



107302015000057



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

### Barcode Page

The following document has been received:

Receiving Officer/Encoder : Donna Encarnado - COS

Receiving Branch : SEC Head Office

Receipt Date and Time : July 30, 2015 08:11:21 AM

Received From : Head Office

### Company Representative

---

Doc Source

### Company Information

---

SEC Registration No. 0000097869  
Company Name BDO LEASING AND FINANCE, INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

---

Document ID 107302015000057  
Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
Document Code 17-Q  
Period Covered June 30, 2015  
No. of Days Late 0  
Department CFD  
Remarks

# COVER SHEET

						0	9	7	8	6	9
--	--	--	--	--	--	---	---	---	---	---	---

S.E.C. Registration Number

B	D	O		L	E	A	S	I	N	G		A	N	D		F	I	N	A	N	C	E	,	I	N	C	.		
A	N	D		S	U	B	S	I	D	I	A	R	Y																

( Company's Full Name )

B	D	O		L	E	A	S	I	N	G		C	E	N	T	R	E	,	C	O	R	I	N	T	H	I	A	N		
G	A	R	D	E	N	S		O	R	T	I	G	A	S		A	V	E	.	Q	.	C	.		M	.	M	.		

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

ROBERTO E. LAPID
------------------

Contact Person

635-64-16 / 840-7000
----------------------

Company Telephone Number

06	30
----	----

Month     Day  
Fiscal Year

SEC FORM 17-Q
---------------

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.

1,161
-------

Total No. of Stockholders

Total Amount of Borrowings

20,776,297,957.82
-------------------

Domestic

-
---

Foreign

To be accomplished by SEC Personnel concerned

--	--	--	--	--	--	--	--	--	--	--	--	--

File Number

\_\_\_\_\_ LCU

--	--	--	--	--	--	--	--	--	--	--	--	--

Document I.D.

\_\_\_\_\_ Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended June 30, 2015
2. Commission identification number 097869
3. BIR Tax Identification No. 000-486-050-000
4. Exact name of issuer as specified in its charter BDO LEASING & FINANCE, INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office BDO Leasing Centre, Corinthian Gardens, Ortigas Ave., Q. C. 1100  
Postal Code
8. Issuer's telephone number, including area code 632/ 635-6416, 635-5817, 840-7000
9. Former name, former address and former fiscal year, if changed since last report N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code,  
or Sections 4 and 8 of the RSA N/A

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<u>Common Stock, P1.00 par value</u>	<u>2,162,475,312 / P 20,776,297,957.82</u>

11. Are any or all of the securities listed on a Stock Exchange?

Yes [  ] No [  ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.

Common stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [  ] No [  ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [  ] No [  ]

## **PART I--FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

The financial statements of BDO Leasing & Finance, Inc. and Subsidiary are prepared and presented in accordance with Philippine Financial Reporting Framework.

The accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2014 were consistently applied in the interim financial reports.

#### ***Adoption of New Interpretations, Revisions and Amendments to PFRS***

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncement, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements.

**PFRS 9, *Financial Instruments*** (effective from January 1, 2015). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

Phase 1: Classification and Measurement

Phase 2: Impairment Methodology

Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2015. Other chapters dealing with impairment methodology and hedge accounting are still being developed. The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Group and its plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

#### ***PAS 27 (Amendment), Separate Financial Statements – applicable***

This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. The Group has evaluated the

various facts and circumstances related to its interest in other entities and has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognize in the financial statements.

**PAS 28 (Amendment), *Investments in Associate and Joint Venture* – not applicable**

**PFRS 1, *First-time Adoption of PFRS on Government loans* – not applicable**

**PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* – applicable**

The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangement. This amendment did not have a significant impact on the Group's financial statements as the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements.

**PFRS 10, *Consolidated Financial Statements* – applicable**

This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess. The Group has evaluated the various facts and circumstances related to its interest in other entities and has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognize in the financial statements.

**PFRS 11, *Joint Arrangements* - not applicable**

**PFRS 12, *Disclosure of Interest in Other Entities* – not applicable**

**PFRS 13, *Fair Value Measurement (effective from January 1, 2013)* – applicable**

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Other than additional disclosures presented in Note 6.02 of the Group 2013 Audited Financial Statements, the application of this standard had no significant impact on the amounts recognized and disclosures presented in the financial statements of the Group.

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY**  
**(A Subsidiary of BDO Unibank, Inc.)**  
**BALANCE SHEETS**  
**In Millions**

	June 30, 2015	(Audited) December 31, 2014	June 30, 2014
<b>ASSETS</b>			
Cash and Cash Equivalents	202.2	417.7	378.7
Available-for-Sale Investments	2,501.2	2,373.3	2,002.4
<b>Loans &amp; Other Receivables - net</b>			
<b>Finance Lease Receivables</b>			
Finance lease receivables	11,151.7	10,520.6	10,178.2
Residual value of leased assets	4,773.2	4,167.9	3,908.5
Unearned lease income	(1,130.0)	(1,118.1)	(1,133.7)
	<u>14,794.9</u>	<u>13,570.4</u>	<u>12,952.9</u>
<b>Loans and Receivables Financed</b>			
Loans and receivables financed	10,877.2	10,514.3	9,224.0
Unearned finance income	(73.5)	(75.4)	(66.5)
Clients' Equity	(34.5)	(36.5)	(32.3)
	<u>10,769.2</u>	<u>10,402.4</u>	<u>9,125.2</u>
	<u>25,564.2</u>	<u>23,972.8</u>	<u>22,078.1</u>
<b>Other Receivables</b>			
Accounts Receivable	35.3	11.9	14.2
Sales Contract Receivable	20.0	16.1	17.8
Dividends Receivable	51.4	26.6	26.6
Accrued Interest Receivable	92.9	113.5	110.4
Accrued Rental Receivable	0.5	2.5	1.5
	<u>200.2</u>	<u>170.6</u>	<u>170.3</u>
Allowance for loan losses	(543.7)	(493.8)	(443.7)
Allowance for losses - misc. receivables	(3.0)	(3.0)	(3.0)
	<u>(546.7)</u>	<u>(496.8)</u>	<u>(446.7)</u>
	<u>25,217.6</u>	<u>23,646.6</u>	<u>21,801.8</u>
Property, Plant and Equipment - net	2,234.6	2,012.6	1,685.9
Investment Properties - net	244.2	320.6	126.9
Other Assets - net	503.0	479.1	628.0
	<u>30,902.8</u>	<u>29,249.9</u>	<u>26,623.6</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Bills Payable	20,728.9	19,653.0	17,622.3
Accounts Payable, Accrued Interest and Other Liabilities	403.4	417.2	459.1
Lease Deposits	4,788.8	4,193.9	3,935.6
	<u>25,921.1</u>	<u>24,264.1</u>	<u>22,016.9</u>
<b>Stockholders' Equity</b>			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Retained Earnings	2,038.1	2,165.8	1,912.6
Unrealized gain/(loss) on available-for-sale invest	264.2	140.6	21.6
OCI - Actuarial Gain/(Loss)	(35.1)	(35.1)	(41.9)
Treasury Stock	(81.8)	(81.8)	(81.8)
	<u>4,981.7</u>	<u>4,985.8</u>	<u>4,606.8</u>
	<u>30,902.8</u>	<u>29,249.9</u>	<u>26,623.7</u>

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY**  
**(A Subsidiary of BDO Unibank, Inc.)**  
**STATEMENTS OF INCOME**

**In Millions**

<b>For the six months ended</b>	<b>June 30,</b>	<b>June 30,</b>
	<b>2015</b>	<b>2014</b>
<b>INCOME</b>		
Interest and discounts	749.8	717.6
Rent	379.8	277.1
Service fees & other income	104.2	114.6
	1,233.8	1,109.3
<b>EXPENSES</b>		
Interest and financing charges	268.9	218.5
Occupancy and equipment-related expenses	26.7	22.6
Depreciation Expense - Operating Lease	303.7	220.4
Compensation and fringe benefits	92.5	87.5
Taxes and licenses	93.1	92.1
Provision for impairment and credit losses	50.0	50.0
Litigation/assets acquired expenses	5.1	8.2
Miscellaneous Expense	46.0	44.5
	886.0	743.8
<b>INCOME BEFORE INCOME TAX</b>	347.8	365.5
<b>PROVISION FOR INCOME TAX</b>	97.1	114.7
<b>NET INCOME</b>	250.7	250.8
<b>OTHER COMPREHENSIVE INCOME</b>	123.6	(90.6)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	374.3	160.2
<b>BASIC EARNINGS PER SHARE**</b>	0.12	0.12
<b>DILUTED EARNINGS PER SHARE**</b>	0.12	0.12

\*\* NET INCOME DIVIDED BY THE TOTAL NUMBER OF OUTSTANDING SHARES AS OF CUT-OFF DATE:

NET INCOME	250.7	250.8
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.12	0.12

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY**  
**(A Subsidiary of BDO Unibank, Inc.)**  
**STATEMENTS OF INCOME**  
**In Millions**

<u>For the three months ended</u>	<u>June 30,</u> <u>2015</u>	<u>June 30,</u> <u>2014</u>
<b>INCOME</b>		
Interest and discounts	378.7	362.5
Rent	191.9	144.7
Service fees & other income	57.3	68.3
	<u>627.9</u>	<u>575.5</u>
<b>EXPENSES</b>		
Interest and financing charges	140.4	113.2
Occupancy and equipment-related expenses	13.5	10.1
Depreciation Expense - Operating Lease	158.6	115.0
Compensation and fringe benefits	48.6	43.9
Taxes and licenses	46.5	50.0
Provision for impairment and credit losses	25.0	25.0
Litigation/assets acquired expenses	1.2	3.7
Miscellaneous Expense	25.4	24.6
	<u>459.2</u>	<u>385.5</u>
<b>INCOME BEFORE INCOME TAX</b>	168.7	190.0
<b>PROVISION FOR INCOME TAX</b>	47.7	60.6
<b>NET INCOME</b>	<u>121.0</u>	<u>129.4</u>
<b>OTHER COMPREHENSIVE INCOME</b>	63.7	(132.9)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<u>184.7</u>	<u>(3.5)</u>
<b>BASIC EARNINGS PER SHARE**</b>	<u>0.06</u>	<u>0.06</u>
<b>DILUTED EARNINGS PER SHARE**</b>	<u>0.06</u>	<u>0.06</u>

\*\* NET INCOME DIVIDED BY THE TOTAL NUMBER OF OUTSTANDING SHARES AS CUT-OFF DATE:

NET INCOME	121.0	129.4
DIVIDED BY OUTSTANDING SHARES	2,162.5 <sup>^</sup>	2,162.5 <sup>^</sup>
EPS(Basic and Diluted)	0.06	0.06



**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**

(A Subsidiary of BDO Unibank, Inc.)

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

In Millions

	Capital Stock	Additional Paid- in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 par value Authorized and unissued - 200,000 shares			62,693,718 shares				
Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares							
Balance as of Jan 1, 2015	2,225.2	571.1	(81.8)	2,165.8	140.6	(35.1)	4,985.8
Total Comprehensive Income (loss)				250.7	123.6	-	374.3
Cash Dividends				(378.4)			(378.4)
<b>Balance as of June 30, 2015</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,038.1</b>	<b>264.2</b>	<b>(35.1)</b>	<b>4,981.7</b>
Balance as of Jan 1, 2014	2,225.2	571.1	(81.8)	1,986.2	112.2	(41.90)	4,771.0
Total Comprehensive Income (loss)				250.8	(90.6)		160.2
Cash Dividends				(324.4)			(324.4)
<b>Balance as of June 30, 2014</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>1,912.6</b>	<b>21.6</b>	<b>(41.9)</b>	<b>4,606.8</b>

**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**(A Subsidiary of BDO Unibank, Inc.)**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**In Millions**

For the three months ended

	Capital Stock	Additional Paid- in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 par value Authorized and unissued - 200,000 shares			62,693,718 shares				
Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares							
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	1,917.1	200.5	(35.1)	4,797.0
Total Comprehensive Income (loss)				121.0	63.7		184.7
Cash Dividends				0.0			-
<b>Balance June 30, 2015</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,038.1</b>	<b>264.2</b>	<b>(35.1)</b>	<b>4,981.7</b>
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	1,783.2	154.5	(41.9)	4,610.3
Total Comprehensive Income (loss)				129.4	(132.9)		(3.5)
Cash Dividends				0.0			0.0
<b>Balance June 30, 2014</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>1,912.6</b>	<b>21.6</b>	<b>(41.9)</b>	<b>4,606.8</b>

**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE COMPARATIVE PERIOD AS INDICATED**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	347,874,416	365,444,308
Adjustments to reconcile income before income tax		
Interest received	769,534,088	692,429,261
Interest income	(749,800,252)	(717,637,652)
Interest and financing charges paid	(263,985,125)	(218,776,622)
Interest and financing charges	273,214,892	222,735,936
Depreciation and amortization	315,008,134	225,783,518
Impairment and credit losses	50,000,000	50,000,000
Gain on sale of property and equipment and investment properties	(4,163,558)	(22,267,346)
Day one loss (gain)	(1,288,961)	2,961,632
Operating profit before changes in operating assets and liabilities	736,393,636	600,673,035
Increase in loans and other receivables	(1,641,183,804)	(854,913,582)
Increase in other assets	(64,676,970)	(78,318,870)
Increase (decrease) in accounts payable and other liabilities	(26,263,941)	120,740,311
Increase in lease deposits	594,828,923	114,751,545
Net cash provided by (used in) operations	(400,902,156)	(97,067,561)
Income taxes paid	(56,047,106)	(49,658,100)
Net cash provided by (used in) operating activities	(456,949,262)	(146,725,661)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	76,770,314	64,160,206
Proceeds from disposal of property and equipment	105,656,940	(58,553,136)
Net acquisition of available for sale investment	-	-
Net acquisitions of property and equipment	(632,493,570)	(468,337,916)
Net cash used in investing activities	(450,066,316)	(462,730,846)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	1,069,951,888	1,174,543,257
Cash dividends paid	(378,433,178)	(324,371,297)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	691,518,710	850,171,960
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(215,496,867)	240,715,453
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	417,703,875	138,001,464
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	202,207,008	378,716,918

**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE COMPARATIVE PERIOD AS INDICATED**

	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	347,874,416	365,444,308
Adjustments to reconcile income before income tax		
Interest received	769,534,088	692,429,261
Interest income	(749,800,252)	(717,637,652)
Interest and financing charges paid	(263,985,125)	(218,776,622)
Interest and financing charges	273,214,892	222,735,936
Depreciation and amortization	315,008,134	225,783,518
Impairment and credit losses	50,000,000	50,000,000
Gain on sale of property and equipment and investment properties	(4,163,558)	(22,267,346)
Day one loss (gain)	(1,288,961)	2,961,632
Operating profit before changes in operating assets and liabilities	736,393,636	600,673,035
Increase in loans and other receivables	(1,641,183,804)	(854,913,582)
Increase in other assets	(64,676,970)	(78,318,870)
Increase (decrease) in accounts payable and other liabilities	(26,263,941)	120,740,311
Increase in lease deposits	594,828,923	114,751,545
Net cash provided by (used in) operations	(400,902,156)	(97,067,561)
Income taxes paid	(56,047,106)	(49,658,100)
Net cash provided by (used in) operating activities	(456,949,262)	(146,725,661)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	76,770,314	64,160,206
Proceeds from disposal of property and equipment	105,656,940	(58,553,136)
Net acquisition of available for sale investment	-	-
Net acquisitions of property and equipment	(632,493,570)	(468,337,916)
Net cash used in investing activities	(450,066,316)	(462,730,846)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	1,069,951,888	1,174,543,257
Cash dividends paid	(378,433,178)	(324,371,297)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	691,518,710	850,171,960
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(215,496,867)	240,715,453
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	417,703,875	138,001,464
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	202,207,008	378,716,918

**Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**June 2015 Compared to June 2014**

The company registered P251 million in net income for the semester ending June 2015.

Gross revenues amounted to P1.2 billion, an increase of 11% from P1.1 billion last year. This was due to increased operating lease bookings as well as a hike in volumes from financial leases. Overall, Loans & Other Receivable grew by 16% from last year.

The portfolio growth was primarily funded by an 18% year-on-year increase in Bills Payable. Consequently, interest and financing charges rose 22% to P269 million.

Provision for Impairment & Credit Losses stood at P50 million, equal to last year's level.

Occupancy and equipment related expenses increased 18% to P27 million. Depreciation Expense-Operating Lease went up 38% to P304 million on a larger operating lease portfolio.

Litigation/assets acquired expenses decreased 38% to P5 million owing to lower maintenance expenses on acquired assets.

Total assets expanded 16% year-on-year to P30.9 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed 14% or P1.8 billion while net non-lease portfolio went up by 18% or P1.6 billion. Property, Plant and Equipment-net increased 33% or P549 million as a result of the increase in net leased assets of BDORI.

Cash & cash equivalents dropped 47% to P202 million as free funds were invested in higher-yielding earning assets. Consequently, Available for Sale investments, went up 25% to P2.5 billion.

Net investment properties rose to P244 million from P127 million, brought about by a reclassification of assets from Non Current Assets Held for Sale. Consequently, Other Assets declined year-on-year to P503 million from P628 million.

Bills Payable increased to P20.7 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities decreased P55.7 million year-on-year due to a reduction in outstanding check payments to suppliers/dealers.

Lease deposits went up from P3.9 billion in June 2014 to P4.8 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.0 billion.

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

	<u>June 2015</u>	<u>June 2014</u>
Current Ratio	0.48:1	0.47:1
Quick asset ratio	0.45:1	0.44:1
Debt to Equity Ratio	5.20:1	4.78:1
Net Profit Margin	20.32%	22.61%
Return on Equity	10.46%	10.85%

Formulas used:

Current ratio	=	Current Assets over Current Liabilities
Quick assets ratio	=	Quick assets over Current Liabilities
Debt to equity	=	Total Liabilities over Total Stockholders' Equity
Net profit margin	=	Net income over Gross Revenues
Return on ave. equity	=	Annualized Net income over Ave. Stockholders' Equity

**Related Party Transactions**

*(Amounts in Millions of Philippine Pesos)*

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.

The Group's and Parent Company's related parties include BDO Unibank and affiliates as described below.

The summary of the Group's significant transactions with its related parties in June 30, 2015, December 31, 2014 and June 30, 2014 are as follows:

<u>Related Party Category</u>	Note	<u>Amount of Transaction</u>		
		June 30, 2015	December 31, 2014	June 30, 2014
<b>Ultimate Parent Company (BDO Unibank)</b>				
Interest expense on Bills Payable	(b)	52.6	94.6	46.8
Rent Expense	(d)	4.9	10.5	5.6
Management fees	(e)	1.2	2.4	1.2
<b>Subsidiary (BDO Rental)</b>				
Service fees	(c)	3.4	6.3	2.9
Rent Income	(d)	0.2	0.4	0.2
Management fees	(e)	0.2	0.4	0.2
Dividend Income			43.8	
<b>Affiliate (BDO Capital)</b>				
Professional fees	(f)	2.4	3.5	1.8

<u>Related Party Category</u>	Note	<u>Outstanding Balance</u>		
		June 30, 2015	December 31, 2014	June 30, 2014
<b>Parent Company (BDO Unibank)</b>				
Bills Payable	(b)	4,164.2	4,387.2	2,378.2
<b>Key Management Personnel</b>				
Advances employees	(h)	4.0	1.9	1.8

A) The Group maintains savings and demand deposit accounts with BDO Unibank. As of June 30, 2015, December 31, 2014 and June 30, 2014, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on deposits in June 30, 2015, December 31, 2014 and June 30, 2014, is included under Interest and Discounts as part of Revenues in the statements of comprehensive income.

B) The Group obtains short-term borrowings from BDO Unibank. The amount outstanding from borrowings as of in June 30, 2015, December 31, 2014 and June 30, 2014 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in June 30, 2015, December 31, 2014 and June 30, 2014, is included under Interest

and financing charges account as part of Operating Costs and Expenses account in the statements of comprehensive income.

C) On January 4, 2010, the Parent Company and BDO Rental entered into a Service Agreement whereby BDO Rental will handle the collection of certain factored receivables of the Parent Company, for a fee as agreed by the Parent Company and the sellers of the factored receivables. Under the Service Agreement, BDO Rental shall perform the monitoring of the payment due dates of the factored receivables, remit to the Parent Company all collections made and send monthly statement of accounts to customers. The related expense charged to the Parent Company based on the Service Agreement is included under Other Operating Costs and Expenses in the Parent Company's statements of comprehensive income. There is no outstanding intercompany payable or receivable from this transaction as of June 30, 2015, December 31, 2014 and June 30, 2014.

D) The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon between the Parent Company and BDO Unibank. Related rent expense incurred in June 30, 2015, December 31, 2014 and June 30, 2014, is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of comprehensive income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2014 and 2013 is presented as part of Other Income in the statements of comprehensive income. There is no outstanding receivable or payable on these transactions as of the end of June 30, 2015, December 31, 2014 and June 30, 2014.

E) In 2012, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the 2012 statement of comprehensive income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the 2013 statement of comprehensive income of the Parent Company. There is no outstanding receivable or payable on these transactions as of the end of June 30, 2015, December 31, 2014 and June 30, 2014.

F) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Parent Company's issuance of bills payable in 2013. Professional fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the September 2014 and 2013 statement of comprehensive income. There is no outstanding payable related on this transaction as of the end of June 30, 2015, December 31, 2014 and June 30, 2014.

G) The Group also granted cash advances to an officer in 2015 and 2014.

### **Commitments and Contingencies**

In the ordinary course of business, the company may incur contingent liabilities and commitments such as guarantees and pending litigation arising from normal business transactions which are not shown in the accompanying financial statements. Management does not anticipate significant losses from these commitments and contingencies that would adversely affect the company's operations.



## **Economic Events**

Management is continuously evaluating the current business climate and the impact of recent economic events on the present operations of the company. As the need arises, the company will recognize related effects in the ensuing financial statements.

## **Risk Factors**

We assessed the financial risk exposure of the company and subsidiaries particularly on currency, interest, credit, market and liquidity risks. There were no changes that would materially affect the financial condition and results of operations of the company.

Risk Management of the company's credit risks, market risks, liquidity risks, and operational risks is an essential part of the 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 for risk, including risk policies and risk Philosophy of the Company.

## **Plans for the Next Quarter**

- We will continue to extensively market our products thru BDO Leasing & Finance's branches. Additionally, we will use the extensive branch network of BDO Unibank, Inc. to boost referrals and ultimately our business volumes.
- We will aggressively tap the existing corporate accounts of the BDO Institutional Banking Group for possible lease requirements.
- We will continue to develop equipment vendor/supplier tie-ups to expand market presence and clientele base.
- We will expand and optimize our sources of funds to match our asset growth and help manage our funding costs. The company was recently granted authority by the SEC to issue an additional P10.0 billion Short Term Commercial Papers, bringing the total capability to P25.0 billion.
- We will continue to control operating expenses to ensure that these remain at a level which is attuned with our business volumes.
- We will continue to pursue process improvements to improve our services to our various stakeholders.

## **PART II--OTHER INFORMATION**

Nothing to report.

**Explanation for each information where disclosure of such is not applicable  
in our interim financial statements**

**ITEM 1-7**

- B. Explanatory comments about the seasonality or cyclicalities of interim operations;

***The Company is not affected by seasonality or cyclicalities factors when it comes to interim financial reporting since there are no products or services that are seasonal.***

- C. The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidents.

***None.***

- D. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

***None.***

- E. Issuances, repurchases, repayments of debt and equity securities;

***For the first semester of 2015, the Company has issued bills payable amounting to P16,211.6M and made total payments on its bills payable amounting to P17,135.5M.***

- F. Dividends paid ( aggregate or per share ) separately for ordinary shares and other shares.

***On February 25, 2015, the BOD approved the declaration of cash dividends at P0.175 per share, amounting to P378.4 million. The dividends were declared in favor of stockholders of record as of March 11, 2015 and said dividends were paid subsequently on March 24, 2015.***

***There were no dividends paid on other shares as the Company only has common shares as outstanding stock.***

- G. Segment revenue and segment result for business segments or geographical segments.

***Please see attached.***

- H. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

**None**

- I. The effect of changes in the composition of the issuer during the interim period, including business combination, acquisition or disposal of subsidiaries and long term investments.

**None**

- J. Changes in contingent liabilities or contingent assets.

**None**

- K. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

**None**

## ITEM 2

### **Management's Discussion and Analysis (MDA) of Financial Condition and Results of Operations [(Part III, Par. (A)(2)(b)]**

3. Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations of the following:

- A. *Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.*

**None**

- B. *Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;*

**None**

- C. *All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.*

**None**

- D. *Any material commitments for capital expenditure, the general purpose of such commitments and the expected sources of funds for such expenditures.*

**None**

- E. *Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales / revenues / income from continuing operations.*

***None***

- F. *Any significant elements of income or loss that did not arise from the issuer's continuing operations.*

***None***

- H. *Any seasonal aspects that had a material effect on the financial condition or results of operations.*

***None***

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY**  
**SEGMENT INFORMATION**

For the six months ended June 30, 2015  
(in millions)

	<u>Leasing</u>	<u>Financing</u>	<u>Others</u>	<u>Total</u>
<u>Gross income</u>	771.7	354.5	107.6	1,233.8
<u>Segment revenues</u>	771.7	354.5	107.6	1,233.8
<u>Segment expenses</u>	554.1	254.5	77.3	885.9
<u>Segment results</u>	217.6	99.9	30.3	347.9
<u>Income tax expense</u>				97.1
<u>Net Income</u>				250.7
<u>Segment assets - net</u>	16,745.5	10,500.7	-	27,246.2
<u>Unallocated assets</u>				3,656.6
<u>Total Assets</u>				30,902.8
<u>Segment liabilities</u>	14,755.9	10,761.7	-	25,517.7
<u>Unallocated liabilities</u>				403.4
<u>Total Liabilities</u>				25,921.1

BDO LEASING AND FINANCE INC.  
 AGING OF RECEIVABLES  
 As of June 30, 2015

Account	Total	1 Month	Over 1 Mos. to 3 Mos.	Over 3 Mos. to 6 Mos.	Over 6 Mos. to 1 Yr.	Over 1 Yr. to 3 Yrs.	3 to 5 Yrs.	Over 5 Yrs.	Non-Performing Loans
Factored Receivable	209,800,454.40	-	183,421,546.63	-	-	-	-	-	26,178,907.77
Receivables Purchased	1,192,423.00	-	-	-	-	-	-	-	1,192,423.00
Floor Stock Financing	178,064,722.92	111,588,051.07	66,476,671.85	-	-	-	-	-	-
Installment Paper Purchases	1,210,980,458.32	98,629,318.52	167,162,956.67	174,675,088.77	392,852,528.04	348,786,774.89	28,353,754.78	427,882.06	92,376.62
Amortized Commercial Loan	9,277,360,524.61	276,173,790.88	457,810,664.39	674,196,100.24	1,585,514,309.84	3,852,973,946.29	1,489,767,147.34	822,762,285.38	118,180,280.26
Lease Contract Receivables	15,924,887,318.92	849,592,625.68	1,110,935,587.41	1,714,982,682.50	2,948,636,741.17	7,036,231,894.89	1,917,433,826.92	2,611,155.19	343,462,715.06
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
<b>TOTAL LOAN PORTFOLIO</b>	<b>26,802,107,050.17</b>	<b>1,335,983,786.15</b>	<b>1,985,807,436.94</b>	<b>2,563,856,831.51</b>	<b>4,928,003,577.05</b>	<b>11,237,992,716.17</b>	<b>3,436,554,729.02</b>	<b>825,801,122.62</b>	<b>489,107,850.71</b>

Less: Allowance For Credit Losses

543,734,714.48

Finance Receivables - Net

26,258,372,335.69

**BDO Leasing and Finance, Inc. and Subsidiary**  
**Financial Ratios**  
**June 30, 2015 and 2014**  
*(Amounts in Millions of Philippine Pesos)*

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>I. Current/liquidity ratios</b>				
Current ratio				
	<u>10,575.7</u>	<u>8,677.7</u>	<u>0.48</u>	<u>0.47</u>
	<u>Total current assets</u>			
	<u>22,222.8</u>	<u>18,289.8</u>		
	<u>Total current liabilities</u>			
<b>Quick ratio</b>				
	<u>10,072.6</u>	<u>8,049.3</u>	<u>0.45</u>	<u>0.44</u>
	<u>Quick assets</u>			
	<u>22,222.8</u>	<u>18,289.8</u>		
	<u>Total current liabilities</u>			
<b>II. Solvency ratios; debt-to-equity ratios</b>				
Solvency ratio				
	<u>556.6</u>	<u>476.6</u>	<u>0.02</u>	<u>0.02</u>
	<u>(After tax net profit + Depreciation)</u>			
	<u>25,921.1</u>	<u>22,017.5</u>		
	<u>Total liabilities</u>			

## Debt-to-equity ratio

Total liabilities  
Total equity

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	25,921.1	22,017.5	5.20	4.78
	4,981.6	4,606.6		

## III. Asset-to-equity ratio

## Asset-to-equity ratio

Total assets  
Total equity

	30,902.6	26,624.1	6.20	5.78
	4,981.6	4,606.6		

## IV. Interest coverage ratio

## Interest coverage ratio

Earnings before interest and taxes  
Interest expense

	623.8	584.0	2.26	2.67
	276.0	218.5		

## V. Profitability ratios

## Net profit margin

Net Profit  
Interest income + Other operating income

	250.7	250.8	20.32%	22.61%
	1,233.8	1,109.3		



Return on equity

	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Net profit</u>	<u>250.7</u>	<u>250.8</u>	10.46%	10.85%
Average equity	4,794.1	4,621.8		

Return on assets

<u>Net profit</u>	<u>250.7</u>	<u>250.8</u>	1.74%	2.09%
Average assets	28,763.4	23,997.7		

VI. Others

Total real estate investments to Assets

<u>Total investment properties</u>	<u>244.2</u>	<u>126.9</u>	0.79%	0.48%
Total assets	30,902.6	26,624.1		

Loans to Assets

<u>Total loans and other receivables</u>	<u>25,217.6</u>	<u>21,801.8</u>	81.60%	81.89%
Total assets	30,902.6	26,624.1		

DOSRI to Net worth


	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Receivables from Directors, Officers <u>Stakeholders and Related Interests</u>	80.5	1.8	1.62%	0.04%
Total equity	4,981.6	4,606.6		
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation	1,300.0	1,234.6	5.16%	5.66%
Total loans and other receivables	25,217.6	21,801.8		

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (June 2015 SEC Form 17-Q Report) to be signed on its behalf by the undersigned thereunto duly authorized.

**BDO LEASING & FINANCE, INC.**

  
**ROBERTO E. LAPID**  
**PRESIDENT**

  
**ROSALISA B. KAPUNO**  
**VICE PRESIDENT/COMPROLLER**

**July 29, 2015**  
**Date**