COVER SHEET

				0	9	7	8	6	9

S.E.C. Registration Number

BDO LEASING AND FINANCE, INC.

(Company's Full Name)

BDO LEASING CENTRE, CORINTHIAN GARDENS ORTIGAS AVE. Q.C. M.M.

(Business Address : No. Street City / Town / Provinces

ROBERTO E. LAPID
Contact Person

635-64-16
Company Telephone Number

1 2 / 3 1
Month Day
Fiscal Year

SEC Form 17-A
FORM TYPE

any day in April of every year as determined by the BOD
Annual Meeting

n/a
Secondary License Type, If Applicable

CFD
Dept. Requiring this Doc

Amended Articles Number / Sec.

Total Amount of Borrowings

1,258
Total No. of Stockholders

Domestic

-
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A
ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2009**

2. SEC Identification Number **97869** 3. BIR Tax Identification No. **000-486-050-000**

4. Exact name of registrant as specified in its charter **BDO LEASING AND FINANCE,INC.**

5. **Metro Manila, Philippines**
   Province, country or other jurisdiction of incorporation

6. (SEC Use Only)
   Industry Classification Code:

7. **BDO Leasing Centre, Corinthian Gardens Ortigas Avenue, Quezon City, Philippines**
   Address of principal office
   1100
   Postal Code

8. **(632) 635-6416,635-5811,635-5805,635-3898**
   Registrant's telephone number, including area code

9. **PCI Leasing and Finance, Inc.**
   Former name or former address, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 par value	**2,162,475,312**

11. Are any or all of these securities listed on Stock Exchange.

    Yes (X) No ( )

    If yes, state the name of such stock exchange and the classes of securities listed therein:

    Philippine Stock Exchange **Common Stock**

12. Check whether the issuer:

    (a) has filed all the reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports);
    Yes (X) No ( )

    (b) has been subject to such filing requirements for the past 90 days.
    Yes (X) No ( )

13. Aggregate market value of the voting stock held by non-affiliates : **P425,088,693**

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PART I - BUSINESS & GENERAL INFORMATION

Item 1. Business

BDO LEASING AND FINANCE, INC., is a domestic company incorporated with the Securities and Exchange Commission in 1981 under Republic Act 5980 (the "Financing Company Act"), and listed with the Philippine Stock Exchange on January 6, 1997. The Company is 85%-owned by Banco De Oro Unibank, Inc. (BDO or the Parent Company). The Company is the principal business unit of BDO engaged in leasing and financing.

The Company became a subsidiary of Banco De Oro Unibank, Inc., a company incorporated and domiciled in the Philippines, when BDO and Equitable PCI Bank, Inc. entered into a merger effective May 31, 2007 with BDO as the surviving entity. BDO is presently engaged in the business of banking as a universal bank.

BDO Rental Inc. (formerly Equitable Pentad Rental, Inc. or BDO Rental), a wholly-owned subsidiary of the Company, is licensed by the Philippine Securities and Exchange Commission (SEC) to engage in renting and leasing of equipment. It started its commercial operations on June 30, 2005.

The company continues its operations up to present and experiences no bankruptcy, receivership of similar proceedings, nor any material reclassification, consolidation or purchase or a sale of a significant amount of assets.

Principal Products/Services

The Company's principal business is providing leasing & financing products to commercial clients.

The Company's leasing products include direct leases, sale-leaseback arrangements, and operating leases. The Company's financing products include commercial and retail loans, installment paper purchases, and factoring of receivables. Loan availments of clients are used to finance the purchase of automobiles, trucks, office equipment, industrial, agricultural and office machinery, and real property, and financial assets such as receivables.

The following is a general description of the Company's leasing and financing products:

Leasing Products:

Direct Lease - The Company purchases an asset selected by a client from a supplier and leases it to the client. Through this lease arrangement, the client overcomes budgetary constraints, enhances efficiency in cash flow management through rental payments, and minimizes the required equity contribution for asset acquisition.

Sale-Leaseback - The Company purchases an asset from a client based on appraised value. The Company then "leases back" the asset to the client. This type of lease arrangement simultaneously provides liquidity to the client and continued use of the asset.

Operating Lease – is a short-term lease that does not permit the recovery of the investment by the lessor during the primary period of lease. It is an off-balance sheet transaction where rentals are recorded in the lessor's book as expense. The operating lease product is being offered by its own wholly-owned subsidiary, BDO Rental, Inc.

Financing Products:

Commercial Loan - The Company provides financing to a commercial client through a loan secured by a mortgage on the latter's equipment or real property. The client is able to avail of longer amortization terms as compared to unsecured loans. A commercial loan addresses a client's capital expenditure or working capital expenditure.

Retail Loan - The Company provides financing to an individual client through a loan secured by a mortgage on the latter's personal or real property. A consumer loan addresses an individual client's financing requirements.

Installment Paper Purchase **-** The Company purchases on a "with recourse basis" the installment sales contracts of a client usually engaged in motor vehicle, appliance, or equipment dealership at a stipulated discount, thereby providing liquidity to the same client.

Factoring of Receivable - As a variation of the receivables discounting product, the Company's purchase of a client's short-term receivables is on a "without recourse basis", with the Company directly collecting payment from the client's debtors. The client gains immediate liquidity, and transfers responsibility of the collection process to the Company.

Floor Stock Financing – The company provides financing mainly to vehicles and transport dealers to assist them in their inventory requirements, secured by a trust receipt on the same inventory.

Variations of each leasing or financing products are offered, depending on the nature of a client's business, preferences and financial position.

As at December 31, 2009, the Company's leasing and financing products contributed 68.26% and 21.13% to its gross revenues, respectively. These were the expected contribution ratios from these products.

New Product or Services

There were no publicly announced new products or services.

Sales Contracts

The Company's business is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

There was no customer that accounts for, or based upon existing orders will account for, twenty percent (20%) or more of the Company's sales.

No major existing sales contracts.

Government Approval

No government approval is needed by the Company's principal products and services.

Market Position

BDOLF occupies a dominant position in the industry.

Marketing of Products/Services

The Company markets its products through its Head Office located in Ortigas, Quezon City and its branch network nationwide. The Company has an extensive branch network in the leasing and financing industry, with nine (9) branches, located in Cagayan de Oro City (Misamis Oriental), Cebu City (Cebu), Dagupan City (Pangasinan), Davao City (Davao), Iloilo City (Iloilo), Dasmariñas (Cavite), Angeles City (Pampanga), San Pablo City (Laguna) and Makati City (Metro Manila). In October 2009, the company obtained a Certificate of Authority to operate the Makati branch from the Philippine Securities and Exchange Commission.

The company has a wholly-owned subsidiary, BDO Rental, Inc. It is licensed by the Philippine Securities and Exchange Commission (SEC) to engage in renting and leasing of equipment. It started its commercial operations on June 30, 2005.

As part of the Group, the Company enables to gain name recognition and marketing referrals provided by its Parent Company, BDO, via the latter's nationwide branches. The Parent Company's well-established presence throughout the country helps the company in understanding the local business environment and finding potential borrowers.

Competition

The Philippine Securities and Exchange Commission's licensing requirements allow financing companies to engage in both leasing and financing activities. As a matter of practice, financing companies are classified based on their product specializations and target markets. For example, certain financing companies may focus on either leasing or financing activities.

Some financing companies may focus on consumer leasing and financing, while others, like the Company, concentrate on commercial leasing and financing clients. Among financing companies targeting commercial clients, there are differences in the market segment being served, with certain financing companies focusing on established prime companies, and others focusing on smaller clients.

The Company competes with other financing company affiliated with other banks, independent financing companies, and other financing companies affiliated with diversified financial services firms. However, its key competitors are those firms engaged in servicing the leasing or financing requirements of commercial clients in the broader "Top 5,000" Philippine companies which include small-and medium-enterprises (SMEs).

The principal competitors of BDO Leasing and Finance, Inc. are Orix Metro Leasing & Finance Corporation, BPI Leasing Corporation, LBP Leasing Corporation, Japan PNB Leasing & Finance Corporation, UCPB Leasing and Finance Corporation, First Malayan Leasing and Finance and Allied Leasing. The market strengths of our competitors are their competitive pricing of interest rates. However, the company believes it can effectively compete with other companies by its wide branch network, wherein each branch offers the same leasing and financing product lines as the head office.

Sources and Availability of Raw Materials

The Company is not dependent upon one or limited number of suppliers for essential raw materials, energy or other items.

Related Party Transactions

In the ordinary course of business, the Group enters into transactions with BDO and other affiliates. Under the Group's policy, these transactions are made substantially on the same terms as with other individuals and business of comparable risks.

a. As of December 31, 2009 and 2008, total savings and demand deposit accounts maintained in BDO by the Group amounted to P71.2 million and P54.2 million respectively. Interest income earned on deposits amounted to P0.8 million, P0.6 million and P0.9 million in 2009, 2008, and 2007 respectively. Cash equivalents totaling P66.0 million is also maintained with BDO Unibank as of December 31, 2009.

b. Total bills payable to BDO Unibank is nil as of December 31, 2009 and P254.0 million as of December 31, 2008. Interest expense incurred on bills payable amounted to P14.2 million, P11.3 million and P22.5 million in 2009, 2008 and 2007, respectively.

c. The Parent Company leases its head office premises from BDO for a period of 5 years from July 1, 2005 to June 30, 2010, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company. Related rent expense incurred amounted to P16.1 million, P12.7 million and P12.5 million in 2009, 2008 and 2007 respectively.

d. In 2009, the Parent Company granted short-term unsecured loan to BDO Rental amounting to P667.6 million, presented as part of Loans and Other Receivables in the Parent Company's statements of financial position. The loan bears annual interest rates ranging from 4.00% to 5.75%. As of December 31, 2008, the carrying amount of the loan amounted to P657.2 and was fully paid as of December 31, 2009. Total interest income earned by the Parent Company amounted to P27.6 million in 2009 and P6.1 million in 2008 and is presented as part of Interest and Discounts in the Parent Company's statements of comprehensive income.

e. In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale of P62.6. The gain is included as presented as Gain on Sale of Receivable under Other Income.

f Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to P24.6 million in 2009, P20.7 million in 2008 and P17.6 million in 2007 and is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Parent Company.

Short-term employee benefits include salaries, paid annual leave and paid sick leave, bonuses, and non-monetary benefits.

As of December 31, 2009, the Company has no existing or expiring patents, trademarks, copyrights, licenses, franchises, concessions, and royalty agreements. It has neither need nor pending application for government approval of its principal products or services.

The Company does not foresee new changes nor amendments in the Republic Act 8556 (the Financing Company Act of 1998) that would significantly affect the Company's business.

The Company, being in the financing business, does not have research and development activities. In this regard, it does not incur research and development costs and is not affected by any environmental law.

Employees

As of December 31, 2009, the Company had 215 employees – twelve (12) senior officers, seventy five (75) junior officers and one hundred twenty eight (128) rank and file employees. Of the total personnel, executive office is composed of two (2) employees; one hundred forty (140) under the Marketing group, and sixty five (65) under the Operations group (Administrative, Credit, Accounting, Legal and MIS) and five(5) Treasury and two (3) under the company's subsidiary, BDO Rental, Inc. In 2010, the Company anticipates seventy three (73) additional employees. The Company believes that it has maintained good relationship with its employees. Rank and file employees receive benefits similar to those granted to the rank and file employees of the Parent Company under the terms of a Collective Bargaining Agreement ("CBA") between the Parent Company and NUBE-BDO, a legitimate labor organization duly registered with the Department of Labor and Employment. CBA expires on

October 31, 2010. Coverage of the CBA includes wage increases, allowances, bonuses, loans and other benefits.

RISK FACTORS

Portfolio Concentration Risks

As of December 31, 2009, 69.30% of the Company’s leasing and financing portfolio consisted of exposure in firms in the following sectors: manufacturing, transportation and communication, construction, mining , printing, agriculture, and financial intermediaries. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine Economy. The Company actively seeks to increase its exposure in industry sectors which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Company’s leasing and financing portfolio is composed of transactions with a wide variety of leasing and financing portfolio is composed of transactions with a wide variety of businesses, the results of operations and financial condition of the Company may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

The Company is exposed to a variety of financial risk which results from both its operating and investing activities. The Company’s risk management is coordinated in close cooperation with the BOD, and focuses on actively securing the Company’s short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below.

Risk Management

Risk management of the Company's credit risks, market risks, liquidity risks, and operational risk is an essential part of Company's organizational structure and philosophy. The risk management process is essentially a top-down process that emanates from the Board of Directors. The Board approves the overall institutional tolerance risk, including risk policies and risk philosophy of the Company

Foreign Currency Sensitivity

Most of the Company’s transactions are carried out in the Philippine pesos, its functional currency. Exposures to currency exchange rate on financial assets arise from an insignificant portion of the Company’s leasing and financing portfolio, cash and cash equivalents and lease deposits which are denominated in US dollars.

Interest Rate Risk

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The current composition of the Company’s assets and liabilities results in significant negative gap positions for repricing periods under one year. Consequently, the Company maybe vulnerable to increases in market interest rates. However, in consideration of the substantial net interest margins between the Company’s marginal funding cost and its interest-earning assets; and favorable lease and financing terms which allow the Company to reprice annually, and to reprice at anytime in response to extraordinary fluctuations in interest rates, the Company believes that the adverse impact of any interest rate increase would be limited. In addition, during periods of declining interest rates, the existence of a negative gap position favorably impacts the Company.

Credit Risk

The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy.

The Company actively seeks to increase its exposure in industry sectors which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal.

Although the Company's leasing and financing portfolio is composed of transactions with a wide variety of businesses, the results of operation and financial condition of the Company may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

Liquidity Risk

The primary business of financing companies entails the borrowing and relending of funds. Consequently, financing companies are subjected to substantial leverage, and may therefore be exposed to the potential financial risks that accompany borrowing.

The Company expects that its continued asset expansion will result in the higher funding requirements in the future. Like most financing companies in the Philippines, the Group does not have a license to engage in quasi-banking function, and as such, is precluded from engaging in deposit-taking activities. In addition, it is precluded under the General Banking Act from incurring borrowings from more than 19 lenders at any one time, which to some extent, restricts its access to the public debt markets.

The Company believes that it currently has adequate debt funding from banks, other financial institutions, and through the issuance of Short Term Commercial Papers (STCPs). The Company has a license from the SEC to issue P8 billion STCPs.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflow due in a day-to-day business.

Taxation

Relevant Tax Regulations

Among the significant provisions of the National Internal Revenue Code (NIRC) that apply to the Group are the following:

a. The RCIT tax of 32% (30% starting January 1, 2009) is imposed on taxable income net of applicable deductions

b. Fringe benefits tax (same rate as the RCIT) is imposed on the grossed-up value of the benefits given by employers to their managerial and supervisory employees (this is a final tax to be paid by the employer);

c. Minimum corporate income tax (MCIT) of 2% based on gross income, as defined under the Tax Code, is required to be paid at the end of the year starting on the fourth year from the date of registration with the Bureau of Internal Revenue (BIR) whenever the RCIT is lower than the MCIT; On October 19, 2007, the BIR issued RR No. 12-2007 which requires the quarterly computation and payment of the MCIT beginning on the income tax return for the fiscal quarter ending September 30, 2007. This RR amended certain provisions of RR No. 9-98 which specifically provides for the computation of the MCIT at end of each taxable year. Thus, in the computation of the tax due for the taxable quarter, if the computed quarterly MCIT is higher than the quarterly normal income tax, the tax due to be paid for such taxable quarter at the time of filing the quarterly corporate income tax return shall be the MCIT which is 2% of the gross income as of the end of the taxable quarter.

d. Net operating loss carryover (NOLCO) can be claimed as deduction against taxable income within three years after NOLCO is incurred;

e. Effective July 2008, Republic Act 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (ODS) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.; and

f. The amount of interest expense allowed as income tax deduction is reduced by an amount equal to 33% of the interest income subjected to final tax.

Gross Receipts Tax (GRT) / VAT

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of Republic Act 9010. The Parent Company became subject to VAT based on their gross receipts, in lieu of the GRT under Sections 121 and 122 of the Tax Code, which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, Republic Act 9238 reverts the imposition of GRT on banks and financial institutions. This law is retroactive to January 1, 2004. The Parent Company complied with the transitional guidelines provided by the BIR on the final disposition of the uncollected Output VAT as of December 31, 2004.

On May 24, 2005, the amendments on RA 9337 was approved amending, among others, the gross receipts tax on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year of foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

Item 2. Properties

The Company leases its head office premises from the Parent Company for a period of five years until June 2010. Head office address is at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City. In 2009 and 2008, the consolidated rent expense amounted to P16.1 million and P12.7 million, respectively. Cagayan de Oro, Dagupan, San Pablo, Cavite, Davao , Iloilo and Cebu branches lease their premises from the Parent Company.

These are the details of the branches' office premises:

Cagayan:

- Operates at the 2nd Floor, BDO-Lapasan Branch, National Highway, Lapasan, Cagayan de Oro City for a period of five years and will expire on January 2014. Monthly rental amounts to P27,378 with no escalation clause.

Dagupan:

- Operates at the 2nd Floor BDO Bldg., AB Fernandez Ave., Dagupan City for a period of five years until January 2013. Annual rental amounts to P422,928 having no escalation clause.

San Pablo:

- Operates at the 3rd Floor, BDO Bldg., J. P. Rizal Avenue corner P. Alcantara St., San Pablo City for a period of five years and will expire on September 2012. Annual rental amounts to 551,753.16 and rent is to be increased annually by 10% at current rate.

Iloilo:

- Office is at the BDO Corporate Center, Valeria St., Iloilo City for a period of five years to expire in November 2013. Annual rental amounts to P 264,000 having no escalation clause.

Davao:

- Operates at the 2nd Flr., BDO Davao C.M. Recto Branch Bldg., #383 CM Recto St. Davao City for a period of five years until January 2014 with no escalation clause. Annual rental is at P433,740.

Cavite:

- Operates at the 2nd Flr., BDO-Cavite Bldg., Damarinas Technopark Branch, Gov. Drive, Brgy. Paliparan I, Dasmarinas, Cavite City for a period of five years. Contract expires on July 2014. Annual rental amounts P 389,664.

Cebu:

- Operates at the 3rd Flr., BDO Bldg., Gorordo Ave. Lahug, Cebu City for a period of 5 years and will expire on May 2014. Annual rental is at P 368,976 having no escalation clause.

Pampanga:

- Operates at the 2nd Flr., Palm Bldg., McArthur Highway, Sindalan, San Fernando Pampanga for a period of ten years until December 2016. Annual rental for 2009 amounted to P220,092.60 with an annual increase of 10%.

Makati:

- Operates at the Ground Flr., Pacific Star Bldg., Sen. Gil Puyat corner Makati Avenue, Makati City for a period of three years until February 28, 2011. Annual rental is at P2,622,624.00.

The Company's facilities, office furniture, fixtures and equipment are in good condition. Distribution of office furniture fixture and equipment are as follows: Head office – P12.7 million; Cebu – P3.6 million; Davao – P2.4 million; Dagupan – P3.6 million; San Pablo – P2.8 million; Cagayan – P4.4 million; Iloilo – P2.0 million; Cavite – P0.42 million; Pampanga – P1.1 million and BDO Rental Inc. – P2.7 billion.

Item 3. Legal Proceedings

The Company is currently involved in various collection and replevin suits with total exposures amounting to P 206.28 million filed against its clients with unpaid loans ranging from approximately P 0.10 million to P61.7 million. The Company, as plaintiff, has pending legal proceedings (sum of money with replevin) against the following clients:

DEFENDANT	CLAIM	COURT	DATE FILED
BIG AA'S CORPORATION	10.0 million	MTC-Manila	October 2006
CARLOS 7 AURORA TRADING	1.8 million	MTC-Quezon City	July 2005
COMPACK CONTAINER	4.4 million	OCP-Quezon City	September 2007
HARANAH TOURS	1.9 million	RTC-Quezon City	July 2006
HARBOUR LINK TRANSPORT	11.2 million	RTC-Quezon City	September 2006
KARJ GLOBAL MFG.	0.75 million	RTC-Quezon City	June 2007
NER SEAFOODS	19.7 million	RTC-Quezon City	January 2007
STANWOOD INDUSTRIES	9.9 million	RTC-Quezon City	September 2005
RONALDO CAPARAS	0.40 million	RTC-Gen.Santos	September 2006
HEAVEN'S MANNA FOOD CHAIN	2.3 million	RTC-Quezon City	August 2008
ADELAIDA TRADING	0.79 million	RTC-Pasay	July 22, 2009
ELECTROBUS CONSOLIDATED, INC.	14.33 million	RTC-Quezon City	November 4, 2009
GLUE CONCEPTS, INC.	9.74 million	RTC-Pasay	June 16, 2009
GOLDEN HIGHWAY TRANSPORT TRANSIT	3.02 million	RTC-Quezon City	December 28, 2009
JKM PRINTECH	3.01 million	RTC-Pasay	June 1, 2009
LAMINA GRAPHICSMEGAPACK CONTAINER	2.33 million	RTC-Pasay	July 15, 2009
PRESSWORKS PRINTING CO.	0.26 million	RTC-Pasay	July 23, 2009
SENCO LINK TECHNOLOGIES	61.68 million	RTC-Mandaluyong	June 1,2009
TELSTAR TEXTILE INDUSTRIES, CO.	3.96 million	RTC-Pasay	December 1, 2009
T.Y. FLORES TRADING	1.04 million	RTC-Quezon City	October 12, 2009
UNITED SHELTER HEALTH PRODUCTS	12.30 million	RTC-Quezon City	November 9, 2009
ALBERT MEREGMEN RENT A CAR	1.40million	RTC-Dagupan	December 11, 2009
AQUA PISCES TRUCKING	0.96 million	RTC-Dagupan	February 27, 2009
BJA ENTERPRISES	0.85 million	RTC-Pasay	October 12, 2009
CARL'S TRUCKING	1.29 million	RTC-Dagupan	February 26, 2009
D&P TRADING CO., LTD.	2.89 million	RTC-Laguna	December 21, 2009
DOER'S TRADING	0.12 million	MTC-Pasay	July 3, 2009
DYEN ENTERPRISES/JERRY O. SANDOVAL	0.27 million	RTC-Pasay	August 14, 2009
E.C. SALOME MARBLE QUARRY	3.19 million	RTC-Pasay	December 1, 2009
ESTEBAND METAL FABRICATION	3.63 million	RTC-Pasay	July 20, 2009
GENER FARM	0.70 million	RTC-Pasay	May 18, 2009
J.R. AGANA DEV'T. & BUILDERS	0.56 million	RTC-Pasay	July 20, 2009
KOSIE PRECISION TOOLING & FABRICATION	6.07 million	RTC-Pasay	July 20, 2009
LENRICH TRADING & HAULING SERVICES	0.10 million	RTC-Pasay	December 15, 2009
LFJKL TRUCKING	0.38 million	RTC-Dagupan	May 18, 2009
NALCA TRADING & PRECISION ENGINEERING	4.11 million	RTC-Pasay	December 11, 2009
POLLO RICO RESTAURANT	0.25 million	RTC-Pasay	October 12, 2009
GRADED IRON SALES & TECHNICAL SERVICES	0.85 million	RTC-Davao City	May 6, 2009
JETTERS 7, INC.	2.66 million	RTC-Cebu	June 9, 2009
MINDSVIEW GRAPHIC ADS	0.34 million	RTC-Davao City	July 7, 2009
PAYOT, JERRY & VIRGINIA	0.17 million	RTC-Davao City	December 11, 2009
PULMONES, PERLA	0.68 million	RTC-Cebu	July 16, 2009
TOTAL	**206.28 million**		

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

On July 15, 2003, the Board approved a program to buy-back shares from the stock market. The board authorized the Chairman or Vice-Chairman and the President to determine the amount and the timing of the program. The buy-back program was approved on the rationale that the market prices did not reflect the true value of the shares and therefore remaining shareholders would benefit from a buy-back into treasury. Purchase of shares are covered by guidelines which include buy-back of shares when the share prices is undervalued, the purchase prices shall be at prevailing market prices, and the cash expenditure for the buy-back will not adversely affect the liquidity requirements of the company for its business transactions.

Total treasury shares as of December 31, 2009 was 62,693,718 shares or a total value of P81,776,628.

Dividends

On May 27, 2009 and November 11, 2009, the Company's Board of Directors approved the declaration of cash dividends at P0.05 per share in favor of stockholders of record as of June 10, 2009, paid on July 7, 2009 and at P0.15 per share in favor of stockholders of record as of November 25, 2009 which was paid on December 22, 2009. Total dividends in 2009 amounted to P 432.50 million.

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends will depend upon the earnings, cash flow and financial condition of the Corporations and other factors.

There are no restrictions that will limit the ability to pay dividends on common equity.

Market Information

The principal market for the Company's common equity is the Philippine Stock Exchange (PSE)

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

2010	High	Low	2009	High	Low
1st quarter	1.50	1.48	1st quarter	P1.30	P0.93
			2nd quarter	P1.36	P0.93
			3rd quarter	P1.30	P1.18
			4th quarter	P1.56	P1.18

2008	High	Low	2007	High	Low
1st quarter	P1.80	P1.40	1st quarter	P2.20	P1.38
2nd quarter	P1.96	P1.40	2nd quarter	P3.00	P2.00
3rd quarter	P1.96	P1.30	3rd quarter	P2.80	P1.80
4th quarter	P1.40	P1.00	4th quarter	P2.00	P1.40

As at December 31, 2009, the closing price of the Company's share is at P1.32.

Total number of stockholders as of December 31, 2009 was one thousand two hundred and sixty three (1,263). Common shares outstanding as of December 31, 2009 totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings, as of December 31, 2009 are as follows:

Name	No. of Shares Held	% to Total
Banco de Oro Unibank, Inc. (Parent Company)	1,840,114,698	85.092981%
Various Stockholders	322,360,614	14.907019%
	---------------	---------------
	2,162,475,312	100.0000%
	=========	========

The top twenty (20) stockholders of the Company as of December 31, 2009 are as follows*:*

Name of Stockholders	Securities	Shares Held	Total Outstanding
Banco De Oro Unibank, Inc.	Common	1,840,114,698	85.092981%
PCD Nominee Corp.(Filipino)	Common	180,565,391	8.349940%
PCD Nominee Corp.(Foreigner)	Common	22,100,853	1.022016%
Samuel Uy Chua	Common	21,000,000	0.971109%
Wilson Chua	Common	19,261,980	0.890738%
Equitable Computer Services,Inc.A/(	Common	12,320,000	0.569717%
Panfilo Castro Jr.,	Common	6,140,000	0.283934%
Felly G. Castro	Common	5,100,480	0.235863%
Wilson Chua &/or Ruby C. Chua	Common	4,519,000	0.208973%
Samuel Uy Chua	Common	3,011,150	0.139246%
Constantino Chua	Common	2,497,200	0.115479%
Virginia Chua	Common	2,367,750	0.109493%
Equitable Computer Services,Inc.	Common	2,070,200	0.095733%
Wilson Chua &/or Virginia Chua	Common	1,421,000	0.065712%
Victor Barranda	Common	1,157,475	0.053525%
Guild Securities Inc.	Common	1,143,945	0.052900%
Eduardo Dy	Common	1,143,560	0.052882%
Mercury Group of Companies,Inc.	Common	1,089,165	0.050367%
Constantino Chua &/or Willington Ch	Common	1,020,000	0.047168%
Ruby C. Chua	Common	962,600	0.044514%

Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction

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

PART III – FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis or Plan of Operation

2009 Compared to 2008

Gross income for the year ended December 31, 2009 was P2.21 billion, an increase of P841.2 million, or 61.47% from P1.37 billion in 2008. Interest, discounts, and service fees for the year ended December 31, 2009 were P2.09 billion, an increase of P796.6 million or 61.77% from P1.29 billion in 2008. This increase was due to higher 2009 operating lease income from our subsidiary, BDO Rental, Inc. amounting to P1.13 billion compared to P256.4 million in 2008 as well as increase in financing income amounting to P1.99 billion from 1.27 billion the previous year. Operating Lease income rose to 57% of total financing income 2009 from 20% in 2008. The Company's leasing and financing portfolio as of December 31, 2009 was at P11.39 billion, a P2.50 billion increase, or 28.07% from P8.89 billion as of December 31, 2008 with both financing and leasing portfolio improving by 66.82% to P 6.08 billion and 1.20% to P5.31 billion respectively.

Interest and financing charges for 2009 amounted to P281.37 million, consisting of financing charges on borrowings for P212.13 million and interest expense on leased deposits for P69.24 million. Decrease in financing charges by P3.09 million is attributed to lower cost of borrowing in spite of the increment in Bills Payable which went up to P6.14 billion as of December, 2009 from P3.67 billion as of December 2008. Interest expense accrued on leased deposits in 2008 amounted to P52.85 million or an increase of P16.39 million from 2009's P69.24 million. This is attributed to higher fair value gains on initial recognition of leased deposits in 2008 amounting to P65.28 million as compared to 2009's P9.58 million.

As of December, 2009, total allowance for impairment losses amounted to P184.3 million which is an increase of P51.4 million from last year's P132.9 million. A total of P94.52 million provision for credit losses was set up during the year due to more conservative provisioning policies of the company. Total accounts written off in 2009 amounted to P43.69 million.

Taxes and licenses expenses were P92.3 million for the year ended December 31, 2009, an increase of P11.6 million, or 14.37% from P92.3 million for the year ended December 31, 2008. This was due to higher loan activity and revenues as evidenced by increase in Documentary Stamp Tax and Gross Receipts Tax expenses by P7.5 million and P3.0 million, respectively.

Salaries and employee benefits expense amounted to P133.9 in 2009 as compared to P114.3 million in 2008. Occupancy and equipment related expenses for the year ended December 31, 2009 were P1.09 billion, an increase of P865.9 million, or 391.46% from December 2008's P221.2 million due to adjustments in the recognition in depreciation expenses on leased assets of BDO Rental, Inc.

Litigation/assets acquired expenses decreased by 2.76% or from P26.60 million in 2008 to P23.85 million in 2009.

Other expenses increased to P35.0 million in 2009 as compared to P29.5 million as in 2008.

The Company registered a net income of P300.03 million for the year ended December 31, 2009.

Total assets increased by P2.64 billion from December, 2008's P10.41 billion. Available-for-sale financial assets of P1.30 billion pertains to the investments in San Miguel Corporation's (SMC) preferred shares purchased last December 2009. Leasing and financing portfolio increased by 28.07%. Property and Equipment-net amounted to P1.45 billion as of 2009 or a decrease of P197.2 million over last year's P1.65 million due to depreciation of leased assets. Investment properties-net increased to P767.0 million from 2008's P751.63 million primarily due to foreclosed properties during the year.. Other assets stood at P156.6 million in 2009 primarily consisting of creditable withholding tax totaling P47.89 million.

Accounts Payable and accrued expenses increased by P38.3 million or 19.73% due to increased income tax payable in 2009 amounting to P73.5 million compared to 2008's P8.9 million.

Lease deposits increased by P276.4 million or 13.65% from last year's P2.03 billion, P45.3 million of the increase was contributed by BDO Rental, Inc.

Stockholders' equity increased by P132.5 million or 2.94%, primarily due to net income generated for the year less cash dividends declared and issued amounting P432.5 million.

The Company's five (5) key performance indicators are the following:

	December 2009	**December 2008**
Current Ratio	0.77 : 1	0.90 : 1
Quick Assets Ratio	0.55 : 1	0.86 : 1
Debt to Equity Ratio	1.98 : 1	1.31 : 1
Return on Equity Ratio	6.86%	8.11%
Net Profit Margin	13.58%	26.72%

Decrease in current and quick asset ratios can be attributed to the P2.44 billion increase in financial liabilities classified under current liabilities or liabilities expected to be settled within one year. This also accounts for the 1:98:1 debt to equity ratio in 2009 as compared to 1:31:1 in 2008. Reduced net profit margin is due to decrease in net income from P365.6 million in 2008 to P300.0 million in 2009. The lower net income is a result of the adjustments in depreciation expense and more conservative provisioning policies. Without these adjustments, net income in 2009 would have been at par with that of 2008.

2008 Compared to 2007

Gross income for the year ended December 31, 2008 was P1.37 billion, an increase of P126.4 million, or 10.18% from P1.24 billion in 2007. Interest, discounts, and service fees for the year ended December 31, 2008 were P1.29 billion, an increase of P138.25 million or 12.0% from P1.15 billion in 2007. This increase was due to higher operating lease income earned by BDORI in 2008 amounting to P256.4 billion compared to P58.4 billion in 2007. Other income decreased by 13.03% due to an P18.19 million decrease in fair value gains. The Company's leasing portfolio showed a 1.14% decrease from P5.31 billion as of December 31, 2007 to P5.25 billion as of December 31, 2008. The Company's financing portfolio showed a 15.55% decrease from P4.31 billion as of December 31, 2007 to P3.64 billion as of December 31, 2008. The Company's leasing and financing portfolio as of December 31, 2008 was at P8.90 billion, a P730.9 million decrease, or 8.22% from P9.63 billion as of December 31, 2007.

Interest and financing charges for 2008 amounted to P284.46 million, consisting of financing charges on borrowings for P231.61 million and interest expense on leased deposits for P52.85 million. Increase in financing charges by P2.66 million is attributed to increment in Bills Payable which went up to P3.67 billion as of December, 2008 from P3.51 billion as of December 2007. Interest expense accrued on leased deposits in 2007 amounted to P72.41 million or a decrease of P19.56 million from 2008's P52.85 million. This is attributed to higher fair value gains on initial recognition of leased deposits in 2007 amounting to P180.01 million as compared to 2008's P65.28 million.

As of December, 2008, total allowance for credit losses amounted to P132.94 million which is a decrease of P82.94 million from last year's P215.88 million. Additional P75.0 million provision for credit losses was set up during the year, but total accounts written off amounted to P157.94 million.

Taxes and licenses expenses were P80.73 million for the year ended December 31, 2008, an increase of P8.90 million, or 12.39% from P71.83 million for the year ended December 31, 2007. This was due to the increase in Documentary Stamp Tax and Gross Receipts Tax expenses by P4.69 million and P3.37 million, respectively.

Salaries and employee benefits expense amounted to P114.32 in 2008 as compared to P127.60 million in 2007. Occupancy and equipment related expenses for the year ended December 31, 2008 were P221.22 million, an increase of P148.42 million, or 203.87% from December 2007's P72.80 million due to the increase in depreciation expenses on leased assets of BDO Rental, Inc.

Litigation/assets acquired expenses decreased by 2.99% or from P27.42 million in 2007 to P26.60 million in 2008.

Miscellaneous expenses decreased by 6.50% or from P38.05 million in 2007 to P35.58 million as of December, 2008.

The Company registered a net income of P365.58 million for the year ended December 31, 2008. Gross profit margin for the year ended December 31, 2008 was 79.21% compared to last year's figure of 73.82%, while net operating margin increased to 38.77% as compared to last year's 34.10%, both were due to the 5.61% or P16.90 million decrease in interest and financing charges.

Total assets increased by P958 million from December, 2007's P9.45 billion. Leasing and financing portfolio decreased by 7.59%. Unearned income decreased by P162.12 million or 13.46%. Property and Equipment-net reached P1.649 billion as of 2008 or an increase of P1.339 billion over last year's P310 million. This is due to increased booking of leased assets by BDO Rental, Inc. Investment properties-net increased to P751.63 million from 2007's P706.27 million. This is attributed to P114.72 million acquired/foreclosed properties booked during the year, partly offset by property disposals amounting to P41.21million. Other assets increased by P79.5 million, from P48.5 million in 2007 to P128.09 million in 2008.This is due to Input Value Added Tax (VAT) totaling P85.54 million of BDO Rental, Inc.

Accounts Payable and accrued expenses increased by P22 million or 24.80% due to deferred rent booked by BDO Rental, Inc. in 2008 amounting to P20.6 million.

Lease deposits increased by P477.52 million or 30.85% from last year's P1.548 billion, P256.34 million of the decrease was contributed by BDO Rental, Inc.

Stockholders' equity increased by P365 million or 8.83% , primarily due to net income generated for the year.

The Company's five (5) key performance indicators are the following:

	December 2008	**December 2007**
Current Ratio	0.90 : 1	1.29 : 1
Quick Assets Ratio	0.86 : 1	1.29 : 1
Debt to Equity Ratio	1.31 : 1	1.28 : 1
Return on Equity Ratio	8.11%	8.25%
Net Profit Margin	26.72%	27.51%

Decrease in current and quick asset ratios can be attributed to the P941 million increase in financial liabilities classified under current liabilities or liabilities expected to be settled within one year. This also accounts for the 1:31:1 debt to equity ratio in 2008 as compared to 1:28:1 in 2007. Net profit margin slightly improves due to increase in gross revenues which up to P1.368 billion in 2008 from P1.242 billion in 2007

2007 Compared to 2006

Gross income for the year ended December 31, 2007 was P1.24 billion, an increase of P187.14 million, or 17.74% from P1.06 billion in 2006. Interest, discounts, and service fees for the year ended December 31, 2007 were P1.15 billion, an increase of P132.55 million or 13.01% from P1.02 billion in 2006. This increase was due to higher loans booked and the interest earned on residual value of P47.88 million. Other income increased by 150.89% due to an P86.37 million increase in fair value gains. The Company's leasing portfolio showed a 0.19% decrease from P5.32 billion as of December 31, 2006 to P5.31 billion as of December 31, 2007. The Company's financing portfolio showed a 1.60% decrease from P4.38 billion as of December 31, 2006 to P4.31 billion as of December 31, 2007. The Company's leasing and financing portfolio as of December 31, 2007 was at P9.63 billion, an P80.26 million decrease, or 0.83% from P9.71 billion as of December 31, 2006.

Interest and financing charges for the year ended December 31, 2007 were P301.36 million, an increase of P69.37 million, or 29.90% from P231.99 million for the year ended December 31, 2006. This increase was due to the booking of interest expense on lease deposits when adjusted at present value. Bills payable level as of December 2007 decreased to P3.51 billion or a 4.61% decrease from December 2006's level of P3.68 billion since collection augmented the Company's funding requirements.

Provision for impairment and credit losses for the year ended December 31, 2007 was P179.44 million, an increase of P149.67 million, or 502.90% from P29.76 million for the year ended December 31, 2006. The increase was due to the Management's decision to provide additional provision for loan losses for the year, coupled with a prudent and conservative presentation of portfolio collectivity.

Taxes and licenses expenses were P71.83 million for the year ended December 31,2007, a decrease of P3.98 million, or 5.25% from P75.80 million for the year ended December 31, 2006. This was because operating leases, booked under our subsidiary, BDO Rental, Inc. were subjected to VAT instead of Gross Receipts Tax.

Employee benefits decreased by P12.79 million or 9.11% from December 2006's figure of P140.39 million due to decrease in provision for performance bonus for the year. Occupancy and equipment related expenses for the year ended December 31, 2007 were P72.80 million, an increase of 19.81 million, or 37.38% from December 2006's figure of P52.99 million due to the increase in depreciation incurred by BDO Rental, Inc.

Litigation/assets acquired expenses for the year ended December 31, 2007 were P27.42 million, an increase of P5.94 million, or 27.67 % from last year's figure of P21.48 million because of higher billings incurred during the year.

Miscellaneous expenses of 38.05 million decreased by 7.78% from December 31, 2006's figure of P41.26 million due to effective productivity control measures.

The Company had a net income of P341.65 million for the year ended December 31, 2007. Gross profit margin for the year ended December 31, 2007 was 73.82% compared to last year's figure of 77.23%, while net operating margin decreased to 34.10% as compared to last year's 43.72%, both were due to the 29.90% or P69.37 million increase in interest and financing charges.

Total assets increased by P88.03 million from December, 2006's P9.36 billion. Leasing and financing portfolio showed a 0.83% decrease while allowance for probable losses also showed a 5.04% decrease. This was due to write-offs during the year. Unearned income increased by P2.80 million or 0.23%. Investment properties – net showed a P32.90 million or 4.89% increase. Property and equipment-net as of December 31, 2007 amounted to P310.08 million, a 24.53% increase from December 31, 2006's P248.99 million due to an P84.10 million increase in equipment under lease of BDO Rental, Inc. Other assets-net showed an P18.31 million, or 27.37% decrease. This was the result of decrease in repossessed chattels and other equipment.

Accounts payable and accrued expenses decreased by P21.27 million due to unreleased checks credited back to accounts payable in 2006.

Lease deposits increased by P1.92 million or 0.12% from last year's figure of P1.55 billion.

Stockholders' equity showed an 8.99% increase over December 31, 2006's figure of P3.80 billion.

The Company's five (5) key performance indicators are the following:

	December 2007	**December 2006**
Current Ratio	1.29 : 1	1.56 : 1
Quick Assets Ratio	1.29 : 1	1.56 : 1
Debt to Equity Ratio	1.28 : 1	1.46 : 1
Return on Equity Ratio	8.25%	8.39%
Net Profit Margin	27.51%	30.23%

Policy on Revenue Recognition – Other Income

All other income/gains such as rental income, gain on disposal of property, etc., which do not fall under service and non-service revenues are included under this classification.

Key Variable and Other Qualitative and Quantitative Factors

There are no known trends, events or uncertainties that will have any material impact on the Company's liquidity.

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

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

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There were also no significant elements of income or loss that did not arise from the Company's continuing operations.

There are no seasonal aspects that had a material effect on the financial condition or results of operations.

Internal and Externals Sources of Liquidity

The Company's internal liquidity comes from the daily collections from various clients. External sources range from credit facilities extended by various banks, corporate and individual placers. The Company is confident to meet its current and long-term obligations as they mature.

Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures.

Projections

Total Assets is projected to grow to P17.2 Billion or 32% in 2010 with Net Loans and Other Receivables increasing from P9.1 Billion in 2009 to P14.3 Billion in 2010 or up 57%. Total Revenue is estimated at P2.1 Billion by year-end 2010 while Interest and Financing Charges and Operating Lease-related Depreciation total P371 Million and P865 Million, respectively.

Projected Net income is P316 Million, an increase of 5% versus the P300 Million Audited 2009 performance.

Branches will continue to provide the means for the Company's presence in the market and are continuously streamlining processes to further improve profitability. They are expected to contribute at least 35% in total revenues.

Funding will be mainly sourced from the short-term commercial papers (STCP), bank lines and collections. The Company secured an approval in 2009 for P8 Billion worth of STCP.

Item 7. Financial Statements

The financial statements of the Company included in the 2009 Annual Report to Stockholders are incorporated herein by reference. The schedules listed in the accompanying Index to Supplementary Schedules are filed as part of this Form 17-A.

INFORMATION ON INDEPENDENT ACCOUNTANT

Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

	(P000's)	
The aggregate fees paid by the Company	2009	2008
Audit fee	P 387	P 646

There were no other assurance and related services by the external auditor that are reasonably related to the performance of the audit or review of the registrant's financial statements.

(b) Tax fees

There were no professional services rendered by the external auditor for tax accounting, compliance, advice, planning and any other form of tax services in each of the last two fiscal years.

(c) All other fees

There were no other professional services rendered by the external auditors for each of the last two fiscal years other than item (a) above

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

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

Item 8 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

In 2009 the auditing firm of Punongbayan & Araullo, CPAs (P&A) has been appointed as the Company's Independent Public Accountant. There was no event in the past where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope and procedures.

PART IV - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

General Management and overall direction of the Company is being provided by its Board of Directors. The following are the fourteen (14) members of the BDOLF Board as of December 31, 2009.

Independent Directors

The Company has three independent directors namely: Atty. Jesse H.T. Andres, Mr. Jesus G. Tirona and Ms. Ma. Leonora V. De Jesus.

TERESITA T. SY
CHAIRMAN OF THE BOARD
59 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Chairperson of the Board Chairperson, Executive Committee Chairperson, Retirement Committee
Period Served	:	September 19, 2007 to present

Present Positions/Directorships in Other Companies:

Supervalue, Inc.	-Chairperson
Multi Reality Development Corp.	-Director
First Asia Realty Development Corp.	-Director/EVP
SM Prime Holdings	-Director/EVP
SM Mart, Inc.	-Director/President

Generali Pilipinas Holding Co., Inc.	-Director/Vice Chairperson
Meridien Business Leader, Inc.	-President
Sodexho Pass, Inc.	-Chairperson
Super Shopping Market, Inc.	-President
Premier Southern	-President
Watsons Personal Care Stores, Inc.	-Treasurer
Forsyth Equity Holdings, Inc.	-Treasurer
Hotel Specialist, Inc.	-Vice President
MH Holding	-Chairperson/President
Morrison Corporation	-Chairperson
Tangiers Resources Corp.	-President
Pilipinas Makro Inc.	-Director/Chairperson
BDO Private Bank, Inc.	-Chairperson
Equitable Card Network, Inc.	-Chairperson
Strategic Property Holdings, Inc.	-Chairperson
BDO Foundation, Inc.	-Trustee/Chair & President
Banco De Oro Unibank	-Chairperson
BDO Capital & Investment Corporation	-Chairperson
SM Retail Inc.	-President
SM Land, Inc.	-Director
SM Investments Corp.	-Vice Chairperson/Director

Previous Business Experiences:

Equitable PCI Bank, Inc.	-Vice Chairperson (2005-2007)
Banco De Oro Commercial Bank	-Director/President (1986-1996)
BDO Credit Card Corp.	-Director/Chairperson (Nov. 2002 to Aug. 2005)
BDO Securities	-Director (Sept. 26, 2003 to Aug. 2005)
Philippine Long Distance Tel. Co.	-Director (Jun. 2004 to 2006)
PCI Capital Corporation	-Director (2005 to 2007)
EBC Investments, Inc.	-Director (2005 to 2007)
Equitable Savings Bank, Inc.	-Director (2005 to 2008)
PCIB Properties	-Chair (2007 to 2009)
Property Care, Inc.	-Chair (2007 to 2009)
EBC Management, Inc.	-Chair (2007 to 2009)
BDO Realty Corporation	-Director/Chair(2003 to 2009)

ANTONIO N. COTOCO
VICE-CHAIRMAN/MANAGING DIRECTOR
61 YEARS OLD, FILIPINO

Present Position in BDOLF : Managing Director
Vice Chairman, Executive Committee
Member, Corporate Governance, Nomination, and Compensation and Remuneration Committee

Period Served : January 25, 2001 to present

Present Positions/Directorships in Other Companies:

Oriental Assurance Corp.	-Director
OAC Realty and Development Corp.	-Director
BDO Insurance BrokersInc.	-Director
BDO Remittance (Hongkong,Macau,USA &Deutscheland)	-Director
BDO Rental,Inc.	-Director/Chairman

Banco de Oro Unibank, Inc.	-SEVP

Previous Business Experience:

EBC Strategic Holdings Corp.	-Director
EBC Management,Inc.	-Director
BDO Realty Corporation	-Director/Treasurer

ROBERTO E. LAPID
DIRECTOR/PRESIDENT
53 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director/ President Member, Executive Committee Member, Risk Management Committee
Period Served	:	May 24, 2006 to present

Present Position/Directorship in Other Companies:

BDO Rental Inc.	-Director/President

Previous Business Experiences:

Equitable Exchange Inc.	-Director/President (Aug. 12, 2003 to July 2007)
EBC Investments, Inc.	-Director/Vice Chairman (April 2002 to 2005)
Armstrong Securities Inc.	-Director (April 17, 2002 to Dec. 2002)
Asian Bank Corporation / AB Leasing	-Senior Manager (Sept. 1990 to June 1993)
UCPB Savings (Formerly United Savings Bank)	-Private Banking Officer (May 1990 to Sept. 1990)
MLB Customs Brokerage	-Finance Manager (Nov. 1983 to May 1990)
Banco De Oro Savings & Mortgage Bank	-Treasury Manager (Jan. 1983 to Oct 1983)
Phil. American Investments, Inc. (PAIC)	-Assistant Manager (1978 to 1982)

NESTOR V. TAN
DIRECTOR
51 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director Member, Executive Committee Member, Retirement Committee Chairman, Risk Management Committee
Period Served	:	January 23, 2007 to present

Present Positions/Directorships in Other Companies:

BDO Capital and Investment	-Director
BDO Private Bank	-Director/Vice-Chairman
Generali Pilipinas Life Insurance Corporation	-Director
Generali Pilipinas Insurance Corporation	-Director
BDO Securities Corporation	-Director
BDO Technology Center,Inc.	-Chairman
Strategic Property Holdings,Inc.	-Director
Equitable Card Network, Inc.	-Director
Banco De Oro Unibank, Inc.	-Director/President
Megalink	-Director/Chairman

BDO Strategic Holdings (formerly EBC Invesments, Inc.)	-Chairman
EBC Strategic Holdings Corporation	-Chairman
BDO Remittance (USA),Inc.	-Director
BDO Foundation, Inc.	-Trustee
BDO Financial Services	-Chairman
BDO Insurance Brokers,Inc.	-Director

Previous Business Experiences:

Equitable PCI Bank	-Officer-In-Charge (Jan. 11, 2007 to July 27,2007)
BZW (London)	-Chief Operating Officer (1996 to 1997)
Barclays Bank PLC (London)	-Planning Director/Senior Vice President (1992 to 1996)
Barclays Bank PLC-NY	-Vice President/Director of Finance (1990 to 1992)
Bankers Trust Co. NY	-VP/Sr. Product Manager/Asst. VP/Product Manager (1986 to 1988)
Equitable Savings Bank	-Director (2007 to 2008)
PCI Capital Corporation	-Director (2007 to 2008)
BDO Realty Corporation	-Director (2007 to 2009)
EBC Management, Inc.	-President (2007 to 2009)
PCIB Properties, Inc.	-Director (2007 to 2009)
Property Care, Inc.	-Director (2007 to 2009)
BDO Financial Services, Inc.	-Chairman (2007 to 2009)

NAZARIO S. CABUQUIT, JR.
DIRECTOR
77 YEARS OLD, FILIPINO

Present Position in PCILF	:	Director Member, Corporate Governance, Nomination, and Compensation and Remuneration Committee
Period Served	:	May 24, 2006 to present

Present Positions/Directorships in Other Companies:

Sumulong College of Arts & Science	- Director
Isiah Workers Cooperative	-Vice-Chairman

Previous Business Experience:

Banco De Oro Unibank	-Member of the Board of Directors (2005 to 2008)
Equitable Savings Bank,Inc.	-Member of the Board of Directors (2006 to 2007)
Philippine Steel Group of Companies.	-Executive Vice President (1997 to 1999)
Barbizon Phils., Inc.	-President (1992 to 1996)
Phil. Steel Coating Corp.	- Executive. Vice President (1989 to 1990)
SGV	-Associate (1981-1983)
Smith Kline & French Overseas Co. (Now GlaxoSmithKline)	-Managing Director/Country Manager (1964-1981)
Social Security System	-Special Asst to the President & CEO (2003 to 2008)
Department of Budget & Management	-Undersecretary (1987-1989)

ATTY.FULGENCIO S. FACTORAN, JR.
DIRECTOR
66 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director Member, Retirement Committee
Period Served	:	August 20, 2002 to present

Present Positions/Directorships in Other Companies:

GAIA South Inc.	- Chairman
Central Azucarera de Tarlac	- Independent Director
Agility	-Chairman
Equitable Card Network, Inc.	-Director

Previous Business Experience:

PCI Capital Corporation	-Chairman
Equitable PCI Bank, Inc.	-Director
EBC Strategic Holdings Corporation	-Director
EBC Investments, Inc.	-Director
GSIS	-Trustee (1998 to 2004)
DENR	-Secretary (1987 to 1992)
PCSO	-Chairman of the Board
Nat'l Electrification Administration	-Chairman of Trustee

ANTONIO A. HENSON
DIRECTOR
69 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director Member, Corporate Governance, Nomination, and Compensation and Remuneration Committee
Period Served	:	July 30, 2007 to present

Present Positions/Directorships in Other Companies:

Phil. Estates Corp.	- Chairman/Director
Belle Corporation	- Director
Universal Light Rail Corp.	- Chairman/Director
BDO Insurance Brokers, Inc.	-Director

Equimark – NFC Development Corporation-Director

Previous Business Experience:

Equitable PCI Bank<inc.	-Director(2006 to 2007)
SM Investments Corp.	-President/Director (1999 to 2005)
Asia's Emerging Dragon Corp.	-President/Director (1997 to 1999)
SGV & Co.	-Partner (1969-1986)
Dept. of Trade & Industry	-Undersecretary (1986-1991)
National Development Company	-General Manager (1987-1991)
Clark Development Corporation	-President/Director (1993-1997)
EBC Investments, Inc.	-President/Director (2007-2009)
BDO Realty Corporation	-Director (2007-2009)

REYNALDO P. PALMIERY
DIRECTOR
69 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director
Period Served	:	May 24, 2006 to present

Present Positions/Directorships in Other Companies:

GSIS Family Bank	-President & Director
Angeles University Foundation	-Member Board of Trustees
GSIS	-Member Board of Trustees

Previous Business Experience:

Equitable PCI Bank Inc.	-Director
National Reinsurance Corp. Of the Philippines	-Vice Chairman (1998-2001)
ASEAN Forum GG,Inc.	-Alternate Director (1998-2001)
Union Bank of the Phil. Securities.	-Director and Member, Executive Committee (1989-1994)
Venture in Industry and Business Enterprises System, Inc. (Venture Capital Corp.)	-Chairman & President (1985-1990)
Pacific Cement Corporation	-Director (1984-1986)
Merchant Investment Corp.	-Director (1984-1986)
Continental Manufacturing Corp.	-Director (1984-1986)
Redson Manufacturing Corp.	-Director (1982-1984)
Mindanao Plywood Corp.	-Director (1982-1984)
GSIS	-SEVP & COO (1998-2005)
Allied Banking Corporation	-Senior Vice President
Social Security System	-Deputy Administrator (1991-1994) -Assistant Administrator (1987-1990)
Development Bank of the Phils.	-Head-Securities Mgt.Dept. (1981-1987)
World Bank, Washington D.C.	-Special Assistant to the Executive Director (1977-1979)
Department of Finance	-Head, Planning Service (1970-1980)
National Tax Research Center (formerly Joint Legislative Executive Tax Commission)	-Researcher (1963-1970)
Al-Amanah Islamic Bank Of the Philippines	-Director & Member, Executive Committee (1981-1990)
National Home Mortgage & Finance Corporation	-Member, Executive Committee (1987-1990)
Housing & Urban Development Coordinating Council	-Alternate Board Member (1987-1994)
National Housing Corporation	-Director (1990-1992)
CITEM	-Director (1988-1994)
NEDA	-Member, Technical Board Investment Coordination Committee (1975-1980)
Department of Budget	-Member Technical Board Development Budget Coordination Committee (1975-1980)

ATTY. EDMUNDO L. TAN
DIRECTOR
64 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director Chairman, Corporate Governance, Nomination, and Compensation and Remuneration Committee
Period Served	:	March 31, 2006 to present

Positions/Directorships in Other Companies:

Tan Acut Lopez & Pison Law Offices	- Managing Partner
APC Group, Inc.	- Director/Corporate Secretary
Sinophil Corporation	- Director
Philippine Global Communication Inc.	- Director/Corporate Secretary
Philcom Corporation	- Director/Corporate Secretary
Aragorn Power & Energy Corp.	- Director
Aragon Coal Resources, Inc.	- Director
APC Mining Corporation	- Director/Corporate Secretary
Banco De Oro Unibank, Inc.	-Corporate Secretary

Previous Business Experiences:

Angara Abello Concepcion Regala & Cruz Law Offices	- Partner (1976 to 1983)
Ponce Enrile Cayetano Reyes & Manalastas Law Offices	- Senior Partner (1983 to 1993)
Philippine Bank of Communications	- Corporate Secretary (2001 to Feb. 2006)
Belle Corporation	- Director (1999 to 2001)
APC Mining Director	- Director (Mar.2005 to May 2006)
Equitable PCI Bank, Inc.	- Director (Mar.2006 to July 2007)
BDO Strategic Holdings Inc. (formerly EBC Investments, Inc.	-Director/Chairman of the Board (May 2006 to 2009)
EBC Strategic Holdings Corporation	-Chairman & President (July 2007 to 2009)

EXEQUIEL P. VILLACORTA, JR.
DIRECTOR
64 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director
Period Served	:	May 24, 2006 to present

Previous Business Experiences:

Banco de Oro Universal Bank	-President / CEO (1984 to 1996)
TA Bank	-President / CEO (2001 to 2002)
Equitable PCI Bank, Inc.	-Senior Adviser/BSP Controller
PBCom	-Senior Adviser/BSP Controller
Private Devt.Corporation of the Phils.	-Vice-President (1968 to 1983)
EBC Investments,Inc.	-Chairman of the Board (Sept. 2005 to May 2006)
PCI Capital Corporation	-Adviser to the Board (June 2006 to July 2007)
EBC Strategic Holdings Corp.	-Chairman of the Board (Sept.2005 to July 2007)
EBC Insurance Brokerage,Inc.	-Director (Oct.2005 to July 2007)
Jardine Equitable Finance Corp.	-Chairman/Director (Sept.2005 to July 2007)

Strategic Property Holdings,Inc.	-Chairman/Director (Sept.2005 to July 2007)
PCIB Properties, Inc.	-Chairman/Director (Sept.2005 to July 2007)
Equitable Data Center,Inc.	-Chairman/Director (Sept.2005 to July 2007)
PCI Automation Center,Inc.	-Chairman/Director (Sept.2005 to July 2007)
Maxicare Health Corporation	-Director (2007)
EBC Strategic Holdings Corp.	-Director (July 2007 to May 2009)

WALTER C. WASSMER
DIRECTOR
52 YEARS OLD, FILIPINO

Present Position in BDOLF : Director

Period Served : November 17, 1999 to present

Present Positions/Directorships in Other Companies:

Banco de Oro Unibank, Inc.	-Senior Executive Vice President
GE Money Bank, Inc. (A Savings Bank)	-Chairman
MDB Land, Inc.	-Director
L.P. Wassmer Trading, Inc.	-President
WT and T, Inc.	-Treasurer

Previous Business Experiences:

EBC Investments,Inc.	-SVP (1997 to 2000)
Far East Bank and Trust Co.	-SM – SVP (1986-1997)
Union Bank of the Phils.	-AO – AVP (1982-1986)
Bancom Devt. Corporation	-Account Officer (1980-1982)
IFC Leasing & Acceptance Corp.	-Account Officer (1979-1980)
EBC Insurance Brokerage,Inc.	-Director (2000 to 2007)

ATTY. JESSE H.T. ANDRES
INDEPENDENT DIRECTOR
45 YEARS OLD, FILIPINO

Present Position in BDOLF : Independent Director
Member, Board Audit Committee

Period Served : September 20, 2005 to present

Present Positions/Directorship in Other Companies:

GSIS Family Bank	-Director
Govt. Services Insurance System	-Member, Board of Trustees
Office of the Vice President	
Noli de Castro	-Chief of Staff

Previous Business Experiences:

GSIS Family Bank	-Director (April 2006 to April 2007)
AMPGP Law Offices	-Managing Partner (Jan. 2004-June 2004)
PECABAR Law Offices	-Co-Head Litigation (1998 to 2001)
	-Partner (1996 to 2003)
	-Senior Associate (1990 to 1996)
Phil. Exporter Foundation	-Senior Manager (1989 to 1990)

Dept. of Trade & Industry	-Economic Analyst &Board Sec. GTEB (1985 to 1989)
Maxicare Health Corporation	-Director

JESUS G. TIRONA
INDEPENDENT DIRECTOR
68 YEARS OLD, FILIPINO

Present Position in PCIF	:	Independent Director Member, Board Audit Committee
Period Served	:	July 30, 2007 to present

Present Positions/Directorships in Other Companies:

Banco de Oro Unibank, Inc.	-Member/Advisory Board
Banco de Oro Unibank, Inc.	-Adviser/Risk Management Committee
BDO Capital & Investment Corp.	-Director (Independent)
Armstrong Securities, Inc.	-Director (Independent)
BDO Foundation, Inc.	-Trustee

Previous Business Experiences:

BDO Strategic Holdings Inc. (formerly EBC Investments, Inc.	-Director (Independent) (2007 to 2009)
BDO Leasing & Finance, Inc.	-Chair, Board Audit Committee (2007 to 2009)
Banco De Oro Unibank, Inc.	-Adviser, Board Audit Committee (Aug.2007 to April 2008)
Equitable PCI Bank, Inc.	-Director (2005 to 2007)
LGU Guarantee Corp.	-President/CEO/Director (1998 to 2006)
BAP Credit Guarantee Corporation	-President/CEO/Director (1991 to 2003)
PCI Capital Corporation	-Adviser to Board(2007 to 2008)
BDO Elite Savings Bank,Inc.	-Director (Independent) (2007 to 2008)
Guarantee Fund for Small and Medium Enterprises	-Managing Director (1984 to 1991)

MA. LEONORA V. DE JESUS
INDEPENDENT DIRECTOR
59 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Independent Director Chairperson, Board Audit Committee Member, Risk Management Committee
Period Served	:	May 12, 2008 to present

Present Position/Directorship in Other Companies:

Professional Lecturer		-University of the Philippines
GE Money Bank, Inc.	-	Independent Director

Previous Work Experiences:

Equitable Savings Bank	-Independent Director (2005 to 2008)
PCI Capital Corporation	-Independent Director
GSIS	-Board Member (1998 to 2004)
Housing & Urban Development Coordinating Council	-Presidential Adviser on Housing & Chairperson (2000 to 2001)
Office of the President	-Cabinet Secretary (1992 to 1996; 1998 to 2001)

Home Development Mutual Fund(HDMF)	-Chairperson (1999 to 2001)
National Housing Authority(NHA)	-Chairperson (1999 to 2001)
Housing & Land Use Regulatory Board (HLURB)	-Chairperson (1999 to 2001)
National Home Mortgage Finance Corp.(NHMFC)	-Chairperson (1999 to 2001)
Home Guaranty Corporation(HGC)	-Chairperson (1999 to 2001)
Development Bank of the Philippines	-Member, Board of Directors (1996 to 1998)
Development Bank of the Philippines Data Center, Inc.	-Chairman of the Board (1996 to 1998)
Premier Savings Bank	-Member, Board of Directors (1996 to 1997)
Office of the President	-Presidential Assistant for Policy & Planning (February 1992 to June 1992)
Office of the President	-Assistant Secretary (1990 to 1991)
DOLE	-Asst. Secretary for Plans & Programs & Internal Affairs (1987 to 1990)
University of the Philippines	-Professional Lecturer (1985 to 1998)
Ateneo De Manila University	-Professional Lecturer (1985 to 1998)
Psychological Assessment & Devt'Corp.	-President & Chairman of the Board (1978 to 1984)
Ministry of Labor & Employment	-Chief, Labor Relations Division (1976 to 1979)
University of the Philippines	-College Instructor, Department of Psychology (1972 to 1975)

Executive Officers

The Board of Directors is assisted in its task by the following, which make up the senior management of the Company:

Position	***Name***	***Citizenship***	***Age***
President	*Roberto E. Lapid*	*Filipino*	*53*
First Vice-President	*Vicente C, Rallos*	*Filipino*	*56*
First Vice-President	*Gerard M. Aguirre*	*Filipino*	*54*
First Vice-President	*Renato G. Oñate*	*Filipino*	*46*
Senior Asst.Vice-President	*Rosario C. Crisostomo*	*Filipino*	*41*
Senior Asst.Vice-President	*Ma. Theresa M. Soriano*	*Filipino*	*40*
Assistant Vice-President	*Florecita R. Gonzales*	*Filipino*	*43*
Assistant Vice-President	*Corazon S. Chiu*	*Filipino*	*59*
Assistant Vice-President	*Edenila D. Tuazon*	*Filipino*	*46*
Assistant Vice-President	*Sergio M. Ceniza*	*Filipino*	*43*
Assistant Vice-President	*Edwin R. Aquino*	*Filipino*	*52*
Assistant Vice-President	*Antonell S. Interino*	*Filipino*	*36*

ROBERTO E. LAPID
DIRECTOR/PRESIDENT
53 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Director/ President Member, Executive Committee Member, Risk Management Committee
Period Served	:	May 24, 2006 to present

Present Position/Directorship in Other Companies:

BDO Rental Inc.	-Director/President

Previous Business Experiences:

Equitable Exchange Inc.	-Director/President (Aug. 12, 2003 to July 2007)
EBC Investments, Inc.	-Director/Vice Chairman (April 2002 to 2005)
Armstrong Securities Inc.	-Director (April 17, 2002 to Dec. 2002)
Asian Bank Corporation / AB Leasing	-Senior Manager (Sept. 1990 to June 1993)
UCPB Savings (formerly United Savings Bank)	-Private Banking Office (May 1990 to Sept 1990)
MLB Customs Brokerage	-Finance Manager (Nov. 1983 to May 1990)
Banco De Oro Savings & Mortgage Bank	-Treasury Manager (Jan. 1983 to Oct 1983)
Phil. American Investments, Inc. (PAIC)	-Assistant Manager (1978 to 1982)

VICENTE C. RALLOS
FIRST VICE-PRESIDENT
56 YEARS OLD, FILIPINO

Present Position in BDOLF	:	First Vice President- Southern Group Head
Period Served	:	November 3, 1986 to present

Previous Work Experiences:

PCI Leasing & Finance	-Branch Manager -Division Head
Investors Finance Corporation (FNCB Finance)	-Credit Investigator -Credit Admin. Head -Account Officer -Collection Head -Marketing Head (April 1975 to June 1984)

GERARD M. AGUIRRE
FIRST VICE-PRESIDENT
54 YEARS OLD,FILIPINO

Present Position in BDOLF	:	First Vice President
Period Served	:	December 2007 to present

Present Position/Directorship in Other Companies:

Montag Development, Inc.	-President

Previous Work Experiences:

Standard Chartered Bank	-Acct. Relationship Officer (Feb. 1987 to Feb. 1989)
Standard Chartered Bank	-Export Officer (Feb. 1989 to Aug. 1989)
Standard Chartered Bank	-Acct. Relationship Mgr. (Aug. 1989 to Mar. 1991)
Standard Chartered Bank	-Asst. Vice President (April 1991 to May 1993)
Solid Bank Corporation	-Asst. Vice President (May 1993 to May 1996)
Solid Bank Corporation	-Vice President – CBG (June 1996 to Dec. 1997)
Solid Bank Corporation	-Vice President – BBG (Jan. 1998 to Feb. 2000)
Solidcard Products Corp.	-Exec. Vice President (Feb. 2000 to Aug. 2000)

Phil. Savings Bank	-VP/Bus. Development (Sept. 2000 to Aug. 2001)
Banco De Oro (formerly EPCI)	-First Vice President (Oct. 2001 to Nov. 2007)

RENATO G. OÑATE
FIRST VICE-PRESIDENT
46 YEARS OLD, FILIPINO

Present Position in BDOLF : First-Vice President/Treasurer
Member, Risk Management Committee

Period Served : October 1997 to present

Present Position/Directorship in Other Companies :

BDO Rental, Inc.	-Director/Treasurer
OP Communications, Inc.	-Treasurer

Previous Work Experiences:

PCI Leasing & Finance Inc.	-Asst. Vice President
PCI Capital Corp.-FMG	-Treasury Grp Head (Jul ’94 – Sept ’97)
	-Acting Group Head (Apr.1991-July ’94)
	-Chief Trader (Jan.1990 – April 1991)
	-Trader (March 1988 – Jan. 1990)
	-Asst. Trader (Jan. 1987 – March 1988)

ROSARIO C. CRISOSTOMO
SENIOR ASST.VICE-PRESIDENT
41 YEARS OLD, FILIPINO

Present Position in BDOLF : Senior Asst. Vice President

Period Served : November 1993 to present

Previous Work Experiences:

BDO Leasing & Finance Inc.	-Asst.Vice-President (July 1, 2003 to January 31, 2008)
	-Senior Manager (Dec.1, 2000 to June 30, 2003)
	-Manager (July 1, 1997 to Nov.30, 2000)
	-Sr.Assistant Manager (Oct.1, 1995 to June 30, 1997)
	-Assistant Manager (Nov.18, 1993 to Sept.30, 1995)

MA. THERESA M. SORIANO
SENIOR ASST. VICE-PRESIDENT
40 YEARS OLD, FILIPINO

Present Position in BDOLF : Senior Asst. Vice President

Period Served : November 1993 to present

Previous Work Experiences:

BDO Leasing & Finance Inc.	-Assistant Vice-President (July 2003 to Jan 2008)
PCI Leasing & Finance Inc.	-Senior Manager (Dec 2000 to June 2003)
	-Manager (1997 to 2000)
	-Senior Asst. Manager (1995 to 1997)
	-Asst. Manager (1993 to 1995)
Consolidated Orix Leasing And Finance	-Credit Analyst (1992 to 1993)
Security Bank and Trust Company	-Financial Analyst (1991 to 1992)

FLORECITA R. GONZALES
ASSISTANT VICE-PRESIDENT
43 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Asst. Vice President Officer-in-Charge for Regulatory Disclosures
Period Served	:	July 11, 1994 to present

Position/Directorship in Other Companies:

BDO Rental Inc.	:	Corporate Secretary

CORAZON S. CHIU
ASSISTANT VICE-PRESIDENT
59 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Asst. Vice-President Accounting Head
Period Served	:	March 17, 2008 to present

Position/Directorship in Other Companies:

United Overseas Bank-Phils.	:	Consultant

Previous Work Experiences:

United Overseas Bank-Phils.	:	Head, Branch Operations (2002 to 2006)

EDENILA D. TUAZON
ASSITANT VICE-PRESIDENT
46 YEARS OLD,FILIPINO

Present Position in BDOLF	:	Asst. Vice-President
Period Served	:	September 2, 1996 to present

Previous Work Experience:

BDO Leasing and Finance Inc.	:	Senior Manager (Apr.1, 2003 to Feb.1, 2008)

SERGIO M. CENIZA
ASSISTANT VICE-PRESIDENT
43 YEARS OLD, FILIPINO

Present Position in BDOLF	:	Asst. Vice-President Legal and Collection Officer
Period Served	:	September 16, 2008

Position/Directorship in Other Companies:

Far Eastern University	:	Faculty
Manila Law College	:	Faculty
Phil. Law School	:	Faculty

Previous Work Experiences:		
Philam Plans, Inc.	:	Legal Counsel (Sept.2001 to Sept.15, 2008)
	:	Legal Officer (Jan.1995 to Sept.2001)
Great Pacific Life Ass. Corp	:	Legal Officer (Sept.1994 to Dec.1994)
	:	Group Sales Supervisor (Dec.1989 to Sept.1994)

EDWIN R. AQUINO
ASSISTANT VICE-PRESIDENT
52 YEARS OLD, FILIPINO,

Present Position in BDOLF	:	Asst. Vice-President Senior Risk Officer
Previous Work Experiences	**:**	
Bank of the Philippine Islands	:	-Sr. Manager- Credit Policy (2001 to 2008) -Sr. Manager-Specialized Lending (1999 to 2000) -Sr. Manager-QC Business Center (1996 to 1998) -Manager-QC Business Ctr. (1993 to 1996) -Sr. Asst. Manager-Com'l Bank (1988 to 1992) -Asst. Manager-Commercial Bank (1983 to 1988)
BPI Leasing Corp.	:	-Account Officer (1982 to 1982)
Makati Leasing Corp	:	-Executive Assistant (1980 to 1981) -Credit Analyst (1978 to 1979)

ANTONELL S. INTERINO
ASSISTANT VICE-PRESIDENT
36 YEARS OLD, FILIPINO,

Present Position in BDOLF	:	Asst. Vice-President Compliance Officer
Previous Work Experiences	**:**	
BDO Leasing & Finance Inc.		-Asst. Vice-President (Nov.16, 2009 to Feb.2,2010)
GE Money Bank:		-Asst. Vice-President (April 1,2009 to Nov. 16,2009) -Sr. Manager (Feb.15,2007 to April 1,2009)

Significant Employee

There was no significant employee as of 12/31/09. There is no person, other than the executive officers, who is expected by the Registrant to make significant contribution to the business.

Family Relationships

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

Involvement of Directors and Executive Officers in Certain Legal Proceedings

The Information for Other Deceits against BDO Leasing officers have been withdrawn and the case already dismissed by the Metropolitan Trial Court of San Juan City, Branch 57 following the dismissal by the Court of Appeals of the Petition for Certiorari of Sps. Dante & Lourdes Gutierrez assailing the Resolution of the Department of Justice dated March 24, 2008. The DOJ resolution reversed and set aside the resolution of the City Prosecutor of San Juan City finding probable cause against officers of BDO Leasing for Other Deceits.

Other than the foregoing, the company is not aware of any other legal proceedings of the nature required to be disclosed under Part I, paragraph C of "Annex C" of SRC Rule 12 with Respect to directors and executive officers.

The Company is not aware of any bankruptcy proceedings filed by or against any business of which a director or executive officer is a party or of which any of their property is subject.

The Company is not aware of any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, or any of its director or executive officer occurring within the past five (5) years from the date hereof.

The Company is not aware of any order, judgment, or decree not subsequently reversed, superseded, or vacated, by any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending, or otherwise limiting the involvement of a director or executive officer in any type of business, securities, commodities, or banking activities.

The Company is not aware of any findings by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign exchange or electronic marketplace or self regulatory organization, that any of its director or executive officer, has violated a securities or commodities law.

Item 10. Executive Compensation

SUMMARY COMPENSATION TABLE

Annual Compensation

Name and Principal Position	**Year**	**Salary Amount in Pesos**	**Bonus Amount in Pesos**
President (Robert E. Lapid) and four most highly compensated(Vicente C. Rallos, Renato G. Oñate, Rosario Crisostomo and Gerard M. Aguirre)	2009	9,889,800	5,051,200
All other officers and directors as a group unnamed	2009	47,449,702	13,864,616
Name and Principal Position	Year	Salary Amount in Pesos	Bonus Amount in Pesos
President (Robert E. Lapid) and four most highly compensated (Vicente C. Rallos, Renato G. Oñate, Rosario Crisostomo and Gerard M. Aguirre)	2008	8,880,899	4,532,100
All other officers and directors as a group unnamed	2008	37,048,542	12,505,363

Compensation of Directors

Under the Company's By-laws, the Directors are entitled to an honorarium of P1,000.00 for their attendance at each regular or special meeting of the Board of Directors.

There were no other arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated; no employment contracts and termination of employment and change-in-control arrangements; no employment contract between the Company and a named executive

officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer.
B. Outstanding warrants or options held by the registrants CEO, executive officers, and all officers and directors as a group.

Not Applicable- There are no outstanding warrants or options held by the registrants CEO, executive officers, and all officers and directors as a group.

C. Any repricing of warrants or options held by such officers or directors in the last completed fiscal year, as well as the basis for each such repricing.

Not Applicable- There are repricing of warrants or has an any adjustment or amendment in price stock warrants or options previously awarded to any of the officers and directors at any time during the last completed fiscal year.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

As of December 31, 2009, the Company is 85% owned by the Parent Company and the remaining 15% is owned by various stockholders with only one stockholder having a 5% holding of the outstanding capital stock as of said date.

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Banco De Oro Unibank Inc. –12 ADB Avenue Ortigas Center, Mandaluyong City Banco de Oro Unibank, Inc. is the parent company of the issuer		Filipino 1,	1,840,114,698	85.09%
Common	PCD Nominee Corp – G/F Makati Stock Exchange Building, 6767 Ayala Ave., Makati City PCD Nominee has no relationship with the issuer except as stockholder	No stockholder owns more than 5% of the company's voting securities	Filipino Foreign	180,632,536 22,100,536	8.35% 1.02%

SECURITY OWNERSHIP OF MANAGEMENT AS OF DECEMBER 31, 2009

Following are the securities beneficially owned by directors and executive officers of the Company.

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Banco De Oro Unibank, Inc.	1,840,114,698.00/of record	Filipino	85.092981%

Common	Teresita T. Sy	100.00/of record	Filipino	0.000046%
Common	Roberto E. Lapid	100.00/of record	Filipino	0.000046%
Common	Nestor V. Tan	100.00/of record	Filipino	0.000046%
Common	Ma.Leonora V.De Jesus	100.00/of record	Filipino	0.000046%
Common	Nazario S. Cabuquit, Jr.	100.00/of record	Filipino	0.000046%
Common	Antonio N. Cotoco	115.00/of record	Filipino	0.000053%
Common	Atty.Fulgencio S. Factoran, Jr.	100.00/of record	Filipino	0.000046%
Common	Antonio A. Henson	100.00/of record	Filipino	0.000046%
Common	Reynaldo P. Palmiery	100.00/of record	Filipino	0.000046%
Common	Atty. Edmundo L. Tan	100.00/of record	Filipino	0.000046%
Common	Exequiel P. Villacorta, Jr.	100.00/of record	Filipino	0.000046%
Common	Walter C. Wassmer	100.00/of record	Filipino	0.000046%
Common	Atty. Jesse H.T Andres	100.00/of record	Filipino	0.000046%
Common	Jesus G. Tirona	100.00/of record	Filipino	0.000046%
Common	All executive officers as a group	106,260.00/ofrecord	Filipino	0.049138%
Common	Various Stockholders	322,036,889.00/of record		14.8900000%

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

1.) In the ordinary course of business, the Group enters into transactions with BDO Unibank and other affiliates. Under the Group's policy, these transactions are made substantially on the same terms as with other individuals and business of comparable risks.

a. As of December 31, 2009 and 2008, total savings and demand deposit accounts maintained in BDO Unibank by the Group amounted to P71.2 million and P54.2 million respectively. Interest income earned on deposits amounted to P0.8 million, P0.6 million and P0.9 million in 2009, 2008, and 2007 respectively. Cash equivalents totaling P66.0 million is also maintained with BDO Unibank as of December 31, 2009.

b. Total bills payable to BDO Unibank is nil as of December 2009 and P254.0 million as of December 31, 2008. Interest expense incurred on bills payable amounted to P14.2 million, P11.3 million and P22.5 million in 2009, 2008 and 2007, respectively.

c. The Parent Company leases its head office premises from BDO for a period of 5 years from July 1, 2005 to June 30, 2010, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company. Related rent expense incurred amounted to P16.1 million, P12.7 million and P12.5 million in 2009, 2008 and 2007 respectively.

d. In 2009, the Parent Company granted short-term unsecured loan to BDO Rental amounting to P667.6 million, presented as part of Loans and Other Receivables in the Parent Company's statements of financial position. The loan bears annual interest rates ranging from 4.00% to 5.75%. As of December 31, 2008, the carrying amount of the loan amounted to P657.2 and was fully paid as of December 31, 2009. Total interest income earned by the Parent Company amounted to P27.6 million in 2009 and P6.1 million in 2008 and is presented as part of Interest and Discounts in the Parent Company's statements of comprehensive income.

e. In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale of P62.6. The gain is included as presented as Gain on Sale of Receivable under Other Income.

f. Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to P24.6 million in 2009, P20.7 million in 2008 and P17.6 million in 2007 and is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Parent Company.

Short-term employee benefits include salaries, paid annual leave and paid sick leave, bonuses, and non-monetary benefits.

2.) The Company, to finance its lending requirements, borrows funds from BDO Unibank Inc. prevailing market rates. As of end of December 31, 2009, there were no dollar borrowings. The Company's credit line with BDO Unibank Inc. stood at P 1.00 billion for both December 31, 2008 and December 31, 2009.

3.) The Company and its six (6) branches maintain current and savings accounts with Parent Company. Current accounts are non-interest earning while savings accounts earned interest of 0.75% per annum.

4.) The Company, who is in need of IT services to operate its systems, entered into a Service level Agreement with BDO, who has the IT facilities and technical competence to develop, maintain, and modify IT application software and to direct, supervise, and run the operating system software.

BDO shall provide the Company with the following IT services:

Business Continuity Center and telecommunications infrastructure maintenance which includes email and network connectivity of BDO Leasing Head Office and its branches/marketing desks with BDO; internet connectivity; transmission line security and authentication (firewall encryption/decryption facilities, etc.); training of BDO Leasing IT personnel; IT voice and data network design, planning, project management and project implementation assistance; server administration and maintenance; system/application development and maintenance; IT product evaluation and vendor selection

5.) The company granted short term unsecured loans to BDO Rental, Inc., which as of December 31, 2008 has an outstanding balance of P657 million. In 2009, the Parent Company granted short-term unsecured loan to BDO Rental, Inc. amounting P667.6 million, which as of December 31, 2009 was already fully paid.

Loans to officers aggregated to P 5,488,636.00 as of 2009.

Name of Officers	Outstanding Balance
ABAPO, JOSE EDMUND T.	146,280.00
ALBA, RS ANGELO M.	157,410.00
AMORES, EMMANUEL D.	111,300.00
BANEZ, RONELIO M.	363,222.00
BANSIL, NANCY S.	712,320.00
BAYONA, DOHLMEIR P.	14,155.00
BELARMINO, EVANGELINE M.	51,516.00
BENAVIDEZ, VANESSA JOYCE C.	147,870.00
BIEN, LILIA M.	95,952.00
CABALLERO, ERNIE MICHAEL R.	66,780.00
CONDAG, REINERIO D.	105,996.00
DIAZ, MANOLO O.	24,672.00
EVANGELISTA, ROBERTO H.	34,980.00
GARCIA, TED S.	60,302.00
HANDIG, JOEVEN Y.	246,429.00
HIPOLITO, EMILIANO A.	222,600.00

LACHICA, MARTINA H.	133,560.00
LEAÑO, ARISKNOWELL L.	173,391.00
LOPEZ, RETHEL ANN C.	164,472.00
MACAINAG, SCANDUTCH THERESA D.	217,996.00
MAGDAMO, MA. CHERYL D.	171,720.00
MIRANDILLA, ANALYN V.	73,104.00
MONTESA, CAROLINE A.	73,458.00
PANGAN, EVELYN I.	213,696.00
PANGILINAN, LARA MAY B.	200,340.00
QUINSAY, RODRIGO A. JR.	178,080.00
RAVARA, FERDINAND W.	109,656.00
RIVERA, CHRISTOPHER A.	152,640.00
RUANTO, RUVERO P.	131,592.00
SALAZAR, MARY JANE D.	108,120.00
SERAFICA, VIRGILIO M.	139,920.00
SUBONG, ERWIN D.	12,405.00
TALLUD, GLADYS L.	152,958.00
TUAZON, EDENILA L.	219,288.00
VICENTE, MANNETTE D.	300,456.00
	5,488,636.00

CORPORATE GOVERNANCE

The Company has adopted a Manual of Corporate Governance, which was filed with and duly approved by the Commission. Pursuant to the Manual, the Company established an evaluation system to measure or determine the level of performance of the Board of Directors and top level management. The rating form, which is duly approved by the Board of the Company, is accomplished on an annual basis.

The Company requires its directors and senior officers to attend seminars conducted by reputable service providers and conduct its own training and seminars to fully comply with the adopted leading practices on good governance.

There has been no deviation from the Company's Manual of Corporate Governance.

The Company will continue to send its directors and senior officers to attend training programs and seminars to further improve the corporate governance of the Company.

PART IV - EXHIBITS AND SCHEDULES

Item 13. EXHIBITS AND REPORTS ON SEC FORM 17-C

(a) Exhibits - See accompanying Index to Exhibits

(b) Reports on SEC Form 17-C

Various disclosures were reported using SEC Form 17-C during the year 2009.

Date Reported	Items Reported
JANUARY	

i. At its meeting held today, January 14,2009, the Board of Directors of BDO Leasing & Finance, Inc. (BDOLF) resolved to:

1.) Appoint Ms. Jannine I. Ramos as the Internal Auditor of BDOLF, to serve as such until her successor is appointed and qualified; and
2.) Reschedule the Annual Stockholders' Meeting of BDOLF from any day in April, as provided in the By-Laws, to June 1, 2009. Appropriate notices announcing the record date, agenda, exact time and venue of the ASM will be timely issued.

FEBRUARY

ii. The Board of Directors of BDO Leasing and Finance,Inc.(BDOLF), at its board meeting held today, February 4,2009, fixed the record date on April 3, 2009 for stockholders entitled to vote and participate at the Annual Stockholders' Meeting of BDOLF which will be held on June 1,2009; and the inclusive dates when the stock and transfer book will be closed shall be from April 3, 2009 to June 1, 2009. The nomination period and the procedure thereof shall be in accordance with BDOLF's By-Laws, and appropriate notices announcing the time and venue of the Annual Stockholders' Meeting will be timely issued.

MAY

iii At its regular meeting held today, May 27,2009, the Board of Directors of BDO Leasing & Finance, Inc. (BDOLF) resolved to declare a cash dividend of Php0.05 per share to be paid to all stockholders of record as of June 10,2009 and payable on July 7,2009.

JUNE

iv. **Item 4**

A. Election of Directors

At its annual stockholders' meeting held today, June 1, 2009,. BDO Leasing and Finance, Inc.(BDOLF) elected the following as directors for the year 2009-2010.

Regular Directors
Teresita T. Sy
Nazario S. Cabuquit Jr.
Antonio B. Cotoco
Fulgencio S. Factoran, Jr.
Ma. Luz C. Generoso
Antonio A. Henson
Roberto E. Lapid
Reynaldo P. Palmiery
Edmundo L. Tan
Nestor V. Tan
Exequiel P. Villacorta, Jr.
Walter C. Wassmer

Independent Directors
Jesse H.T. Andres
Ma. Leonora V. De Jesus
Jesus G.Tirona

B. Appointment of Corporate Officer

At the organizational meeting, the following were appointed as Corporate Officer of BDOLF for the year 2009-2010:

Teresita T. Sy	Chairperson
Antonio N. Cotoco	Vice-Chairman and Managing Director
Roberto E. Lapid	President
Richard Anthony D. Alcazar	Corporate Secretary and Corporate Information Officer
Mario D. Rabanal	Assistant Corporate Secretary
Renato G. Oñate	First Vice-President & Treasurer
Gerard M. Aguirre	First Vice-President
Vicente C. Rallos	First Vice-President
Rosario C. Crisostomo	Senior Assistant Vice-President
Ma. Theresa M. Soriano	Senior Assistant Vice-President
Corazon S. Chiu	Assistant Vice-President and Comptroller
Florecita R. Gonzales	Assistant Vice-President and Officer-in-Charge for Regulatory Disclosures
Edenila D. Tuazon	Assistant Vice President
Sergio M. Ceniza	Assistant Vice President
Edwin R. Aquino	Assistant Vice President/Senior Risk Officer
Mannette D. Vicente	Manager 1/Compliance Officer

Item 3

Appointment of External Auditor

The Accountancy and Auditing Firm of Punongbayan & Araullo, CPAs, was appointed external auditor of BDO Leasing & Finance, Inc. for 2009.

Item 9

A. Composition of Board Committees

Adviser to the Board
Hon. Jeci A. Lapus

Executive Committee

Teresita T. Sy	Chairperson
Antonio N. Cotoco	Vice-Chairman
Roberto E. Lapid	Member
Nestor V. Tan	Member
Walter C. Wassmer	Member

Board Audit Committee

Ma. Leonora V. De Jesus	Chairman
Jesse H.T. Andres	Member
Jesus G. Tirona	Member
Shirley M. Sangalang	Adviser

Corporate Governance Nomination and Compensation and Remuneration Committee

Edmundo L. Tan	Chairman
Jesse H.T. Andres	Member
Antonio N. Cotoco	Member
Nazario S. Cabuquit, Jr.	Member
Antonio A. Henson	Member

Retirement Committee

Teresita T. Sy	Chairperson
Antonio N. Cotoco	Member
Fulgencio S. Factoran, Jr.	Member
Nestor V. Tan	Member
Rebecca S. Torres	Adviser
Ricardo V. Martin	Adviser
Perla F. Toledo	Adviser
Lucy Co Dy	Adviser

Risk Management Committee

Nestor V. Tan	Chairman
Antonio N. Cotoco	Member
Ma. Leonora V. De Jesus	Member
Walter C. Wassmer	Member
Roberto E. Lapid	Member
Renato G. Oñate	Member

SEPTEMBER

v. The Board of Directors of BDO Leasing & Finance, Inc. (BDOLF), at its regular board meeting held today, September 30, 2009, accepted the resignation of Director Ma. Luz C. Generoso.

NOVEMBER

vi. At its special meeting held today, November 11, 2009, the Board of Directors of BDO Leasing & Finance, Inc. (BDOLF) resolved to declare a cash dividend of Php0.15 per share to be paid to all stockholders of record as of November 25, 2009 and payable on December 22, 2009.

OTHER MATTERS:

Merger of Banco de Oro Universal Bank ("BDO") with Equitable PCI Bank, Inc. ("EPCIB")

On November 6, 2006, the respective boards of directors (BOD) of BDO and EPCIB approved a Plan of Merger of BDO and EPCIB with BDO as the surviving entity. The merger was effected through a swap of shares whereby BDO issued to EPCIB shareholders 1.8 of its shares for every EPCIB share.

The Plan of Merger was subsequently approved by BDO and EPCIB shareholders in separate meetings on December 27, 2006. The Plan of Merger and Articles of Merger were approved by the BSP and the Securities and Exchange Commission (SEC) on March 29, 2007 and May 25, 2007, respectively, with May 31, 2007 as the effectivity date of the merger. Under the merger, the entire assets and liabilities of EPCIB were transferred to and absorbed by BDO. Since the merger is between entities which are both under common control by SMIC, the Group has decided to account for the merger under the pooling-of-interests method of accounting. The use of the pooling-of-interests method of accounting was approved by the SEC on May 25, 2007. In applying the pooling-of-interests method, the financial statement items of BDO and EPCIB were combined at the beginning of the period in which merger occurred, that is, January 1, 2007. The comparative financial data presented for 2006 have been restated to include the accounts of EPCIB from October 2, 2006, the date the two merging entities became under common control by SMIC.

SIGNATURES

Pursuant to the requirements of Section 17 of the RSA and Section 141 of the Corporation Code, this is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of __ on APR 1 4 20 2010

By:

Roberto E. Lapid
President

Renato G. Oñate
First Vice President/Treasurer

Richard Anthony D. Alcazar
Corporate Secretary/
Corporate Information Officer

Corazon S. Chiu
Assistant Vice President/
Comptroller

APR 1 4 2010 QUEZON CITY

SUBSCRIBED AND SWORN to before me this ____ day of ______, 2010 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

NAMES	TIN. No.	SSS. No
Roberto E. Lapid	108-159-915	03-5034078-2
Renato G. Oñate	107-019-198	03-7484543-8
Richard Anthony D. Alcazar	178-486-310	33-3092814-7
Corazon S. Chiu	107-173-766	03-2742120-7

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Page No. 034
Book No.
Series of 2010

Notary Public

ATTY. JAY T. BORROMEO
Notary Public
Until Dec. 31, 2010
PTR No. 3178723 / 01-04-10, Q.C.
IBP No. 779720 / 01-04-10, Q.C.
Atty's Roll No. 49649
TIN - 156-545-237
MCLE Compliance II No. 0002034

Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Financial Statements and Independent Auditors' Report

BDO Leasing and Finance, Inc. and Subsidiary

December 31, 2009, 2008 and 2007

Punongbayan & Araullo

Report of Independent Auditors

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The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

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www.punongbayan-araullo.com

The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of Banco de Oro Unibank, Inc.)
BDO Leasing Centre, Corinthian Gardens
Ortigas Avenue, Quezon City

We have audited the accompanying financial statements of BDO Leasing and Finance, Inc. and subsidiary (the "Group") and BDO Leasing and Finance, Inc. (the "Parent Company") which comprise the statements of financial position as at December 31, 2009 and 2008, and the statements of comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2009, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BDO Leasing and Finance, Inc. and subsidiary and of BDO Leasing and Finance, Inc. as of December 31, 2009 and 2008, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2009 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: Benjamin P. Valdez
Partner
CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 2087602, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0009-AR-2
BIR AN 08-002511-11-2008 (Nov. 25, 2008 to 2011)

Firm BOA/PRC Cert. of Reg. No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 3, 2010

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

	Notes	Group 2009	Group 2008	Parent Company 2009	Parent Company 2008
ASSETS					
CASH AND CASH EQUIVALENTS	6	**P 232.4**	P 186.1	**P 176.4**	P 171.9
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	**1,300.9**	1.1	**1,300.9**	1.1
LOANS AND OTHER RECEIVABLES - Net	8	**9,142.7**	7,692.9	**9,131.7**	8,329.3
PROPERTY AND EQUIPMENT - Net	9	**1,452.5**	1,649.7	**20.3**	15.2
INVESTMENT PROPERTIES - Net	10	**767.0**	751.6	**767.0**	751.6
OTHER ASSETS - Net	11	**156.6**	127.1	**315.3**	100.9
TOTAL ASSETS		**P 13,052.1**	P 10,408.5	**P 11,711.6**	P 9,370.0
LIABILITIES AND EQUITY					
BILLS PAYABLE	12	**P 6,143.0**	P 3,681.6	**P 5,263.5**	P 3,093.6
ACCOUNTS PAYABLE AND OTHER LIABILITIES	13	**232.4**	194.1	**234.5**	159.5
LEASE DEPOSITS	14	**2,301.9**	2,025.5	**1,974.1**	1,742.9
Total Liabilities		**8,677.3**	5,901.2	**7,472.1**	4,996.0
CAPITAL STOCK	15	**2,225.2**	2,225.2	**2,225.2**	2,225.2
ADDITIONAL PAID-IN CAPITAL		**571.1**	571.1	**571.1**	571.1
TREASURY SHARES		**(81.8)**	(81.8)	**(81.8)**	(81.8)
RETAINED EARNINGS		**1,660.6**	1,793.1	**1,525.3**	1,659.8
UNREALIZED FAIR VALUE LOSS ON AVAILABLE-FOR-SALE SECURITIES	7	**(0.3)**	(0.3)	**(0.3)**	(0.3)
Net Equity		**4,374.8**	4,507.3	**4,239.5**	4,374.0
TOTAL LIABILITIES AND EQUITY		**P 13,052.1**	P 10,408.5	**P 11,711.6**	P 9,370.0

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		Group			Parent Company		
	Notes	**2009**	2008	2007	**2009**	2008	2007
REVENUES							
Rent	17	**P 1,125.7**	P 256.4	P 58.4	P -	P -	P -
Interest and discounts	8	**864.9**	1,012.5	1,077.8	**892.5**	1,018.5	1,077.8
Service fees		**95.6**	20.7	15.1	**95.6**	20.7	15.1
Other income	16	**123.5**	78.9	90.8	**91.9**	29.9	73.1
		2,209.7	1,368.5	1,242.1	**1,080.0**	1,069.1	1,166.0
OPERATING COSTS AND EXPENSES							
Occupancy and equipment-related expenses	9, 10, 11	**1,087.1**	221.2	72.8	**53.6**	48.5	50.2
Interest and financing charges	12, 14	**281.4**	284.5	301.4	**206.5**	255.2	286.8
Employee benefits	18	**133.9**	114.3	127.6	**133.9**	114.3	127.6
Impairment and credit losses	8	**94.5**	75.0	179.4	**94.5**	75.0	179.4
Taxes and licenses	20	**92.3**	80.7	71.8	**85.5**	78.3	70.6
Litigation/assets acquired expenses		**23.8**	26.6	27.4	**23.8**	26.6	27.4
Security, clerical and messengerial		**7.3**	6.1	5.6	**7.3**	6.0	5.5
Others		**35.0**	29.5	32.5	**34.6**	26.7	32.1
		1,755.3	837.9	818.5	**639.7**	630.6	779.6
PROFIT BEFORE TAX		**454.4**	530.6	423.6	**440.3**	438.5	386.4
TAX EXPENSE	20	**154.4**	165.0	81.9	**142.3**	145.8	74.0
NET PROFIT		**P 300.0**	P 365.6	P 341.7	**P 298.0**	P 292.7	P 312.4
Basic / Diluted Earnings Per Share	21	**P 0.14**	P 0.17	P 0.16	**P 0.14**	P 0.14	P 0.14

Note: The Group has no other comprehensive income in each of the three years in the period ended December 31, 2009.

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco De Oro Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Millions of Philippine Pesos)

		Group					
	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares, At Cost	Unrealized Fair Value Loss on Available-for-Sale Securities	Net Equity
Balance at January 1, 2009		P 2,225.2	P 571.1	P 1,793.1	(P 81.8)	(P 0.3)	P 4,507.3
Total comprehensive income		-	-	300.0	-	-	300.0
Cash dividends	15	-	-	(432.5)	-	-	(432.5)
BALANCE AT DECEMBER 31, 2009	15	**P 2,225.2**	**P 571.1**	**P 1,660.6**	**(P 81.8)**	**(P 0.3)**	**P 4,374.8**
Balance at January 1, 2008		P 2,225.2	P 571.1	P 1,427.5	(P 81.8)	(P 0.3)	P 4,141.7
Total comprehensive income		-	-	365.6	-	-	365.6
BALANCE AT DECEMBER 31, 2008		P 2,225.2	P 571.1	P 1,793.1	(P 81.8)	(P 0.3)	P 4,507.3
Balance at January 1, 2007		P 2,225.2	P 571.1	P 1,085.8	(P 81.8)	(P 0.3)	P 3,800.0
Total comprehensive income		-	-	341.7	-	-	341.7
BALANCE AT DECEMBER 31, 2007		P 2,225.2	P 571.1	P 1,427.5	(P 81.8)	(P 0.3)	P 4,141.7

Note: The Group has no other comprehensive income in each of the three years in the period ended December 31, 2009.

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco De Oro Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Millions of Philippine Pesos)

		Parent Company					
	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings	Treasury Shares, At Cost	Unrealized Fair Value Loss on Available-for-Sale Securities	Net Equity
Balance at January 1, 2009		P 2,225.2	P 571.1	P 1,659.8	(P 81.8)	(P 0.3)	P 4,374.0
Total comprehensive income		-	-	298.0	-	-	298.0
Cash dividends	15	-	-	(432.5)	-	-	(432.5)
BALANCE AT DECEMBER 31, 2009	15	**P 2,225.2**	**P 571.1**	**P 1,525.3**	**(P 81.8)**	**(P 0.3)**	**P 4,239.5**
Balance at January 1, 2008		P 2,225.2	P 571.1	P 1,367.1	(P 81.8)	(P 0.3)	P 4,081.3
Total comprehensive income		-	-	292.7	-	-	292.7
BALANCE AT DECEMBER 31, 2008		P 2,225.2	P 571.1	P 1,659.8	(P 81.8)	(P 0.3)	P 4,374.0
Balance at January 1, 2007		P 2,225.2	P 571.1	P 1,054.9	(P 81.8)	(P 0.3)	P 3,769.1
Total comprehensive income		-	-	312.2	-	-	312.2
BALANCE AT DECEMBER 31, 2007		P 2,225.2	P 571.1	P 1,367.1	(P 81.8)	(P 0.3)	P 4,081.3

Note: The Group has no other comprehensive income in each of the three years in the period ended December 31, 2009.

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Millions of Philippine Pesos)

	Notes	Group			Parent Company		
		2009	2008	2007	**2009**	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 454.4**	P 530.6	P 423.6	**P 440.4**	P 438.5	P 386.2
Adjustments for:							
Interest income	8	**(864.9)**	(1,012.5)	(1,077.8)	**(892.5)**	(1,018.5)	(1,077.8)
Interest received		**891.3**	1,014.1	1,030.6	**891.1**	957.9	1,030.5
Interest and financing charges	12, 14	**275.6**	284.5	301.4	**206.5**	255.2	286.8
Interest and financing charges paid		**(285.7)**	(283.2)	(255.7)	**(208.4)**	(171.2)	(244.6)
Depreciation and amortization	9, 10, 11	**1,064.6**	195.8	48.3	**31.1**	23.4	25.8
Impairment and credit losses	8, 11	**94.5**	75.0	179.4	**94.5**	75.0	179.4
Fair value gains		**(69.9)**	(51.1)	(87.4)	**(62.2)**	(1.5)	(231.1)
Loss (gain) on sale of investment properties	10	**(7.2)**	(3.9)	11.7	**(7.2)**	(3.9)	11.7
Loss (gain) on sale of property and equipment	9	**(10.7)**	0.1	-	**-**	0.1	-
Operating profit before changes in operating assets and liabilities		**1,542.0**	749.4	574.1	**493.3**	555.0	366.9
Decrease (increase) in loans and other receivables		**(1,545.1)**	391.5	(152.9)	**(897.6)**	(199.1)	20.5
Decrease (increase) in other assets		**(57.3)**	(89.1)	11.3	**(27.6)**	(26.9)	18.8
Increase (decrease) in accounts payable and other liabilities		**(11.9)**	75.2	5.5	**46.8**	(49.8)	2.7
Increase in lease deposits		**316.4**	489.9	109.5	**260.0**	192.8	100.0
Cash generated from (used in) operations		**244.1**	1,616.9	547.5	**(125.1)**	472.0	508.9
Cash paid for income tax		**(86.1)**	(231.4)	(144.4)	**(76.3)**	(212.8)	(134.5)
Net Cash From (Used in) Operating Activities *(Carried Forward)*		**P 158.0**	P 1,385.5	P 403.1	**(P 201.4)**	P 259.2	P 374.4

	Notes	Group 2009	Group 2008	Group 2007	Parent Company 2009	Parent Company 2008	Parent Company 2007
Net Cash From (Used in) Operating Activities *(Brought Forward)*		**P 158.0**	P 1,385.5	P 403.1	**(P 201.4)**	P 259.2	P 374.4
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of available-for-sale financial assets		**(1,299.8)**	-	-	**(1,299.8)**	-	-
Acquisition of property and equipment		**(847.6)**	(1,525.6)	(99.0)	**(14.6)**	(14.0)	(4.7)
Net increase in investment properties		**(19.1)**	(50.1)	(81.1)	**(19.1)**	(50.1)	(81.1)
Proceeds from disposal of property and equipment		**25.9**	8.5	9.1	**-**	1.9	8.8
Additional investment in a subsidiary		**-**	-	-	**(198)**	(7)	(30.0)
Net Cash Used in Investing Activities		**(2,140.6)**	(1,567.2)	(171.0)	**(1,531.5)**	(69.2)	(107.0)
CASH FLOWS FROM FINANCING ACTIVITIES							
Availments of bills payable		**32,503.1**	7,638.0	4,822.8	**26,352.1**	6,240.2	4,736.8
Payments of bills payable		**(30,041.7)**	(7,480.4)	(4,992.8)	**(24,182.2)**	(6,463.0)	(4,940.1)
Payments of cash dividends	15	**(432.5)**	-	-	**(432.5)**	-	-
Net Cash From (Used in) Financing Activities		**2,028.9**	157.6	(170.0)	**1,737.4**	(222.8)	(203.3)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**46.3**	(24.1)	62.1	**4.5**	(32.8)	64.1
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**186.1**	210.2	148.1	**171.9**	204.7	140.6
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**P 232.4**	P 186.1	P 210.2	**176.4**	P 171.9	P 204.7

Supplemental Information on Non-cash Investing Activities

The following are the noncash investing activities that relate to the analysis of the cash flow statements:

a. Additions to investment properties in settlement of loans and receivables amounted to P38.6 and P114.7 in 2009 and 2008, respectively (see Notes 8 and 10, pages 37 and 43, respectively). In 2007, additions to investment properties in settlement of loans and receivables totaled P110.6.

b. Additions to repossessed chattels and other equipment in settlement of loans and other receivables amounted to P7.2 and P28.9 in 2009 and 2008, respectively (see Notes 8 and 11, pages 36 and 44, respectively). In 2007, additions to repossessed chattels and other equipment in settlement of loans and other receivables amounted to P57.1.

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009, 2008 AND 2007
(Amounts in Millions of Philippine Pesos, Except Per Share Data, Exchange Rates and As Indicated)

1. CORPORATE MATTERS

1.1 Incorporation and Operations

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

The Parent Company is a subsidiary of Banco de Oro Unibank, Inc. (BDO Unibank or the "Ultimate Parent Company"), an expanded commercial bank incorporated and doing business in the Philippines.

BDO Rental, Inc. (BDO Rental), a wholly-owned subsidiary of BDO Leasing, is licensed by the Philippine Securities and Exchange Commission (SEC) to engage in renting and leasing of equipment. It started its commercial operations on June 30, 2005.

The Parent Company's principal office is located at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City. It has nine branches located in the cities of Makati, Cebu, Davao, Dagupan, San Pablo, Cagayan de Oro, Iloilo, Pampanga and Cavite. The registered address of BDO Unibank is located at BDO Corporate Center, 7899 Makati Avenue, Makati City.

1.2 Change in Corporate Name

On July 30, 2007, the Board of Directors (BOD) approved the change in the Parent Company's corporate name from PCI Leasing and Finance, Inc. to BDO Leasing and Finance, Inc. This change was subsequently approved by the SEC on June 13, 2008.

1.3 Approval of Financial Statements

The accompanying financial statements of BDO Leasing and BDO Rental (the "Group") and of the Parent Company for the year ended December 31, 2009 (including the comparatives for the years ended December 31, 2008 and 2007) were authorized for issue by the BOD on March 3, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards (PFRS)

The financial statements of the Group have been prepared in accordance with PFRSs. PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. These financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial assets. 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 PAS 1 (Revised 2007), *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single statement of comprehensive income. Two comparative periods are presented for the statement of financial position when the Group applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional currency (the currency of the primary economic environment in which the Company operates), and all values represent absolute amounts except when otherwise indicated (see also Note 2.15).

2.2 Impact of New Amendments and Interpretations to Existing Standards

(a) Effective in 2009 that are Relevant to the Group

In 2009, the Group adopted for the first time the following new interpretation and amended standards which are mandatory in 2009:

Philippine Accounting Standard (PAS) 1 (Revised 2007)	:	Presentation of Financial Statements
PAS 27 (Revised)	:	Consolidated and Separate Financial Statements
PFRS 7 (Amendments)	:	Financial Instruments: Disclosures
PFRS 8	:	Operating Segments
Various Standards	:	2008 Annual Improvements to PFRS

(i) PAS 1 (Revised 2007), *Presentation of Financial Statements*. The amendment requires an entity to present all items of income and expense recognized in the period in a single statement of comprehensive income or in two statements: a separate statement of income and a statement of comprehensive income. Income and expense recognized in profit or loss is presented in the statement of income in the same way as the previous version of PAS 1. The statement of comprehensive income includes the profit or loss for the period and each component of income and expense recognized outside of profit or loss or the "non-owner changes in equity," which are no longer allowed to be presented in the statements of changes in equity, classified by nature (e.g., gains or losses on available-for-sale assets or translation differences related to foreign operations). A statement showing an entity's financial position at the beginning of the previous period is also required when the entity retrospectively applies an accounting policy or makes a retrospective restatement, or when it reclassifies items in its financial statements.

The Group has applied PAS 1 (Revised 2007) in its 2009 consolidated financial statements and its adoption of this amendment did not result in any material adjustments in its financial statements as the change in accounting policy only affects presentation aspects. The Group has elected to present a single statement of comprehensive income since there are no other comprehensive income in each of the three years in the period ended December 31, 2009.

(ii) PAS 27 (Revised), *Consolidated and Separate Financial Statements* (effective from July 1, 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the equity is remeasured to fair value, and a gain or loss is recognized in profit or loss. Since there are no non-controlling interests in the subsidiaries within the Group, this revised standard has no impact in the Group's financial statements.

(iii) PFRS 7 (Amendments), *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*. The amendments require additional disclosures for financial instruments that are measured at fair value in the statement of financial position. These fair value measurements are categorized into a three-level fair value hierarchy (see Note 3.2), which reflects the extent to which they are based on observable market data. A separate quantitative maturity analysis must be presented for derivative financial liabilities that shows the remaining contractual maturities, where these are essential for an understanding of the timing of cash flows. All disclosures relating to financial instruments, including all comparative information, have been updated to reflect the new requirements. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information with respect to the new requirements. Moreover, as the change in accounting policy only results in additional disclosures, there is no significant impact on the Group's financial statements.

(iv) PFRS 8, *Operating Segments*, (effective from January 1, 2009). Under this new standard, a reportable operating segment is identified based on the information about the components of the entity that management uses to make decisions about operating matters. In addition, segment assets, liabilities and performance, as well as certain disclosures, are to be measured and presented based on the internal reports prepared for and reviewed by the chief decision makers. The Group identifies operating segments and reports on segment assets, liabilities and performance based on internal management reports, hence, the adoption of this new standard did not have material impact on the Group's financial statements.

(v) 2008 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2008* which became effective in the Philippines in annual periods beginning on or after January 1, 2009. Among those improvements, the following are the amendments relevant to the Group:

- PAS 1 (Amendment), *Presentation of Financial Statements*. The amendment clarifies that financial instruments classified as held for trading in accordance with PAS 39 are not necessarily required to be presented as current assets or current liabilities. Instead, normal classification principles under PAS 1 should be applied. Since the Group has no financial instruments held for trading, the amendment had no impact in the Group's financial statements.

- PAS 19 (Amendment), *Employee Benefits*. The amendment includes the following:

  - Clarification that a curtailment is considered to have occurred to the extent that benefit promises are affected by future salary increases and a reduction in the present value of the defined benefit obligation results in negative past service cost.

  - Change in the definition of return of plan assets to require the deduction of plan administration costs in the calculation of plan assets return only to the extent that such costs have been excluded from measurement of the defined benefit obligation.

  - Distinction between short-term and long-term employee benefits will be based on whether benefits are due to be settled within or after 12 months of employee service being rendered.

  - Removal of the reference to recognition in relation to contingent liabilities in order to be consistent with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, which requires contingent liabilities to be disclosed and not recognized.

  The Group has assessed that this amendment has no significant impact on its financial statements.

- PAS 36 (Amendment), *Impairment of Assets*. Where fair value less cost to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. Since there were no impairment losses recognized on non-financial assets, the adoption of this amendment did not have significant impact in the Group's financial statements.

- PAS 40 (Amendment), *Investment Property*. PAS 40 is amended to include property under construction or development for future use as investment property in its definition of investment property. This results in such property being within the scope of PAS 40; previously, it was within the scope of PAS 16. Also, if an entity's policy is to measure investment property at fair value, but during construction or development of an investment property the entity is unable to reliably measure its fair value, then the entity would be permitted to measure the investment property at cost until construction or development is complete. At such time, the entity would be able to measure the investment property at fair value. The adoption had no material effect on its 2009 financial statements as the Group has no property under construction or development for future use as investment property and investment properties pertain to assets acquired in settlement of loans.

(b) Effective in 2009 but not Relevant to the Group

The following amendments, interpretations and improvements to published standards are mandatory for accounting periods beginning on or after January 1, 2009 but are not relevant to the Group's operations:

PAS 23 (Revised 2007)	:	Borrowing Costs
PAS 32 and PAS 1 (Amendments)	:	Financial Instruments: Presentation and Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
PFRS 1 (Revised 2008)	:	Amendments to PFRS 1: *First-time Adoption of PFRS*
PFRS 2 (Amendment)	:	Share-based Payment
Philippine Interpretations		
IFRIC 13	:	Customer Loyalty Programmes
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation

(a) Effective Subsequent to 2009

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2009. Among those, management has initially determined the following, which the Group will apply in accordance with its transitional provisions, to be relevant to its financial statements:

PFRS 9	:	Financial Instruments
2009 Annual Improvements		
PAS 1 (Amendment)	:	Presentation of Financial Statements
PAS 7 (Amendment)	:	Statement of Cash Flows
PAS 17 (Amendment)	:	Leases
PAS 18 (Amendment)	:	Revenue

Below is a discussion of the possible impact of these new accounting standards.

(i) PFRS 9, *Financial Instruments*. The FRSC is yet to adopt International Financial Reporting Standard (IFRS) 9, *Financial Instruments* as of the financial report date. With IFRS 9, which will become effective for annual periods beginning January 1, 2013, the IASB aims to replace IAS 39 (PAS 39 in the Philippines), *Financial Instruments: Recognition and Measurement*, in its entirety by the end of 2010. IFRS 9 is the first part of Phase 1 of this project. The main phases are (with a separate project dealing with derecognition):

- Phase 1: Classification and Measurement
- Phase 2: Impairment Methodology
- Phase 3: Hedge Accounting

IFRS 9 introduces major simplifications of the classification and measurement provisions under IAS 39. These include reduction from four measurement categories into two categories, i.e. fair value and amortized cost, and from several impairment methods into one method.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Group. However, management does not expect to implement the amendments until all chapters of PAS 39 replacement have been published and the impact of all changes can be comprehensively assessed.

(ii) 2009 Annual Improvements to PFRS. The FRSC has adopted the *Improvements to International Financial Reporting Standards 2009*. Most of the amendments will become effective in the Philippines in annual periods beginning on or after January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's financial statements.

- PAS 7 (Amendment), *Statement of Cash Flows*. PAS 7 amendment states explicitly that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. The amendment will not result to material impact in the financial statements since only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases*. The amendment clarifies that when a lease includes both land and building elements, an entity assesses the classification of each element as finance or an operating lease separately in accordance with the general guidance on lease classification set out in PAS 17. Management has initially determined that this will not have material impact since the Group does not enter into a lease agreement in the capacity of the lessor or lessee that includes both land and building.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Management will apply this amendment prospectively in its 2010 financial statements.

2.3 Separate Consolidated Financial Statements and Basis of Consolidation

These financial statements are prepared as the Group's separate consolidated financial statements from BDO Unibank Group. The Group presents separate consolidated financial statements available for public use that comply with PFRS since the Parent Company's equity securities are traded in a public market.

The Group obtains and exercises control through voting rights. The Group's financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of material intercompany transactions. All intercompany balances and transactions with its subsidiary, including income, expenses and dividends, are eliminated in full.

The financial statements of the subsidiary are prepared for the same reporting period as the Group, using consistent accounting principles.

A subsidiary is an entity over which the Group has the power to control the former's financial and operating policies. The Group obtains and exercises control through voting rights. A subsidiary is consolidated from the date the Group obtains control until such time that such control ceases.

An acquired subsidiary is subject to the application of the purchase method for acquisitions. This involves the revaluation at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the Group statements of financial position at their revalued amounts, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

The results of subsidiary acquired or disposed of during the year, if any, are included in the Group statements of comprehensive income from the date of acquisition or up to the date of disposal, as appropriate.

2.4 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

2.5 Financial Assets

Financial assets, which are recognized when the Company becomes a party to the contractual terms of the financial instrument, include cash and cash equivalents, and other financial instruments. Financial assets are classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for financial assets at fair value through profit or loss, the designation of financial assets is re-evaluated at every reporting date at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchase and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at fair value through profit or loss are initially recognized at fair value, plus transaction costs. Financial assets carried at fair value through profit or loss are initially recognized at fair value and transaction costs are expensed in profit or loss.

The foregoing categories of financial instruments relevant to the Group are more fully described below.

(a) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to the debtor with no intention of trading the receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses. Any change in their value is recognized in profit or loss, except for changes in fair values of reclassified financial assets under PAS 39 and PFRS 7 (Amendments). Increases in estimates of future cash receipts from such financial assets shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate rather than as an adjustment to the carrying amounts of the financial assets at the date of the change in estimate.

Impairment losses is the estimated amount of losses in the Group's loan portfolio, based on the evaluation of the estimated future cash flows discounted at the loan's original effective interest rate. Impairment loss is provided when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. Loans and receivables are written off against the allowance for impairment losses when management believes that the collectibility of the principal is unlikely.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, and Loans and Other Receivables in the statement of financial position. Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash.

(b) Available-for-sale Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in Other Comprehensive Income. Gains and losses arising from securities classified as available-for-sale are recognized in the Statement of Other Comprehensive Income when these are sold or when the investment is impaired.

In case of impairment, any loss previously recognized in equity is transferred to the statement of comprehensive income. Losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income. Losses recognized in prior period statement of comprehensive income resulting from the impairment of debt instruments are reversed through the statement of comprehensive income, when there is recovery in the amount of previously recognized impairment losses.

Available-for-sale Financial Assets are presented as a separate line item in the statement of financial position.

Impairment losses recognized on financial assets are included as part of Impairment and Credit Losses under Operating Costs and Expenses in the statement of comprehensive income.

For investments that are actively traded in organized financial markets, fair value is determined by reference to stock exchange-quoted market bid prices at the close of business on each reporting date. For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows (such as dividend income) of the underlying net asset base of the investment.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial instruments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

2.6 Property and Equipment

Property and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred. When assets are sold, retired or otherwise disposed of, their cost and related accumulated depreciation and amortization and any impairment losses are removed from the accounts and any resulting gain or loss is reflected in income for the period.

Except for certain equipment which are depreciated based on the rate of utilization, depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets as follows:

Transportation and other equipment	2-8 years
Furniture, fixtures and others	3-5 years

Leasehold improvements are amortized over the terms of the leases or the estimated useful lives of the improvements, whichever is shorter.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.17).

The residual values and estimated useful lives of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognized.

2.7 Investment Properties

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

Subsequent to initial recognition, investment property is stated at cost less accumulated depreciation and any impairment in value.

The 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 Property and Equipment.

Investment property is derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in the statement of comprehensive income in the year of retirement or disposal.

2.8 Financial Liabilities

Financial liabilities of the Group include bills payable, accounts payable and other liabilities and lease deposits, which are measured at amortized cost using the effective interest method.

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

Bills payable are raised for support of long-term funding of operations. They are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Accounts payable and other liabilities are initially recognized at their fair value and subsequently measured at amortized cost less settlement payments.

Lease deposits are initially recognized at fair value. The excess of the principal amount of the deposits over its fair value is immediately recognized and is included as part of Fair Value Gains under Other Income in the statement of comprehensive income (see Note 16). Meanwhile, interest expense on the lease deposits is accrued using the effective interest method and is included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of comprehensive income.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.9 Provisions

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

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the statement of financial position date, including the risks and uncertainties associated with the present obligation.

Any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain as a separate asset, not exceeding the amount of the related provision.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements.

Probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

2.10 Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.11 Residual Value of Leased Assets

The residual value of leased assets, which approximates the amount of lease deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. At the end of the lease term, the residual value receivable of the leased asset is generally applied against the lease deposit of the lessee.

2.12 Equity

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

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital.

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

Fair value loss on available-for-sale securities pertains to cumulative mark-to-market valuation of available-for-sale securities.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income.

2.13 Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria of income and expenses must also be met before revenue is recognized:

(a) *Interest income on finance lease receivables* – The interest income on finance lease is allocated over the lease term on a systematic and rational basis. The recognition of interest income on finance lease is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease. Lease payments relating to the period, excluding costs for services, are applied against the gross investment in the lease to reduce both the principal and the unearned finance income.

(b) *Interest* – Interest income and expenses are recognized in profit or loss for all instruments measured at amortized cost using the effective interest method.

    The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

    Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(c) *Rent* – Revenue is recognized in profit or loss on a straight-line basis over the lease term, or on another systematic basis which is more representative of the time pattern in which the use or benefit derived from the leased asset is diminished.

(d) *Service fees* – Fees related to the administration and servicing a loan are recognized as revenue as the services are rendered.

Operating costs and expenses are recognized in profit or loss upon utilization of the assets or services or at the date they are incurred.

2.14 Leases

The Group accounts for its leases as follows:

(a) *Group as Lessor*

Finance leases, where the Group transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the statements of financial position under Loans and Other Receivables account. A lease receivable is recognized at an amount equal to the net investment in the lease. The difference between the gross lease receivable and the net investment in the lease is recognized as unearned finance income.

All income resulting from the receivable is included as part of Interest and Discounts in the statement of comprehensive income. Leases where the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating leases.

Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

(b) *Group as Lessee*

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

The Group determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.15 Foreign Currency Transactions

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

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

2.16 Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about certain loss events, including, among others: significant financial difficulty of the issuer or debtor; a breach of contract, such as a default or delinquency in interest or principal payments; it is probable that the borrower will enter bankruptcy or other financial reorganization; the disappearance of an active market for that financial asset because of financial difficulties; or observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

(a) *Assets carried at amortized cost.* The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and other receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss.

If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures including approval from the management and the BOD has been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment loss in profit or loss.

If, in a subsequent period, the amount of the impairment loss decrease and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

(b) *Assets carried at fair value with changes charged to other comprehensive income.* In the case of investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the statement of comprehensive income.

(c) *Assets carried at cost.* The Group assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost and for which objective evidence of impairment exist. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

2.17 Impairment of Non-financial Assets

The Group's property and equipment, investment properties and other assets are subject to impairment testing.

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

An impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment loss is charged pro-rata to the other assets in the cash generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.18 Employee Benefits

(a) *Retirement Benefit Obligations*

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

The liability recognized in the statement of financial position for defined benefit pension plans is the present value of the defined benefit obligation (DBO) at the end of each reporting period less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past-service costs. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are not recognized as an income or expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives.

Actuarial gains and losses within the 10% corridor are disclosed separately. Past-service costs are recognized immediately in the statement of comprehensive income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent entity (such as the Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(b) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of each reporting period are discounted to present value.

(c) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period.

They are included in Accounts Payable and Other Liabilities account at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.19 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of comprehensive income.

Deferred tax is provided, using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized.

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

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity.

2.20 Earnings Per Share (EPS)

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares subscribed and issued during the year, after retroactive adjustment for any stock dividend declared in the current period. The Group does not have dilutive common shares.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The Group's financial statements prepared in accordance with PFRS require management to make judgments and estimates that affect 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 circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the 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) *Operating and Finance Leases*

The Group has determined that it has transferred all the significant risks and rewards of ownership of the properties which are leased out on finance lease arrangements. Interest earned on finance lease arrangements amounted to P379.7, P455.6 and P432.5 in 2009, 2008 and 2007, respectively (see Note 8).

The subsidiary's operations involve operating leases. The Group has determined that it retains all the significant risks and rewards of ownership over the properties which are leased out on operating lease arrangements. The Group's rent income on operating lease arrangements amounted to P1,125.7, P256.4 and P58.4 in 2009, 2008 and 2007, respectively (see Note 17).

The Group has entered in various lease arrangements as a lessee. Critical judgment was exercised by management to distinguish each lease arrangement 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.

Rental expense charged to operations included as part of Occupancy and Equipment-Related Expenses under Operating Costs and Expenses in the statements of comprehensive income amounted to P16.1 in 2009, P13.6 in 2008 and P13.5 in 2007 in the Group and Parent Company financial statements.

(b) Distinction Between Investment Properties and Owner-managed Properties

The Group determines whether a property qualifies as investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or 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 production and supply of goods and services or for administrative purposes. If these portion can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or 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 Group considers each property separately in making its judgment.

(c) Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 2.9 and relevant disclosures are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Useful Lives of Property and Equipment

The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment 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.

Property and equipment, net of accumulated depreciation and amortization, amounted to P1,452.5 and P1,649.7 as of December 31, 2009 and 2008, respectively, in the Group financial statements and P20.3 and P15.2 as of December 31, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 9).

There is no change in estimated useful lives of property and equipment during the year.

(b) Allowance for Impairment of Loans and Other Receivables

Allowance is made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts based on available facts and circumstances, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience and historical loss experience.

Impairment losses on loans and other receivables amounted to P94.5 in 2009, P75.0 in 2008 and P157.3 in 2007 in the Group and Parent Company financial statements (see Note 8).

(c) Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets recognized gross of deferred tax liabilities, amounted to P72.4 and P62.5 as of December 31, 2009 and 2008, respectively, in the Group financial statements and P72.4 and P57.8 as of December 31, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 20).

(d) Impairment of Non-financial Assets

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.17. 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.

No impairment losses on investment properties and other assets were recognized in 2009, 2008 and 2007.

(e) (e) Retirement and Other Benefits

The determination of the Group's obligation and cost of pension 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 18 and include, among others, discount rates, expected return on plan assets and salary increase rate. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the expense and obligation to be recognized in such future periods.

The retirement benefit obligation and net unrecognized actuarial losses amounted to P13.8 and P50.2, respectively as of 2009, and the retirement benefit obligation and net unrecognized actuarial losses amounted to P14.7 and P27.0, respectively, in 2008 (see Note 18).

(f) Fair Value of Financial Assets and Liabilities

The Group adopted the amendments to PFRS 7, *Improving Disclosures about Financial Instruments*, effective January 1, 2009. These amendments require the Group to present certain information about financial instruments measured at fair value in the statement of financial position. In the first year of application, comparative information need not be presented for the disclosures required by the amendment. Accordingly, the disclosure for the fair value hierarchy is only presented for December 31, 2009.

In accordance with this amendment, financial assets and liabilities measured at fair value in the statement of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the resource or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

As of December 31, 2009, AFS financial assets is the only financial asset (nil for liabilities) measured at fair value in the statement of financial position and the value is determined under Level 2. AFS financial assets pertain to investments in San Miguel Corporation (SMC) preferred shares that were purchased by the Group in December 2009 (see Note 7). The financial asset's fair value represents the purchase price. These securities will be remeasured in October 2010 at fair value when these shares are scheduled to be listed with the PSE.

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

	2009			
	Group		Parent	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	P 232.6	P 232.6	P 176.4	P 176.4
Loans and other receivables	9,142.5	5,743.1	9,131.7	5,732.1
Bills payable	6,138.7	4,579.6	5,261.0	3,704.6
Accounts payable and other liabilities	232.4	232.4	234.5	234.5
Lease deposits	2,301.9	*	1,974.1	*

	2008			
	Group		Parent	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	P 186.1	P 186.1	P 171.9	P 171.9
Loans and other receivables	7,692.9	5,677.7	8,329.3	6,345.2
Bills payable	3,670.9	3,623.6	3,089.3	3,044.6
Accounts payable and other liabilities	194.1	194.1	159.5	159.5
Lease deposits	2,025.5	*	1,742.9	*

** not determined*

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

(i) Cash and cash equivalents

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

(ii) Loans and other receivables

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

(iii) Bills payable

The estimated fair value of bills payable represents the discounted amount of estimated future cash flows expected to be paid. Expected cash flows are discounted at current market rates to determine fair value.

(iv) Accounts payable and other liabilities

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

(v) Lease deposits

Lease deposits are carried at amortized cost which represents the present value.

4. BUSINESS SEGMENTS

For management purposes, the Group is organized into three major business segments, namely: leasing, financing and others. These are also the basis of the Group in reporting its primary segment information.

The products under the leasing segment are the following:

- Operating leases; and
- Finance leases.

The products under the financing segment are the following:

- Amortized commercial loans;
- Amortized retail loans;
- Installment paper purchases;
- Discounting of receivables; and
- Factoring of receivables.

The Group's products and services are marketed in the Metro Manila head office and in its nine branches.

Primary segment information as of and for the years ended December 31, 2009 and 2008 follows:

	2009			
	Leasing	Financing	Others	Total
Segment revenues	P 1,524.8	P 561.4	P 123.5	P 2,209.7
Segment expenses	1,211.2	446.0	98.1	1,755.3
Segment results	313.6	115.4	25.4	454.4
Income tax expense				154.4
Net profit				P 300.0
Segment assets	P 7,140.5	P 4,298.9	P -	P 11,439.4
Unallocated assets				1,612.7
Total assets				P 13,052.1
Segment liabilities	P 6,138.1	P 2,308.5	P -	P 8,446.6
Unallocated liabilities				230.7
Total liabilities				P 8,677.3
Other segment information :				
Capital expenditures	P 835.6	P -	P 12.0	P 847.6
Depreciation and amortization	1,033.4	-	31.2	1,064.6
Impairment losses	69.1	25.4	-	94.5

	2008							
	Leasing		Financing		Others		Total	
Segment revenues	P	712.0	P	524.9	P	131.5	P	1,368.5
Segment expenses		436.0		321.4		80.5		837.9
Segment results		276.0		203.5		51.0		530.6
Income tax expense								165.0
Net profit							P	365.6
Segment assets	P	6,490.6	P	2,880.1	P	-	P	9,370.7
Unallocated assets								1,037.8
Total assets							P	10,408.5
Segment liabilities	P	3,726.2	P	1,970.2	P	-	P	5,696.4
Unallocated liabilities								204.8
Total liabilities							P	5,901.2
Other segment information :								
Capital expenditures	P	1,511.6	P	-	P	14.0	P	1,525.6
Depreciation and amortization		172.4		-		23.4		195.8
Impairment losses		43.2		31.8		-		75.0

Segment expenses are allocated on the basis of gross income.

Net segment assets are comprised of the following:

	2009				2008			
	Leasing		**Financing**		Leasing		Financing	
Receivables	**P**	**3,395.2**	**P**	**6,078.0**	P	3,587.1	P	3,643.5
Residual value of leased assets		**1,919.6**		**-**		1,664.8		-
Unearned income	**(**	**554.4)**	**(**	**1,466.1)**	(	526.5)	(	515.9)
Client's equity		**-**	**(**	**137.4)**		-	(	127.3)
		4,760.4		**4,474.5**		4,725.4		3,000.3
Allowance for impairment		**-**	**(**	**175.6)**	(	4.0)	(	120.2)
		4,760.4		**4,298.9**		4,721.4		2,880.1
Equipment under lease		**2,380.2**		**-**		1,769.2		-
	P	**7,140.6**	**P**	**4,298.9**	P	6,490.6	P	2,880.1

Bills payable to BDO Unibank amounting to P254.0 as of December 31, 2008 (nil as of December 31, 2009) is allocated between the leasing and financing segments based on the carrying amounts of receivables of these segments as of December 31, 2008. Deposits on lease amounting to P2,301.9 and P2,025.5 as of December 31, 2009 and 2008, respectively, are included in the leasing segment.

5. RISK MANAGEMENT

The Group is exposed to a variety of financial risks which result from both its operating and investing activities. The Group's risk management is coordinated in close cooperation with the Board of Directors, and focuses on actively securing the Group's short-to medium-term cash flows by minimizing the exposure to financial markets.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described in the succeeding pages.

5.1 Foreign Currency Risk

Most of the Group's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates on financial assets arise from an insignificant portion of the Parent Company's leasing and financing portfolio, cash and cash equivalents and lease deposits which are denominated in United States (U.S.) dollars.

The Parent Company's foreign-currency denominated financial assets and liabilities translated into Philippine pesos at the closing rate at December 31, 2009 and 2008, and Philippine peso-denominated financial assets and liabilities as of December 31, 2009 and 2008, are as follows:

	2009			2008		
	US Dollar	**Philippine Peso**	**Total**	US Dollar	Philippine Peso	Total
Cash and cash equivalents	P 6.8	P 225.7	P 232.4	P 3.7	P 182.4	P 186.1
Loans and other receivables	-	9,142.7	9,142.7	-	7,692.9	7,692.9
Lease deposits	20.8	2,281.2	2,301.9	21.4	2,004.1	2,025.5

At December 31, 2009 and 2008, the currency exchange rates used to translate U.S. dollar denominated financial assets and liabilities to the Philippine pesos are P46.2 and P47.52, respectively.

The following table illustrates the sensitivity of the net result for the year and equity with regard to the Group's financial assets and financial liabilities and the U.S. dollar – Philippine peso exchange rate. It assumes a +/-7.00% change and +/-6.57% change of the Philippine peso/U.S. dollar exchange rate at December 31, 2009 and 2008, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

If the Philippine peso at December 31, 2009 and 2008 had strengthened against the U.S. dollar at the foregoing volatilities, then this would have the following impact on the Group's and the Parent Company's financial statements:

Decrease In	**2009**	2008
Income before tax	**(P 0.5)**	(P 0.8)
Equity	**(0.3)**	(1.2)

If the Philippine peso at December 31, 2009 and 2008 had weakened against the U.S. dollar at the foregoing volatilities, then this would have the following impact on the Group's and Parent Company's financial statements:

Increase In	**2009**	2008
Income before tax	**P 0.5**	P 0.8
Equity	**0.3**	1.2

5.2 Interest Rate Risk

At December 31, 2009 and 2008, the Group is exposed to changes in market interest rates through its bills payable and a portion of BDO Leasing's loans and other receivables, which are subject to periodic interest rate repricing. All other financial assets and liabilities have fixed rates.

The Group follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The current composition of the Group's assets and liabilities results in significant negative gap positions for repricing periods under one year. Consequently, the Group is vulnerable to increases in market interest rates. However, in consideration of the substantial net interest margins between the Group's marginal funding cost and its interest-earning assets, and favorable lease and financing terms which allow the Group to reprice annually, and to reprice at anytime in response to extraordinaty fluctuations in interest rates, the Group believes that the adverse impact of any interest rate increase would be limited.

In addition, during periods of declining interest rates, the existence of a negative gap position favorably impacts the Group.

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates for bills payable of +/-15.43% at December 31, 2009 and +/-5.25% at December 31, 2008 to a reasonably possible change in interest rates for loans and other receivables of +/-27.59% at December 31, 2009 and +/-39.55% at December 31, 2008. These changes are considered to be reasonably possible based on observation of current market conditions for the past 12 months. The calculations are based on the Group's financial instruments held at the end of each reporting period. All other variables are held constant.

	2009		2008	
Loans and other receivables	**+27.59%**	**-27.59%**	+39.55%	-39.55%
Bills payable	**+15.43%**	**-15.43%**	+5.25%	-5.25%
Group				
Increase (decrease) in:				
Income before tax	**P 7.8**	**(P 7.8)**	P 6.5	(P 6.5)
Equity	**5.5**	**(5.5)**	4.2	(4.2)
Parent Company				
Increase (decrease) in:				
Income before tax	**P 6.9**	**(P 6.9)**	P 5.5	(P 5.5)
Equity	**4.8**	**(4.8)**	3.6	(3.6)

5.3 Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Group maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy.

The Group actively seeks to increase its exposure in industry sectors which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal.

Although the Group's leasing and financing portfolio is composed of transactions with a wide variety of businesses, the results of operation and financial condition of the Group may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic location.

The concentration of credit risk for the Group and the Parent Company follows:

Group

	2009		
	Cash and Cash Equivalents	**Loans and Other Receivables**	**Available-for-sale Securities**
Concentration by sector:			
Manufacturing	P -	P 1,383.2	P -
Financial intermediaries	232.4	1,007.2	-
Transportation and communication	-	2,142.6	-
Wholesale and retail trade and personal activities	-	1,268.3	-
Real estate, renting and business activities	-	1,296.1	-
Agriculture, fishing and forestry	-	344.6	-
Other community, social and personal activities	-	1,700.7	1,300.9
	P 232.4	**P 9,142.7**	**P 1,300.9**

	2008		
	Cash and Cash Equivalents	Loans and Other Receivables	Available-for-sale Securities
Concentration by sector:			
Manufacturing	P -	P 2,240.7	P -
Financial intermediaries	186.1	129.7	-
Transportation and communication	-	1,198.8	-
Wholesale and retail trade and personal activities	-	1,338.3	-
Real estate, renting and business activities	-	239.7	-
Agriculture, fishing and forestry	-	35.1	-
Other community, social and personal activities	-	2,510.6	1.1
	P 186.1	P 7,692.9	P 1.1

Parent Company

	2009		
	Cash and Cash Equivalents	**Loans and Other Receivables**	**Available-for-sale Securities**
Concentration by sector:			
Manufacturing	P -	P 1,383.2	P -
Financial intermediaries	176.4	1,007.2	-
Transportation and communication	-	2,142.6	-
Wholesale and retail trade and personal activities	-	1,268.3	-
Real estate, renting and business activities	-	1,296.1	-
Agriculture, fishing and forestry	-	344.6	-
Other community, social and personal activities	-	1,689.7	1,300.9
	P 176.4	**P 9,131.7**	**P 1,300.9**

	2008		
	Cash and Cash Equivalents	Loans and Other Receivables	Available-for-sale Securities
Concentration by sector:			
Manufacturing	P -	P 2,240.7	P -
Financial intermediaries	171.9	129.7	-
Transportation and communication	-	1,198.8	-
Wholesale and retail trade and personal activities	-	1,338.3	-
Real estate, renting and business activities	-	897.0	-
Agriculture, fishing and forestry	-	35.1	-
Other community, social and personal activities	-	2,489.7	1.1
	P 171.9	P 8,329.3	P 1.1

The carrying amount of financial assets recorded in the Group financial statements represents the Group's maximum exposure to credit risk without taking into account the value of any collateral obtained.

	2009	
	Loans and Other Receivables	**Available-for-sale Securities**
Carrying amount	**P 9,142.7**	P -
Individually impaired		
Grade D: Impaired	**437.4**	-
Grade E: Impaired	**197.2**	-
Grade F: Impaired	**80.8**	-
Gross amount	**715.4**	-
Allowance for impairment	**(175.7)**	-
Carrying amount	**539.7**	-
Past due but not impaired	**-**	-
Grade A		
Aging of past due		
30-60 days	**-**	-
61-90 days	**-**	-
91-180 days	**-**	-
More than 180 days	**-**	-
Carrying amount *(forward)*	**-**	-

	2009	
	Loans and Other Receivables	**Available-for-sale Securities**
Neither past due nor impaired		
Grade A	**P 8,603.0**	P 1,300.9
Total carrying amount	**P 9142.7**	P 1,300.9

	2008	
	Loans and Other Receivables	Available-for-sale Securities
Carrying amount	P 7,692.9	P 1.1
Individually impaired		
Grade D: Impaired	196.9	-
Grade E: Impaired	247.5	-
Grade F: Impaired	45.8	-
Gross amount	490.2	-
Allowance for impairment	(124.1)	-
Carrying amount	366.1	-
Past due but not impaired	144.7	-
Grade A		
Aging of past due		
30-60 days	0.2	-
61-90 days	2.5	-
91-180 days	90.1	-
More than 180 days	52.0	-
Carrying amount	144.8	-
Neither past due nor impaired		
Grade A	7,182.0	1.1
Total carrying amount	P 7,692.8	P 1.1

The Group holds collateral against loans and other receivables in the form of mortgage interests over real and personal properties. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral is not held against available-for-sale securities, and no such collateral was held at December 31, 2009 and 2008.

The Group holds collateral against loans and other receivables in the form of real and personal properties. An estimate of the fair value of collateral and other security enhancements held against loans and other receivables as of December 31, 2009 and 2008 is shown below:

		2009		2008
Against past due but not impaired				
Real property	**P**	**98.0**	P	54.7
Personal property		**430.8**		112.8
Against neither past due nor impaired				
Real Property		**7,330.7**		997.9
Personal property		**629.0**		9,120.1
	P	**8,488.5**	P	10,285.5

5.4 Liquidity Risk

The primary business of financing companies entails the borrowing and relending of funds. Consequently, financing companies are subject to substantial leverage, and is therefore be exposed to the potential financial risks that accompany borrowing.

The Group expects that its continued asset expansion will result in higher funding requirements in the future. Like most financing companies in the Philippines, the Group does not have a license to engage in quasi-banking function, and as such, it is precluded from engaging in deposit-taking activities. In addition, it is precluded under the General Banking Act from incurring borrowings from more than 19 lenders at any one time, which to some extent, restricts its access to the public debt markets.

The Group believes that it currently has adequate debt funding from banks, other financial institutions, and through the issuance of Short-Term Commercial Papers (STCPs). The Group has a license from the SEC to issue P8 billion STCPs.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in its day-to-day business.

Presented below are the financial assets and liabilities as of December 31, 2009 and 2008 analyzed according to when these are expected to be recovered or settled. The amounts of financial liabilities disclosed in the maturity analysis are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amounts included in the statement of financial position because the statement of financial position amounts are based on discounted cash flows.

2009

	One to Three Months	**Three Months to One Year**	**One to Three Years**	**More than Three Years**	**Total**
Group					
Financial assets					
Cash and cash equivalents	P 232.4	P -	P -	P -	P 232.4
Loans and other receivables	2,054.6	1,604.5	3,304.7	2,178.9	9,142.7
Other assets	161.7	-	-	-	161.7
	P 2,448.7	**P 1,604.5**	**P 3,304.7**	**P 2,178.9**	**P 9,536.8**
Financial liabilities					
Bills payable	P 5,461.5	P 300.0	P 54.6	P 326.9	P 6,143.0
Accounts payable and other liabilities	241.0	-	-	-	241.0
Lease deposits	377.2	632.9	1,011.8	399.4	2,421.3
	P 6,079.7	**P 932.9**	**P 1,066.4**	**P 726.3**	**P 8,805.3**

	One to Three Months	**Three Months to One Year**	**One to Three Years**	**More than Three Years**	**Total**
Parent Company					
Financial assets					
Cash and cash equivalents	P 176.4	P -	P -	P -	P 176.4
Loans and other receivables	2,043.6	1,604.5	3,304.6	2,178.8	9,131.5
Other assets	317.2	-	-	-	317.2
	P 2,537.2	**P 1,604.5**	**P 3,304.6**	**P 2,178.8**	**P 9,625.1**
Financial liabilities					
Bills payable	P 4,582.0	P 300.0	P 54.6	P 326.9	P 5,263.5
Accounts payable and other liabilities	241.0	-	-	-	241.0
Lease deposits	375.2	348.5	940.4	399.4	2,063.5
	P 5,198.2	**P 648.5**	**P 995.0**	**P 726.3**	**P 7,327.0**

2008

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
Group					
Financial assets					
Cash and cash equivalents	P 186.1	P -	P -	P -	P 186.1
Loans and other receivables	2,099.9	2,155.0	2,708.5	730.0	7,693.4
Other assets	1.1	-	-	-	1.1
	P 2,287.1	P 2,155.0	P 2,708.5	P 730.0	P 7,880.6

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
Financial liabilities					
Bills payable	P 3,136.9	P 544.7	P -	P -	P 3,681.6
Accounts payable and other liabilities	158.8	-	-	14.7	173.5
Lease deposits	168.7	430.0	1,321.8	223.8	2,144.3
	P 3,464.4	P 974.7	P 1,321.8	P 238.5	P 5,999.4

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
Parent					
Financial assets					
Cash and cash equivalents	P 171.9	P -	P -	P -	P 171.9
Loans and other receivables	2,501.3	2,389.7	2,708.5	729.8	8,329.3
Other assets	1.1	-	-	-	1.1
	P 2,674.3	P 2,389.7	P 2,708.5	P 729.8	P 8,502.3
Financial liabilities					
Bills payable	P 2,549.0	P 544.7	P -	P -	P 3,093.7
Accounts payable and other liabilities	144.8	-	-	14.7	159.5
Lease deposits	167.1	423.9	995.0	220.0	1,806.0
	P 2,860.9	P 968.6	P 995.0	P 234.7	P 5,059.2

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following components as of December 31:

	Group		Parent	
	2009	2008	**2009**	2008
Cash on hand and in banks	**P 156.6**	P 184.1	**P 141.6**	P 169.8
Cash equivalents	**75.8**	2.0	**34.8**	2.1
	P 232.4	P 186.1	**P 176.4**	P 171.9

Cash in banks earn interest at rates based on daily bank deposit rates. Cash equivalents represent a special savings account and time-deposit with annual interest rate ranging from 1.00% to 2.75% in 2009 and 2.375% to 3.00% in 2008.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The balance of available-for-sale financial assets as of December 31, 2009 of P1,300.0 pertains to the Group's investment in SMC Series "1" preferred shares (the SMC shares) representing 17.3 million shares purchased at P75 per share on December 22, 2009 or for a total of P1,300.0. The SMC shares bear an interest rate of 8% per annum, subject to adjustment at the end of the fifth year after October 2, 2009 if the SMC shares are not redeemed at the option of SMC. The rate will be the higher between the dividend rate or the 10-year PDSTF rate prevailing at the end of the fifth year from October 2, 2009 plus a spread of 3%.

The SMC shares are carried at their cost of P1,300.0 which is deemed to be the fair value as of December 31, 2009.

The remaining P0.9 balance of AFS financial assets at December 31, 2009 and 2008 consist of Philippine Long Distance Telephone Co. (PLDT) preferred and golf and country club shares of stock that are carried at their fair value equal to P0.9.

8. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Group		Parent	
	2009	2008	**2009**	2008
Receivable from customers:				
Finance lease receivables	**P 3,395.2**	P 3,587.1	**P 3,395.2**	P 3,587.1
Residual value of leased assets	**1,919.6**	1,664.8	**1,919.6**	1,664.8
Unearned leased income	**(554.4)**	(526.5)	**(554.4)**	(526.5)
	4,760.4	4,725.4	**4,760.4**	4,725.4
Loans and receivables financed	**6,078.0**	3,643.5	**6,078.0**	4,306.4
Unearned finance income	**(1,466.0)**	(515.9)	**(1,466.0)**	(521.5)
Client's equity	**(137.4)**	(127.3)	**(137.4)**	(127.3)
	4,474.6	3,000.3	**4,474.6**	3,657.6
Other receivables:				
Accounts receivable	**39.7**	52.2	**28.8**	31.4
Sales contract receivable	**52.0**	47.5	**51.9**	47.4
Accrued interest receivable	**0.3**	0.4	**0.3**	0.4
	92.0	100.1	**81.0**	79.2
Total	**9,327.0**	7,825.8	**9,316.0**	8,462.2
Allowance for impairment	**(184.3)**	(132.9)	**(184.3)**	(132.9)
	P 9,142.7	P 7,692.9	**P 9,131.7**	P 8,329.3

As of December 31, 2009 and 2008, 41% and 61%, respectively, of the total receivables from customers of the Group are subject to periodic interest repricing. Remaining receivables from customers earn annual fixed interest rates ranging from 6% to 49% in 2009 and 9% to 37% in 2008.

The fair value loss on initial recognition of the residual value receivables under finance lease amounted to P62.6, P14.2 and P93.6 in 2009, 2008 and 2007, respectively, and is presented as part of Fair Value Gains - net under Other Income in the Group and Parent Company statements of comprehensive income (see Note 16).

Interest income on receivables pertaining to the residual value of assets under finance lease accrued using the effective interest method amounted to P19.3, P31.1 and P47.9 in 2009, 2008 and 2007, respectively, and is presented as part of Interest and Discounts in the Group statements of comprehensive income.

The breakdown of total loans as to secured and unsecured follows:

	Group		Parent	
	2009	2008	**2009**	2008
Secured				
Real estate mortgage	**P 562.8**	P 944.4	**P 562.8**	P 944.4
Chattel mortgage	**7,601.7**	5,949.5	**7,601.7**	5,982.6
	8,164.5	6,893.9	**8,164.5**	6,927.0
Unsecured	**978.2**	799.0	**967.2**	1,402.3
	P 9,142.7	P 7,692.9	**P 9,131.7**	P 8,329.3

An analysis of the Group's and Parent Company's finance lease receivables as of December 31, 2009 and 2008 follows:

	2009	2008
Maturity of gross investment in:		
Finance lease receivables		
Within one year	**P 1,740.0**	P 2,263.0
Beyond one year but not beyond five years	**1,655.2**	1,324.1
	3,395.2	3,587.1
Residual value of leased assets		
Within one year	**616.9**	569.0
Beyond one year but not beyond five years	**1,302.7**	1,095.8
	1,919.6	1,664.8
Gross finance lease receivable	**5,314.8**	5,251.9
Unearned lease income	**(554.4)**	(526.5)
Net investment in finance lease receivables	**P 4,760.4**	P 4,725.4

An analysis of the Group's and Parent Company's net investment in finance lease receivables follows:

	2009	2008
Due within one year	**P 2,057.6**	P 2,763.9
Due beyond one year but not beyond five years	**2,702.8**	1,961.5
	P 4,760.4	P 4,725.4

Past due finance lease receivables amounted to P400.0 and P344.9 as of December 31, 2009 and 2008, respectively.

Past due loans and receivables financed amounted to P315.3 and P290.1 as of December 31, 2009 and 2008, respectively.

In 2009 and 2008, the BOD approved the write-off of certain loans and receivables financed and finance lease receivables with total amount of P43.7 and P157.9, respectively.

Interest and discounts in the statements of comprehensive income consists of interest on:

	Group		
	2009	2008	2007
Loans and receivable financed	**P 473.7**	P 556.0	P 644.1
Finance lease receivables	**379.7**	455.6	432.5
Due from affiliates and other loans	**10.8**	0.4	0.8
Cash and cash equivalents	**0.7**	0.5	0.4
	P 864.9	P 1,012.5	P 1,077.8

	Parent Company		
	2009	2008	2007
Loans and receivables financed	**P 479.2**	P 562.1	P 644.1
Finance lease receivables	**379.7**	455.6	432.5
Due from affiliates and other loans	**32.9**	0.3	0.8
Cash and cash equivalents	**0.7**	0.5	0.4
	P 892.5	P 1,018.5	P 1,077.8

The changes in the allowance for impairment are summarized below:

	Group		Parent Company	
	2009	2008	**2009**	2008
Balance at beginning of year	**P 132.9**	P 215.9	**P 132.9**	P 215.9
Impairment losses during the year	**94.5**	75.0	**94.5**	75.0
Accounts written off	**(43.1)**	(158.0)	**(43.1)**	(158.0)
Balance at end of year	**P 184.3**	P 132.9	**P 184.3**	P 132.9

9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2009 and 2008 are shown below.

Group

	Transportation and Other Equipment	**Furniture, Fixtures and Others**	**Leasehold Improve- ments**	**Total**
December 31, 2009				
Cost	P 2,440.7	P 16.2	P 19.2	P 2,476.1
Accumulated depreciation and amortization	(1,008.5)	(10.5)	(4.6)	(1,023.6)
Net carrying amount	**P 1,432.2**	**P 5.7**	**P 14.6**	**P 1,452.5**

Group

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve- ments	Total
December 31, 2008				
Cost	P 1,847.9	P 18.8	P 9.8	P 1,876.5
Accumulated depreciation and amortization	(213.4)	(12.0)	(1.4)	(226.8)
Net carrying amount	P 1,634.5	P 6.8	P 8.4	P 1,649.7
January 1, 2008				
Cost	P 345.5	P 19.5	P 3.2	P 368.2
Accumulated depreciation and amortization	(43.7)	(13.8)	(0.7)	(58.2)
Net carrying amount	P 301.8	P 5.7	P 2.5	P 310.0

Parent Company

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve- ments	Total
December 31, 2009				
Cost	P -	P 16.2	P 19.2	P 35.4
Accumulated depreciation and amortization	-	(10.5)	(4.6)	(15.1)
Net carrying amount	**P -**	**P 5.7**	**P 14.6**	**P 20.3**
December 31, 2008				
Cost	P -	P 18.8	P 9.8	P 28.6
Accumulated depreciation and amortization	-	(12.0)	(1.3)	(13.3)
Net carrying amount	P -	P 6.8	P 8.5	P 15.2
January 1, 2008				
Cost	P -	P 19.5	P 3.1	P 22.7
Accumulated depreciation and amortization	-	(13.8)	(0.6)	(14.4)
Net carrying amount	P -	P 5.7	P 2.5	P 8.3

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2009 and 2008 is shown below.

Group

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve- ments	Total
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 1,634.5	P 6.8	P 8.4	P 1,649.7
Additions	832.9	2.6	12.0	847.5
Disposals	(15.6)	-	(0.5)	(16.1)
Reclassifications	13.8	0.7	(0.2)	14.3
Depreciation and amortization charges for the year	(1,033.4)	(4.4)	(5.1)	(1,042.9)
Balance at December 31, 2009, net of accumulated depreciation and amortization	**P 1,432.2**	**P 5.7**	**P 14.6**	**P 1,452.5**
Balance at January 1, 2008 net of accumulated depreciation and amortization	P 301.8	P 5.7	P 2.6	P 310.1
Additions	1,511.6	6.4	7.6	1,525.6
Disposals	(6.5)	(1.6)	(0.4)	(8.5)
Depreciation and amortization charges for the year	(172.4)	(3.7)	(1.4)	(177.5)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P 1,634.5	P 6.8	P 8.4	P 1,649.7

Parent

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Balance at January 1, 2009 net of accumulated depreciation and amortization	P -	P 6.8	P 8.0	P 14.8
Additions	-	2.6	12.0	14.6
Disposals	-	-	(0.5)	(0.5)
Reclassifications	-	0.7	(0.2)	0.9
Depreciation and amortization charges for the year	-	(4.4)	(5.1)	(9.5)
Balance at December 31, 2009, net of accumulated depreciation and amortization	**P -**	**P 5.7**	**P 14.6**	**P 20.3**
Balance at January 1, 2008 net of accumulated depreciation and amortization	P -	P 5.7	P 2.5	P 8.2
Additions	-	6.4	7.6	14.0
Disposals	-	(1.6)	(0.4)	(2.0)
Depreciation and amortization charges for the year	-	(3.6)	(1.4)	(5.0)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P -	P 6.9	P 8.3	P 15.2

Depreciation and amortization charges for the year are included as part of Occupancy and Equipment-related Expenses account in the statements of comprehensive income.

In 2009 and 2008, the Group entered into sale and lease back transactions classified as operating lease with a lessee, with lease terms ranging from 20 to 24 months, involving various equipment with gross carrying amount and accumulated depreciation as of December 31, 2008 as follows:

	2009	2008
Cost	**P 730.0**	P 1,370.0
Accumulated depreciation	**(318.5)**	(95.4)
	P 411.5	P 1,274.6

Total operating lease income earned from the leases presented as part of Rent in the Group statements of comprehensive income amounted to P1,026 in 2009 and P111 in 2008 (none for the Parent Company). The carrying amount of lease deposits payable to the lessee amounted to P281.8 and P239.8 as of December 31, 2009 and 2008. Interest expense accrued on such lease deposits included as part of Interest and Financing Charges account in the Group statements of comprehensive income amounted to P42.0 in 2009 and P1.8 in 2008.

As of December 31, 2009 and 2008, the net book value of transportation and other equipment leased out by the Group (none for the Parent Company) under operating lease arrangements amounted to P1,104.2 and P1,580.4, respectively.

In 2009, the Group disposed of certain transportation equipment with carrying value of P16.1 for P25.8, resulting to gain on sale of P9.7. The gain is included as of part of Other Income in the 2009 statement of comprehensive income (see Note 16) for the Group and Parent Company.

10. INVESTMENT PROPERTIES

Investment properties include land and building and improvements held for rentals and capital appreciation.

The carrying amounts and accumulated depreciation at the beginning and end of 2009 and 2008 in the Group and Parent Company financial statements are shown below.

	Land	Building and Improve-ments	Total
December 31, 2009			
Cost	P 709.6	P 106.5	P 816.1
Accumulated depreciation	-	(34.7)	(34.7)
Accumulated impairment	-	(14.4)	(14.4)
Net carrying amount	**P 709.6**	**P 57.4**	**P 767.0**
December 31, 2008			
Cost	P 682.4	P 110.3	P 792.7
Accumulated depreciation	-	(26.0)	(26.0)
Accumulated impairment	-	(15.1)	(15.1)
Net carrying amount	P 682.4	P 69.2	P 751.6
January 1, 2008			
Cost	P 613.6	P 134.3	P 747.9
Accumulated depreciation	-	(18.7)	(18.7)
Accumulated impairment	-	(22.9)	(22.9)
Net carrying amount	P 613.6	P 92.7	P 706.3

A reconciliation of the carrying amounts at the beginning and end of 2009 and 2008 of investment properties in the Group and Parent Company financial statements is shown below.

	Land	Building and Improve- ments	Total
Balance at January 1, 2009 net of accumulated depreciation and impairment	P 682.4	P 69.2	P 751.6
Additions	36.6	2.0	38.6
Disposals	(9.4)	(2.9)	(12.3)
Depreciation and amortization charges for the year	-	(10.9)	(10.9)
Balance at December 31, 2009 net of accumulated depreciation and impairment	**P 709.6**	**P 57.4**	**P 767.0**
Balance at January 1, 2008 net of accumulated depreciation and impairment	P 613.6	P 92.7	P 706.3
Additions	82.9	31.8	114.7
Disposals	(14.1)	(46.6)	(60.7)
Depreciation and amortization charges for the year	-	(8.7)	(8.7)
Balance at December 31, 2008 net of accumulated depreciation and impairment	P 682.4	P 69.2	P 751.6

The appraised values of the investment properties as of December 31, 2009 and 2008 follow:

	2009	2008
Land	**P 941.6**	P 950.3
Building and improvements	**137.4**	115.7
	P 1,079.0	P 1,066.0

Income (loss) from sale of investment properties lodged under Other Income amounted to P7.2, P3.9 and (P11.7) in 2009, 2008 and 2007, respectively.

11. OTHER ASSETS

Other assets consist of the following:

	Group		Parent Company	
	2009	2008	**2009**	2008
Prepaid expenses	**P 71.9**	P 27.6	**P 25.4**	P 26.6
Repossessed chattels and other equipment - net	**18.3**	23.0	**18.3**	23.0
Input value-added tax (VAT)	**32.1**	85.5	**-**	-
Investment in subsidiary	**-**	-	**237.5**	46.9
Miscellaneous - net	**34.3**	4.8	**34.1**	4.4
	156.6	140.9	**315.3**	100.9
Allowance for impairment	**-**	(13.8)	**-**	-
	P 156.6	P 127.1	**P 315.3**	P 100.9

The gross carrying amounts and accumulated depreciation of repossessed chattels and other equipment are shown below.

	2009	2008
Cost	**P 37.1**	P 31.7
Accumulated depreciation	**(18.8)**	(8.7)
	P 18.3	P 23.0

A reconciliation of the carrying amounts of repossessed chattels and other equipment at the beginning and end of 2009 and 2008 is shown below.

	2009	2008
Balance at January 1, net of accumulated depreciation	**P 23.0**	P 18.3
Additions	**7.2**	28.9
Disposals	**(1.2)**	(14.5)
Depreciation charges for the year	**(10.7)**	(9.7)
Net carrying amount	**P 18.3**	P 23.0

No impairment loss was recognized on repossessed chattels and other equipment in 2009 and 2008.

Input VAT includes transitional input tax and the VAT due or paid by the Group on purchases of goods, properties, and services, including lease or use of properties in the ordinary course of business.

Investment in a subsidiary represents 100% ownership of the Group in BDO Rental.

The movements of this account are presented below.

	2009	2008
Balance at beginning of year	P 46.9	P 40.0
Additional investment during the year	197.5	-
	244.4	40.0
Increase (decrease) in deposit for future stock subscription	(6.9)	6.9
Net carrying amount	P 237.5	P 46.9

In 2009, the Parent Company acquired additional 110 million common shares at P1 per share and 82.5 million preferred shares at P1 per share in BDO Rental's capital stock.

The allowance for impairment on input VAT of P13.8 in 2008 represents the provision for losses on input taxes that were deferred by the Group for the purchase of BDO Rental of equipment in 2006 which was put on hold. In 2009, the Group reversed the said allowance since based on recent developments, the management believes that the transaction is likely to push through.

12. BILLS PAYABLE

This account consists of borrowings from:

	Group		Parent	
	2009	2008	2009	2008
Banks	P 1,525.5	P 1,635.3	P 1,525.5	P 1,053.7
Others	4,613.1	2,035.6	3,735.6	2,035.5
Accrued interest	4.4	10.7	2.4	4.4
	P 6,143.0	P 3,681.6	P 5,263.5	P 3,093.6

Bills payable to banks represent peso borrowings from local banks (including BDO Unibank as of December 31, 2008 – see Note 19), with annual interest rates ranging from 4.75% to 6.25% in 2009 and 6.00% to 9.25% in 2008. As of December 31, 2009 and 2008, bills payable - others represent short-term notes issued to individual investors, with annual interest rates ranging from 4.00% to 6.25% and 4.00% to 7.48%, respectively.

The breakdown of bills payable as to secured and unsecured follows:

	Group		Parent	
	2009	2008	2009	2008
Secured - real estate mortgage	P -	P 255.1	P -	P 255.1
Unsecured	6,143.0	3,426.5	5,263.5	2,838.5
	P 6,143.0	P 3,681.6	P 5,263.5	P 3,093.6

Interest and financing charges consist of interest on:

Group

		2009		2008		2007
Bills payable - banks	**P**	**54.1**	P	150.8	P	182.5
Bills payable - others		**158.1**		80.9		46.5
Amortization on lease deposits		**69.2**		52.8		72.4
	P	**281.4**	P	284.5	P	301.4

Parent Company

		2009		2008		2007
Bills payable - banks	**P**	**27.6**	P	130.3	P	171.4
Bills payable - others		**143.1**		80.8		46.4
Amortization on lease deposits		**35.8**		44.1		69.0
	P	**206.5**	P	255.2	P	286.8

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

		Group				Parent			
	Notes		2009		2008		2009		2008
Income tax payable - current		**P**	**73.5**	P	8.9	**P**	**73.5**	P	0.2
Deferred tax liability - net	20		**66.6**		72.3		**71.9**		79.2
Accounts payable			**43.8**		40.8		**42.2**		29.9
Retirement benefit obligation	18		**13.8**		14.7		**13.8**		14.7
Withholding taxes payable			**11.0**		4.3		**10.9**		4.2
Accrued taxes and other expenses			**7.8**		13.7		**6.9**		13.1
Deferred rent			**-**		20.7		**-**		-
Other liabilities			**15.9**		18.7		**15.3**		18.2
		P	**232.4**	P	194.1	**P**	**234.5**	P	159.5

Management considers the carrying amounts of accounts payable and other liabilities recognized in the statements of financial position to be reasonable approximation of their fair values due to their short duration.

14. LEASE DEPOSITS

Lease deposits consist of deposits on:

	Group		Parent Company	
	2009	2008	**2009**	2008
Finance leases	**P 1,974.1**	P 1,742.9	**P 1,974.1**	P 1,742.9
Operating leases	**327.8**	282.6	**-**	-
	P 2,301.9	P 2,025.5	**P 1,974.1**	P 1,742.9

The fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits) amounted to P62.6, P65.3 and P180.0 in 2009, 2008 and 2007, respectively, and are included as part of Fair Value Gains under Other Income in the Group statements of comprehensive income, net of fair value losses recognized on initial recognition of residual value receivables under finance lease (see Note 16).

Interest expense on lease deposits accrued using the effective interest method amounted to P69.2, P52.8 and P72.4 in 2009, 2008 and 2007, respectively, and is included as part of Interest and Financing Charges under Operating Costs and Expenses in the Group statements of comprehensive income.

15. EQUITY

15.1 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

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

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

The Group's capital and overall financing as of December 31, 2009 and 2008 are computed as follows:

	2009	2008
Total equity	P 4,374.8	P 4,507.3
Cash and cash equivalents	(232.4)	(186.1)
Net capital	P 4,142.4	P 4,321.2
Bills payable	P 6,143.0	P 3,681.6
Lease deposits	2,301.9	2,025.5
Total equity	4,374.8	4,507.3
Overall financing	P 12,819.7	P 10,214.4
Capital-to-overall financing ratio	1 : 3.09	P 1 : 2.36

As in previous years, there are no externally imposed capital requirements.

15.2 Capital Stock

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

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

None of these authorized preferred shares are issued as of December 31, 2009, 2008 and 2007.

As of December 31, 2009, 2008 and 2007, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1 per share, 2,225,169,030 common shares amounting to P2,225,169,030 are issued and outstanding.

On November 11, 2009, the BOD approved the declaration of cash dividends amounting to P432.5 at P0.20 per share on the 2,162,475,312 shares outstanding at the date of declaration.

16. OTHER INCOME

This account is composed of the following:

Group

	2009	2008	2007
Gain on sale of receivable	**P 62.6**	P -	P -
Fair value gains - net	**7.3**	51.1	87.4
Miscellaneous	**53.6**	27.8	3.4
	P 123.5	P 78.9	P 90.8

Parent Company

	2009	2008	2007
Gain on sale of receivable	**P 62.6**	P -	P -
Fair value gains (losses) - net	**(0.4)**	1.5	69.3
Miscellaneous	**29.7**	28.4	3.8
	P 91.9	P 29.9	P 73.1

In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale amounting to P62.6 (see Note 19).

Miscellaneous income is composed of the following:

Group

	2009	2008	2007
Gain (loss) on sale and exchange of assets acquired	**P 17.9**	P 9.2	(P 17.7)
Recovery of allowance for impairment on input VAT	**13.8**	-	-
Recovery of accounts written off	**11.1**	4.7	4.6
Rent	**2.9**	6.8	6.2
Others	**7.9**	7.2	10.3
	P 53.6	P 27.9	P 3.4

Parent Company

	2009	2008	2007
Recovery of accounts written off	**P 11.1**	P 4.7	P 4.6
Gain (loss) on sale and exchange of assets acquired	**7.2**	P 9.2	(17.7)
Rent	**2.9**	6.8	6.2
Others	**8.4**	7.6	10.7
	P 29.6	P 28.3	P 3.8

17. LEASES

The Group's finance lease contracts generally have lease terms ranging from 24 to 60 months.

In the ordinary course of business, the Group enters into various operating leases with lease terms ranging from 6 to 60 months. Operating lease income presented under Rent account in the Group statements of comprehensive income for the years ended December 31, 2009, 2008 and 2007 amounted to P1,125.7, P256.4 and P58.4, respectively.

Future minimum rentals receivable under operating leases follow:

	2009	2008
Within one year	**P 1.1**	P 765.4
After one year but not more than five years	**898.2**	457.8
	P 899.3	P 1,223.2

18. EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below:

	2009	2008	2007
Salaries and wages	**P 75.5**	P 65.1	P 47.9
Bonuses	**23.8**	23.9	44.4
Retirement – defined benefit plan	**14.2**	7.9	22.2
Social security costs	**3.5**	2.9	2.4
Other benefits	**16.9**	14.5	10.7
	P 133.9	P 114.3	P 127.6

18.2 Post-employment benefit

The Parent Company maintains a wholly-funded, tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation presented in the statements of financial position as part Accounts Payable and Other Liabilities, respectively, are determined as follows (see Note 13):

		2009		2008
Present value of the obligation	**P**	**115.3**	P	86.3
Fair value of plan assets	**(**	**51.3)**	(	44.6)
Excess of obligation		**64.0**		41.7
Unrecognized actuarial losses	**(**	**50.2)**	(	27.0)
	P	**13.8**	P	14.7

The movements in the present value of the retirement benefit obligation recognized in the books follows:

		2009		2008
Balance at beginning of year	**P**	**86.3**	P	67.4
Current service cost and interest cost		**16.7**		11.6
Actuarial losses		**24.9**		18.9
Benefits paid by the plan	**(**	**12.5)**	(	11.6)
Balance at end of year	**P**	**115.4**	P	86.3

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

		2009		2008
Balance at beginning of year	**P**	**44.6**	P	46.4
Contributions paid into the plan		**15.0**		6.9
Benefits paid by the plan	**(**	**12.5)**	(	11.6)
Actuarial gains (losses)		**0.9**	(	0.7)
Expected return on plan assets		**3.2**		3.7
Balance at end of year	**P**	**51.3**	P	44.6

Actual return on plan assets amounted P4.1 in 2009 and P3.0 in 2008.

The amounts of retirement benefits expense recognized in the statements of comprehensive income follow:

		2009		2008		2007
Current service costs	**P**	**6.9**	P	6.0	P	4.1
Interest costs		**9.8**		5.6		2.3
Expected return on plan assets	**(**	**3.2)**	(	3.7)	(	3.9)
Effect of asset limit		**-**		-	(	3.0)
Other benefits		**0.7**		-		22.7
	P	**14.2**	P	7.9	P	22.2

In determining the retirement benefits, the following actuarial assumptions were used:

	2009	2008
Discount rates	**9.28%**	11.38%
Expected rate of return on plan assets	**5.00%**	7.00%
Expected rate of salary increases	**10.00%**	10.00%

For 2010, the Group expects to contribute P17.0 to the plan.

19. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group enters into transactions with BDO Unibank and other affiliates. Under the Group's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

a. As of December 31, 2009 and 2008, total savings and demand deposit accounts maintained in BDO Unibank by the Group amounted to P71.2 and P54.2, respectively. Interest income earned on deposits amounted to P0.8, P0.6, P0.9 in 2009, 2008 and 2007, respectively. Cash equivalents totaling P66 is also maintained with BDO Unibank as of December 31, 2009.

b. Total bills payable to BDO Unibank amounted to P254.0 as of December 31, 2008 (nil as of December 31, 2009). Interest expense incurred on bills payable amounted to P14.2, P11.3 and P22.5 in 2009, 2008 and 2007, respectively.

c. The Parent Company leases its head office premises from BDO Unibank for a period of five years from July 1, 2005 to June 30, 2010, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company. Related rent expense incurred amounted to P16.1, P12.7 and P12.5 in 2009, 2008 and 2007, respectively.

d. In 2008, the Parent Company granted short-term unsecured loan to BDO Rental amounting to P668 presented as part of Loans and Other Receivables in the Parent Company's statements of financial position. The loan bears annual interest rates ranging from 4.00% to 5.75%. As of December 31, 2008, the carrying amount of the loan amounted to P657.2 and was fully paid as of December 31, 2009. Total interest income earned by the Parent Company amounted to P27.6 in 2009 and P6.1 in 2008 and is presented as part of Interest and Discounts in the Parent Company's statements of comprehensive income.

e. In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale of P62.6. The gain is included as presented as Gain on Sale of Receivable under Other Income (see Note 16).

f. Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to P24.6 in 2009, P20.7 in 2008 and P17.6 in 2007 and is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Parent Company. Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits.

20. TAXES

20.1 Taxes and Licenses

This account is composed of the following:

Group

	2009	2008	2007
Gross receipts tax	**P 56.9**	P 53.9	P 50.5
Documentary stamp tax	**24.2**	16.7	12.0
Local taxes	**8.3**	7.1	6.7
Others	**2.9**	3.0	2.6
	P 92.3	P 80.7	P 71.8

Parent Company

	2009	2008	2007
Gross receipts tax	**P 56.9**	P 53.9	P 50.5
Documentary stamp tax	**19.4**	14.8	11.1
Local taxes	**7.1**	6.6	6.3
Others	**2.1**	3.0	2.7
	P 85.5	P 78.3	P 70.6

20.2 Current and Deferred Income Taxes

The components of tax expense for the years ended December 31 follow:

	Group		
	2009	2008	2007
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2009 and at 35% in 2008 and 2007	**P 157.9**	P 133.3	P 90.8
Final tax at 20%, 10% and 7.5%	**2.1**	0.1	0.2
	160.0	133.4	91.0
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**(5.6)**	37.3	(9.1)
Deferred tax relating to reduction in tax rate	**-**	(5.7)	-
	(5.6)	31.6	(9.1)
Tax expense reported in profit or loss	**P 154.4**	P 165.0	P 81.9

	Parent Company		
	2009	2008	2007
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2009 and at 35% in 2008 and 2007	**P 147.5**	P 107.3	P 86.2
Final tax at 20%, 10% and 7.5%	**2.2**	0.1	0.2
	149.7	107.4	86.4
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**(7.4)**	44.2	(12.4)
Deferred tax relating to reduction in tax rate	**-**	(5.8)	-
	(7.4)	38.4	(12.4)
Tax expense reported in profit or loss	**P 142.3**	P 145.8	P 74.0

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

	Group		
	2009	2008	2007
Tax on pretax income at 30% in 2009 and at 35% in 2008 and 2007	**P 136.3**	P 185.8	P 148.2
Adjustment for income subjected to lower tax rates	**(1.4)**	(0.1)	(0.3)
Tax effects of:			
Non-deductible expense	**26.4**	25.1	68.1
Non-taxable income	**(8.0)**	(34.0)	(134.3)
Non-deductible interest expense	**1.1**	0.3	0.2
Reduction in deferred tax rate	**-**	(12.1)	-
Tax expense reported in profit or loss	**P 154.4**	P 165.0	P 81.9

	Parent Company		
	2009	2008	2007
Tax on pretax income at 30% in 2009 and at 35% in 2008 and 2007	**P 132.1**	P 153.5	P 135.2
Adjustment for income subjected to lower tax rates	**(1.4)**	(0.1)	(0.3)
Tax effects of:			
Non-deductible expense	**16.3**	21.9	66.9
Non-taxable income	**(5.8)**	(16.6)	(128.0)
Non-deductible interest expense	**1.1**	0.3	0.2
Reduction in deferred tax rate	**-**	(13.2)	-
Tax expense reported in profit or loss	**P 142.3**	P 145.8	P 74.0

The components of deferred tax liabilities and deferred tax expense (income) as of December 31, 2009 and 2008 and for the years then ended follow:

	Statement of Financial Position			
	Group		Parent Company	
	2009	2008	**2009**	2008
Deferred tax assets:				
Allowance for impairment and credit losses	**P 59.7**	P 48.6	**P 59.7**	P 44.4
Accumulated depreciation on investment properties	**7.8**	7.8	**7.8**	7.8
Retirement benefit obligation	**4.5**	4.4	**4.5**	4.4
Others	**0.4**	1.7	**0.4**	1.2
	72.4	62.5	**72.4**	57.8
Deferred tax liabilities:				
Lease income differential	**(137.4)**	(133.2)	**(142.6)**	(135.4)
Unrealized gain on exchange of assets	**(1.6)**	(1.6)	**(1.6)**	(1.6)
	(139.0)	(134.8)	**(144.2)**	(137.0)
Net deferred tax liabilities	**(P 66.6)**	(P 72.3)	**P 71.8)**	(P 79.2)

	Group Statements of Comprehensive Income		
	2009	2008	2007
Allowance for impairment losses	**(P 11.1)**	P 39.8	(P 3.8)
Lease income differential	**4.2**	(9.5)	9.0
Accumulated depreciation on investment properties	**-**	(1.2)	(4.6)
Unrealized gain on exchange of assets	**-**	0.6	(3.7)
Retirement liability (asset)	**(0.1)**	0.4	(7.4)
Others	**1.3**	1.5	1.4
Deferred tax expense (income)	**(P 5.7)**	P 31.6	(P 9.1)

	Parent Company Statements of Comprehensive Income		
	2009	2008	2007
Allowance for impairment losses	**(P 15.3)**	P 39.1	(P 3.8)
Lease income differential	**7.2**	(2.3)	5.7
Accumulated depreciation on investment properties	**-**	(1.2)	(4.6)
Unrealized gain on exchange of assets	**-**	0.6	(3.7)
Retirement liability (asset)	**(0.1)**	0.4	(7.4)
Others	**0.8**	1.8	1.4
Deferred tax expense (income)	**(P 7.4)**	P 38.4	(P 12.4)

20.3 Relevant Tax Regulations

Among the significant provisions of the National Internal Revenue Code (NIRC) that apply to the Group are the following:

a. The RCIT tax of 32% (30% starting January 1, 2009) is imposed on taxable income net of applicable deductions;

b. Fringe benefits tax (same rate as the RCIT) is imposed on the grossed-up value of the benefits given by employers to their managerial and supervisory employees (this is a final tax to be paid by the employer);

c. Minimum corporate income tax (MCIT) of 2% based on gross income, as defined under the Tax Code, is required to be paid at the end of the year starting on the fourth year from the date of registration with the Bureau of Internal Revenue (BIR) whenever the RCIT is lower than the MCIT. On October 19, 2007, the BIR issued RR No. 12-2007 which requires the quarterly computation and payment of the MCIT beginning on the income tax return for the fiscal quarter ending September 30, 2007. This RR amended certain provisions of RR No. 9-98 which specifically provides for the computation of the MCIT at end of each taxable year. Thus, in the computation of the tax due for the taxable quarter, if the computed quarterly MCIT is higher than the quarterly normal income tax, the tax due to be paid for such taxable quarter at the time of filing the quarterly corporate income tax return shall be the MCIT which is 2% of the gross income as of the end of the taxable quarter;

d. Net operating loss carryover (NOLCO) can be claimed as deduction against taxable income within three years after NOLCO is incurred;

e. Effective July 2008, RA 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction (OSD) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made; and

f. The amount of interest expense allowed as income tax deduction is reduced by an amount equal to 33% of the interest income subjected to final tax.

20.4 Gross Receipts Tax (GRT)/ VAT

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of RA 9010. The Parent Company became subject to VAT based on their gross receipts, in lieu of the GRT under Sections 121 and 122 of the Tax Code which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, RA No. 9238 reverts the imposition of GRT on banks and financial institutions. This law is retroactive to January 1, 2004. The Parent Company complied with the transitional guidelines provided by the BIR on the final disposition of the uncollected Output VAT as of December 31, 2004.

On May 24, 2005, the amendments on RA No. 9337 was approved amending, among others, the gross receipts tax on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

21. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

Group

	2009	2008	2007
Net income	**P 300.0**	P 365.6	P 341.7
Divided by the weighted average number of outstanding common shares	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.17	P 0.16

Parent Company

	2009	2008	2007
Net income	**P 298.0**	P 292.7	P 312.4
Divided by the weighted average number of outstanding common shares	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.14	P 0.14

There were no outstanding dilutive potential common shares as of December 31, 2009, 2008 and 2007.

22. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those already mentioned in the preceding notes, in the ordinary course of business, the Group incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2009, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Group's financial position and results of operations.

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
INDEX TO SUPPLEMENTARY SCHEDULES
December 31, 2009

Statement of Managements Responsibilty for the Consolidated Financial Statements

Independent Auditors' Report on the SEC Supplementary Schedules
Filed Separately fro the Basic Financial Statements

Supplementary Schedules to Consolidated Financial Statements
(Form 17-A, Item 7)

BDO Leasing

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of BDO Leasing and Finance, Inc is responsible for all information and representations contained in the financial statements for the years ended December 31, 2009 and 2008. The financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS) and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The management likewise discloses to the company's audit committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the company.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the company in accordance with Philippine Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

Signed under oath by the following:

Teresita T. Sy
Chairperson

Roberto E. Lapid
President

Corazon S. Chiu
Comptroller

BDO Leasing & Finance, Inc.
BDO Leasing Centre
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MAR 1 5 2010 QUEZON CITY

SUBSCRIBED and SWORN to me before this _______ day of ______, 2010 affiant exhibiting to me his/her Tax Identification, as follows:

NAMES	SSS NUMBER
Teresita T. Sy	03-2832705-4
Roberto E. Lapid	03-5034078-2
Corazon S. Chiu	03-2742120-7

ATTY. JAY T. BORROMEO
Notary Public
Until Dec. 31, 2010
PTR No. 3176723 / 01-04-10, Q.C.
IBP No. 779720 / 01-04-10, Q.C.
Atty's Roll No. 49649
TIN - 156-545-237
MCLE Compliance II No. 0002034

Doc. No. 495
Page No. 179
Book No. 078
Series of 2010

Punongbayan & Araullo

Report of Independent Auditors to Accompany SEC Schedules Filed Separately from the Basic Financial Statements

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The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of Banco de Oro Unibank, Inc.)
BDO Leasing Centre, Corinthian Gardens
Ortigas Avenue, Quezon City

We have audited the financial statements of BDO Leasing and Finance, Inc. and subsidiary (the Group) and BDO Leasing and Finance, Inc. (the Parent Company) for the year ended December 31, 2009, on which we have rendered the attached report dated March 3, 2010. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) to the Group and the Parent Company as of December 31, 2009 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

PUNONGBAYAN & ARAULLO

By: **Benjamin P. Valdez**
Partner
CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 2087602, January 4, 2010, Makati City
Partner's SEC Accreditation No. 0009-AR-2
BIR AN 08-002511-11-2008 (Nov. 25, 2008 to 2011)

Firm BOA/PRC Cert. of Reg. No. 0002
Firm SEC Accreditation No. 0002-FR-2

March 3, 2010

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule A - Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)
December 31, 2009

Name of issuing entity and association of each issue[1]	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet*[2]	*Valued based on the market quotation at balance sheet date*[3]	*Income received and accrued*
San Miguel Corporation	17,333,000	P 1,299,975,000	-	-
Philippine Long Distance Telephone Co.	14,500	152,938		-
Valley Golf Country Club	1	215,000	-	-
Valle Verde Country Club	1	200,000		
Tagaytay Splendido	1	350,000	-	-
		P 1,300,892,938	-	-

The carrying value of the marketable equity securities as at balance sheet date represents the aggregate market value of the equity securities.

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
December 31, 2009

Name and designation of debtor[1]	Balance at beginning of period	Additions	Deductions		Ending Balance		Balance at end of period
			Amounts collected[2]	Amounts written off[3]	Current	Not current	
Amounts Due from Related Parties:							
- nothing to report							
Advances to Officers and Employees:							
- nothing to report -							
Loans to Officers and Employees:							
ABAPO, JOSE EDMUND T.	P 234,048	-	P 87,768		P 87,768	P 58,512	P 146,280
AGUILAR, RAQUEL P.		129,426	13,992	-	41,976	73,458	115,434
AGUSTIN, ALLAN S.	95,400	-	38,160		38,160	19,080	57,240
ALAVA, EVA MARIE L.	71,691		37,404	-	34,287		34,287
ALBA, RE ANGELO M.		171,720	14,310	-	57,240	100,170	157,410
ALEJO, ANNABELLE D.	106,488	-	35,496	-	35,496	35,496	70,992
ALEJO, ANNABELLE D.		57,125	2,285	-	27,420	27,420	54,840
AMORES, EMMANUEL D.	-	114,480	3,180		38,160	73,140	111,300
AMORES, EMMANUEL D.	45,123		45,123	-			
ANDAYA, CHERRY ANN R.	47,985	-	27,420	-	20,565	-	20,565
ANDAYA, MARIE CHELANN P.	125,028	-	41,976	-	41,976	41,076	83,052
APARENTE, RYAN C.		79,020	19,755	-	26,340	32,925	59,265
AQUINO, LUNINGNING A.	1,809	-	1,809		-		
ARAGON, JERICHO R.	-	32,904	-	-	16,452	16,452	32,904
ARAGON, JERICO R.	76,320	-	28,620		28,620	19,080	47,700
ARELLANO, TRISTAN GEORGE P.		57,240	14,310	-	19,080	23,850	42,930
BALUCAN, RUBY ROSALYN N.	33,390	-	28,620		4,770	-	4,770
BALUNSAT, OLIVA	113,355		41,220	-	41,220	30,915	72,135
BALUNSAT, OLIVA	-	54,840	-		27,420	27,420	54,840
BANEZ, RONELIO M.	-	286,200	87,450	-	95,400	103,350	198,750
BANEZ, RONELIO M.	-	178,178	13,706		82,236	82,236	164,472
BANSIL, NANCY S.	-	915,840	203,520	-	305,280	407,040	712,320
BARIZA, MARIE SHAYNE B.		108,736	33,211	-	36,252	39,273	75,525
BARONGAN, ADOLFO A. JR.	54,236	-	37,696		16,540	-	16,540
BARRERA, JISSELYN E.	100,788		37,788	-	37,798	25,192	62,990
BARRERA, JISSELYN E.	-	57,125	2,285		27,420	27,420	54,840
BASANES, JOEL H D.	-	91,584	-	-	30,528	61,056	91,584
BASANES, JOEL H D.	10,494	-	10,494		-	-	
BAYONA, DONNAMIER P.	48,127		33,972	-	14,155		14,155
BELARMINO, EVANGELINE M.		68,688	17,172		22,896	28,620	51,516
BELARMINO, ROSITA R.	142,464		53,424	-	53,424	35,616	89,040
BELEN, ARMAND PAOLO G.	(795)	795	-		-	-	
BELGIRA, JOCELYN B.	73,458	-	26,712	-	26,712	20,034	46,746
BENAVIDEZ, VANESSA JOYCE C.		171,720	23,850		57,240	90,630	147,870
BERNAL, ANNA LOUELA G.	114,480	-	38,160		38,160	38,160	76,320
BERNAL, ANNA LOUELA G.		32,904	-	-	16,452	16,452	32,904
BIEN, LILIA M.	-	109,659	13,707		54,828	41,124	95,952
BIOC, IRISH JANNE R.	28,595		19,080	-	9,515	-	9,515
BIRREY, KAREN ANNE S.	108,120	-	38,160	-	38,160	31,800	69,960
BOHOLST, LOLITA	95,022	-	12,191	-	22,452	60,379	82,831
BOHOLST, LOLITA	114,803	40,105		-	12,468	142,440	154,908
BOHOLST, LOLITA	161,581	-	75,940	-	18,624	67,017	85,641
BORINAGA, JOEL C.	-	91,584	15,264		30,528	45,792	76,320
BUTAD, EDWIN V.	78,864	-	30,528		30,528	17,808	48,336
CABALLERO, ERNIE MICHAEL R.	-	80,136	13,356		26,712	40,068	66,780
CABALLERO, ERNIE MICHAEL R.	20,670		20,670	-			-
CABRERA, PEARL JOY J.		68,688	5,724		22,896	40,068	62,964
CABRERA, VINCENT MAURINO L.	144,252		144,252		-		-
CALUBAYAN, CORAZON E.	50,880		41,340		9,540	-	9,540
CARABUENA, JENNIFER A.	-	91,584	7,632		30,528	53,424	83,952
CASIN, JOANN C.	-	68,688	15,264	-	22,896	30,528	53,424
CASTRO, BENJIE C.	97,308	-	34,344		34,344	28,620	62,964
CASTRO, CYNTHIA D.	-	54,840	13,710		27,420	13,710	41,130
CECIBAN, MONALISA V.	-	26,244	19,683	-	6,561	-	6,561
CHAVEZ, SHEILA H.	40,292	-	34,536		5,756		5,756
CHAVEZ, SHEILA H.	116,779		8,292	-	108,487	-	108,487
CHUA, CHERRYL SANDY A.	62,909	-	62,909		-		
CINCO, APRIL ANN D.		109,908	6,106	-	36,636	67,166	103,802
CONDAG, REINERIO D.	-	115,632	9,636		38,544	67,452	105,996
CONDAG, REINERIO D.	40,068	-	40,068			-	
CORTEZ, CHONA R.	63,600		38,160	-	25,440		25,440
CRISTOBAL, LYDEE S.	47,985	-	25,135		22,850	-	22,850
DECENA, JANICE MARIE S.	152,640		57,240	-	57,240	38,160	95,400
DELA CRUZ, MARYSETH F.	129,744	-	45,792		45,792	38,160	83,952
DELA PAZ, MA. CRISSETTE P.	-	129,384	28,752	-	43,128	57,504	100,632
DELANTAR, RONALDO T. JR.	22,260	-	22,260		-	-	
DEMECILLO, DIANA S.	50,260		27,643	-	22,617		22,617

Name and designation of debtor[1]	Balance at beginning of period	Additions	Amounts collected[2]	Amounts written off[3]	Current	Not current	Balance at end of period
DIAZ, MANOLO O.	74,016	-	49,344	-	24,672	-	24,672
DIMAUNAHAN, MELODY H.	41,837	-	20,009		21,828	-	21,828
DIME, JANICE A.	151,368	-	53,424	-	53,424	44,520	97,944
DIME, JANICE A.	-	54,840		-	27,420	27,420	54,840
DOMINGO, ANALYN O.	-	114,480	15,900		38,160	60,420	98,580
DUMLAO, ELEONOR H.	120,020	-	42,360	-	42,360	35,300	77,660
ESTRELLA, ALBERTO A.	7,550	-	7,550				
EVANGELISTA, ROBERTO H.		83,952	48,972	-	34,980	-	34,980
FAJA, AUKLIN B.	-	74,412	12,402	-	24,804	37,206	62,010
FERNANDO, NOEMI R.	-	103,032	14,310		34,344	54,378	88,722
GARCIA, JENNIFER P.		160,272	22,260	-	53,424	84,588	138,012
GARCIA, TED S.	-	65,784	5,482		32,892	27,410	60,302
GARROVILLAS, RONABEL JOYCE	17,166	-	17,166	-	-	-	-
GIANGAN, MAUREEN C.	-	151,128	25,188		50,376	75,564	125,940
GIANGAN, MAUREEN C.	-	54,840	-	-	27,420	27,420	54,840
GIANGAN, MAUREEN C.	36,736		36,736	-	-	-	-
HALASAN, RICARDO	-	97,944	7,632		50,578	39,734	90,312
HALASAN, RICARDO	905,280	-	905,280	-	-	-	-
HANDIG, JOEVEN Y.	-	328,572	82,143		109,524	136,905	246,429
HARE, VANESSA E.	152,640	-	57,240	-	57,240	38,160	95,400
HARE, VANESSA E.	-	57,125	2,285		27,420	27,420	54,840
HIPOLITO, EMILIANO A.	356,160	-	133,560	-	133,560	89,040	222,600
ILAGAN, CHERIMEL S.	99,744	-	37,404		37,404	24,936	62,340
JUGADORA, JENNIFER F.	32,385	-	22,860	-	9,525	-	9,525
JUNTORIA, MARY JANE L.	44,520		38,160	-	6,360	-	6,360
LAPOG, FREDERICK ALLAN B.	49,290	-	19,080		19,080	11,130	30,210
LACHICA, MARTINA H.		137,376	3,816	-	45,792	87,768	133,560
LACHICA, MARTINA H.	42,070	-	42,070				
LEAÑO, ARISIONOWELL L.		215,244	41,853	-	71,748	101,643	173,391
LIM, ELVIE A.	523,695	-	36,125		45,840	441,730	487,570
LOPEZ, ESTRELLA C.	193,223		193,223	-	-	-	-
Lopez, Rafael Anne C.	-	171,325	6,853		82,236	82,236	164,472
LUMANOG, RYAN F.	57,564	-	38,376	-	19,188	-	19,188
LUZANO, ROGELIO JR. D.	-	26,244	19,683		6,561		6,561
MACAINAG, SCANDUTCH TERESA D.	90,895	-	6,360	-	6,360	78,175	84,535
MACAINAG, SCANDUTCH TERESA D.	34,286		34,286				
MACAINAG, SCANDUTCH THERESA D	-	131,652	25,599	-	43,884	62,169	106,053
MACAINAG, SCANDUTCH THERESA D		28,550	1,142	-	13,704	13,704	27,408
MAGDAMO, MA. CHERYL D.	-	171,720			57,240	114,480	171,720
MAGDAMO, MA. CHERYL D.	38,200	-	38,200	-	-	-	-
MARTINEZ, THERESA JEAN R.	-	114,480	9,540		38,160	66,780	104,940
MARZAN, ANGELO A.	70,278	-	24,804	-	24,804	20,670	45,474
MATURAN, PAUL MAYNARD C.	-	57,240	17,490		19,080	20,670	39,750
MAXIMO, LEAH GRACE M.	270,300	-	270,300	-	-	-	-
MURILLOS, MILAN YU	-	84,744	9,416		28,248	47,080	75,328
MIRANDA, VIVIAN D.	50,300	-	27,400	-	22,900	-	22,900
MIRANDILLA, ANALYN V.	-	109,656	36,552		54,828	18,276	73,104
MONTESA, CAROLINE A.		80,136	6,678	-	26,712	46,746	73,458
MOPERA, MA. EVELYN C.	19,080	-	15,264		3,816	-	3,816
NABORTE, ELENA C.		68,688	15,264	-	22,896	30,528	53,424
NICOLAS, SHIRLYN C.	19,683	-	19,683				
OCAMPO, FRITZIE T.	142,464	-	53,424	-	53,424	35,616	89,040
OCAMPO, FREDERIT LEON G.	-	31,488	7,872		23,616		23,616
OMBOY, MARISSA R.	97,308	-	32,436	-	32,436	32,436	64,872
OPINION, EDUARDO G.	34,980		19,080	-	15,900		15,900
PADERON, RUBY LYN C.	-	57,240	6,360		19,080	31,800	50,880
PAGAURO, EUSEBIO JR. P.		100,011	24,327		32,436	43,248	75,684
PANGAN, EVELYN I.	-	274,752	61,056		91,584	122,112	213,696
PANGILINAN, LARA MAY B.	-	240,408	40,068	-	80,136	120,204	200,340
PASIA, MARLON V.		80,136	24,486		26,712	28,938	55,650
PAULATE, AGAPITO D.J.	-	148,824	45,474	-	49,608	53,742	103,350
PAULATE, AGAPITO D.J.	37,534		37,534				
PELOPERO, RHEDAN TEX M.	-	114,480	-	-	38,160	76,320	114,480
PENAFIEL, MONCHELLE T.	30,162		13,710	-	16,452		16,452
PERALTA, JOVIE L.	28,620	-	11,130		17,490	-	17,490
QUINSAY, RODRIGO A. JR.		228,960	50,880		76,320	101,760	178,080
RAVARA, FERDINAND W.	-	114,225	4,569		54,828	54,828	109,656
RAZOTE, ARLENE A.	146,930	-	50,376	-	50,376	46,178	96,554
RAZOTE, ARLENE A.	3,435	-	3,435				
REQUINTA, ABEGAIL B.	42,930	-	17,172	-	17,172	8,586	25,758
RIVERS, JOHN L. M.	324,360				129,744	194,616	324,360
RIVERA, CHRISTOPHER A.		171,720	19,080	-	57,240	95,400	152,640
ROBENOL, HENRY FRANCIS C.	-	85,860	9,540		28,620	47,700	76,320
ROBENOL, HENRY FRANCIS C.	20,670	-	20,670	-	-	-	-
ROMERO, DIOWELLA MAY C.	-	114,480	15,900		38,160	60,420	98,580
ROXAS, JOSE RAMON BENJAMIN T.	57,024	-	38,016	-	19,008	-	19,008
RUANTO, ROVERO P.	-	131,592			65,796	65,796	131,592
SALAZAR, MARITES T.	72,135	-	72,135	-	-	-	-
SALAZAR, MARY JANE D.	172,992		64,872		64,872	43,248	108,120
SANTOS, RAINIER C.	-	74,412	20,670	-	24,804	28,938	53,742
SANTOS, RUEL A.		74,412	22,737		24,804	26,871	51,675

Name and designation of debtor[1]	Balance at beginning of period	Additions	Amounts collected[2]	Amounts written off[3]	Current	Not current	Balance at end of period
SERAFICA, VIRGILIO M.	216,240	-	76,320	-	76,320	63,600	139,920
SIALANA, JERIC C.		84,588	13,356	-	26,712	44,520	71,232
SINGSON, MARIA ERNESTINE H.	148,824	-	40,608	-	49,608	49,608	99,216
SORIANO, ALEX B.	4,226	-	4,226	-	-	-	
SORIANO, ALEX R.	110,254	-	110,254	-	-	-	-
SUBONG, ERWIN D.	42,177	-	29,772	-	12,405		12,405
SULLEZA, MA. KAREN G.	-	114,480		-	38,160	76,320	114,480
TALLUD, GLADYS L.	-	211,188	38,830	-	79,596	82,362	157,958
TIBAYAN, SARRAH KAY M.	114,480	-	38,160	-	38,160	38,160	76,320
TIONGSON, REGGIE R.	-	191,316	52,470	-	67,964	70,882	138,846
TIONGSON, REGGIE R.	14,310	-	14,310	-	-		
TUAZON, EDENILA L.	-	228,423	9,137	-	109,644	109,644	219,288
UMARAN, CYNDI R.	-	91,584	15,264	-	30,528	45,792	76,320
UY, CATHERINE C.		249,120	8,300	-	49,824	190,992	240,816
UY, CATHERINE C.	101,760		101,760	-	-	-	-
VICENTE, MANNETTE D.	305,280	-	114,480	-	114,480	76,320	190,800
VICENTE, MANNETTE D.	-	114,225	4,360	-	54,828	54,828	109,656
VILLASENOR, MARIA ELENA	109,985	-	72,482	-	37,504		37,504
VILLASIS, ANDIE M.	46,304		34,728	-	11,576	-	11,576
VINLUAN, KAREN A.		46,001	30,416	-	20,892	14,736	35,598
	P 8,846,711	P 9,755,147	P 8,851,630	-	P 5,735,586	P 6,772,189	P 12,507,775

The loans are partly secured and unsecured and are payable on various dates beginning 1994 with interests ranging from 5.0% to 10.0%

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments
December 31, 2009

Name of Issuing entity and description of Investee[1]	*Number of shares or principal amount of bonds and notes*[2]	*Amount in Peso*	*Equity in earnings (losses) of investee for the period*[3]	*Other*[4]	*Distribution of earnings by investees*[5]	*Other*[6]	*Number of shares or principal amount of bonds and notes*[2]	*Amount in Peso*[7]	*Dividends received from investments not accounted for by the equity method*

- nothing to report -

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule E - Property and Equipment
December 31, 2009

COST

Description	Beginning Balance	Additions charge to cost and expense	Retirements	Other charges Add(Deduct) describe	Ending Balance
Leasehold improvements	P 8,352,549	P 11,960,367	(P 529,941)	(P 5,161,771)	P 14,621,204
Transportation and other equipment	1,634,501,779	833,010,747	(15,623,043)	(1,019,657,782)	1,432,231,701
Furniture, fixtures & other equipmen	6,829,953	3,455,182	(489,623)	(4,862,626)	4,932,886
Total	1,649,684,281	848,426,296	(16,642,607)	(1,029,682,179)	1,451,785,791

ACCUMULATED DEPRECIATION AND AMORTIZATION

Description	Beginning Balance	Additions charge to cost and expense	Retirements	Other charges Add(Deduct) describe	Ending Balance
Leasehold improvements	831,445	199,969	(2,527,202)		(1,495,788)
Transportation and other equipment	213,390,712	1,033,440,920	(24,966,162)		1,221,865,470
Furniture, fixtures & other equipmen	11,953,753	3,848,458	(2,587,911)	(544,237)	12,670,063
Total	226,175,910	1,037,489,347	(30,081,275)	(544,237)	1,233,039,745

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule F - Other Assets
December 31, 2009

Description	*Beginning balance*	*Additions*	*Deductions*	*Ending balance*
Prepaid expenses	P 27,580,847	P 44,332,712	-	P 71,913,559
Input VAT - net	71,760,533		(39,654,890)	32,105,643
Repossessed chattels and other equipment - net	23,048,619			
Miscellaneous - net	4,578,098			
	P 32,158,945	P 44,332,712	-	P 71,913,559

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule G - Long-Term Debt
December 31, 2009

Title of issue and type of obligation[1]	*Amount authorized by indenture*	*Amount shown under caption "Current portion of long-term debt" in related balance sheet*[2]	*Amount shown under caption "Long-Term Debt" in related balance sheet*[3]
Bills Payable	P 381,527,541	-	P 380,527,541

Bills payable to Land Bank of the Philippines is payable up to October 2014 and bear interest at annual average rate of 6.35% to 7.36% per annum.

1 Include in this column each type of obligation authorized (i.e., loans, bonds, warrants, etc.)

2 This column is to be totalled to correspond to the related balance sheet caption.

3 Include details as to interest rates, amounts or number of periodic installments, and maturity dates

BDO LEASING & FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of Banco de Oro Unibank, Inc.)

Schedule H. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

December 31, 2009

Name of related party[1]	*Balance at beginning of period*	*Balance at end of period*[2]
- nothing to report -	-	-
	-	-
	-	-
	-	-

1 The affiliates named shall be grouped as in Schedule D. The information called for shall be stated separately for any persons whose investments were shown separately in such related schedule.

2 For each affiliates named in the first column, explain in a note hereto the nature and purpose of any material increase during the period that is in excess of 10 percent of the related balance at either the beginning or end of the period.

BDO LEASING AND FINANCE, INC AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)

SCHEDULE J- CAPITAL STOCK
DECEMBER 31, 2009

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares, Reserved for Options, Warrants, Conversions and Other Rights	Number or Shares Held By		
				Parent, Affiliates	Directors, Officers and Employees	Others
Preferred Shares	200,000	-	-			
Common Shares	3,400,000	2,162,475,312	-	1,840,114,698	323,725	322,036,889

SCHED K

BDO LEASING AND FINANCE, INC AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)

SCHEDULE K- LITS OF TOP 20 STOCKHOLDERS OF RECORD
DECEMBER 31, 2009

Name of Stockholders	*Citizenship*	*Amount Subscribed*	*Percentage to Total Outstanding*
Banco De Oro Unibank, Inc.	Filipino	1,840,114,698	85.092981%
PCD Nominee Corp.(Filipino)	Filipino	180,565,391	8.349940%
PCD Nominee Corp.(Foreigner)	Foreigner	22,100,853	1.022016%
Samuel Uy Chua	Filipino	21,000,000	0.971109%
Wilson Chua	Filipino	19,261,980	0.890738%
Equitable Computer Services,Inc.A/C Equitable	Filipino	12,320,000	0.569717%
Panfilo Castro Jr.,	Filipino	6,140,000	0.283934%
Felly G. Castro	Filipino	5,100,480	0.235863%
Wilson Chua &/or Ruby C. Chua	Filipino	4,519,000	0.208973%
Samuel Uy Chua	Filipino	3,011,150	0.139246%
Constantino Chua	Filipino	2,497,200	0.115479%
Virginia Chua	Filipino	2,367,750	0.109493%
Equitable Computer Services,Inc.	Filipino	2,070,200	0.095733%
Wilson Chua &/or Virginia Chua	Filipino	1,421,000	0.065712%
Victor Barranda	Filipino	1,157,475	0.053525%
Guild Securities Inc.	Filipino	1,143,945	0.052900%
Eduardo Dy	Filipino	1,143,560	0.052882%
Mercury Group of Companies,Inc.	Filipino	1,089,165	0.050367%
Constantino Chua &/or Willington Chua &/or George Chua	Filipino	1,020,000	0.047168%
Ruby C. Chua	Filipino	962,600	0.044514%
Other Stockholders	Filipino	33,468,865	1.547711%
Total		**2,162,475,312**	**100.00%**