note 21).

The terms of the leases 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):

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Salaries and other benefits	<b>P 1,668</b>	P 1,542	P 1,450	<b>P 942</b>	P 896	P 809
Retirement expense	<b>174</b>	161	223	<b>109</b>	110	157
	<b><u>P 1,842</u></b>	<u>P 1,703</u>	<u>P 1,673</u>	<b><u>P 1,051</u></b>	<u>P 1,006</u>	<u>P 966</u>

## 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)]:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Investments	<b>P 2,287,710</b>	P 1,976,602	<b>P 1,654,471</b>	P 1,385,639
Others	<b>17,761</b>	13,903	<b>13,775</b>	11,531
	<b><u>P 2,305,471</u></b>	<u>P 1,990,505</u>	<b><u>P 1,668,246</u></b>	<u>P 1,397,170</u>

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

- (a) Investment in government securities which are shown as part of Investment securities at amortized cost with a total face value of P23,660 and P21,292 as of December 31, 2024 and 2023 (see Note 10.3), respectively, in BDO Unibank Group and, P17,010 and P14,892 as of December 31, 2024 and 2023, 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, 2024 and 2023, the additional reserve for trust functions amounted to P284 and P262 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 P5,113, P4,698 and P4,555 in 2024, 2023 and 2022, respectively, in BDO Unibank Group's statements of income and P3,943, P3,539 and P3,395 in 2024, 2023 and 2022, 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, 2024 and 2023, BDO Life has both 11 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.

	<u>2024</u>	<u>2023</u>
Assets:		
Cash and cash equivalents	P 76	P 47
Financial assets at FVTPL	29,442	29,258
Other receivables	<u>214</u>	<u>309</u>
	<u>P 29,732</u>	<u>P 29,614</u>
Liabilities and Equity:		
Other liabilities	P 175	P 178
Net assets attributable to unitholders	<u>29,557</u>	<u>29,436</u>
	<u>P 29,732</u>	<u>P 29,614</u>

## 30. BUSINESS COMBINATIONS, DISPOSALS AND DISSOLUTIONS

### 30.1 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.

### 30.2 Acquisition of Additional Shares in TPCI (formerly SM Keppel Land, Inc)

On March 25, 2023, BDO and Keppel Group (Keppel Philippines Properties, Inc. and Opon-KE Properties, Inc.) entered into a Share Purchase Agreement wherein Keppel Group agreed to sell and BDO agreed to purchase Keppel Group's 50% stake in TPCI (formerly SMKL).

The acquisition was approved and authorized by the Philippine Competition Commission and BSP on August 15, 2023 and December 14, 2023, respectively. On December 22, 2023, BDO acquired the additional 50% of the issued and outstanding capital stock of TPCI for a cash consideration amounting to P8,161, making the latter a wholly-owned subsidiary of the former. The transaction resulted in a recognition of an unrealized gain on fair valuation of previously-held interest amounting to P6,107 and an unrealized gain on bargain purchase amounting to P169 which are part of Miscellaneous - net under Other Operating Income account in the 2023 BDO Unibank Group's statement of income (see Note 25).

The remeasurement of the previously-held interest at fair value on the date of acquisition is as follows:

Fair value	P	8,271
Book value		<u>2,164</u>
Unrealized gain on fair valuation of previously-held interest	P	<u>6,107</u>

The breakdown of the acquisition-date fair value of the assets and liabilities, including the cost of investments are as follows:

Due from other banks	P	713
Loans and other receivables*		176
Premises, furniture, fixtures and equipment		29
Investment properties		25,000
Other resources		<u>955</u>
Total resources		<u>26,873</u>
Bills payable		7,580
Other liabilities		<u>2,750</u>
Total liabilities		<u>10,330</u>
Net assets acquired		<u>16,543</u>
Fair value of the investment for the previously-held interest in TPCI		8,271
Consideration transferred for the additional interest in TPCI		<u>8,161</u>
Total consideration		<u>16,432</u>
Elimination of leases intercompany accounts		<u>58</u>
Unrealized gain on bargain purchase	P	<u>169</u>

\* The gross contractual amounts receivable and the best estimate of the contractual cash flows not expected to be collected at acquisition date amounted to P181 and P5, respectively.

As a result of the acquisition, BDO Unibank Group obtained full ownership of the Podium Complex located at 12 ADB Avenue, Ortigas Center, Mandaluyong City which TPCI develops and operates.

Pre-acquisition income arising from the step-up acquisition amounted to P301. There were no additional income or expense related to TPCI recognized in BDO Unibank Group's statement of comprehensive income after the acquisition date on December 22, 2023.

### **30.3 Subscription of Additional Shares in BDO Securities**

On September 25, 2023, the BOD of BDO Capital approved and authorized BDO Capital to subscribe up to P250 common shares of BDO Securities to be issued in one or more tranches. The first tranche of P150 was made on October 23, 2023 and the second tranche of P100 was made on March 22, 2024.

On April 16, 2024, the BOD of BDO Securities approved the increase of its authorized capital stock from P1,000 divided into 10,000,000 common shares with par value of P100 per share to P1,800 divided into 18,000,000 common share with a par value of P100 per share. On October 4, 2024, SEC approved the increase in authorized capital stock.

On April 22, 2024, the BOD of BDO Capital approved and authorized BDO Capital to subscribe amounting to P200 common shares of BDO Securities. This was done on July 02, 2024.

### **30.4 Closure of BRUSA**

On October 25, 2023, the BOD approved the cessation of business operations of BRUSA either through the sale or transfer of BRUSA's business and remittance licenses to potential buyer/s or dissolution and liquidation of BRUSA subject to securing and/or compliance with applicable laws and regulations.

### **30.5 Closure of BDO Remit UK**

On May 28, 2024, the BOD of BDO Capital approved the cessation of business operations of BDO Remit UK either through the sale or transfer of BDO Remit UK's business and remittance licenses to potential buyer/s or dissolution and liquidation of BDO Remit UK subject to securing and/or compliance with applicable laws and regulations.

On November 6, 2024, the BOD of BDO Remit UK approved the dissolution and appointment of the liquidators.

### **30.6 Exercise of Rights in NLEX**

On January 22, 2024, the BOD approved the exercise of its right to acquire additional 70,802 common shares in NLEX Corporation increasing its shareholdings from 11.70% to up to 12.20%. BSP and the Privatization Council approved the transaction on February 1, 2024, and April 25, 2024, respectively. The transaction was completed on August 9, 2024, increasing BDO's shareholdings to 12.08% (see Note 15).

### **30.7 Merger of TPCI (formerly SMKL) with BDO**

On January 27, 2024 and January 19, 2024, the BOD of BDO and TPCI (formerly SMKL), respectively approved the merger of BDO and TPCI, a wholly owned subsidiary, with BDO as the surviving entity (the Merger). The Merger was likewise approved by the shareholders of BDO and SMKL on April 19, 2024 and January 19, 2024, respectively. The Merger and the plan and articles of merger, dated March 22, 2024, and April 25, 2024 were also approved by the BSP and the SEC on October 16, 2024, and November 18, 2024, respectively, effective December 1, 2024.

As consideration for the merger, the Parent Bank issued 54,229,014 common shares in exchange for the net assets of TPCI based on the net asset value of TPCI as of December 31, 2023, of P7,076 and BDO share price as of December 29, 2023, of P130.50 per share. At the date of merger, the Parent Bank recognized additional assets and liabilities amounting to P16,580 and P9,746, respectively, and recognized merger reserves amounting to P6,256 using the pooling of interest method as TPCI is a wholly-owned subsidiary (under common control) prior to the effectivity of the merger. Treasury shares were recognized for the newly issued BDO common shares (see Note 22.1) and shall be disposed of as property dividends to the shareholders of the Bank, as approved by the BOD on April 19, 2024, and December 7, 2024. The listing of the treasury shares, and the dividend declaration shall be subject to the approvals of the PSE and SEC, respectively (see Note 22.3).

## **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:

	<b>BDO Unibank Group</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25%	<b>P 11,370</b>	P 11,239	P 10,187
Final taxes at 20%, 15%, and 10%	<b>8,361</b>	7,295	4,011
MCIT at 2% starting July 1, 2023 and 1% in 2022	-	1	7
Adjustment to current income tax from prior year	<b>140</b>	-	(69)
	<b>19,871</b>	<b>18,535</b>	<b>14,136</b>
Deferred tax expense relating to origination and reversal of temporary differences	<b>1,740</b>	5,086	1,823
Adjustment to deferred income tax from prior year	<b>(140)</b>	-	-
	<b>1,600</b>	<b>5,086</b>	<b>1,823</b>
	<b>P 21,471</b>	<b>P 23,621</b>	<b>P 15,959</b>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	<b>(P 1,182)</b>	(P 1,820)	(P 389)
Fair value of financial assets at FVOCI	<b>5</b>	6	(21)
	<b>(P 1,177)</b>	<b>(P 1,814)</b>	<b>(P 410)</b>
<b>Parent Bank</b>			
	<b>2024</b>	<b>2023</b>	<b>2022</b>
<i>Reported in profit or loss:</i>			
Current tax expense:			
RCIT at 25%	<b>P 9,554</b>	P 9,630	P 8,380
Final taxes at 20%, 15%, and 10%	<b>7,178</b>	6,232	3,357
Adjustment to current income tax from prior year	<b>140</b>	-	(68)
	<b>16,872</b>	<b>15,862</b>	<b>11,669</b>
Deferred tax expense relating to origination and reversal of temporary differences	<b>1,443</b>	4,949	1,664
Adjustment to deferred tax from prior year	<b>(140)</b>	-	-
	<b>1,303</b>	<b>4,949</b>	<b>1,664</b>
	<b>P 18,175</b>	<b>P 20,811</b>	<b>P 13,333</b>
<i>Reported in other comprehensive income:</i>			
Actuarial losses	<b>(P 1,096)</b>	(P 1,715)	(P 408)
Fair value of financial assets at FVOCI	<b>5</b>	4	(22)
	<b>(P 1,091)</b>	<b>(P 1,711)</b>	<b>(P 430)</b>

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

	<b>BDO Unibank Group</b>					
	<b>2024</b>		<b>2023</b>		<b>2022</b>	
Tax on pretax profit at 25%	<b>P</b>	<b>25,923</b>	<b>P</b>	24,295	<b>P</b>	18,298
Adjustment for income subjected to lower income tax rates	<b>(</b>	<b>1,979)</b>	<b>(</b>	1,645)	<b>(</b>	1,007)
Tax effects of:						
Non-deductible expenses		<b>4,856</b>		8,722		6,644
Income exempt from tax	<b>(</b>	<b>6,658)</b>	<b>(</b>	8,017)	<b>(</b>	7,246)
Deductible temporary differences not recognized	<b>(</b>	<b>761)</b>		168	<b>(</b>	914)
Net operating loss carryover (NOLCO) not recognized		<b>89</b>		123		94
Adjustment to current income tax from prior year		<b>-</b>		-	<b>(</b>	69)
Others		<b>1</b>	<b>(</b>	25)		159
	<b>P</b>	<b>21,471</b>	<b>P</b>	23,621	<b>P</b>	15,959
<b>Parent Bank</b>						
	<b>2024</b>		<b>2023</b>		<b>2022</b>	
Tax on pretax profit at 25%	<b>P</b>	<b>25,073</b>	<b>P</b>	22,002	<b>P</b>	17,581
Adjustment for income subjected to lower income tax rates	<b>(</b>	<b>1,682)</b>	<b>(</b>	1,394)	<b>(</b>	738)
Tax effects of:						
Non-deductible expenses		<b>4,462</b>		8,341		6,306
Income exempt from tax	<b>(</b>	<b>8,655)</b>	<b>(</b>	8,138)	<b>(</b>	9,004)
Deductible temporary differences not recognized	<b>(</b>	<b>1,023)</b>		-	<b>(</b>	743)
Adjustment to current income tax from prior year		<b>-</b>		-	<b>(</b>	69)
	<b>P</b>	<b>18,175</b>	<b>P</b>	20,811	<b>P</b>	13,333

Components of the net deferred tax assets (see Note 17) as of December 31 follow:

	<b>Statements of Financial Position</b>			
	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Deferred tax assets:				
Unamortized past service costs	<b>P 3,553</b>	<b>P 1,956</b>	<b>P 3,474</b>	<b>P 1,466</b>
Retirement obligation (net of OCI)	<b>( 1,729)</b>	<b>( 314)</b>	<b>( 1,874)</b>	<b>( 344)</b>
Allowance for impairment	<b>334</b>	<b>1,108</b>	<b>324</b>	<b>1,026</b>
Lease income differential	<b>20</b>	<b>-</b>	<b>-</b>	<b>-</b>
Recognition of right-of-use assets and lease liabilities	<b>( 11)</b>	<b>11</b>	<b>-</b>	<b>-</b>
Others	<b>151</b>	<b>54</b>	<b>-</b>	<b>-</b>
	<b>2,318</b>	<b>2,815</b>	<b>1,924</b>	<b>2,148</b>
Deferred tax liabilities:				
Assets held for sale	<b>P 1,653</b>	<b>P -</b>	<b>P 1,653</b>	<b>P -</b>
Revaluation increment	<b>337</b>	<b>1,770</b>	<b>335</b>	<b>335</b>
Capitalized interest	<b>26</b>	<b>28</b>	<b>26</b>	<b>28</b>
Retirement asset (net of OCI)	<b>19</b>	<b>141</b>	<b>-</b>	<b>-</b>
Changes in fair values of financial assets at FVOCI	<b>4</b>	<b>( 1)</b>	<b>-</b>	<b>( 5)</b>
Lease income differential	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>
Others	<b>233</b>	<b>385</b>	<b>-</b>	<b>-</b>
	<b>2,273</b>	<b>2,324</b>	<b>2,014</b>	<b>358</b>
Net deferred tax assets (liabilities)	<b>P 45</b>	<b>P 491</b>	<b>(P 90)</b>	<b>P 1,790</b>



Movements in net deferred tax assets for the years ended December 31 follow:

	Statements of Income					
	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Allowance for impairment	P 774	P 1,573	P 1,407	P 702	P 1,429	P 1,292
Retirement obligation (asset)	2,474	1,878	1,392	2,627	1,715	1,321
Unamortized past service costs	( 1,597)	1,565	( 944)	( 2,008)	1,724	( 910)
Recognition of right-of-use assets and lease liabilities	21	76	( 19)	-	84	( 37)
Lease income differential	( 19)	7	( 8)	-	-	-
Capitalized interest	( 2)	( 3)	( 2)	( 2)	( 3)	( 2)
Assets held for sale	( 16)	-	-	( 16)	-	-
Others	( 35)	( 10)	( 3)	-	-	-
Deferred tax expense	<u>P 1,600</u>	<u>P 5,086</u>	<u>P 1,823</u>	<u>P 1,303</u>	<u>P 4,949</u>	<u>P 1,664</u>
	Statements of Comprehensive Income					
	BDO Unibank Group			Parent Bank		
	2024	2023	2022	2024	2023	2022
Movements in actuarial losses	(P 1,182)	(P 1,820)	(P 389)	(P 1,096)	(P 1,715)	(P 408)
Movements in fair value of financial assets at FVOCI	5	6	( 21)	5	4	( 22)
Deferred tax income	<u>(P 1,177)</u>	<u>(P 1,814)</u>	<u>(P 410)</u>	<u>(P 1,091)</u>	<u>(P 1,711)</u>	<u>(P 430)</u>

Net deferred tax liabilities amounting to P1,653 were recognized in the 2024 BDO Unibank Group's statement of financial position as a result of the acquisition of TPCI (see Note 30.7).

The BDO Unibank Group is subject to MCIT, which is computed at 2% starting July 1, 2023, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO with the corresponding validity periods are as follows for the BDO Unibank Group (nil for the Parent Bank):

Year	NOLCO	Valid Until
2024	P 247	2027
2023	395	2026
2022	343	2025

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2024 and 2023 are as follows:

	BDO Unibank Group			
	2024		2023	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	P 97,479	P 24,370	P 85,971	P 21,493
NOLCO	985	246	433	108
Others	<u>7,177</u>	<u>1,794</u>	<u>1,224</u>	<u>306</u>
	<u>P 105,641</u>	<u>P 26,410</u>	<u>P 87,628</u>	<u>P 21,907</u>
	Parent Bank			
	2024		2023	
	Tax Base	Tax Effect	Tax Base	Tax Effect
Allowance for impairment	P 97,347	P 24,337	P 85,449	P 21,362
Others	<u>7,145</u>	<u>1,786</u>	<u>1,022</u>	<u>256</u>
	<u>P 104,492</u>	<u>P 26,123</u>	<u>P 86,471</u>	<u>P 21,618</u>

The BDO Unibank Group and the Parent Bank claimed 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 R.A. 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 R.A. 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.

### 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 Accounting Standards; 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:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net profit attributable to shareholders of the Parent Bank	<b>P 82,019</b>	P 73,411	P 57,054
Dividends on preferred shares	<u>(407)</u>	<u>(407)</u>	<u>(339)</u>
Net profit available to common shares	<b>81,612</b>	73,004	56,715
Divided by the weighted average number of outstanding common shares (in millions)	<u><b>5,271</b></u>	<u>5,266</u>	<u>5,264</u>
Basic earnings per share	<u><b>P 15.48</b></u>	<u>P 13.86</u>	<u>P 10.77</u>

Diluted earnings per share attributable to shareholders of the BDO Unibank Group were computed as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Net profit attributable to shareholders of the Parent Bank	<b>P 82,019</b>	P 73,411	P 57,054
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	<b>5,271</b>	5,266	5,264
Potential common shares from assumed conversion of preferred shares	<b>43</b>	47	58
Potential common shares from stock option plan	<u>*</u>	<u>*</u>	<u>*</u>
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<u><b>5,314</b></u>	<u>5,313</u>	<u>5,322</u>
Diluted earnings per share	<u><b>P 15.43</b></u>	<u>P 13.82</u>	<u>P 10.72</u>

\* 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.

### 33. EVENTS AFTER THE REPORTING PERIOD

#### **33.1 Subscription to the Increase in Authorized Capital Stock of BDO Network**

On August 31, 2024, the BOD of BDO Unibank approved the capital subscription of up to 50 million common shares or approximately P1,920 in BDO Network's increase in authorized capital stock. This was approved by the BSP on January 17, 2025.

On February 4, 2025, BDO Unibank subscribed to 4,812,500 of BDO Network common shares at the total subscription price of P1,847, of which, 25% or P462 has been paid. The balance of P1,385 will be paid upon call by the BDO Network BOD. On the same day, non-controlling interests subscribed to 187,500 of BDO Network common shares amounting to P72, increasing the BDO Unibank Group's ownership from 84.92% to 85.86%.

#### **33.2 Dividend**

On January 31, 2025, 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 P408. The dividends will be paid on February 21, 2025.

#### **33.3 BDONB Bank License Upgrade to Thrift Bank**

On June 30, 2021 and August 13, 2021, the BOD and shareholders of BDONB, respectively, approved the conversion of its banking license from a rural bank to a savings bank. This was approved by the BSP on January 27, 2022 with a condition prior to the commencement of its operation as a thrift bank, among others, to secure SEC approval of its amended Articles of Incorporation (AOI) and By-Laws. SEC issued the Certificate of Filing of Amended AOI on December 27, 2024 while the BSP issued the Certificate of Authority to operate as a thrift bank on February 5, 2025.

## 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, 2024, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

#### 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 judgment 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. On June 18, 2018, the Parent Bank received an amount of P1,243 for the full termination of escrow. 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. The BDO Unibank filed a comment. In a resolution dated July 5, 2023, the Supreme Court denied PDIC's petition for Review. PDIC filed Motion for Reconsideration.

As of December 31, 2024, 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 Petition for Review filed by PDIC (see Note 21). The case is still pending before the Supreme Court as of December 31, 2024.

#### 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, 2024, 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:

	2024		2023	
	Future MLPR	PV of NMLPR	Future MLPR	PV of NMLPR
Within one year	P 2,284	P 2,275	P 1,897	P 1,887
After one year but not more than two years	2,014	1,939	1,388	1,337
After two years but not more than three years	1,456	1,248	1,141	980
After three years but not more than five years	<u>1,273</u>	<u>715</u>	<u>969</u>	<u>524</u>
Total MLPR	7,027	6,177	5,395	4,728
Unearned lease income	( <u>850</u> )	-	( <u>667</u> )	-
Present value of MLPR	<u>P 6,177</u>	<u>P 6,177</u>	<u>P 4,728</u>	<u>P 4,728</u>

The net investment relating to these finance leases, presented as part of Loans and discounts under Loans and Other Receivables in the BDO Unibank Group's statements of financial position for the years ended December 31, 2024 and 2023, amounted to P6,177 and P4,728, 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 is presented in the BDO Unibank Group's statements of income as follows:

	Notes	2024	2023	2022
Interest income	23	P 427	P 314	P 183
Miscellaneous – net	25	<u>3</u>	<u>2</u>	<u>2</u>
		<u>P 430</u>	<u>P 316</u>	<u>P 185</u>

### 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 one year to fifteen years. Operating lease income, presented under Rental account as part of Other Operating Income in the BDO Unibank Group's statements of income for the years ended December 31, 2024, 2023 and 2022, amounted to P3,016, P1,081 and P1,067, respectively, for the BDO Unibank Group and P595, P460 and P492, respectively, for the Parent Bank (see Note 25).

Future minimum rental receivables as of December 31, 2024 under operating leases follow:

	<b>BDO</b>			
	<b>Unibank Group</b>		<b>Parent Bank</b>	
Within one year	P	1,692	P	1,078
More than one year to two years		1,284		667
More than two years to three years		772		451
More than three years to four years		421		346
More than four years to five years		270		210
More than five years		404		245
	<b>P</b>	<b>4,843</b>	<b>P</b>	<b>2,997</b>

## 35. SUPPLEMENTARY INFORMATION REQUIRED BY THE BSP

Presented below 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.

	<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
Return on common equity*	<b>15.1%</b>	15.2%	13.0%	<b>15.2%</b>	13.9%	13.0%
Return on average equity*	<b>15.0%</b>	15.0%	12.9%	<b>15.1%</b>	13.9%	12.9%
Return on average resources*	<b>1.8%</b>	1.7%	1.5%	<b>1.8%</b>	1.6%	1.5%
Net interest margin*	<b>4.4%</b>	4.4%	3.9%	<b>4.3%</b>	4.3%	3.8%

\* In 2024 and 2023, 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 2023 and December 2024. (2 data points)

\* In 2022, averages are computed as the simple average of outstanding balance at average of December 2021, March 2022, June 2022, September 2022 and December 2022. (5 data points)

### (b) Capital Instruments Issued

As of December 31, 2024 and 2023, 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 risk as to industry for its receivables from customer's gross of allowance for ECL in the succeeding page (amounts in millions) are disclosed in Note 4.3.3.

**BDO Unibank Group**

	2024		2023	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 567,360	17.6%	P 453,579	15.9%
Real estate activities	410,256	12.7%	363,830	12.8%
Electricity, gas, steam and air-conditioning supply	405,938	12.6%	369,626	13.0%
Wholesale and retail trade	397,620	12.3%	356,962	12.5%
Manufacturing	306,987	9.5%	282,334	9.9%
Financial and insurance activities	256,720	8.0%	272,746	9.6%
Information and communication	163,332	5.1%	120,710	4.2%
Transportation and storage	158,473	4.9%	111,991	3.9%
Construction	103,261	3.2%	96,994	3.4%
Arts, entertainment and recreation	82,198	2.6%	72,606	2.5%
Education	82,186	2.6%	74,033	2.6%
Water supply, sewerage, waste management and remediation activities	52,768	1.6%	46,112	1.6%
Accommodation and food service activities	45,403	1.4%	41,499	1.5%
Human health and social service activities	39,406	1.2%	34,431	1.2%
Agriculture, forestry and fishing	35,865	1.1%	33,163	1.2%
Mining and quarrying	16,146	0.5%	14,688	0.5%
Administrative and support services	10,226	0.3%	10,056	0.4%
Professional, scientific, and technical activities	9,210	0.3%	8,223	0.3%
Public administrative and defense; compulsory social security	1,069	0.0%	1,159	0.0%
Other service activities	80,806	2.5%	84,055	3.0%
	<b>P 3,225,230</b>	<b>100%</b>	<b>P 2,848,797</b>	<b>100%</b>

**Parent Bank**

	2024		2023	
	Amount	Percentage	Amount	Percentage
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 562,270	18.0%	P 462,899	16.7%
Real estate activities	411,703	13.2%	365,008	13.2%
Electricity, gas, steam and air-conditioning supply	405,545	13.0%	369,586	13.3%
Wholesale and retail trade	389,472	12.5%	350,319	12.6%
Manufacturing	305,351	9.8%	280,839	10.1%
Financial and insurance activities	256,560	8.2%	272,566	9.8%
Information and communication	163,187	5.2%	120,497	4.3%
Transportation and storage	158,348	5.1%	112,117	4.0%
Construction	101,743	3.3%	95,384	3.4%
Arts, entertainment and recreation	82,192	2.6%	71,681	2.6%
Water supply, sewerage, waste management and remediation activities	52,696	1.7%	46,006	1.7%
Accommodation and food service activities	45,063	1.4%	41,373	1.5%
Human health and social service activities	39,174	1.3%	34,238	1.2%
Mining and quarrying	16,003	0.5%	14,549	0.5%
Agriculture, forestry and fishing	15,428	0.5%	18,358	0.7%
Administrative and support services	9,663	0.3%	9,818	0.4%
Professional, scientific, and technical activities	9,127	0.3%	8,150	0.3%
Education	8,899	0.3%	9,496	0.3%
Public administrative and defense; compulsory social security	1,002	0.0%	1,147	0.1%
Other service activities	87,989	2.8%	91,449	3.3%
	<b>P 3,121,415</b>	<b>100%</b>	<b>P 2,775,480</b>	<b>100%</b>

The BSP considers that loan concentration exists when the total loan exposure to a particular industry exceeds 30% of the total loan portfolio or 10% of Tier 1 capital.

As of December 31, 2024, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P50,263 million and P46,804 million, respectively. As of December 31, 2023, 10% of Tier 1 capital of the BDO Unibank Group and the Parent Bank amounted to P44,133 million and P40,737 million, respectively. The table below shows the industry groups exceeding this level (amounts in millions).

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Activities of private household as employers and undifferentiated goods and services and producing activities of households for own use	P 567,360	P 453,579	P 562,270	P 462,899
Real estate activities	410,256	363,830	411,703	365,008
Electricity, gas, steam and air-conditioning supply	405,938	369,626	405,545	369,586
Wholesale and retail trade	397,620	356,962	389,472	350,319
Manufacturing	306,987	282,334	305,351	280,839
Financial and insurance activities	256,720	272,746	256,560	272,566
Information and communication	163,332	120,710	163,187	120,497
Transportation and storage	158,473	111,991	158,348	112,117
Construction	103,261	96,994	101,743	95,384
Arts, entertainment and recreation	82,198	72,606	82,192	71,681
Education	82,186	74,033	8,899	9,496
Water supply, sewerage, waste management and remediation activities	52,768	46,112	52,696	46,006
Accommodation and food service activities	45,403	41,499	45,063	41,373
Other service activities	80,806	84,055	87,989	91,449

(d) *Credit Status of Loans*

The breakdown of receivable from customers as to status is shown below:

	<u>2024</u>			<u>2023</u>		
	<u>Performing</u>	<u>Non-Performing</u>	<u>Total Loan Portfolio</u>	<u>Performing</u>	<u>Non-Performing</u>	<u>Total Loan Portfolio</u>
<b><u>BDO Unibank Group</u></b>						
Gross carrying amount:						
Corporate	P 2,432,137	P 20,468	P 2,452,605	P 2,177,894	P 20,159	P 2,198,053
Consumer	731,743	40,882	772,625	616,133	34,611	650,744
Allowance for ECL	( 51,618)	( 37,479)	( 89,097)	( 49,107)	( 33,996)	( 83,103)
Net carrying amount	<u>P 3,112,262</u>	<u>P 23,871</u>	<u>P 3,136,133</u>	<u>P 2,744,920</u>	<u>P 20,774</u>	<u>P 2,765,694</u>
<b><u>Parent Bank</u></b>						
Gross carrying amount:						
Corporate	P 2,424,248	P 20,465	P 2,444,713	P 2,170,092	P 20,157	P 2,190,249
Consumer	639,431	37,271	676,702	553,765	31,466	585,231
Allowance for ECL	( 51,173)	( 35,482)	( 86,655)	( 48,415)	( 32,387)	( 80,802)
Net carrying amount	<u>P 3,012,506</u>	<u>P 22,254</u>	<u>P 3,034,760</u>	<u>P 2,675,442</u>	<u>P 19,236</u>	<u>P 2,694,678</u>



Non-performing loans (NPL) included in the total loan portfolio of the BDO Unibank Group and the Parent Bank as of December 31, 2024 and 2023 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*.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
NPL	P 60,453	P 53,967	P 56,995	P 50,977
Allowance for impairment	( 36,783)	( 32,255)	( 34,948)	( 30,780)
	<u>P 23,670</u>	<u>P 21,712</u>	<u>P 22,047</u>	<u>P 20,197</u>

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 of December 31, 2024 and 2023, the NPLs not fully covered by allowance for credit losses follow:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Gross NPLs	P 60,453	P 53,967	P 56,995	P 50,977
NPLs fully covered by allowance for impairment	( 16,549)	( 17,466)	( 16,294)	( 16,360)
	<u>P 43,904</u>	<u>P 36,501</u>	<u>P 40,701</u>	<u>P 34,617</u>

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 P72,591 and P83,467 for BDO Unibank Group and P71,478 and P82,273 for Parent Bank as of December 31, 2024 and 2023, respectively. The related allowance for credit loss of such loans amounted to P29,397 and P26,213 for BDO Unibank Group and P28,889 and P25,601 for Parent Bank as of December 31, 2024 and 2023, respectively.

As of December 31, 2024, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank as reported to BSP were 1.83% and 0.72%, and 1.78% and 0.69%, respectively. As of December 31, 2023, gross and net NPL ratios of the BDO Unibank Group and the Parent Bank were 1.85% and 0.74%, and 1.79% and 0.71%, 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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Secured:				
Real estate mortgage	<b>P 423,293</b>	P 357,404	<b>P 420,018</b>	P 353,672
Chattel mortgage	<b>97,485</b>	89,946	<b>91,236</b>	85,142
Other securities	<b>51,404</b>	63,449	<b>49,957</b>	61,794
	<b>572,182</b>	510,799	<b>561,211</b>	500,608
Unsecured	<b>2,653,048</b>	2,337,998	<b>2,560,204</b>	2,274,872
	<b>P 3,225,230</b>	P 2,848,797	<b>P 3,121,415</b>	P 2,775,480

(f) *Information on Related Party Loans*

In the ordinary course of business, the Parent Bank engages in loan transactions with subsidiaries, affiliates, and certain DOSRI. According to Parent Bank's existing policies, these loans are made substantially under the terms comparable to those offered to other individuals and businesses with similar risk profiles. Per current BSP regulations, individual loans to a DOSRI, 70% of which must be secured, should not exceed the amount of their unencumbered deposit and book value of their paid-in capital contribution in the Parent Bank and/or any of its lending and nonbank financial subsidiaries. Aggregate loans to DOSRI generally should not surpass 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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Total DOSRI loans	<b>P 18,965</b>	P 27,755	<b>P 18,962</b>	P 27,753
Unsecured DOSRI loans	<b>2,634</b>	2,239	<b>2,634</b>	2,239
Past due DOSRI loans	<b>7</b>	4	<b>7</b>	4
Non-performing DOSRI loans	<b>30</b>	17	<b>30</b>	17
% of DOSRI loans to total loan portfolio	<b>0.59%</b>	0.97%	<b>0.61%</b>	1.00%
% of unsecured DOSRI loans to total DOSRI loans	<b>13.89%</b>	8.07%	<b>13.89%</b>	8.07%
% of past due DOSRI loans to total DOSRI loans	<b>0.03%</b>	0.02%	<b>0.03%</b>	0.02%
% of non-performing DOSRI loans to total DOSRI loans	<b>0.16%</b>	0.06%	<b>0.16%</b>	0.06%

DOSRI loans of the BDO Unibank Group and the Parent Bank bear annual interest rates of 4.25% to 9.00% and 4.25% to 6.94%, respectively, in 2024, and 4.00% to 9.00% and 4.00% and 7.00%, respectively, in 2023 and 2022 (except for credit card receivables which bear a monthly interest rate of 0.00% to 3.00%, 0.00% to 3.00% and 0.00% to 2.00% in 2024, 2023, and 2022, respectively, both for BDO Unibank Group and the Parent Bank).

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:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Total Related Party loans	<b>P 122,679</b>	P 126,583	<b>P 122,636</b>	P 126,531
Unsecured Related Party	<b>91,825</b>	76,068	<b>91,825</b>	76,068
Past due Related Party	<b>7</b>	4	<b>7</b>	4
Non-performing Related Party	<b>30</b>	17	<b>30</b>	17
% of Related Party loans to total loan portfolio	<b>3.80%</b>	4.44%	<b>3.93%</b>	4.56%
% of unsecured Related Party loans to total Related Party loans	<b>74.85%</b>	60.09%	<b>74.88%</b>	60.12%
% of past due Related Party loans to total Related Party loans	<b>0.01%</b>	0.00%	<b>0.01%</b>	0.00%
% of non-performing Related Party loans to total Related Party loans	<b>0.02%</b>	0.01%	<b>0.02%</b>	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. Additionally, the unsecured portion of these exposures must not exceed 5.0% of the Group's net worth. Furthermore, the overall outstanding exposures to all subsidiaries and affiliates is capped at 20.0% of the Parent Bank's net worth.

As of December 31, 2024 and 2023, 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 2024 totaled to P17,498 and P13,736 for the BDO Unibank Group and P16,718 and P13,168 for the Parent Bank, respectively. In 2023, the aggregate amount of resources pledged as security and secured liabilities totaled to P18,142 and P15,080 for the BDO Unibank Group and P17,364 and P14,500 for the Parent Bank, respectively.

*(h) Contingencies and Commitments arising from Off-Balance Sheet Items*

In the normal course of BDO Unibank Group and the Parent Bank's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in the BDO Unibank Group and the Parent Bank's financial statements. BDO Unibank Group and the Parent Bank 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, 2024 and 2023, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group and the Parent Bank as a result of the commitments and contingencies.

The summary of BDO Unibank Group and the Parent Bank's commitments and contingent accounts is shown below.

	Notes	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
Trust department accounts	28	<b>P 2,305,471</b>	<b>P 1,990,505</b>	<b>P 1,668,246</b>	<b>P 1,397,170</b>
Committed credit lines	4.3.2	<b>656,129</b>	517,560	<b>656,129</b>	517,560
Forward exchange sold		<b>297,703</b>	230,468	<b>274,088</b>	192,229
Forward exchange bought		<b>278,229</b>	202,389	<b>255,966</b>	164,430
Unused commercial letters of credit	4.3.2	<b>89,081</b>	95,526	<b>89,081</b>	95,526
Spot exchange sold		<b>45,251</b>	30,435	<b>45,034</b>	28,958
Other contingent accounts		<b>41,455</b>	10,027	<b>47,755</b>	16,327
Bills for collection		<b>14,339</b>	14,442	<b>14,339</b>	14,442
Export letters of credit confirmed		<b>13,854</b>	13,578	<b>13,854</b>	13,578
Spot exchange bought		<b>12,971</b>	5,652	<b>11,697</b>	4,175
ROP warrants		<b>8,475</b>	8,475	<b>8,475</b>	8,475
Late deposits/payments received		<b>3,058</b>	2,342	<b>3,018</b>	2,307
Outstanding guarantees issued		<b>2,779</b>	1,682	<b>2,779</b>	1,682
Interest rate swap receivable		<b>1,716</b>	3,027	<b>1,716</b>	3,027
Interest rate swap payable		<b>1,716</b>	3,027	<b>1,716</b>	3,027