

**ANNUAL STOCKHOLDERS' MEETING OF BDO UNIBANK, INC.  
April 19, 2024**

**Open Forum: Questions and Answers**

**[From Proxyholder Paul B. Binag](#)**

**Q. What is the view of the Bank on interest rates considering inflation and US Federal Reserve actions?**

**A.** The interest rate is expected to remain elevated for 2024, which might be higher for longer but not much longer than usual. If there is any rate cut, it is not likely curving for the end of the year.

**[From Proxyholder Erielle T. Ongchan](#)**

**Q. Is the Bank seeing any stress in the loan portfolio given the elevated interest rates?**

**A.** The loan portfolio is actually very strong and sound in 2024. The stress has been taken out during the pandemic. Thus, the Bank is coming out of the pandemic with a strong portfolio.

**[From Proxyholder Alexis D. Mariano](#)**

**Q. Congratulations to BDO for a very successful year 2023. In connection with that and with the increase in profit of the Bank, can the stockholders expect a declaration of special cash dividends?**

**A.** As earlier presented, it is not a special dividend, but a regular dividend, which is better.

**[From Isabelle Tong, Analyst from Asia Research & Engagement \(ARE\)<sup>1</sup>](#)**

**Q1. We appreciate the Bank's commitment to more transparent sustainability reporting, which includes providing the breakdown of its exposure to high-emitting industries in the 2023 Sustainability Report. Does the Bank plan to announce the greenhouse gas emissions associated with this lending, and does it have a timeline for committing to net zero?**

**A1.** About net zero emissions, the Bank is working on it. As soon as the Bank can come up with net zero emissions, the Bank will disclose the same. The coal powered plant is just about 3.7% of the Bank's loan book.

**Q2. BDO currently plans to limit its coal exposure to 2% of its total loan portfolio. Does the Bank have plans to further reduce this exposure to 0% and what would be the time frame for that?**

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<sup>1</sup> ARE is a Singapore-based firm for 8 global investors representing a combined US\$5 trillion in assets under management (AUM) are collectively focused on promoting improved responsible financing, particularly in relation to climate change.

**A2.** In going to net zero coal exposure, the Bank will take small steps initially and try to achieve its first goal. The Bank may have to adjust that based on the environment it is in, but directionally, BDO is moving to net zero coal exposure. About 34% of the Bank's business portfolio is on sustainable lending.

**Questions sent via e-mail and the Q&A Panel:**

**From Shareholder Patricia Rhodora S. Espiritu**

**Q1. How many branches does BDO plan to open in 2024?**

**A1.** The Bank plans to open 100 to 120 more branches in 2024, a combination of BDO Network Bank, Inc. and BDO Unibank.

**Q2. Any impact of increasing digital usage to BDO's physical branch operations and/or expansion plans?**

**A2.** On the plan to shift to digital, BDO prefers to use digital channels because it is more efficient and easier to process. However, BDO is not forcing the client either way. The Bank's strategy is to allow the clients to choose their preferred method of transaction. BDO is trying to ensure that clients move to the other seamlessly. If the clients prefer physical, which at the moment provincial clients still prefer, BDO will continue to increase its branches because that would bring in new clients. If the clients prefer digital, BDO will provide the alternative channel as well.

**From Stockholder Justino C. Aquino**

**Q1. What drove the faster 13% loan growth in 1Q24?**

**Q2. What will be the main earnings contributors for BDO in 2024?**

**A.** The lack of stability in commodity prices and interest rates in 2023 held back capital investment. As things stabilized in 2023, a lot more clients went in and borrowed for capital investments. The pick-up in capital expenditure lending started towards the tail end of 2023 going into the 1<sup>st</sup> Quarter of 2024. Companies are now borrowing to invest rather than just for plain working capital.

**Additional Questions and Answers on Coal, other Fossil Fuels**

**From San Carlos Diocese Bishop Gerardo Alminaza**

**Q1. How does the bank intend to close the gaps in its current Energy Transition Finance Statement, specifically when it comes to ending its exposure to other parts of the coal value chain?**

**A1.**

- The Bank's Energy Transition Finance Statement covers all clients, communities, and individuals who will be impacted by the energy transition.

- The Bank adopts an engagement approach where the Bank commits to help them in their journey towards a just and managed transition out of coal and into renewables or clean energy or into new green businesses.
- This is in contrast to an outright divestment approach where clients connected to the coal business will just be summarily dropped. The Bank adopts a “Walang Iwanan” approach in transitioning the whole ecosystem and value chain – from clients connected to coal, to communities and individual who will be negatively impacted by the energy transition. This ensures continuity and sustainability in our clients’ businesses.

**Q2. Given the recent Fossil Fuel Divestment Scorecard finding that BDO funneled the largest amount into the fossil gas expansion, which is subject to multiple physical and transition risks, how does the bank intend to address such high exposure to fossil gas?**

**A2.**

- In the Bank’s Energy Transition Finance Statement, BDO believes that the transition is a journey that requires adopting a balanced approach: we acknowledge the difficult trade-offs that need to be made between national economic development that depends on affordable and reliable energy, and the pursuit of the broader goal of climate sustainability.
- The Bank’s view is that if the country immediately stops and drops any and all financing for coal, and natural gas for that matter, even before the country has in place alternative clean and renewable sources that can adequately meet existing and growing energy demands, the country will very likely experience six to eight-hour long brown-outs. The country has been down this road before and the effect on the economy was devastating; the impact on individuals and families was even more so.
- Natural gas is internationally acknowledged as a transition fuel to replace coal and cut down greenhouse gas emissions by half, while the capacity and reliability of renewable energy sources are being built and strengthened to be the predominant low carbon energy sources.
- “Natural gas, as an easy to store, lower-carbon option, stands out as a good candidate to provide an uninterrupted, flexible energy supply in tandem with intermittent output from wind and solar, while storage technologies are scaled up and innovative new energy pathways are explored.
- In a 2019 report, the United Nations Economic Commission for Europe (UNECE) said that the ability of natural gas to provide a relatively low carbon backup at peak energy usage times, rather than play a traditional role of round-the-clock baseload, may prove to be its greatest contribution to the energy transition.” (International

Energy Forum<sup>2</sup>, [4 reasons natural gas is a critical part of the energy transition \(ief.org\)](https://www.ief.org/)

**Q3. What are your thresholds and targets when engaging client fossil fuel companies and steering them towards RE?**

**A3.**

- The Bank is now at the tail-end of a long process of assessing its loan and investments portfolio for its fossil fuel exposure along with its financed carbon emissions, with the help of foreign technical expertise. Once done, the Bank will be able to determine its next steps in engaging our clients towards transition for green businesses, including renewables.
- The Bank is also in the process of fine-tuning its Transition Finance Framework to establish guidelines on client activities that may be considered as qualified for transition financing. This remains a work-in-progress given that client companies are still at early stages and at different starting points in their sustainability journey.

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<sup>2</sup> The International Energy Forum (IEF) is the world's largest international organization of energy ministers from 73 countries and includes both producing and consuming nations.