BDO Leasing

April 12, 2011

THE DISCLOSURE DEPARTMENT
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: Ms. Janet A. Encarnacion
Head, Disclosure Department

Gentlemen:

We hereby submit with this letter SEC Form 17-A or the Annual Report of BDO Leasing and Finance, Inc. submitted today to the Securities and Exchange Commission.

Thank you very much.

Very truly yours,

SERGIO M. CENIZA
Compliance Officer

BDO Leasing & Finance, Inc.
BDO Leasing Centre
Corinthian Gardens, Ortigas Avenue
Quezon City, Philippines
Tel +63(2) 635 6416
Fax +63(2) 635 5811, 635 5805, 635 3898

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 .

(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)

GEORGIANA A. GAMBOA

Contact Person

635-64-16

Company Telephone Number

1 2 — Month; 3 1 — 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

C F D

Dept. Requiring this Doc

Amended Articles Number / Sec.

Total Amount of Borrowings

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, 2010**

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 : **P496,436,039**

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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 neither bankruptcy, receivership or 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, factoring of receivables and floor stock financing. Loan availments of clients are used to finance the purchase of automobiles, trucks, office equipment, industrial, agricultural and office machinery, 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 "with or 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, 2010, the Company's leasing and financing products contributed 62.37% and 28.65% to its gross revenues, respectively, vis-a-vis 2010 projected ratios of 60.1% and 32.7% respectively.

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.

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 and fast turn around time. 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 businesses of comparable risks.

a) As of December 31,2010, 2009 and 2008, total savings and demand deposit accounts maintained in BDO by the Group amounted to ₱42.6 million, ₱71.2 million and ₱54.2 million respectively. Interest income earned on deposits amounted to ₱4.7 million, ₱0.8 million and ₱0.6 million in 2010, 2009 and 2008 respectively.

Cash equivalents totaling ₱16.0 million, and ₱66.0 million is also maintained with BDO as of December 31, 2010 and 2009.

b) Total bills payable to BDO amounted to ₱351.0 million as of December 31, 2010 and ₱254.0 million as of December 31, 2009 and 2008. Interest expense incurred on bills payable amounted to ₱0.5 million, ₱14.2 million and ₱11.3 million in 2010, 2009 and 2008, respectively.

c) The Parent Company leases its head office premises and certain branch offices from BDO for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company and BDO. Related rent expense incurred amounted to ₱17.8 million, ₱16.1 million and ₱12.7 million in 2010, 2009 and 2008, respectively.

d) In 2010 and 2008, the Parent Company granted short-term unsecured loan amounting to ₱10.5 and ₱668.0, respectively, to BDO Rental, at prevailing market rates. The 2010 loan is not yet fully paid as of December 31, 2010 while the 2008 loan was fully paid in 2009. The loans carrying amount as of December 31, 2010 and 2008 amounted to ₱10.5 million and ₱657.2 million and are presented as part of Loans and Other Receivables in the Parent Company's statements of financial position. Total interest income earned by the Parent Company amounted to ₱1.0 million in 2010, ₱27.6 million in 2009 and ₱6.1 million in 2008 on these loan transactions 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 ₱501.4 million for ₱564.0 million to BDO, resulting to gain on sale of ₱62.6 million. The gain is as presented as Gain on Sale of Receivable under Service Fees and Other Income.

f) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to ₱26.2 million in 2010, ₱24.6 million in 2009, and ₱20.7 million in 2008 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.

g) On June 24, 2010, the Company entered into a Service Agreement with BDO Unibank. Under the Service Agreement, BDO shall perform certain services for the Company to help it realize its corporate goals as subsidiary of the Bank.

As of December 31, 2010, 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, 2010, the Company had 182 employees – eleven (11) senior officers, sixty-two (62) junior officers and one hundred nine (109) rank & file employees. Of the total personnel, Executive Office is composed of two (2) employees; eighty-five (85) under the Marketing group, and eighty-eight (88) under the Operations group (Administrative, Credit, Accounting, Legal and MIS) and five(5) Treasury and two (2) under the company's subsidiary, BDO Rental, Inc. In 2011, the Company anticipates sixty-eight (68) additional employees. The Company believes that it has maintained good relationship with its employees. Rank & file employees receive benefits similar to those granted to the rank & 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, 2010, 66.89% of the Company's leasing and financing portfolio consisted of exposure in firms in the following sectors: manufacturing, transportation and communication, construction, mining, 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 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 peso, 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 ₱12 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 2015. Head office address is at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City. In 2010 and 2009, the consolidated rent expense amounted to ₱17.8 million and ₱16.1 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 December 2013. Monthly rental amounts to P35,244 having no escalation clause.

San Pablo:

- Operates at the 3rd Floor, BDO Bldg., Rizal Street corner P. Alcantara St., San Pablo City, Laguna for a period of five years and will expire on September 2012. Monthly rental amounts to P53,226.94 and rent is to be increased annually by 10% at current rate.

Iloilo:

- Operates at the 2nd Floor, BDO Corporate Center, BDO Valeria Branch, Valeria St., Iloilo City for a period of five years to expire in November 2013. Monthly rental amounts to P22,000 having no escalation clause.

Davao:

- Operates at the 2nd Flr., BDO Davao Regional Office, 383 C.M. Recto Avenue, Davao City for a period of five years until January 2014 with no escalation clause. Monthly rental amounts to P36,145.

Cavite:

- Operates at the 2nd Flr., BDO Building., Damarinas Technopark Paliparan I, Dasmarinas, Cavite City for a period of five years. Contract expires on July 2014. Monthly rental amounts P 32,472.

Cebu:

- Operates at the Mezzanine Floor, BDO Bldg., Gorordo Ave. Lahug, Cebu City for a period of 5 years and will expire on May 2014. Monthly rental is at P 30,748 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. Monthly rental is at P21,083.04 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. Monthly rental is at P218,552.

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 – ₱16.4 million; Cebu – ₱3.2 million; Davao – ₱1.6 million; Dagupan – ₱3.5 million; San Pablo – ₱2.3 million; Cagayan – ₱3.3 million; Iloilo – ₱1.6 million; Cavite – ₱0.36 million; Pampanga – ₱1.2 million and BDO Rental, Inc. – ₱2.9 billion.

Item 3. Legal Proceedings

The Company is party to various legal proceedings which arise in the ordinary course of its operations. No such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Company or its consolidated financial condition.

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, 2010 was 62,693,718 shares or a total value of ₱81,776,628.

Dividends

On June 2, 2010 and December 8, 2010, the Company's Board of Directors approved the declaration of cash dividends at ₱0.05 per share in favor of stockholders of record as of June 30, 2010, paid on July 26, 2010 and at ₱0.10 per share in favor of stockholders of record as of December 22, 2010 which was paid on January 18, 2011. Total dividends in 2010 amounted to ₱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:

2011	High	Low	2010	High	Low
1st quarter	1.90	1.55	1st quarter	1.50	1.48
			2nd quarter	1.70	1.48
			3rd quarter	1.69	1.54
			4th quarter	1.69	1.46

2009	High	Low	2008	High	Low
1st quarter	P1.30	P0.93	1st quarter	P1.80	P1.40
2nd quarter	P1.36	P0.93	2nd quarter	P1.96	P1.40
3rd quarter	P1.30	P1.18	3rd quarter	P1.96	P1.30

As at December 31, 2010, the closing price of the Company's share is at ₱1.54.

Total number of stockholders as of December 31, 2010 was one thousand two hundred forty two (1,242). Common shares outstanding as of December 31, 2010 totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings, as of December 31, 2010 are as follows:

Name	No. of Shares Held	% to Total
Banco de Oro Unibank, Inc. (Parent Company)	1,840,114,248	85.092960%
Various Stockholders	322,361,064	14.907040%
	2,162,475,312	100.0000%

The top twenty (20) stockholders of the Company as of December 31, 2010 are as follows:

Name of Stockholders	Securities	Shares Held	Total Outstanding
Banco De Oro Unibank, Inc.	Common	1,840,114,248	85.092960%
PCD Nominee Corp.(Filipino)	Common	197,902,730	9.151676%
Samuel Uy Chua	Common	21,000,000	0.971109%
Wilson Chua	Common	19,261,980	0.890738%
Equitable Computer Services,Inc.A/C Equitable	Common	12,320,000	0.569717%
Wilson Chua &/or Ruby C. Chua	Common	6,943,000	0.321067%
Panfilo Castro Jr.,	Common	6,140,000	0.283934%
PCD Nominee Corp.(Foreigner)	Common	5,213,058	0.241069%
Felly G. Castro	Common	5,100,480	0.235863%
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 Chua &/or George Chua	Common	1,020,000	0.047168%
Nardo R. Leviste	Common	759,000	0.035099%

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

2010 Compared to 2009

Gross income for the year ended December 31, 2010 was ₱2.04 billion, a decrease of ₱0.17 million, or 7.77% from ₱2.21 billion in 2009. Interest, discounts, and rent for the year ended December 31, 2010 were ₱1.86 billion, a decrease of ₱0.13 million or 6.53% from ₱1.99 billion in 2009. This decrease was due to the decline in 2010 operating lease income of our subsidiary, BDO Rental, Inc. amounting to ₱830.9 million compared to ₱1.13 billion in 2009. The Company's leasing and financing portfolio as of December 31, 2010 was at ₱14.58 billion, a ₱3.19 billion increase, or 28.01% from ₱11.39 billion as of December 31, 2009 with both financing and leasing portfolio improving by 31.25% to ₱6.98 billion and 25.08% to P7.60 billion respectively.

Interest and financing charges for 2010 amounted to ₱330.9 million, consisting of financing charges on borrowings for ₱294.0 million and interest expense on lease deposits for ₱36.9 million. Increase of ₱49.54 million in financing charges is attributed to increase in Bills Payable which went up to ₱7.67 billion as of December, 2010 from

₱6.14 billion as of December 2009. Interest expense on leased deposits in 2010 amounted to P36.86 million or a decrease of ₱32.34 million from 2009's P69.24 million.

As of December, 2010, total allowance for impairment losses amounted to ₱234.4 million, an increase of ₱50.2 million from last year's ₱184.2 million. A total of ₱99.0 million provision for credit losses-loans & other receivables was set up during the year due to more conservative provisioning policies of the company. Total accounts written off in 2010 amounted to ₱32.7 million.

Taxes and licenses expenses were ₱112.8 million for the year ended December 31, 2010, an increase of ₱20.5 million, or 22.21% from ₱92.3 million for the year ended December 31, 2009. This was mainly from increase in Documentary Stamp Tax and Gross Receipts Tax expenses by ₱12.7 million and P0.9 million, respectively.

Salaries and employee benefits expense amounted to ₱134.1 in 2010 as compared to ₱133.9 million in 2009. Occupancy and equipment related expenses for the year ended December 31, 2010 amounted to ₱868.9 million, a decrease of ₱220.2 million, or 20.22% from December 2009's ₱1.09 billion, due to the decline in operating lease transactions of BDO Rental, Inc.

Litigation/assets acquired expenses increased by 19.33% or from ₱23.8 million in 2009 to ₱28.4 million in 2010.

Other expenses increased to ₱31.1 million in 2010 as compared to ₱25.8 million as in 2009.

The Company registered a net income of ₱308.7 million for the year ended December 31, 2010.

Total assets amounted to ₱15.3 billion, an increase of ₱2.28 billion from December, 2009's ₱13.01 billion. Available-for-sale financial assets of ₱1.52 billion pertains to the investments in San Miguel Corporation's (SMC) preferred shares purchased last December 2009. Leasing and financing portfolio increased by 27.96%. Property and Equipment-net amounted to ₱856.9 million as of 2010 or a decrease of ₱595.6 million over last year's ₱1.45 billion due to depreciation of leased assets and decline in operating lease transactions. Investment properties-net decreased to ₱701.3 million from 2009's ₱725.5 million primarily due to sale of foreclosed properties during the year.. Other assets stood at ₱180.9 million in 2010 primarily consisting of creditable withholding tax totaling ₱75.35 million.

Accounts Payable and accrued expenses increased by ₱208.0 million or 90.16% due to dividends payable balance amounting to ₱216.25 million for the cash dividend declaration in December 22, 2010.

Lease deposits, amounting ₱2.617 billion in 2010, increased by ₱315.8 million or 13.72% from last year's ₱2.301 billion. This was due to increase from finance lease transactions totaling ₱280.3 million.

Stockholders' equity increased by ₱230.7 million or 5.32%, primarily due to net income generated for the year less cash dividends declared and issued amounting ₱324.4 million.

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

	December 2010	**December 2009**
Current Ratio	0.86:1	0.50:1
Quick asset ratio	0.85:1	0.49:1
Debt to Equity Ratio	2.35:1	2.00:1
Return on Equity	6.76%	6.92%
Net Profit Margin	15.14%	13.58%

Increase in current and quick asset ratios can be attributed to the ₱4.4 billion increase in net loans & receivables financed that are expected to be collected within one year. Increase in current financial liabilities account for the 2.35:1

debt to equity ratio in 2010 as compared to 2.00:1 in 2009. Return on equity declined from 6.92% in 2009 to 6.76% in 2010 due to the other comprehensive income earned in 2010 amounting ₱246.4 million for the unrealized fair value gain on the investment in San Miguel Preference Share. Slight increase in the net profit margin is due to the increase in net income from ₱300.0 million in 2009 to ₱308.7 million in 2010.

2009 Compared to 2008

Gross income for the year ended December 31, 2009 was ₱2.21 billion, an increase of ₱841.2 million, or 61.47% from ₱1.37 billion in 2008. Interest, discounts, and rent for the year ended December 31, 2009 were ₱1.99 billion, an increase of ₱721.9 million or 56.89% from ₱1.27 billion in 2008. This increase was due to higher 2009 operating lease income from our subsidiary, BDO Rental, Inc. amounting to ₱1.13 billion compared to ₱256.4 million in 2008 as well as increase in financing income amounting to ₱1.99 billion from ₱1.27 billion the previous year. Operating Lease income rose to 57% of 2009's total financing income from 20% in 2008. The Company's leasing and financing portfolio as of December 31, 2009 was at ₱11.39 billion, a ₱2.50 billion or 28.07% increase from ₱8.89 billion as of December 31, 2008, with both financing and leasing portfolio improving by 66.82% to ₱6.08 billion and 1.20% to ₱5.31 billion respectively.

Interest and financing charges for 2009 amounted to ₱281.37 million, consisting of financing charges on borrowings for ₱212.13 million and interest expense on leased deposits for ₱69.24 million. Decrease in financing charges by ₱3.09 million is attributed to lower cost of borrowing in spite of the increment in Bills Payable which went up to ₱6.14 billion as of December, 2009 from ₱3.67 billion as of December 2008. Interest expense accrued on leased deposits in 2009 amounted to ₱69.24 million or an increase of ₱16.39 million from 2008's ₱52.85 million . This is attributed to higher fair value gains on initial recognition of leased deposits in 2009 amounting to ₱65.28 million as compared to 2008's ₱9.58 million.

As of December, 2009, total allowance for impairment losses amounted to ₱184.3 million which is an increase of ₱51.4 million from last year's ₱132.9 million. A total of ₱94.52 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 ₱43.69 million.

Taxes and licenses expenses were ₱92.3 million for the year ended December 31, 2009, an increase of ₱11.6 million, or 14.37% from ₱92.3 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 ₱7.5 million and ₱3.0 million, respectively.

Salaries and employee benefits expense amounted to ₱133.9 in 2009 as compared to ₱114.3 million in 2008. Occupancy and equipment related expenses for the year ended December 31, 2009 were ₱1.09 billion, an increase of ₱865.9 million, or 391.46% from December 2008's ₱221.2 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 ₱26.60 million in 2008 to ₱23.85 million in 2009.

Other expenses increased to ₱35.0 million in 2009 as compared to ₱29.5 million as in 2008.

The Company registered a net income of ₱300.03 million for the year ended December 31, 2009.

Total assets increased by ₱2.64 billion from December, 2008's ₱10.41 billion. Available-for-sale financial assets of ₱1.30 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 ₱1.45 billion as of 2009 or a decrease of ₱197.2 million over last year's ₱1.65 million due to depreciation of leased assets. Investment properties-net increased to ₱767.0 million from 2008's ₱751.63 million primarily due to foreclosed properties during the year.. Other assets stood at ₱156.6 million in 2009 primarily consisting of creditable withholding tax totaling ₱47.89 million.

Accounts Payable and accrued expenses amounting ₱230.7 million increased by ₱38.5 million or 20.03% due to increased income tax payable in 2009 amounting to ₱73.5 million compared to 2008's ₱8.9 million.

Lease deposits increased to ₱2.30 billion or 13.65% from last year's ₱2.03 billion, ₱45.3 million of the increase was contributed by BDO Rental, Inc.

Stockholders' equity decreased to ₱4.33 billion from last years ₱4.47 billion primarily due to net income generated for the year amounting ₱300.0 million less cash dividends declared and issued amounting ₱432.5 million.

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

	December 2009	December 2008
Current Ratio	0.50:1	0.98:1
Quick asset ratio	0.49:1	0.98:1
Debt to Equity Ratio	2.00:1	1.32:1
Return on Equity	6.92%	8.18%
Net Profit Margin	13.58%	26.71%

Decrease in current and quick asset ratios can be attributed to the ₱2.44 billion increase in financial liabilities classified under current liabilities or liabilities expected to be settled within one year. This also accounts for the 2.00:1 debt to equity ratio in 2009 as compared to 1:32:1 in 2008. Reduced net profit margin is due to decrease in net income from ₱365.6 million in 2008 to ₱300.0 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.

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 ₱17.8 billion or 16.43% in 2011 with Net Loans and Other Receivables increasing from ₱11.9 billion in 2010 to ₱14.5 billion in 2011 or up to 21.35%. Total Revenue is estimated at ₱1.6 billion by year-end 2011 while Interest and Financing Charges and Operating Lease-related Depreciation total ₱352 million and ₱194 million, respectively.

Projected Net income is ₱345 million, an increase of 11.65% versus the ₱309 million Audited 2010 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 28.5% 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 2010 for P12 Billion worth of STCP.

Item 7. Financial Statements

The financial statements of the Company included in the 2010 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	**2010**	**2009**
Audit fee	₱ 502	₱ 422

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 2010 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 fifteen (15) members of the BDOLF Board as of December 31, 2010.

TERESITA T. SY
CHAIRPERSON
60 YEARS OLD, FILIPINO

Ms. Teresita T. Sy was first elected Director of BDO Leasing and Finance, Inc. in September 2005. She was elected Chairperson of Banco De Oro Unibank, Inc. in July 2007. Concurrently, she sits as Chairperson and/ or Director of various BDO subsidiaries such as BDO Private Bank, BDO Capital & Investment Corporation, BDO Foundation, Inc., Equitable Card Network, Inc., Strategic Property Holdings, Inc. She is also Chairperson of Generali Pilipinas Life Assurance Company, Inc., Generali Pilipinas Insurance Co., Inc., SM Land, Inc., Supervalue, Inc., Morrison Corporation, Pilipinas Makro, Inc., and Sodexho Pass, Inc. Further, she is the Chairperson and President of MH Holding, and the President of SM Mart, Inc., SM Retail, Inc., Super Shopping Market, Inc., Premier Southern, Meridien Business Leader, Inc., and Tangiers Resources Corporation. She is the Vice Chairperson of Generali Pilipinas Holding Company, Inc. and SM Investments Corporation. She also holds directorships in SM Prime Holdings, Inc., Multi-Realty Development Corporation, and First Asia Realty Development Corporation. She is Treasurer of Forsyth Equity Holdings, Inc. and Watsons Personal Care Stores, Inc., and Vice President of Hotel Specialist, Inc. Prior to the merger of BDO and Equitable PCI Bank, Inc. (EPCIB), she served as Chairperson of BDO (1996-2005) and Vice-Chairperson of EPCIB (2005-2007). A graduate of Assumption College, she brings to the Board varied experiences in retail merchandising, mall development and banking.

ROBERTO E. LAPID
VICE CHAIRMAN
55 YEARS OLD, FILIPINO

Mr. Roberto E. Lapid was appointed as the Vice Chairman of BDO Leasing and Finance, Inc. in December 1, 2010. He is concurrently a Director in a wholly-owned subsidiary, BDO Rental, Inc. He was formerly the President of BDO Leasing and Finance, Inc., BDO Rental, Inc. and Equitable Exchange, Inc. and also served as Vice Chairman/Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.), and Armstrong Securities, Inc. He holds a Bachelor's degree in Business Administration from the University of the Philippines.

GEORGIANA A. GAMBOA
Director
54 Years Old, Filipino

Ms. Georgiana A. Gamboa was appointed President of BDO Leasing and Finance, Inc. on December 1, 2010. She concurrently holds the position of Senior Vice President of Banco De Oro Unibank, Inc. and President of BDO Rental, Inc. She was formerly connected with City Trust Banking Corporation for 16 years and the Bank of the Philippine Islands for 7 years. Her banking career spanned several functions including: Branch Manager – Consumer Banking Relationship Manager – Corporate Bank (where she grew from Assistant Manager to Vice President), and Remedial Management Head. Prior to joining BDOLF, she was the President of BPI Leasing Corporation, a subsidiary of Bank of the Philippine Islands for 7 years. She holds a Bachelor's Degree in Economics from De La Salle University where she finished Summa Cum Laude and received her Master of Arts in Economics from the University of the Philippines.

JESSE H.T. ANDRES
Independent Director
46 years old, Filipino

Atty. Jesse H.T. Andres was elected as Independent Director of BDO Leasing and Finance, Inc. on September 20, 2005 and is presently a member of the Company's Board Audit Committee and Corporate Governance, Nomination, and Compensation and Remuneration Committee. In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS) where he also served as the Chairman of the Corporate Governance Committee. From January to June 2004, he was the Managing Partner of the Andres Marcelo Padernal Guerrero and Paras Law Offices. He was also a Partner in the PECABAR Law Offices from 1996 to 2003 where he became Co-Head of the Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation. Atty. Andres holds a Bachelor of Arts Degree in Economics from the U.P. School of Economics and a Bachelor of Laws degree from the U.P. College of Law.

GERARD LEE B. CO
Director
52 years old, Filipino

Mr. Gerard Lee B. Co was elected Director of BDO Leasing and Finance, Inc. in May 2010. He is currently Executive Vice President and Group Head for Commercial Banking (Visayas and Mindanao) of Banco De Oro Unibank, Inc. He is a Director of Agencia de Calidad, Inc. He served as Director of PCI Leasing and Finance, Inc. and PCI Capital Corporation from 2002-2005. He graduated from the University of San Carlos with a degree in Bachelor of Science in Commerce Major in Banking and Finance. He attended the Advanced Management Program for International Bankers at the Wharton School of the University of Pennsylvania, U.S.A. He likewise completed the program for Executive Development at IMD in Laussane, Switzerland.

ANTONIO N. COTOCO
Director
62 years old, Filipino

Mr. Antonio N. Cotoco was elected to the Board of BDO Leasing and Finance, Inc. on January 25, 2001. He currently serves as Senior Executive Vice President and a member of the Board Credit Committee of Banco De Oro Unibank, Inc., and Director of BDO Insurance Brokers, Inc., BDO Remit Limited, Express Padala (Hong Kong) Limited, BDO Remit (Macau) Ltd., BDO Remit (USA), Inc.& Express Padala Frankfurt GmbH, and BDO Rental, Inc. He has been involved in Investment Banking, Corporate Finance, Treasury, Consumer Banking, Credit, Business and Development & Account Management over the past 32 years. He currently also serves as a Director of Oriental Assurance Corporation and OAC Realty & Development Corporation. Mr. Cotoco holds a Master's degree in Business Administration from the University of the Philippines.

MA. LEONORA V. DE JESUS
Independent Director
59 years old, Filipino

Ms. Ma. Leonora V. De Jesus was elected as Independent Director of BDO Leasing and Finance, Inc. on May 12, 2008 and is presently the Chairperson of the Company's Board Audit Committee, and a member of the Risk Management Committee. She is also an Independent Director of BDO Capital & Investment Corporation and BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.). She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She is a professorial lecturer at the University of the Philippines, Diliman, and is a member of the faculty of the Graduate School of Business of De La Salle University. In addition, she conducts training programs and consultancies on corporate governance best practices for banking institutions and other corporations. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004. She holds Bachelor's, Masteral and Doctoral degrees in Psychology from the University of the Philippines.

FULGENCIO S. FACTORAN, JR.
Director
66 years old, Filipino

Atty. Fulgencio S. Factoran, Jr. was elected to the Board of BDO Leasing and Finance, Inc. in April 2002 and he is likewise a Director of Equitable Card Network, Inc. He was formerly a Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.) and Central Azucarera de Tarlac, Inc. His other executive or corporate governance positions include: Director, Nickel Asia Corporation; Director, Philippine Educational Theater Association (PETA); Director, Center for Media Freedom and Responsibility; Chairman of the Board, Agility Logistics Holding, Inc.; and Chairman of the Board, Gaia South, Inc.

ANTONIO A. HENSON
Director
70 Years Old, Filipino

Mr. Antonio A. Henson was elected to the Board of BDO Leasing and Finance, Inc. on July 30, 2007 and is presently a member of the Company's Corporate Governance, Nomination, and Compensation & Remuneration Committee. He is also a director of BDO Insurance Brokers, Inc. and Equimark-NFC Development Corp. He concurrently holds directorships in Nationwide Development Corporation and Republic Glass Holdings Inc. He currently holds the position of Chairman and member of the board of Universal Light Rail Corp. and Philippine Estates Corporation respectively. He was previously Board member of Equitable PCI Bank, Inc., EBC Investments, Inc., BDO Realty Corporation, Asia's Emerging Dragon Corp., Highlands Prime Inc., Belle Corporation and SM Investments Inc.
He has held various positions in both public and private sectors. He was a Partner in SGV until 1986 when he served as Undersecretary of Trade and Industry, and General Manager of the National Development Company during the Aquino Administration. He subsequently was appointed President of the Clark Development Corporation during the term of President Fidel V. Ramos.

EDMUNDO L. TAN
Director
65 years old, Filipino

Atty. Edmundo L. Tan was elected Director of BDO Leasing and Finance, Inc. on March 31, 2006 and is presently the Chairman of the Company's Corporate Governance, Nomination, and Compensation & Remuneration Committee. He was likewise appointed Corporate Secretary of Banco De Oro – EPCI, Inc. (now Banco De Oro Unibank, Inc.) on July 27, 2007. He serves as Director and Corporate Secretary of APC Group, Inc. and Aragorn Power & Energy Corp. He is currently a director of Philippine Global Communications, Inc. and Sinophil Corporation. He also acts as Corporate Secretary of Aragorn Coal Resources, Inc. Atty. Tan is the Officer-in-Charge of EBC Strategic Holdings Inc. He was formerly the

Chairman of the Board of EBC Investments, Inc. He is the Managing Partner of Tan Acut Lopez & Pisón Law Offices. He was formerly Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices, a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices, and an Associate in Cruz Villarin Ongkiko Academia & Durian Law Offices.

NESTOR V. TAN
DIRECTOR
52 YEARS OLD, FILIPINO

Mr. Nestor V. Tan was elected Director of BDO Leasing and Finance, Inc. on January 23, 2007. He was elected President of Banco De Oro Unibank, Inc. in July 1998. He concurrently holds chairmanships and/or directorships in the following subsidiaries of the Bank: BDO Capital & Investment Corp., BDO Strategic Holdings Inc., BDO Technology Center, Inc., EBC Strategic Holdings, Inc., BDO Insurance Brokers, Inc., BDO Private Bank, Inc., Equitable Card Network, Inc., Strategic Property Holdings, Inc., and Generali Pilipinas Life Assurance Company, Inc. He is the Director and Treasurer of Generali Pilipinas Insurance Co. He was formerly connected with the Mellon Bank in Pittsburgh PA, the Bankers Trust Company in New York and the Barclays Group in New York and London. He holds a Bachelor's degree in Commerce from De La Salle University and received his MBA from Wharton School of the University of Pennsylvania.

JESUS G. TIRONA
INDEPENDENT DIRECTOR
69 YEARS OLD, FILIPINO

Mr. Jesus G. Tirona has been elected Independent Director to the Board of BDO Leasing and Finance, Inc. since July 30, 2007 and is currently a member of its Board Audit Committee. He is an Adviser to the BDO Board of Directors since his election on July 27, 2007 and is also an Adviser to the BDO Risk Management Committee. He is an Independent Director of BDO Capital & Investment Corp. and Armstrong Securities, Inc., and also formerly of American Express Bank Philippines (A Savings Bank, Inc.) and EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He is a Trustee of the BDO Foundation, Inc. He was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions. He is a scholar of the Asian Productivity Organization in Corporate Social Responsibility and is a Fellow of the Institute of Corporate Directors.

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

Mr. Exequiel P. Villacorta, Jr. was elected Director of BDO Leasing and Finance, Inc. on May 24, 2006. He was previously director of Equitable PCI Bank, Inc. from 2005 to 2006, and EBC Insurance Brokerage, Inc., and Maxicare Healthcare Corporation. He was formerly the Chairman of EBC Strategic Holdings Corporation, EBC Investments, Inc. (now BDO Strategic Holdings Inc.), Jardine Equitable Finance Corporation, Strategic Property Holdings, Inc., PCIB Properties, Inc., Equitable Data Center, Inc. and PCI Automation Center, Inc. He was previously President and CEO of Banco De Oro Universal Bank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines (PDCP). He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom; and Adviser to the Board of PCI Capital Corporation.

EVELYN L. VILLANUEVA
Director
53 Years Old, Filipino

Ms. Evelyn L. Villanueva was elected Director of BDO Leasing and Finance, Inc. in May 2010. She is concurrently Executive Vice President of Banco De Oro Unibank, Inc.'s (BDO) Risk Management Group, and is BDO's Chief Risk Officer. She is also a Director of EBC Strategic Holdings Corporation, Ivory Homes, Inc., Strategic Property Holdings, Inc., and Chairperson of Mabuhay Vinyl Corporation and Bayantel Monitoring Committee. She holds a Bachelor's degree in Statistics from the University of the Philippines. She obtained her Master in Business Management ("MBM") degree from the Asian Institute of Management. She has over 20 years of banking experience in credit, risk and account management. She started out as a management trainee in Citytrust Banking Corporation and was connected with HSBC as Senior Vice President for Credit Risk Management before joining the Bank.

WALTER C. WASSMER
Director
54 years old, Filipino

Mr. Walter C. Wassmer was elected Director of BDO Leasing and Finance, Inc. on November 17, 1999. He is the Senior Executive Vice President and Head of the Banco De Oro Unibank, Inc.'s Institutional Banking Group. He is currently the Chairman of BDO Elite Savings Bank, Inc. [formerly GE Money Bank, Inc. (A Savings Bank), Inc.]. He also serves as Director of MDB Land, Inc., Mabuhay Vinyl Corporation, Atlas Consolidated Mining and Development Corp., and Carmen Copper Corporation. He is also the President of L.P. Wassmer Trading, Inc. and Treasurer of WT & T, Inc.

JOSEPH JASON M. NATIVIDAD
Corporate Secretary
38 Years Old, Filipino

Atty. Joseph Jason M. Natividad was appointed Corporate Secretary of BDO Leasing and Finance, Inc. on May 31, 2010. He is also the Assistant Corporate Secretary of BDO Capital & Investment Corporation, BDO Securities Corporation and BDO Insurance Brokers, Inc. He likewise served as Assistant Corporate Secretary of Equitable PCI Bank prior to its merger with Banco de Oro from September 2006 to June 2007. He serves as the Corporate Secretary of the Agility Group of Companies in the Philippines. He has been in law practice for fourteen (14) years, most of which have been devoted to the fields of corporation law and environmental law. He is currently a member of the Factoran & Associates Law Offices. He holds a Bachelor's Degree in Management, Major in Legal Management, from the Ateneo de Manila University, and obtained his Juris Doctor Degree from the Ateneo de Manila University School of Law.

REBECCA S. TORRES
Assistant Corporate Secretary
58 Years Old, Filipino

Ms. Rebecca S. Torres was appointed Assistant Corporate Secretary of BDO Leasing and Finance, Inc. on December 1, 2010. She is concurrently the Senior Vice President, Senior Anti-Money Laundering (AML) Officer, and Head of the AML Unit and the Assistant Corporate Secretary of Banco De Oro Unibank, Inc. She is also the Assistant Corporate Secretary of BDO Private Bank, Inc., BDO Rental, Inc., Armstrong Securities, Inc., Equitable Card Network, Inc., Strategic Property Holdings, Inc., and Equimark-NFC Development Corp. She likewise served as Assistant Corporate Secretary and Trustee of BDO Foundation, Inc. She is the Corporate Secretary of PCIB Securities, Inc., BDO Strategic Holdings Inc., EBC Strategic Holdings Corporation, BDO Technology Center, Inc., and the Sign of the Anvil, Inc. She was formerly the Chief of Staff of the President involved in project management for the bank's merger activities. She is a CPA and a graduate of St. Theresa's College, Quezon City with a degree of Bachelor of Science major in Accounting and she has completed the Advanced Bank Management Program of the AIM.

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.

Executive Officers:

The Board of Directors is assisted in its task by the following, which make up the senior management of the Company as of December 31, 2010:

Position	Name	Citizenship	Age
President	Georgiana A. Gamboa	Filipino	54
First Vice-President	Gerard M. Aguirre	Filipino	55
First Vice-President	Renato G. Oñate	Filipino	47
Vice- President	Rosalisa K. Alindahao	Filipino	49
Vice- President	Milagros K. Chua	Filipino	57
Senior Asst.Vice-President	Rosario C. Crisostomo	Filipino	42
Senior Asst.Vice-President	Ma. Theresa M. Soriano	Filipino	41
Assistant Vice-President	Florecita R. Gonzales	Filipino	44
Assistant Vice-President	Corazon S. Chiu	Filipino	60
Assistant Vice-President/Compliance Officer	Sergio M. Ceniza	Filipino	44

GEORGIANA A. GAMBOA
PRESIDENT & DIRECTOR
54 YEARS OLD, FILIPINO

Ms. Georgiana A. Gamboa was appointed President of BDO Leasing and Finance, Inc. on December 1, 2010. She concurrently holds the position of Senior Vice President of Banco De Oro Unibank, Inc. She was formerly connected with City Trust Banking Corporation for 16 years and the Bank of the Philippine Islands for 7 years. Her banking career spanned several functions including: Branch Manager – Consumer Banking Relationship Manager – Corporate Bank (where she grew from Assistant Manager to Vice President), and Remedial Management Head. Prior to joining BDOLF, she was the President of BPI Leasing Corporation, a subsidiary of Bank of the Philippine Islands for 7 years. She holds a Bachelor's Degree in Economics from De La Salle University where she finished Summa Cum Laude and received her Master of Arts in Economics from the University of the Philippines.

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

Mr. Gerard M. Aguirre is currently the First Vice President of BDO Leasing and Finance, Inc. He is responsible for the leasing and loan portfolio in the Luzon and Visayas / Mindanao provincial divisions. He handles eight (8) BDOLF branches and eight (8) desks of the Marketing Group with a complement of more than sixty (60) personnel. He is also a Director of BDO Rental, Inc. He was the Area Head of BDO (Formerly EPCIB) Combank North/Central Luzon before joining the company. Mr. Aguirre earned his BS Degree in Business Management from the Ateneo De Manila University.

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

Mr. Renato G. Oñate is currently a First Vice President of BDO Leasing and Finance, Inc. He is responsible for the financial liquidity of the company, including treasury and cost management. He is a Director of BDO Rental, Inc. He was the Head of Funds Management Group of PCI Capital Corp. before joining the Company. Mr. Oñate graduated from Philippine Airforce College of Aeronautics with a degree in Aircraft Maintenance Engineering and has taken up MBA units from the Ateneo Graduate School of Business.

ROSALISA K. ALINDAHAO
VICE-PRESIDENT/COMPTROLLER
49 YEARS OLD, FILIPINO

Ms. Rosalisa K. Alindahao is currently the Vice President and Comptroller of BDO Leasing and Finance Inc. She was formerly connected with ING Bank, N.V., holding the position of Vice President. She holds a Bachelor's Degree in Business Administration and Accountancy from University of the Philippines and M.S. Economics from De La Salle University.

MILAGROS K. CHUA
VICE-PRESIDENT
57 YEARS OLD, FILIPINO

Ms. Milagros K. Chua is currently the Vice President and the Marketing Factors Team Head of BDO Leasing and Finance, Inc. Prior to joining the company she was the Vice President of Iremit, Inc. and Assistant Vice President of the Bank of the Philippine Island. She holds a Bachelor's Degree in Commerce from College of the Holy Spirit.

ROSARIO C. CRISOSTOMO
SENIOR ASSISTANT VICE-PRESIDENT
42 YEARS OLD, FILIPINO

Ms. Rosario C. Crisostomo is currently the Senior Assistant Vice President and the Marketing Team 1 Head of BDO Leasing and Finance, Inc. She holds a Bachelor's Degree in Accountancy from Polytechnic University of the Philippines.

MA. THERESA M. SORIANO
SENIOR ASSISTANT VICE-PRESIDENT
41 YEARS OLD, FILIPINO

Ma. Theresa M. Soriano, is currently the Senior Assistant Vice President and the Marketing Team Head of Luzon of BDO Leasing and Finance, Inc. She holds a Bachelor's Degree in AB Economics and BSC Management of Financial Institutions and received her MBA at the De La Salle University.

SERGIO M. CENIZA
ASSISTANT VICE-PRESIDENT/COMPLIANCE OFFICER
44 YEARS OLD, FILIPINO

Atty. Sergio M. Ceniza was appointed Compliance Officer of BDO Leasing and Finance, Inc. (BDOLF) in July 2010. He is concurrently in-charge of legal, corporate governance and corporate communication units of BDOLF. He was formerly the Legal Counsel of Philam Plans, Inc., the pre-need subsidiary of the Philamlife Group. He hold a Bachelor of Arts Degree and a Bachelor of Laws Degree from Far Eastern University.

Significant Employee

The Bank's senior executives have been enumerated above under Item 9.

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 (Georgiana A. Gamboa) and four most highly compensated (Renato G. Oñate, Gerard M. Aguirre, Rosalisa K. Alindahao and Milagros K. Chua)	2010	7,315,500	3,943,763
All other officers and directors as a group unnamed	2010	48,778,784	14,820,114

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

A. 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, 2010, 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	BDO Unibank Inc. –BDO Corporate Center, 7899 Makati Avenue, Makati City Banco de Oro Unibank, Inc. is the parent company of the issuer		Filipino	1,840,114,248	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	197,902,703 5,213,058	9.15% 0.24%

SECURITY OWNERSHIP OF MANAGEMENT AS OF DECEMBER 31, 2010

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.	1,840,114,248.00/of record	Filipino	85.092959%
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	Georgiana A. Gamboa	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	Gerard Lee B. Co	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	Evelyn L. Villanueva	100.00/of record	Filipino	0.000046%
Common	All executive officers as a group	106,260.00/of record	Filipino	0.049138%
Common	Various Stockholders	322,253,289.00/of record		14.902056%

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

1) 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 businesses of comparable risks.

a) As of December 31, 2010, 2009 and 2008, total savings and demand deposit accounts maintained in BDO by the Group amounted to ₱42.6 million, ₱71.2 million and ₱54.2 million, respectively. Interest income earned on deposits amounted to ₱4.7 million, ₱0.8 million and ₱0.6 million in 2010, 2009 and 2008 respectively. Cash equivalents totaling ₱16.0 and ₱66.0 is also maintained with BDO as of December 31, 2010 and 2009.

b) Total bills payable to BDO amounted to ₱351.0 as of December 31, 2010 and ₱254.0 million as of December 31, 2009 and 2008. Interest expense incurred on bills payable amounted to ₱0.5 million, ₱14.2 million and ₱11.3 million in 2010, 2009 and 2008, respectively.

c) The Parent Company leases its head office premises and certain branch offices from BDO for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company and BDO. Related rent expense incurred amounted to ₱17.8 million, ₱16.1 million and ₱12.7 million in 2010, 2009 and 2008, respectively.

d) In 2010 and 2008, the Parent Company granted short-term unsecured loan amounting to ₱10.5 million and ₱668.0 million, respectively, to BDO Rental, at prevailing market rates. The 2010 loan is not yet fully paid as of December 31, 2010 while the 2008 loan was fully paid in 2009. The loans carrying amount as of December 31, 2010 and 2008 amounted to ₱10.5 million and ₱657.2 million and are presented as part of Loans and Other Receivables in the Parent Company's statements of financial position. Total interest income earned by the Parent Company amounted to ₱1.0 million in 2010, ₱27.6 million in 2009 and ₱6.1 million in 2008 on these loan transactions 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 ₱501.4 million for ₱564.0 million to BDO, resulting to gain on sale of ₱62.6 million. The gain is included as presented as Gain on Sale of Receivable under Service Fees and Other Income.

f) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to ₱26.2 million in 2010, ₱24.6 million in 2009, and ₱20.7 million in 2008 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.

h) On June 24, 2010, the Company entered into a Service Agreement with BDO Unibank. Under the Service Agreement, BDO shall perform certain services for the Company to help it realize its corporate goals as subsidiary of the Bank.

2.) The Company, to finance its lending requirements, borrows funds from BDO prevailing market rates. As of end of December 31, 2010, there were no dollar borrowings. The Company's credit line with BDO Unibank Inc. stood at ₱2.00 billion for the year ended December 31, 2010 and ₱1.00 billion for both December 31, 2009 and December 31,2008.

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 0.50% 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. IT is also included in our approved SLA which we will pay 200T monthly inclusive of all services extended to us by the Bank. Scope of services is in the annex, for your reference.

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.) Loans to officers aggregated to ₱ 5,533,857.12 as of December 31, 2010.

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 2010.

Date Reported	Items Reported

a) **JANUARY**

Item 9

Other Events

The Board of Directors of BDO Leasing and Finance, Inc. (BDOLF), at its regular board meeting held today, January 13, 2010, approved the appointment of Atty. Joseph Jason M. Natividad as BDOLF's Assistant Corporate Secretary effective January 13, 2010. Atty. Natividad will replace Mr. Mario D. Rabanal.

b) **FEBRUARY**

Items 4 and 9

Resignation and Appointment of Registrant's Directors or Officers

The Board of Directors of BDO Leasing and Finance, Inc. (BDOLF), at its regular board meeting held today, February 3, 2010, accepted the resignation of Ms. Mannette D. Vicente, Manager of BDOLF. Ms. Vicente also resigned as Compliance Officer of BDOLF effective February 15, 2010.

At the same meeting, the Board of Directors appointed Mr. Antonell S. Interino, Assistant Vice President, to assume the position of Compliance Officer.

c) **MARCH**

Item 9

Fixing the record date for the annual Stockholders' Meeting of BDO Leasing & Finance, Inc.

c1) At its meeting held today, March 3, 2010, the Board of Directors of BDO Leasing and Finance, Inc. (BDOLF), the fixed record date on April 5, 2010 for stockholders entitled to vote and participate at the Annual Stockholders' Meeting of BDOLF which will be held on May 31, 2010; and the inclusive dates when the stock and transfer book will be closed shall be from April 5, 2010 to May 31, 2010. The nomination period and procedure thereof shall be in accordance with BDOLF By-Laws, and appropriate notices announcing the time and venue of the Annual Stockholders' Meeting will be timely issued.

Item 9

c2)Further to our disclosure on the approval by the Board of Directors of BDO Leasing and Finance, Inc. of the setting of the Annual Stockholders' Meeting ("ASM") of BDO Leasing and Finance, Inc. ("BDOLF")on May 31, 2010 and fixing the record date on April 5, 2010, please be informed that the ASM will be held at the Francisco Santiago Hall, Mezzanine Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, at 9:30 in the morning.

The agenda of the ASM is as follows:

I. Call to order
II. Certification of Notice and Quorum
III. Approval of the Minutes of the Annual Stockholders' Meeting held on June 1, 2009
IV. Presentation of Annual Report
V. Approval and Ratification of Acts and Proceedings of the Board of Directors, the duly Constituted Committees and Corporate Officers.
VI. Election of the Board of Directors
VII. Appointment of External Director
VIII. Other Business
IX. Adjournment

Item 4

c3) BDO Leasing and Finance, Inc. (BDOLF) received today, March 24, 2010, the voluntary retirement of Mr. Vicente C. Rallos, First Vice-President and Southern Division Head of BDOLF effective April 1, 2010.

d) APRIL

Item 9

Further to our disclosure on the approval by the Board of Directors of BDO Leasing and Finance, Inc. ("BDOLF") of the setting of the Annual Stockholders' Meeting ("ASM") of BDOLF on May 31, 2010 at 9:30 in the morning, please be informed that there will be a change in the venue of BDOLF ASM from Francisco Santiago Hall, Mezzanine Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City to the 3rd Floor Ballroom, Mandarin Oriental Manila, Makati Avenue, Makati City.

e) MAY

e1) The Board of Directors of BDO Leasing and Finance, Inc. (BDOLF) meeting held today, May 31, 2010, approved the declaration of cash dividends to common shares at Five Centavos, Philippine Currency (₱0.05) per share. The record date and payment date will be set after approval by the regulatory agencies of the dividend declared.

Item 4

e2) A. Election of Directors

At its annual stockholders' meeting held today, May 31, 2010, BDO Leasing and Finance, Inc. (BDOLF) elected the following as directors for the year 2010-2011:

Regular Directors:

Gerard Lee B. Co	Edmundo L. Tan
Antonio N. Cotoco	Nestor V. Tan
Fulgencio S. Factoran, Jr.	Rolando C. Tanchanco
Antonio A. Henson	Exequiel P. Villacorta, Jr.
Roberto E. Lapid	Evelyn L. Villanueva
Teresita T. Sy	Walter C. Wassmer

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

B. Appointment of Corporate Officers

At the organizational meeting, the following were appointed as Corporate Officers of BDOLF for the year 2010-2011:

Teresita T. Sy	Chairperson
Antonio N. Cotoco	Vice Chairman & Managing Director
Roberto E. Lapid	President
Joseph Jason M. Natividad	Corporate Secretary/Officer-In-Charge (for regulatory disclosures)
Mario D. Rabanal	Assistant Corporate Secretary/Officer-In-Charge (for regulatory disclosures)
Elmer B. Serrano	Corporate Information Officer
Renato G. Oñate	First Vice President & Treasurer
Antonell S. Interino	Assistant Vice President/Compliance Officer

Item 3

Appointment of External Auditor

The Accountancy and Auditing Firm of Punongbayan & Araullo, CPAs, was appointed external auditor of BDO Leasing and Finance, Inc. for 2010.

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	President
Nestor V. Tan	Member
Walter C. Wassmer	Member

Board Audit Committee

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

Corporate Governance, Nomination And Compensation And Remuneration Committee

Edmundo L. Tan	Chairperson
Jesse H. T. Andres	Member
Antonio N. Cotoco	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

f) JUNE

Item 9

Setting of Record and Payment Dates

Further to our disclosure on the declaration of cash dividend of Php0.05 per share on May 31, 2010, the Board of Directors of BDO Leasing and Finance, Inc. at its special meeting held today, June 2, 2010, has approved the setting of the record date to June 30, 2010, and payment date to July 26, 2010.

g) JULY

No disclosure

h) AUGUST

Items 4 and 9

Resignation and Appointment of Registrant's Directors or Officers

The Board of Directors of BDO Leasing and Finance, Inc.('BDOLF"), at its regular meeting held today, August 4, 2010, accepted the resignation of Mr. Antonell S. Interino, Assistant Vice President, as Compliance Officer of BDOLF effective July 23, 2010.

At the same meeting, the Board of Directors confirmed the appointment of the following:

- Ms. Evelyn L. Villanueva as additional Member to the Executive Committee
- Ms. Georgiana A. Gamboa seconded as Senior Vice President to BDOLF by BDO Unibank, Inc., effective August 4, 2010.
- Atty. Sergio M. Ceniza as Assistant Vice President & Compliance Officer, effective July 23, 2010.

i) SEPTEMBER

Item 4

Resignation of Registrant's Directors or Officers

i1) The Board of Directors of BDO Leasing and Finance, Inc. ('BDOLF'), at its regular meeting held, today, September 1, 2010, accepted the resignation of Ms. Edenila D. Tuazon, Assistant Vice President and Marketing Factors Team Head of BDOLF effective August 6, 2010.

Item 4 and 9

Resignation and Appointment of Registrant's Directors or Officers

i2) At its meeting held today, September 29, 2010, the Board of Directors of BDO Leasing and Finance, Inc. (BDOL) resolved to:

a. accept the resignation of Mr. Rolando C. Tanchanco as Director, effective September 29, 2010.
b. elect Ms. Georgiana A. Gamboa as Director to replace Mr. Tanchanco;
c. accept the resignation of Mr. Edwin R. Aquino as Assistant Vice President, Credit Department Head and Risk Officer effective October 15, 2010.
d. appoint Mr. Roberto E. Lapid as Vice Chairman, effective December 1, 2010, provided, however, that his assumption of office is subject to confirmation by the Bangko Sentral ng Pilipinas; and
e. appoint Ms. Georgiana A. Gamboa as President of BDOLF, effective December 1, 2010, provided, however, that her assumption of office is subject to confirmation by the Bangko Sentral ng Pilipinas.

j) OCTOBER

No disclosure

k) NOVEMBER

Item 4

Resignation of Registrant's Directors or Officers

The Board of Directors of BDO Leasing and Finance, Inc. ('BDOLF'), at its regular meeting held today, November 10, 2010, accepted the resignation of Mr. Antonio N. Cotoco as Managing Director of BDOLF, effective December 1, 2010. Mr. Cotoco will remain as member of the Board of Directors of BDOLF.

l) DECEMBER

Item 4 and 9

Declaration of Cash Dividend

The Board of Directors of BDO Leasing and Finance, Inc. ('BDOLF'), at its regular meeting held today, December 8, 2010, approved the declaration of cash dividends in the amount of Php0.10 per share or approximately Php216,247,531.20 to be paid to all stockholders of record as of December 22, 2010 and payable on January 18, 2011.

Resignation and Appointment of Registrant's Directors or Officers

The Board of Directors of BDO Leasing and Finance, Inc. ("BDOLF"), at its regular meeting held today, December 8, 2010, accepted the resignation of the following:

- Mr. Mario D. Rabanal as Assistant Corporate Secretary of BDOLF effective at the end of December 31, 2010.

- Ms. Corazon S. Chiu as Assistant Vice President & Comptroller, effective January 1, 2011.

At the same meeting, the Board of Directors confirmed the appointment of the following:
- Ms. Rebecca S. Torres as Assistant Corporate Secretary, effective January 1, 2011.
- Ms. Rosalisa K. Alindahao, Vice President, as Comptroller, effective January 1, 2011.

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 QUEZON CITY on APR 1 1 2011, 20__

By:

GEORGIANA A. GAMBOA
PRESIDENT

RENATO G. OÑATE
FIRST VICE PRESIDENT/TREASURER

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY

ROSALISA K. ALINDAHAO
VICE PRESIDENT/COMPTROLLER

APR 1 1 2011

SUBSCRIBED AND SWORN to before me this _____ day of _______, 2011 affiant(s) exhibiting to me their Competent Evidence of Identity, as follows:

NAMES	TIN	SSS No.
Georgiana A. Gamboa	106-969-319	03-6940728-9
Renato G. Oñate	107-019-198	03-7484543-8
Joseph Jason M. Natividad	908-730-009	33-6273422-8
Rosalisa K. Alindahao	177-688-317	03-5894505-3

NOTARY PUBLIC

ATTY. JAY T. BORROMEO
Notary Public
Until Dec 31 2012
Atty's Roll No 49649
IBP No. 801381 / 01-03-11 Q.C.
PTR No. 4560324 / 01-03-11, Q.C.
TIN 156-545-237
MCLE Compliance III No. 0019579

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Series of 2011.

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, 2010 and 2009. 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

Georgiana A. Gamboa
President

Rosalisa K. Alindahao
Comptroller

BDO Leasing & Finance, Inc.
BDO Leasing Centre
Corinthian Gardens, Ortigas Avenue
Quezon City, Philippines
Tel +63(2) 635 6416
Fax +63(2) 635 5811, 635 5805, 635 3898

MAR 3 1 2011 QUEZON CITY

SUBSCRIBED and SWORN to me before this _______ day of ______, 2011 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	SSS NUMBER
Teresita T. Sy	03-2832705-4
Georgiana A. Gamboa	03-6940728-9
Rosalisa K. Alindahao	03-5894505-3

ATTY. JAY T. BORROMEO
Notary Public
Until Dec. 31, 2012
Atty's Roll No. 49649
IBP No. [illegible] / 01-03-11 Q.C.
PTR No. [illegible] / 01-03-11, Q.C.
TIN [illegible]-545-237
MCLE Compliance III No. 0019579

Doc. No. 286
Page No. 58
Book No. 17
Series of 2011

Punongbayan & Araullo

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

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

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

The Board of Directors
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, 2010, on which we have rendered the attached report dated March 2, 2011. 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, 2010 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. 2641799, January 3, 2011, Makati City
Partner's SEC Accreditation No. 009-AR-2 (until Mar. 1, 2012)
BIR AN 08-002511-11-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 2, 2011

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
INDEX TO SUPPLEMENTARY SCHEDULES
December 31, 2010

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)

		Page No.
A	Marketable Securities - (Current Marketable Equity Securities and Other Short-Term Cash Investments)	1
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C	Noncurrent Marketable Equity Securities, Other Long-Term Investments in Stock and Other Investments	N/A
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G	Long-Term Debt	5
H	Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)	N/A
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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, 2010

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	16,933,000	P 1,523,970,000	-	P 104,897,950
Philippine Long Distance Telephone Co.	14,500	157,738		3,350
Valley Golf Country Club	1	200,000	-	-
Tagaytay Splendido	1	100,000	-	-
		P 1,524,427,738	-	P 104,901,300

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, 2010

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.							
AGUILAR, RAQUEL P.	₱ 146,280		115,434		58,512		₱ 58,512
AGUSTIN, ALLAN S.	115,434		38,160				
ALAJAR, RACHEL D	57,240		1,685		19,080		19,080
ALAVA, EVA MARIE L.		52,817	18,702		20,217	30,916	51,132
ALBA, RS ANGELO M.	34,287		157,410			15,585	15,585
ALCANTARA, RONABEL JOYCE D.	157,410		6,987				
ALILIO, ANNABELLE D.		38,962	35,496		31,975		31,975
AMORES, EMMANUEL D.	125,832		136,435		62,916	2,285	65,201
ANDAYA, CHERRY ANN R.	111,300		20,565				
ANDAYA, MARIE CHELANN P.	20,565		41,976				
ANGUE, GAYLE ANGEL LOU M.	83,952		14,624		41,976		41,976
APARENTE, RYAN C.		43,872	4,390		21,936	7,312	29,248
ARAGON, JERICHO R.	59,265		15,081		26,340	28,535	54,875
ARELLANO, TRISTAN GEORGE P.	80,604		47,700		36,903		36,903
BALUCAN, RUBY ROSALYN N.	42,930		4,770		19,080	4,770	23,850
BALUNSAT, OLIVA	4,770	76,752	70,002		38,376	9,594	47,970
BANEZ, RONELIO M.	126,975		223,885		60,620		60,620
BANSIL, NANCY S.	363,222		876,792				
BAREZA, MARIE SHAYNE B.	712,320		36,252				
BARONGAN, ADOLFO A. JR.	75,525		16,540		36,252	3,021	39,273
BARRERA, JESSELYN E.	16,540	386,563	95,523		76,980	251,848	328,828
BASANES, JOEL II D.	117,820		37,855		52,612	2,285	54,897
BAYONA, DOHLMEIR P.	91,584		14,155		30,528	48,336	78,864
BELARMINO, EVANGELINE M.	14,155		51,516				
BELARMINO, ROSITA R.	51,516		89,040				
BELGIRA, JOCELYN B.	89,040	362,226	80,712		72,000	236,226	308,226
BENAVIDEZ, VANESSA JOYCE C.	46,746		57,240		20,034		20,034
BERNAL, ANNA LOUELA G.	147,870		38,160		57,240	33,390	90,630
BIEN, LILIA M.	109,224		69,897		55,983		55,983
BIOC, IRISH JANNE R.	95,952		9,515		41,136		41,136
BIRREY, KAREN ANNE S.	9,515		36,570				
BOHOLST, LOLITA	69,960				33,390		33,390
BORBE, RANDY PENARUBIA	323,380		55,537		53,544	258,819	312,363
BORINAGA, JOEL C.		228,960	5,088		76,320	108,120	184,440
BUTAD, EDWIN V.	76,320		30,528		30,528	40,704	71,232
CABALLERO, ERNIE MICHAEL R.	48,336		25,599		17,808		17,808
CABRERA, PEARL JOY J.	66,780		62,964		26,712	14,469	41,181
CALAMBRO, JOSEPH GLENN A.	62,964		25,407				
CALUBAYAN, CORAZON E.		169,380	9,540		33,876	110,097	143,973
CARABUENA, JENNIFER A.	9,540	317,610	108,888		74,808	217,866	292,674
CASIN, JOANN C.	83,952		53,424				
CASTRO, BENJIE C.	53,424	173,783	39,041		56,362	112,724	169,086
CASTRO, CYNTHIA D.	62,964		20,565		28,620		28,620
CASTRO, ELLEN D.	41,130		25,742		20,565		20,565
CECIBAN, MONALISA V.		126,624	6,561		31,656	71,226	102,882
CHAVEZ, SHEILA H.	6,561		5,756				
CINCO, APRIL ANN D.	114,243		212,289				
CONDAG, REINERIO D.	103,802		105,996				
CONEL, REDENTOR R.	105,996		19,188				
CORTEZ, CHONA R.		39,975	25,440		19,188	1,599	20,787
CRISTOBAL, LYDEE S.	25,440	309,050	53,980		74,712	203,208	277,920
DECENA, JANICE MARIE S.	22,850		95,400				
DELA CRUZ, MARYSETH F.	95,400	346,151	49,559		68,095	272,381	340,476
DELA CRUZ, VERNIE C.	83,952		21,928		40,068		40,068
DELA PAZ, MA. CRISSETTE F.		65,784	41,331		32,892	10,964	43,856
DEMEGILLO, DIANA S.	100,632		22,617		43,128	16,173	59,301
DIAZ, MANOLO O.	22,617		24,672				
DIMAUNAHAN, MELODY H.	24,672	286,200	69,528		95,400	143,100	238,500
DIME, JANICE A.	21,828		97,944				
DOMINGO, ANALYN O.	152,784	158,057	158,519		30,592	122,367	152,958
DUMLAO, ELEONOR H.	98,580		77,660				
ESPINOSA, MA. LOURDES M.	77,660		4,124				
EVANGELISTA, ROBERTO H.		557,436	54,361		258,567	275,364	533,931
FAJA, AUKLIN R.	34,980	104,940	123,225		43,725		43,725
FERNANDO, NOEMI R.	62,010		34,344				
GARCIA, BENIVER P.	88,722		53,424		34,344	20,034	54,378
GARCIA, TED S.	138,012		60,302		53,424	31,164	84,588
GIANGAN, MAUREEN C.	60,302		125,940				
GONZALES, FLORECITA R.	180,780	202,209	341,040		40,442	161,767	202,209
HALASAN, RICARDO		1,144,800	90,312		381,600	477,000	858,600
HANDIG, JOEVEN Y.	90,312		109,524				

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, 2010

Name and designation of debtor[1]	Balance at beginning of period	Additions	Deductions: Amounts collected[2]	Deductions: Amounts written off[3]	Ending Balance: Current	Ending Balance: Not current	Balance at end of period
HARE, VANESSA E.	[illegible]		[illegible]	-	[illegible]	27,381	[illegible]
HIPOLITO, EMILIANO A.	150,240	249,120	126,544	-	77,244	172,517	249,761
ILAGAN, CHERIMEL S.	222,600		62,340	-	150,255		150,255
JUGADORA, JENNIFER F.	62,340		9,525	-			
JUNTORIA, MARY JANE L.	9,525	115,433	34,980	-	38,160	48,653	86,813
KATIGBAK, FRANCISCA D.	6,360		59,052	-			
LABOG, FREDERICK ALLAN R.		635,660	15,900	-	236,208	340,400	576,608
LACHICA, MARTINA H.	30,210		19,080	-	14,310		14,310
LAGUNA, FERMIN E.	133,560		111,300	-	45,792	68,688	114,480
LEAÑO, ARISKNOWELL L.		572,400	173,391	-	190,800	270,300	461,100
LIM, ELVIE A.	173,391	•	30,404	-			
Lopez, Rethel Anne C.	487,570		75,163	-	45,840	411,327	457,167
LUBIANO, RENALYN M	164,472		1,911	-	89,309		89,309
LUMANOG, RYAN F.		59,896	19,188	-	22,927	35,058	57,985
LUZADA, LEBERT C	19,188	155,650	30,193	-	57,528	74,152	131,680
LUZANO, ROGELIO JR. D.		152,345	6,561	-	37,338	108,785	146,122
MACAINAG, SCANDUTCH THERESA D	6,561	186,840	31,272	-	37,368	124,560	161,928
MAGDAMO, MA. CHERYL D.	217,996		85,066	-	65,090	90,100	155,190
MARTINEZ, THERESA JEAN B.	171,720		38,160	-	57,240	85,860	143,100
MARZAN, ANGELO A.	104,940		24,804	-	38,160	28,620	66,780
MATURAN, PAUL MAYNARD C.	45,474		19,080	-	20,670		20,670
MERILOS, MILAN YU	39,750		28,248	-	19,080	1,590	20,670
MIRANDA, VIVIAN D.	75,328		22,900	-	28,248	18,832	47,080
MIRANDILLA, ANALYN V.	22,900	175,449	66,776	-	42,696	118,521	161,217
MONTESA, CAROLINE A.	73,104		21,147	-	20,561		20,561
MOPERA, MA. EVELYN C.	73,458		3,816	-	26,712	25,599	52,311
NABORTE, ELENA C.	3,816		53,424	-			
NARANJO, CECILIA L.	53,424		75,383	-			
NEPOMUCENO, SHEILA C.		164,472	691	-	82,236	6,853	89,089
NICOLAS, SHERLYN C.		399,542	73,440	-	82,956	266,119	349,075
OCAMPO, FRITZIE T.		106,488	89,040	-	35,496	47,328	82,824
OCAMPO, PEDBERT LEON G.	89,040		23,616	-			
OMBOY, MARISSA R.	23,616		64,872	-			
OPINION, EDUARDO G.	64,872		15,900	-			
PADERON, RUBY LYN C.	15,900	123,300	33,465	-	24,660	84,255	108,915
PAGAURO, EUSEBIO JR. P.	50,880		75,684	-	19,080	12,720	31,800
PANGAN, EVELYN I.	75,684		91,584	-			
PANGILINAN, LARA MAY B.	213,696		80,136	-	91,584	30,528	122,112
PASIA, MARLON V.	200,340		26,712	-	80,136	40,068	120,204
PAULATE, AGAPITO D.J.	55,650		103,350	-	26,712	2,226	28,938
PELOPERO, RHEDAN TEX M.	103,350	237,509	133,488	-	57,024	161,477	218,501
PENAFIEL, MONCHELLE T.	114,480		16,452	-			
PERALTA, JOVIL L.	16,452			-			
PERCIANO, FRISIANNE MARIE F.	17,490		15,900	-		17,490	17,490
QUINSAY, RODRIGO A. JR.		57,240	178,080	-	19,080	22,260	41,340
RAVARA, FERDINAND W.	178,080		109,656	-			
RAZOTE, ARLENE A.	109,656		96,554	-			
REQUINTA, ABEGAIL B.	96,554	9,876	35,634	-			
REYES, JODEL M.	25,758	107,863	100,083	-	24,936	72,537	97,473
RIVERA, CHRISTOPHER A.	324,360		57,240	-	234,667		234,667
ROBINOL, HENRY FRANCIS C.	152,640		28,620	-	57,240	38,160	95,400
ROCES, VANESSA M.	76,320		14,532	-	28,620	19,080	47,700
ROMERO, DIOWELLA MAY C.		104,419	38,160	-	24,912	64,975	89,887
ROXAS, JOSE RAMON BENJAMIN T.	98,580		19,008	-	38,160	22,260	60,420
RUANTO, RUVERO P.	19,008	445,956	131,178	-	87,192	293,370	380,562
SALAZAR, MARY JANE D.	131,592		108,120	-	65,808		65,808
SANCHEZ, LAWRENCE	108,120		19,152	-			
SANTOS, RAINIER C.		207,173	24,804	-	76,608	111,413	188,021
SANTOS, RUEL A.	53,742		24,804	-	24,804	4,134	28,938
SERAFICA, VIRGILIO M.	51,675		139,920	-	24,804	2,067	26,871
SIALANA, JERIC C.	139,920		71,232	-			
SINGSON, MARIA ERNESTINE H.	71,232		99,216	-			
SUBONG, ERWIN D.	99,216		12,405	-			
SULLEZA, MA. KAREN G.	12,405		114,480	-			
TALLUD, GLADYS L.	114,480		152,958	-			
TIBAYAN, SARRAH KAY M	152,958		36,570	-			
TIONGSON, REGGIE R.	76,320		139,046	-	39,750		39,750
TUAZON, EDENILA L.	139,046		219,288	-			
UMARAN, CYNDI R.	219,288		76,320	-			
UY, CATHERINE C.	76,320		240,816	-			
VICENTE, MANNETTE D.	240,816		190,800	-			
VILLASENOR, MARIA ELENA	300,456		147,160	-			
VILLASIS, ANDIE M.	37,504		5,788	-			
VINLUAN, KAREN A.	11,576		25,172	-		5,788	5,788
	35,588				10,416		10,416
Grand Total	P 12,507,773	P 9,458,783	P 9,850,486	-	P 5,309,002	P 6,719,300	P 12,028,302

[1]The loans are partly secured and unsecured and are payable on various dates beginning 1994 with interests ranging from 9.0% to 10.0%.

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, 2010

			Deductions		Ending Balance		
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*

1 Show separately accounts receivables and notes receivables. In case of notes receivable, indicate pertinent information such as the due date, interest rate, terms of repayment and collateral, if any.
2
3 Give reasons for write off. plain.

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, 2010

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 D - Indebtedness of Unconsolidated Subsidiaries and Affiliates
December 31, 2010

Name of Related Party	*Balance at Beginning of Year*	*Balance at End of Year*	*Purpose*

N/A

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule E - Property and Equipment
December 31, 2010

COST

Description	*Beginning balance*	*Additions charge to cost and expense*	*Retirements*	*Other charges Add (Deduct) describe*	*Ending balance*
Leasehold improvements	P 19,235,620	P 5,488,052		P 73,038	P 24,796,710
Transportation and other equipment	2,654,097,170	211,422,195	(5,015,309)	(5,133,090)	2,855,370,966
Furniture, fixtures & other equipment	18,339,587	6,278,275	(697,266)	(1,402,156)	22,518,440
Total	P 2,691,672,376	P 223,188,522	(P 5,712,575)	(P 6,462,208)	P 2,902,686,116

ACCUMULATED DEPRECIATION AND AMORTIZATION

Description	*Beginning balance*	*Additions charge to cost and expense*	*Retirements*	*Other charges Add (Deduct) describe*	*Ending balance*
Leasehold improvements	P 4,614,416	P 9,261,152			P 13,875,568
Transportation and other equipment	1,221,865,469	799,631,735	(5,133,090)		2,016,364,114
Furniture, fixtures & other equipment	12,670,063	4,302,367	(1,402,156)		15,570,274
Total	P 1,239,149,949	P 813,195,254	(P 6,535,246)	-	P 2,045,809,956

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule F - Other Assets
December 31, 2010

Description	*Beginning balance*	*Additions*	*Deductions*	*Ending balance*
Prepaid expenses	P 71,913,559	P 35,973,684	-	P 107,887,242
Input VAT - net	32,105,643	-	(8,895,201)	23,210,442
Repossessed chattels and other equipment - net	17,152,606	24,010,270	-	41,162,875
Miscellaneous - net	35,523,111	-	(26,885,323)	8,637,788
	P 156,694,918	P 59,983,953	(P 35,780,524)	P 180,898,348

BDO LEASING & FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
Schedule G - Long-Term Debt
December 31, 2010

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 271,965,845		P 271,965,845

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, 2010

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, 2010

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions and	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		1,840,114,248	107,675	322,253,389

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, 2010

Name of Stockholders	*Citizenship*	*Amount Subscribed*	*Percentage to Total Outstanding*
Banco De Oro Unibank, Inc.	Filipino	1,840,114,248	85.09296%
PCD Nominee Corp.(Filipino)	Filipino	197,902,730	9.15168%
Samuel Uy Chua	Filipino	21,000,000	0.97111%
Wilson Chua	Filipino	19,261,980	0.89074%
Equitable Computer Services,Inc.A/C Equitable	Filipino	12,320,000	0.56972%
Wilson Chua &/or Ruby C. Chua	Filipino	6,943,000	0.32107%
Panfilo Castro Jr.,	Filipino	6,140,000	0.28393%
PCD Nominee Corp.(Foreigner)	Foreigner	5,213,058	0.24107%
Felly G. Castro	Filipino	5,100,480	0.23586%
Samuel Uy Chua	Filipino	3,011,150	0.13925%
Constantino Chua	Filipino	2,497,200	0.11548%
Virginia Chua	Filipino	2,367,750	0.10949%
Equitable Computer Services,Inc.	Filipino	2,070,200	0.09573%
Wilson Chua &/ or Virginia Chua	Filipino	1,421,000	0.06571%
Victor Barranda	Filipino	1,157,475	0.05353%
Guild Securities Inc.	Filipino	1,143,945	0.05290%
Eduardo Dy	Filipino	1,143,560	0.05288%
Mercury Group of Companies,Inc.	Filipino	1,089,165	0.05037%
Constantino Chua &/ or Willington Chua &/ or George Cl	Filipino	1,020,000	0.04717%
Nardo R. Leviste	Filipino	759,000	0.03510%
Other Stockholders	Filipino	30,799,371	1.42426%
Total		2,162,475,312	100%

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Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

Financial Statements and Independent Auditors' Report

BDO Leasing and Finance, Inc. and Subsidiary

December 31, 2010, 2009 and 2008

Punongbayan & Araullo

Report of Independent Auditors

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

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

To the Board of Directors and to 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, 2010, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 at December 31, 2010, 2009 and 2008, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

As discussed in Note 20 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations 15-2010 (RR 15-2010) on taxes, duties and license fees in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering the form and content of financial statements under Securities Regulation Code Rule 68.

PUNONGBAYAN & ARAULLO

By: Benjamin P. Valdez
Partner

CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 2641799, January 3, 2011, Makati City
Partner's SEC Accreditation No. 009-AR-2 (until Mar. 1, 2012)
BIR AN 08-002511-11-2008 (until Nov. 24, 2011)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)
Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 2, 2011

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Group			Parent Company		
	Notes	2010	2009 (As Restated) - Note 15)	2008 (As Restated) - Note 15)	2010	2009 (As Restated) - Note 15)	2008 (As Restated) - Note 15)
ASSETS							
CASH AND CASH EQUIVALENTS	6	P **71.9**	P 232.4	P 186.1	P **69.2**	P 176.4	P 171.9
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	**1,524.4**	1,300.9	1.1	**1,524.4**	1,300.9	1.1
LOANS AND OTHER RECEIVABLES - Net	8	**11,953.0**	9,142.7	7,692.9	**11,961.6**	9,131.7	8,329.3
PROPERTY AND EQUIPMENT - Net	9	**856.9**	1,452.5	1,649.7	**17.9**	20.3	15.2
INVESTMENT PROPERTIES - Net	10	**701.3**	725.5	710.1	**701.3**	725.5	710.1
OTHER ASSETS - Net	11	**180.9**	156.7	127.0	**482.9**	315.3	100.9
TOTAL ASSETS		P **15,288.4**	P 13,010.7	P 10,366.9	P **14,757.3**	P 11,670.1	P 9,328.5

	Notes	Group 2010	Group 2009 (As Restated) - Note 15)	Group 2008 (As Restated) - Note 15)	Parent Company 2010	Parent Company 2009 (As Restated) - Note 15)	Parent Company 2008 (As Restated) - Note 15)
LIABILITIES AND EQUITY							
BILLS PAYABLE	12	P 7,666.2	P 6,143.0	P 3,681.6	P 7,633.9	P 5,263.5	P 3,093.6
ACCOUNTS PAYABLE AND OTHER LIABILITIES	13	104.7	92.4	112.8	99.1	89.1	80.2
INCOME TAX PAYABLE		29.7	73.5	8.9	29.7	73.5	0.2
DIVIDENDS PAYABLE	15	216.2	-	-	216.2	-	-
LEASE DEPOSITS	14	2,617.7	2,301.9	2,025.5	2,254.3	1,974.1	1,742.8
DEFERRED TAX LIABILITY - Net	20	88.1	64.8	70.5	95.9	70.1	77.4
Total Liabilities		10,722.6	8,675.6	5,899.3	10,329.1	7,470.3	4,994.2
CAPITAL STOCK	15	2,225.2	2,225.2	2,225.2	2,225.2	2,225.2	2,225.2
ADDITIONAL PAID-IN CAPITAL		571.1	571.1	571.1	571.1	571.1	571.1
TREASURY SHARES		(81.8)	(81.8)	(81.8)	(81.8)	(81.8)	(81.8)
RETAINED EARNINGS		1,605.2	1,620.9	1,753.4	1,467.6	1,485.6	1,620.1
UNREALIZED FAIR VALUE GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	246.1	(0.3)	(0.3)	246.1	(0.3)	(0.3)
Total Equity		4,565.8	4,335.1	4,467.6	4,428.2	4,199.8	4,334.3
TOTAL LIABILITIES AND EQUITY		P 15,288.4	P 13,010.7	P 10,366.9	P 14,757.3	P 11,670.1	P 9,328.5

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, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	Group 2010	Group 2009	Group 2008	Parent Company 2010	Parent Company 2009	Parent Company 2008
REVENUES							
Interest and discounts	8	P 1,028.8	P 865.1	P 1,012.5	P 1,027.2	P 892.5	P 1,018.5
Rent	17	830.9	1,125.7	256.4	-	-	-
Service fees and other income	16	178.3	218.9	99.6	157.6	187.5	50.6
		2,038.0	2,209.7	1,368.5	1,184.8	1,080.0	1,069.1
OPERATING COSTS AND EXPENSES							
Occupancy and equipment-related expenses	9, 10, 11	868.9	1,089.1	221.2	69.3	55.6	48.5
Interest and financing charges	12, 14	330.9	281.4	284.5	299.6	206.5	255.2
Employee benefits	18	134.1	133.9	114.3	134.1	133.9	114.3
Taxes and licenses	20	112.8	92.3	80.7	104.1	85.5	78.3
Impairment and credit losses	8	104.2	94.5	75.0	104.2	94.5	75.0
Litigation/assets acquired expenses		28.4	23.8	26.6	28.4	23.8	26.6
Others		50.1	40.3	35.6	50.1	39.8	32.7
		1,629.4	1,755.3	837.9	789.8	639.6	630.6
PROFIT BEFORE TAX		408.6	454.4	530.6	395.0	440.4	438.5
TAX EXPENSE	20	99.9	154.4	165.0	88.6	142.3	145.8
NET PROFIT		308.7	300.0	365.6	306.4	298.1	292.7
OTHER COMPREHENSIVE INCOME							
Unrealized fair value gain on available-for-sale securities, net of tax		246.4	-	-	246.4	-	-
TOTAL COMPREHENSIVE INCOME		P 555.1	P 300.0	P 365.6	P 552.8	P 298.1	P 292.7
Basic / Diluted Earnings Per Share	21	P 0.14	P 0.14	P 0.17	P 0.14	P 0.14	P 0.14

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, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Parent Company					
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost - 62,693,718 Shares	Retained Earnings (As Restated) - Note 15)	Unrealized Fair Value Gain (Loss) on Available-for-Sale Securities	Net Equity (As Restated) - Note 15)
Balance at January 1, 2010, as restated	15	P 2,225.2	P 571.1	(P 81.8)	P 1,485.6	(P 0.3)	P 4,199.8
Total comprehensive income		-	-	-	306.4	246.4	552.8
Cash dividends	15	-	-	-	(324.4)	-	(324.4)
BALANCE AT DECEMBER 31, 2010		**P 2,225.2**	**P 571.1**	**(P 81.8)**	**P 1,467.6**	**P 246.1**	**P 4,428.2**
Balance at January 1, 2009, as restated	15	P 2,225.2	P 571.1	(P 81.8)	P 1,620.1	(P 0.3)	P 4,334.3
Total comprehensive income		-	-	-	298.0	-	298.0
Cash dividends	15	-	-	-	(432.5)	-	(432.5)
BALANCE AT DECEMBER 31, 2009		P 2,225.2	P 571.1	(P 81.8)	P 1,485.6	(P 0.3)	P 4,199.8
Balance at January 1, 2008, as restated	15	P 2,225.2	P 571.1	(P 81.8)	P 1,327.4	(P 0.3)	P 4,041.6
Total comprehensive income		-	-	-	292.7	-	292.7
BALANCE AT DECEMBER 31, 2008		P 2,225.2	P 571.1	(P 81.8)	P 1,620.1	(P 0.3)	P 4,334.3

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, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

		Group			Parent Company		
	Notes	2010	2009	2008	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 408.6	P 454.4	P 530.6	P 395.0	P 440.4	P 438.5
Adjustments for:							
Interest income	8	(1,028.8)	(864.9)	(1,012.5)	(1,027.2)	(892.5)	(1,018.5)
Interest received		1,001.6	891.3	1,014.1	999.2	891.1	957.9
Interest and financing charges	12, 14	330.9	275.6	284.5	299.6	206.5	255.2
Interest and financing charges paid		(331.8)	(285.7)	(283.2)	(300.7)	(208.4)	(171.2)
Depreciation and amortization	9, 10, 11	835.8	1,064.6	195.8	36.2	31.1	23.4
Impairment and credit losses	8, 11	104.2	94.5	75.0	104.2	94.5	75.0
Fair value loss (gain)		(1.9)	(69.9)	(51.1)	0.6	(62.2)	(1.5)
Gain on sale of investment properties	10	(12.4)	(7.2)	(3.9)	(12.4)	(7.2)	(3.9)
Loss (gain) on sale of property and equipment	9	(0.7)	(10.7)	0.1	-	-	0.1
Operating profit before changes in operating assets and liabilities		1,305.5	1,542.0	749.4	494.5	493.3	555.0
Decrease (increase) in loans and other receivables		(2,888.2)	(1,545.1)	391.5	(2,907.9)	(897.6)	(199.1)
Increase in other assets		(35.5)	(57.3)	(89.1)	(16.2)	(27.6)	(26.9)
Increase (decrease) in accounts payable and other liabilities		340.0	(12.0)	75.2	312.4	46.3	(49.9)
Increase in lease deposits		281.4	316.4	489.9	269.0	260.0	192.8
Cash generated from (used in) operations		(996.8)	244.0	1,616.9	(1,848.2)	(125.6)	471.9
Cash paid for income tax		(128.0)	(86.1)	(231.4)	(114.2)	(76.3)	(212.8)
Net Cash From (Used in) Operating Activities *(Carried Forward)*		(P 1,124.8)	P 157.9	P 1,385.5	(P 1,962.4)	(P 201.9)	P 259.1

	Notes	Group 2010	Group 2009	Group 2008	Parent Company 2010	Parent Company 2009	Parent Company 2008
Net Cash From (Used in) Operating Activities *(Brought Forward)*		(P 1,124.8)	P 157.9	P 1,385.5	(P 1,962.4)	(P 201.9)	P 259.1
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of property and equipment	8	(223.2)	(847.5)	(1,525.6)	(11.8)	(14.6)	(14.0)
Proceeds from disposal of available-for-sale financial assets	7	30.5	-	-	30.5	-	-
Net decrease (increase) in investment properties	10	25.1	(19.1)	(50.1)	25.1	(19.1)	(50.1)
Proceeds from disposal of property and equipment	8	5.3	25.9	8.5	-	-	1.9
Acquisition of available-for-sale financial assets	7	-	(1,299.8)	-	-	(1,299.8)	-
Additional investment in a subsidiary	11	-	-	-	(162.5)	(197.5)	(6.9)
Net Cash Used in Investing Activities		(162.3)	(2,140.5)	(1,567.2)	(118.7)	(1,531.0)	(69.1)
CASH FLOWS FROM FINANCING ACTIVITIES							
Availments of bills payable		55,709.0	32,503.1	7,638.0	53,873.3	26,352.1	6,240.2
Payments of bills payable		(54,474.3)	(30,041.7)	(7,480.4)	(51,791.3)	(24,182.2)	(6,463.0)
Payments of cash dividends	15	(108.1)	(432.5)	-	(108.1)	(432.5)	-
Net Cash From (Used in) Financing Activities		1,126.6	2,028.9	157.6	1,973.9	1,737.4	(222.8)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(160.5)	46.3	(24.1)	(107.2)	4.5	(32.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		232.4	186.1	210.2	176.4	171.9	204.7
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P 71.9	P 232.4	P 186.1	P 69.2	P 176.4	P 171.9

Supplemental Information on Non-cash Investing Activities

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

a. Additions to investment properties in settlement of loans and receivables amounted to P31.5, P38.6 and P114.7 in 2010, 2009 and 2008, respectively (see Note 10, page 52).

b. Additions to repossessed chattels and other equipment in settlement of loans and other receivables amounted to P43.0, P6.1 and P28.9 in 2010, 2009 and 2008, respectively (see Note 11, page 54).

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, 2010, 2009 AND 2008
(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 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, 2010 (including the comparatives for the years ended December 31, 2009 and 2008) were authorized for issue by the BOD on March 2, 2011.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

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

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

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard 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.

In 2010, two comparative periods are presented for the statement of financial position due to the prior period adjustments as disclosed in Note 15.3.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Group's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Group are measured using its functional currency, the currency of the primary economic environment in which the entity operates.

2.2 Adoption of New Interpretations, Revisions and Amendments to PFRS

(a) *Effective in 2010 that are Relevant to the Group*

In 2010, the Group adopted the following revisions, interpretations and annual improvements to existing standards that are relevant to the Company and effective for financial statements for the annual period beginning on or after January 1, 2010.

PAS 27 (Revised 2008)	:	Consolidated and Separate Financial Statements

Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 17	:	Distribution of Non-cash Assets to Owners
Various Standards	:	2009 Annual Improvements to PFRS

Discussed below are relevant information about these new and amended standards.

(i) PAS 27 (Revised 2008), *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 re-measured to fair value and a gain or loss is recognized in profit or loss. The adoption of the standard did not result in any adjustment to the financial statements as there were no non-controlling interests in the Group.

(ii) Philippine Interpretation IFRIC 17, *Distribution of Non-cash Assets to Owners* (effective from July 1, 2009). IFRIC 17 clarifies that dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity. Also, an entity should measure the dividend payable at the fair value of the net assets to be distributed and the difference between the dividend paid and the carrying amount of the net assets distributed should be recognized in profit or loss. The Group's adoption of this interpretation did not have a material impact on the financial statements because retrospective application of this interpretation is not permitted and, therefore, did not have any effect on any previous distribution of non-cash assets to stockholders. In addition, the Group did not distribute non-cash assets to stockholders during the year.

(iii) 2009 Annual Improvements to PFRS. The FRSC has adopted the *2009 Improvements to International Financial Reporting Standards.* Most of these amendments became effective for annual periods beginning on or after July 1, 2009, or January 1, 2010. Among those improvements, only the following amendments were identified to be relevant to the Group's financial statements but which did not also have any material impact on its financial statements:

- PAS 1 (Amendment), *Presentation of Financial Statements* (effective from January 1, 2010). The amendment clarifies the current and non-current classification of a liability that can, at the option of the counterparty, be settled by the issue of the entity's equity instruments.

- PAS 7 (Amendment), *Statement of Cash Flows* (effective from January 1, 2010). This amendment states explicitly that only an expenditure that results in a recognized asset can be classified as a cash flow from investing activities. Under its current policies, only recognized assets are classified by the Group as cash flow from investing activities.

- PAS 17 (Amendment), *Leases* (effective from January 1, 2010). 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.

- PAS 18 (Amendment), *Revenue*. The amendment provides guidance on determining whether an entity is acting as a principal or as an agent. Presently, the Group is the principal in all of its business undertakings.

- PFRS 8 (Amendment), *Operating Segments* (effective from January 1, 2010). The amendment requires an entity to disclose a measure of segment assets only if that measure is regularly reported to the chief operating decision maker. Currently, the Group's policy on segment reporting is in compliance with the amendment.

(b) *Effective in 2010 but not Relevant to the Group*

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after January 1, 2010 but are not relevant to the Group's operations:

PFRS 1 (Amendment)	:	Additional Exemptions for First-time Adopters
PFRS 2 (Amendment)	:	Company Cash-settled Share-based Payment Transactions
Philippine Interpretations		
IFRIC 9	:	Embedded Derivatives – Amendments to IFRIC 9 and PAS 39
IFRIC 16	:	Hedges of a Net Investment in a Foreign Operation
IFRIC 18	:	Transfers of Assets from Customers

(c) Effective Subsequent to 2010

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2010. Management has initially determined the following pronouncements, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements.

PAS 24 (Amendment)	:	Related Party Disclosures
Philippine Interpretations		
IFRIC 14	:	Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14
IFRIC 19	:	Extinguishing Financial Liabilities with Equity Instruments
PFRS 7 (Amendment)	:	Financial Instruments: Disclosures
PFRS 9	:	Financial Instruments
Various Standards	:	2010 Annual Improvements to PFRS

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

(i) PAS 24 (Revised), *Related Party Disclosures* (effective from January 1, 2011). Earlier application of the standard, in whole or in part, is permitted but the Group opted not to early adopt the standard. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group is currently reviewing the impact of the standard on its related party disclosures in time for its adoption of the revised standard in 2011.

(ii) Philippine Interpretation IFRIC 14, *Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14* (effective from January 1, 2011). This interpretation addresses unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan. It sets out guidance on when an entity recognizes an asset in relation to a PAS 19, *Employee Benefits*, surplus for defined benefit plans that are subject to a minimum funding requirement. Management does not expect that its future adoption of the amendment will have a material effect on its financial statements because it does not usually make substantial advance contributions to its retirement fund.

(iii) Philippine Interpretation IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments* (effective on or after July 1, 2010). It addresses accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as "debt for equity" exchanges or swaps. The interpretation requires the debtor to account for a financial liability which is extinguished by equity instruments as follows:

- the issue of the equity instruments to a creditor to extinguish all (or part of a financial liability) is consideration paid in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*;

- the entity measures the equity instrument issued at fair value, unless this cannot be reliably measured;

- if the fair value of the equity instruments cannot be reliably measured, then the fair value of the financial liability extinguished is used; and,

- the difference between the carrying amount of the financial liability extinguished and the consideration paid is the recognized profit or loss.

Management has determined that the adoption of the interpretation does not have a material effect on its 2010 financial statements as the Group does not normally extinguish financial liabilities through equity swap.

(iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures* (effective for annual periods beginning on or after July 1, 2011). The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g., securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken at the end of a reporting period. The Group believes that adoption of the amendments in 2012 will not have any significant effect on its financial statements as they only affect disclosures and the Group usually provides adequate information in its financial statements in compliance with disclosure requirements.

(v) PFRS 9, *Financial Instruments* (effective from January 1, 2013). 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, 2013. Other chapters dealing with impairment methodology and hedge accounting are still being developed.

Management is yet to assess the impact that this amendment is likely to have on the financial statements of the Company. However, it does not expect to implement the amendments until all chapters of PFRS 9 have been published at which time the Company expects it can comprehensively assess the impact of the revised standard.

(vi) 2010 Annual Improvements to PFRS. The FRSC has adopted the *2010 Improvements to Philippine Financial Reporting Standards* (the 2010 Improvements). Most of these amendments became effective for annual periods beginning on or after July 1, 2010, or January 1, 2010. The 2010 Improvements amend certain provisions of PFRS 3 (Revised 2008), clarify presentation of the reconciliation of each of the components of other comprehensive income and clarify certain disclosure requirements for financial instruments. The Group's preliminary assessments indicate that the 2010 Improvements will not have a material impact on its 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. Unrealized profits and losses from intercompany transactions, if any, that are recognized in assets are also eliminated in full. Intercompany losses that indicate an impairment are recognized in the consolidated financial statements.

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 generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable and convertible are considered when assessing whether the Group controls another entity. A subsidiary is consolidated from the date the Group obtains control until such time that such control ceases.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in profit or loss as gain.

The results of subsidiary acquired or disposed of during the year, if any, are included in profit or loss 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.

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

In identifying its operating segments, management generally follows the Group's products and services as disclosed in Note 4, which represent the main products and services provided by the Group.

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

The measurement policies the Group uses for segment reporting under PFRS 8 is the same as those used in its financial statements, except that the following are not included in arriving at the operating profit of the operating segments:

- post-employment benefit expenses;
- expenses relating to share-based payments;
- research costs relating to new business activities; and,
- revenue, costs and fair value gains from investment property.

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

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

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 purchases 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 measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of taxes. Gains and losses arising from securities classified as available-for-sale are recognized in 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 other comprehensive income. Losses recognized in other comprehensive income on equity instruments are not reversed through other 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 profit or loss 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, including the related accumulated depreciation and impairment losses, if any, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the 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 profit or loss in the year of retirement or disposal.

2.8 Financial Liabilities

Financial liabilities of the Group include bills payable, accounts payable, dividends 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 Service Fees and Other Income account 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.

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

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

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.

Unrealized fair value gain (loss) on available-for-sale financial assets pertains to cumulative mark-to-market valuation of available-for-sale financial assets.

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:

i. *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.

ii. *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 profit or loss 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 profit or loss and recognized in other comprehensive income. Impairment losses recognized in other comprehensive income on equity instruments are not reversed through other 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, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period. The Group does not have dilutive common shares.

2.21 Related Party Transactions

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

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

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

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 the 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 P440.1, P399.0 and P455.6 in 2010, 2009 and 2008, 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 P830.9, P1,125.7 and P256.4 in 2010, 2009 and 2008, 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 P17.8 in 2010, P16.1 in 2009 and P13.6 in 2008 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. The carrying amounts of property and equipment are analyzed in Note 9. Based on management's assessment as of December 31, 2010, there is no change in estimated useful lives of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above. As also disclosed in Note 2.6, 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.

Property and equipment, net of accumulated depreciation and amortization, amounted to P856.9, P1,452.5 and 1,649.7 as of December 31, 2010, 2009 and 2008, respectively, in the Group financial statements and P17.9, P20.3 and P15.2 as of December 31, 2010, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 9).

(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 P99.0 in 2010, P94.5 in 2009 and P75.0 in 2008 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 P93.9, P74.4 (as restated) and P64.3 (as restated) as of December 31, 2010, 2009 and 2008, respectively, in the Group financial statements and P93.9, P74.4 (as restated) and P59.6 (as restated) as of December 31, 2010, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 20). The details of the prior period adjustments which resulted to the restatement of deferred tax assets are disclosed in Note 15.3.

(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.

Allowance for impairment losses on investment properties amounted to P71.9, P55.9 and P56.6 as of December 31, 2010, 2009 and 2008, respectively (see Note 10).

(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 P9.9 and P30.5, respectively as of 2010, and the retirement benefit obligation and net unrecognized actuarial losses amounted to P13.8 and P50.2 respectively in 2009; 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, 2010 and 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 (unadjusted) 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, 2010, 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 1. In 2009, the value is determined under
Level 2.

The transfer between levels of hierarchy (i.e., from Level 2 to Level 1) in 2010 was due to the listing of the SMC shares in December 2010.

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.

	2010			
	Group		Parent	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents	P 71.9	P 71.9	P 69.2	P 69.2
Available-for-sale financial assets	1,269.8	1,524.4	1,269.8	1,524.4
Loans and other receivables	11,953.0	8,290.1	11,961.6	8,288.1
Bills payable	7,666.2	7,585.4	7,633.9	7,553.8
Accounts payable and other liabilities	104.7	104.7	99.1	99.1
Dividends payable	216.2	216.2	216.2	216.2
Lease deposits	2,617.7	2,617.7	2,254.3	2,254.3

	2009							
	Group				Parent			
	Cost		Fair Value		Cost		Fair Value	
Cash and cash equivalents	P	232.4	P	232.4	P	176.4	P	176.4
Available-for-sale financial assets		1,300.9		1,300.9		1,300.9		1,300.9
Loans and other receivables		9,142.7		5,743.1		9,131.7		5,732.1
Bills payable		6,143.0		4,579.6		5,263.5		3,704.6
Accounts payable and other liabilities		92.4		92.4		89.1		89.1
Lease deposits		2,301.9		2,301.9		1,974.1		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		112.8		112.8		80.2		80.2
Lease deposits		2,025.5		2,025.5		1,742.8		1,742.8

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

(i) Cash and cash equivalents

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

(ii) Available-for-sale financial assets

The fair value of available-for-sale securities is determined by direct reference to published price quoted in an active market for traded securities.

(iii) 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.

(iv) 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.

(v) Accounts payable and other liabilities

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

(vi) Lease deposits

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

4. SEGMENT REPORTING

4.1 Business Segments

The Group is organized into different business units based on its products and services for purposes of management assessment of each unit. 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 to its chief operating decision-maker for its strategic decision-making activities.

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;
- Floor stock financing; and
- Factoring of receivables.

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

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash, and loans and receivables, net of allowances and provisions. Similar to segment assets, segment liabilities are also allocated based on their use or direct association with a specific segment. Segment liabilities include all operating liabilities and consist principally of accounts, wages, taxes currently payable and accrued liabilities. Segment assets and liabilities do not include deferred taxes.

4.3 Intersegment Transactions

There were no intersegment transactions for 2010, 2009 and 2008.

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2010, 2009 and 2008:

	2010			
	Leasing	**Financing**	**Others**	**Total**
Segment revenues	P 1,271.0	P 583.9	P 183.1	P 2,038.0
Segment expenses	1,016.2	466.8	146.4	1,629.4
Segment results	254.8	117.1	36.7	408.6
Income tax expense				99.9
Net profit				**P 308.7**
Segment assets	P 7,115.2	P 5,546.7	P -	P 12,661.9
Unallocated assets				2,625.5
Total assets				**P 15,288.4**
Segment liabilities	P 4,606.7	P 3,059.5	P -	P 7,666.2
Unallocated liabilities				3,056.4
Total liabilities				**P 10,722.6**
Other segment information :				
Capital expenditures	**P 216.9**	**P -**	**P 6.3**	**P 223.2**
Depreciation and amortization	**803.9**	**-**	**31.9**	**835.8**
Impairment losses	**45.5**	**49.5**	**4.0**	**99.0**

	2009 (As Restated – Note 15)			
	Leasing	Financing	Others	Total
Segment revenues	P 1,524.7	P 454.4	P 230.6	P 2,209.7
Segment expenses	1,211.1	361.0	183.2	1,755.3
Segment results	313.6	93.4	47.4	454.4
Income tax expense				154.4
Net profit				P 300.0
Segment assets	P 6,192.6	P 4,298.9	P -	P 10,491.5
Unallocated assets				2,519.2
Total assets (as restated)				P 13,010.7
Segment liabilities	P 4,606.7	P 3,059.5	P -	P 7,666.2
Unallocated liabilities				1,009.4
Total liabilities (as restated)				P 8,675.6
Other segment information :				
Capital expenditures	P 835.6	P -	P 11.9	P 847.5
Depreciation and amortization	1,037.8	-	26.8	1,064.6
Impairment losses	69.1	25.4	-	94.5

	2008 (As Restated – Note 15)							
	Leasing		Financing		Others		Total	
Segment revenues	P	712.0	P	524.9	P	131.6	P	1,368.5
Segment expenses		436.0		321.4		80.5		837.9
Segment results		276.0		203.5		51.1		530.6
Income tax expense								165.0
Net profit							P	365.6
Segment assets	P	6,355.9	P	2,880.1	P	-	P	9,236.0
Unallocated assets								1,130.9
Total assets (as restated)							P	10,366.9
Segment liabilities	P	3,726.2	P	1,970.2	P	-	P	5,696.4
Unallocated liabilities								202.9
Total liabilities (as restated)							P	5,899.3
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:

	2010			
	Leasing		**Financing**	
Receivables	P	4,740.3	P	7,602.5
Residual value of leased assets		2,235.5		-
Unearned income	(	699.6)	(	1,695.7)
Client's equity		-	(	129.5)
		6,276.2		5,777.3
Allowance for impairment		-	(	230.6)
		6,276.2		5,546.7
Equipment under lease		839.0		-
	P	**7,115.2**	**P**	**5,546.7**

	2009 (As Restated – Note 15)			
	Leasing		Financing	
Receivables	P	3,395.2	P	6,078.0
Residual value of leased assets		1,919.6		-
Unearned income	(	554.4)	(	1,466.1)
Client's equity		-	(	137.4)
		4,760.4		4,474.5
Allowance for impairment		-	(	175.6)
		4,760.4		4,298.9
Equipment under lease		1,432.2		-
	P	6,192.6	P	4,298.9

	2008 (As Restated – Note 15)	
	Leasing	Financing
Receivables	P 3,587.1	P 3,643.5
Residual value of leased assets	1,664.8	-
Unearned income	(526.5)	(519.9)
Client's equity	-	(127.3)
	4,725.4	3,000.3
Allowance for impairment	(4.0)	(120.2)
	4,721.4	2,880.1
Equipment under lease	1,634.5	-
	P 6,355.9	P 2,880.1

Bills payable to BDO Unibank amounting to P351.0 as of December 31, 2010 and P254.0 as of December 31, 2009 and 2008 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 P2,617.7, P2,301.9 and P2,025.5 as of December 31, 2010, 2009 and 2008, respectively, are included in the leasing segment.

5. RISK MANAGEMENT

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 BOD. The Board approves the overall institutional tolerance risk, including risk policies and risk philosophy of the Company.

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 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 Exchange 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, 2010, 2009 and 2008 and Philippine peso-denominated financial assets and liabilities as of December 31, 2010, 2009 and 2008 are as follows:

	2010		
	US Dollar	Philippine Peso	Total
Cash and cash equivalents	P 8.8	P 63.1	P 71.9
Loans and other receivables	-	11,953.0	11,953.0
Lease deposits	19.7	2,598.0	2,617.7
	P 28.5	**P 14,614.1**	**P 14,642.6**

	2009		
	US Dollar	Philippine Peso	Total
Cash and cash equivalents	P 6.8	P 225.7	P 232.5
Loans and other receivables	-	9,142.7	9,142.7
Lease deposits	20.8	2,281.2	2,302.0
	P 27.6	P 11,649.6	P 11,677.2

	2008		
	US Dollar	Philippine Peso	Total
Cash and cash equivalents	P 3.7	P 182.4	P 186.1
Loans and other receivables	-	7,692.9	7,692.9
Lease deposits	21.4	2,004.1	2,025.5
	P 25.1	P 9,879.4	P 9,904.5

At December 31, 2010, 2009 and 2008, the currency exchange rates used to translate U.S. dollar denominated financial assets and liabilities to the Philippine pesos are P43.9, P46.2 and P47.5, 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 +/-7.05% change, +/-7.00% change and +/-6.57% of the Philippine peso/U.S. dollar exchange rate at December 31, 2010, 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, 2010, 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:

	2010	2009	2008
Profit before tax	**(P 2.0)**	(P 0.5)	(P 0.8)
Equity	**(1.4)**	(0.3)	(1.2)

If the Philippine peso at December 31, 2010, 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:

	2010	2009	2008
Profit before tax	**P 2.0**	P 0.5	P 0.8
Equity	**1.4**	0.3	1.2

5.2 Interest Rate Risk

At December 31, 2010, 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 extraordinary 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 +/-7.39% at December 31, 2010, +/-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 +/-19.09% at December 31, 2010, +/-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.

	2010	
Loans and other receivables	**+19.09%**	**-19.09%**
Bills payable	**+7.39%**	**-7.39%**
Group		
Increase (decrease) in:		
Profit before tax	**P 18.3**	**(P 18.3)**
Equity	**12.8**	**(12.8)**

	2010			
Loans and other receivables	**+19.09%**		**-19.09%**	
Bills payable	**+7.39%**		**-7.39%**	
Parent Company				
Increase (decrease) in:				
Profit before tax	**P**	**16.8**	**(P**	**16.8)**
Equity		**11.8**	**(**	**11.8)**

	2009			
Loans and other receivables	+27.59%		-27.59%	
Bills payable	+15.43%		-15.43%	
Group				
Increase (decrease) in:				
Profit before tax	P	7.8	(P	7.8)
Equity		5.5	(	5.5)
Parent Company				
Increase (decrease) in:				
Profit before tax	P	6.9	(P	6.9)
Equity		4.8	(	4.8)

	2008			
Loans and other receivables	+39.55%		-39.55%	
Bills payable	+5.25%		-5.25%	
Group				
Increase (decrease) in:				
Profit before tax	P	6.5	(P	6.5)
Equity		4.2	(	4.2)
Parent Company				
Increase (decrease) in:				
Profit before tax	P	5.5	(P	5.5)
Equity		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

	2010		
	Cash and Cash Equivalents	**Loans and Other Receivables**	**Available-for-sale Securities**
Concentration by sector:			
Financial intermediaries	P 71.9	P 1,245.4	**P** -
Manufacturing	-	1,943.3	-
Transportation and communication	-	2,460.2	-
Wholesale and retail trade and personal activities	-	1,307.1	-
Real estate, renting and business activities	-	858.7	-
Agriculture, fishing and forestry	-	530.0	-
Other community, social and personal activities	-	3,608.3	1,524.4
	P 71.9	**P 11,953.0**	**P 1,524.4**

	2009		
	Cash and Cash Equivalents	Loans and Other Receivables	Available-for-sale Securities
Concentration by sector:			
Financial intermediaries	P 232.4	P 1,007.2	P -
Manufacturing	-	1,383.2	-
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:			
Financial intermediaries	P 186.1	P 129.7	P -
Manufacturing	-	2,240.7	-
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

	2010		
	Cash and Cash Equivalents	**Loans and Other Receivables**	**Available-for-sale Securities**
Concentration by sector:			
Financial intermediaries	P 69.2	P 1,255.9	P -
Manufacturing	-	1,943.3	-
Transportation and communication	-	2,460.2	-
Wholesale and retail trade and personal activities	-	1,307.1	-
Real estate, renting and business activities	-	858.7	-
Agriculture, fishing and forestry	-	530.0	-
Other community, social and personal activities	-	3,606.4	1,524.4
	P 69.2	**P 11,961.6**	**P 1,524.4**

	2009		
	Cash and Cash Equivalents	Loans and Other Receivables	Available-for-sale Securities
Concentration by sector:			
Financial intermediaries	P 176.4	P 1,007.2	P -
Manufacturing	-	1,383.2	-
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:			
Financial intermediaries	P 171.9	P 129.7	P -
Manufacturing	-	2,240.7	-
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.

	2010	
	Loans and Other Receivables	**Available-for-sale Securities**
Carrying amount	**P 11,953.0**	**P 1,524.4**
Individually impaired		
Grade D: Impaired	**302.6**	-
Grade E: Impaired	**111.2**	-
Grade F: Impaired	**122.4**	-
Gross amount	**536.2**	-
Allowance for impairment	**(234.3)**	-
Carrying amount	**301.9**	-
Past due but not impaired	**11.6**	-
Grade A		
Aging of past due		
30-60 days	**6.9**	-
61-90 days	**4.7**	-
91-180 days	**-**	-
More than 180 days	**-**	-
Carrying amount	**11.6**	-
Neither past due nor impaired		
Grade A	**11,639.5**	1,524.4
Total carrying amount	**P 11,953.0**	P **1,524.4**

2009

	Loans and Other Receivables	Available-for-sale Securities
Carrying amount	P 9,142.7	P 1,300.9
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)*	-	-
Neither past due nor impaired		
Grade A	P 8,603.0	P 1,300.9
Total carrying amount	P 9,142.7	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	144.8	-
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 7,692.9	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 are periodically updated especially 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, 2010, 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, 2010, 2009 and 2008 is shown below.

	2010	2009	2008
Against past due but not impaired			
Real property	**P 142.9**	P 98.0	P 54.7
Personal property	**522.0**	430.8	112.8
Against neither past due but not impaired			
Real property	**1,104.8**	629.0	997.9
Personal property	**10,483.8**	7,330.7	9,120.1
	P 12,253.5	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 are therefore 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 currently has a license from the SEC to issue P12 billion STCPs.

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for short-term and 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, 2010, 2009 and 2008 analyzed according to when these are expected to be recovered or settled.

2010

	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 71.9	P -	P -	P -	P 71.9
Available-for-sale financial assets	1,524.4	-	-	-	1,524.4
Loans and other receivables	2,551.6	3,110.3	3,640.5	2,650.6	11,953.0
	P 4,147.9	**P 3,110.3**	**P 3,640.5**	**P 2,650.6**	**P 13,549.3**
Financial liabilities					
Bills payable	P 6,147.4	P 1,246.8	P 17.7	P 254.3	P 7,666.2
Accounts payable and other liabilities	81.2	8.7	10.7	4.1	104.7
Lease deposits	664.8	517.6	923.0	512.3	2,617.7
	P 6,893.4	**P 1,773.1**	**P 951.4**	**P 770.7**	**P 10,388.6**

	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 69.2	P -	P -	P -	P 69.2
Available-for-sale financial assets	1,524.4	-	-	-	1,524.4
Loans and other receivables	2,560.1	3,110.3	3,640.5	2,650.6	11,961.6
	P 4,153.7	**P 3,110.3**	**P 3,640.5**	**P 2,650.6**	**P 13,555.2**
Financial liabilities					
Bills payable	P 6,115.1	P 1,246.8	P 17.7	P 254.3	P 7,633.9
Accounts payable and other liabilities	76.4	8.7	9.9	4.1	99.1
Lease deposits	354.0	475.3	912.7	512.3	2,254.3
	P 6,545.5	**P 1,730.8**	**P 940.3**	**P 770.7**	**P 9,987.3**

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	136.7	-	-	-	136.7
	P 2,423.7	P 1,604.5	P 3,304.7	P 2,178.9	P 9,511.8

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
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	92.4	-	-	-	92.4
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

Group

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
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
Available-for-sale financial 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

Parent Company

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
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
Available-for-sale financial 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

The Group and the Parent Company's maturing financial liabilities within the one to three month period pertain to bills payable due to various private entities and individuals. Maturing bills payable are usually settled through repayments. When maturing financial assets are not sufficient to cover the related maturing financial liabilities, bills payable and other currently maturing financial liabilities are rolled over/refinanced or are settled by entering into new borrowing arrangements with other counterparties.

6. CASH AND CASH EQUIVALENTS

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

	Group		
	2010	2009	2008
Cash on hand and in banks	**P 43.9**	P 156.6	P 184.1
Cash equivalents	**28.0**	75.8	2.0
	P 71.9	P 232.4	P 186.1

	Parent Company		
	2010	2009	2008
Cash on hand and in banks	**P 41.2**	P 141.6	P 169.8
Cash equivalents	**28.0**	34.8	2.1
	P 69.2	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 1.0% to 3.2% in 2010, 1.00% to 2.75% in 2009 and 2.375% to 3.00% in 2008.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The composition of available-for-sale financial assets for the Group and the Parent Company as of December 31 pertain to the following:

	2010	2009	2008
SMC Series "1" preferred shares	**P 1,269.8**	P 1,299.8	P -
Club shares and other equity investments	**1.4**	1.4	1.4
	1,271.2	1,301.2	1.4
Accumulated fair value gains (losses)	**253.2**	(0.3)	(0.3)
	P 1,524.4	P 1,300.9	P 1.1

As of December 31, 2010, the SMC Series "1" preferred shares (the SMC shares) represents 16.9 million preferred shares originally acquired at P75 per share on December 22, 2009. 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%.

On December 8, 2010, the SMC shares became publicly-traded and closed at the price of P90 per share on December 31, 2010. Thus, the Company recognized unrealized fair value gain of P246.4, net of deferred stock transaction tax at 1/2 of 1% of the total market value of P1,524.4 or P7.6. The unrealized fair value gain of P246.4 is included under the Unrealized Fair Value Gain (Loss) on Available-for-Sale Financial Assets account in the statement of financial position while the deferred stock transaction tax of P7.6 was recognized in Other Comprehensive Income and as part of Deferred Tax Liabilities account as of December 31, 2010 (see Note 20).

Before the listing of the shares in 2010, the Company sold 0.4 million of the SMC shares at its original cost of P75 per share or for a total of P30.5. Hence, no gain or loss were recognized on the transaction.

As of December 31, 2009, the SMC shares were carried at its original cost of P75 per share or P1,297.5 for the 17.3 million shares since the cost of the investment at that date did not differ significantly from the market value at the date of issuance on December 22, 2009.

The remaining P1.4 balance of AFS financial assets at December 31, 2010, 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 P1.4.

8. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Group		
	2010	2009	2008
Receivable from customers:			
Finance lease receivables	**P 4,740.3**	P 3,395.2	P 3,587.1
Residual value of leased assets	**2,235.6**	1,919.6	1,664.8
Unearned leased income	**(699.6)**	(554.4)	(526.5)
	6,276.3	4,760.4	4,725.4
Loans and receivables financed	**7,602.5**	6,078.0	3,643.5
Unearned finance income	**(1,695.67)**	(1,466.0)	(515.9)
Client's equity	**(129.5)**	(137.4)	(127.3)
	5,777.3	4,474.6	3,000.3
Other receivables:			
Sales contract receivable	**50.8**	52.0	47.5
Accounts receivable	**31.8**	39.7	52.2
Accrued interest receivable	**27.2**	0.3	0.4
Dividends receivable	**24.0**	-	-
	133.8	92.0	100.1
Total	**12,187.3**	9,327.0	7,825.8
Allowance for impairment	**(234.3)**	(184.3)	(132.9)
	P 11,953.0	P 9,142.7	P 7,692.9

	Parent Company		
	2010	2009	2008
Receivable from customers:			
Finance lease receivables	**P 4,740.3**	P 3,395.2	P 3,587.1
Residual value of leased assets	**2,235.5**	1,919.6	1,664.8
Unearned leased income	**(699.6)**	(554.4)	(526.5)
	6,276.2	4,760.4	4,725.4
Loans and receivables financed	**7,602.5**	6,078.0	4,306.4
Unearned finance income	**(1,695.7)**	(1,466.0)	(521.5)
Client's equity	**(129.5)**	(137.4)	(127.3)
	5,777.5	4,474.6	3,657.6
Other receivables:			
Sales contract receivable	**50.8**	51.9	47.4
Accounts receivable	**29.9**	28.8	31.4
Accrued interest receivable	**27.3**	0.3	0.4
Dividends receivable	**24.0**	-	-
Due from subsidiary	**10.5**	-	-
	142.5	81.0	79.2
Total	**12,196.0**	9,316.0	8,462.2
Allowance for impairment	**(234.3)**	(184.3)	(132.9)
	P 11,961.6	P 9,131.7	P 8,329.3

As of December 31, 2010, 2009 and 2008, 94%, 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 8% to 30% in 2010, 6% to 36% in 2009 and 9% to 37% in 2008.

Interest income on receivables pertaining to the residual value of assets under finance lease accrued using the effective interest method amounted to P6.0, P19.3 and P31.1 in 2010, 2009 and 2008, respectively, and is presented as part of Interest and Discounts in the Group and Parent Company statements of comprehensive income.

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

	Group		
	2010	2009	2008
Secured			
Real estate mortgage	**P 553.1**	P 562.8	P 944.4
Chattel mortgage	**7,311.3**	7,601.7	5,949.5
	7,864.4	8,164.5	6,893.9
Unsecured	**4,088.6**	978.2	799.0
	P 11,953.0	P 9,142.7	P 7,692.9

	Parent Company		
	2010	2009	2008
Secured			
Real estate mortgage	**P 553.1**	P 562.8	P 944.4
Chattel mortgage	**7,311.3**	7,601.7	5,982.6
	7,864.4	8,164.5	6,927.0
Unsecured	**4,097.2**	967.2	1,402.3
	P 11,961.6	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, 2010, 2009 and 2008 follows:

	2010	2009	2008
Maturity of gross investment in:			
Finance lease receivables			
Within one year	**P 2,935.6**	P 1,740.0	P 2,263.0
Beyond one year but not beyond five years	**1,804.7**	1,655.2	1,324.1
	4,740.3	3,395.2	3,587.1
Residual value of leased assets			
Within one year	**824.0**	616.9	569.0
Beyond one year but not beyond five years	**1,411.5**	1,302.7	1,095.8
	2,235.5	1,919.6	1,664.8
Gross finance lease receivable	**6,975.8**	5,314.8	5,251.9
Unearned lease income	**(699.9)**	(554.4)	(526.5)
Net investment in finance lease receivables	**P 6,276.2**	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:

	2010	2009	2008
Due within one year	**P 3,321.7**	P 2,057.6	P 2,763.9
Due within one year but not beyond five years	**2,954.5**	2,702.8	1,961.5
	P 6,276.2	P 4,760.4	P 4,725.4

Past due finance lease receivables amounted to P354.8, P400.0 and P344.9 as of December 31, 2010, 2009 and 2008, respectively.

Past due loans and receivables financed amounted to P313.0, P315.3 and P290.1 as of December 31, 2010, 2009 and 2008, respectively.

In 2010, 2009 and 2008, the BOD approved the write-off of certain loans and receivables financed and finance lease receivables with total amount of P29.3, P43.7 and P157.9, respectively.

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

	Group		
	2010	2009	2008
Loans and receivable financed	**P 583.8**	P 454.4	P 556.0
Finance lease receivables	**440.1**	399.0	455.6
Due from affiliates and other loans	**4.4**	10.8	0.4
Cash and cash equivalents	**0.5**	0.7	0.5
	P 1,028.8	P 864.9	P 1,012.5

	Parent Company		
	2010	2009	2008
Loans and receivables financed	**P 583.8**	P 459.9	P 562.1
Finance lease receivables	**440.1**	399.0	455.6
Due from affiliates and other loans	**2.8**	32.9	0.3
Cash and cash equivalents	**0.5**	0.7	0.5
	P 1,027.2	P 892.5	P 1,018.5

The changes in the allowance for impairment for the Group and the Parent Company are summarized below.

	2010	2009	2008
Balance at beginning of year	**P 184.3**	P 132.9	P 215.9
Impairment losses during the year	**99.0**	94.5	75.0
Accounts written off	**(49.0)**	(43.1)	(158.0)
Balance at end of year	**P 234.3**	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 2010, 2009 and 2008 are shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Group				
December 31, 2010				
Cost	P 2,855.4	P 22.5	P 24.9	P 2,902.8
Accumulated depreciation and amortization	(2,016.4)	(15.6)	(13.9)	(2,045.9)
Net carrying amount	**P 839.0**	**P 6.9**	**P 11.0**	**P 856.9**
December 31, 2009				
Cost	P 2,654.1	P 18.4	P 19.2	P 2,691.7
Accumulated depreciation and amortization	(1,221.9)	(12.7)	(4.6)	(1,239.2)
Net carrying amount	P 1,432.2	P 5.7	P 14.6	P 1,452.5
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)	(0.6)	(58.1)
Net carrying amount	P 301.8	P 5.7	P 2.6	P 310.1
Parent Company				
December 31, 2010				
Cost	P -	P 22.5	P 24.9	P 47.4
Accumulated depreciation and amortization	-	(15.6)	(13.9)	(29.5)
Net carrying amount	**P -**	**P 6.9**	**P 11.0**	**P 17.9**
December 31, 2009				
Cost	P -	P 18.4	P 19.2	P 37.6
Accumulated depreciation and amortization	-	(12.7)	(4.6)	(17.3)
Net carrying amount	P -	P 5.7	P 14.6	P 20.3

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
December 31, 2008				
Cost	P -	P 18.7	P 9.8	P 28.5
Accumulated depreciation and amortization	-	(12.0)	(1.3)	(13.3)
Net carrying amount	P -	P 6.7	P 8.5	P 15.2
January 1, 2008				
Cost	P -	P 19.5	P 3.1	P 22.6
Accumulated depreciation and amortization	-	(13.8)	(0.6)	(14.4)
Net carrying amount	P -	P 5.7	P 2.5	P 8.2

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2010 and 2009 is shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Group				
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 1,432.2	P 5.7	P 14.6	P 1,452.5
Additions	211.4	6.2	5.7	223.3
Disposals	(5.0)	(0.7)	-	(5.7)
Depreciation and amortization charges for the year	(799.6)	(4.3)	(9.3)	(813.2)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P 839.0**	**P 6.9**	**P 11.0**	**P 856.9**
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

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
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 Company

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P -	P 5.7	P 14.6	P 20.3
Additions	-	6.2	5.7	11.9
Disposals	-	(0.7)	-	(0.7)
Depreciation and amortization charges for the year	-	(4.3)	(9.3)	(13.6)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P -**	**P 6.9**	**P 11.0**	**P 17.9**
Balance at January 1, 2009 net of accumulated depreciation and amortization	P -	P 6.9	P 8.3	P 15.2
Additions	-	2.6	12.0	14.6
Disposals	-	-	(0.5)	(0.5)
Reclassifications	-	0.6	(0.1)	0.5
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

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
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. The gross carrying amount and accumulated depreciation of the subject equipment as of December 31, 2010, 2009 and 2008 follow:

	2010	2009	2008
Cost	**P 730.0**	P 730.0	P 1,370.0
Accumulated depreciation	**(641.5)**	(318.5)	(95.4)
	P 88.5	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 P356.6 in 2010, P1,025.9 in 2009 and P111.0 in 2008 (nil for the Parent Company). The carrying amount of lease deposits payable to the lessee amounted to P21.8, P281.8 and P239.8 as of December 31, 2010, 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 P25.6 in 2010, P42.0 in 2009 and P1.8 in 2008.

As of December 31, 2010, 2009 and 2008, the net book value of transportation and other equipment leased out by the Group (nil for the Parent Company) under operating lease arrangements amounted to P839.0, 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 Service Fees and 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 2010, 2009 and 2008 in the Group and Parent Company financial statements are shown below.

	Land	Building and Improve-ments	Total
December 31, 2010			
Cost	P 690.1	P 128.6	P 818.7
Accumulated depreciation	-	(45.5)	(45.5)
Accumulated impairment	(41.5)	(30.4)	(71.9)
Net carrying amount	**P 648.6**	**P 52.7**	**P 701.3**
December 31, 2009 (as restated)			
Cost	P 709.6	P 106.5	P 816.1
Accumulated depreciation	-	(34.7)	(34.7)
Accumulated impairment	(41.5)	(14.4)	(55.9)
Net carrying amount	P 668.1	P 57.4	P 725.5
December 31, 2008 (as restated)			
Cost	P 682.4	P 110.3	P 792.7
Accumulated depreciation	-	(26.0)	(26.0)
Accumulated impairment	(41.5)	(15.1)	(56.6)
Net carrying amount	P 640.9	P 69.2	P 710.1
January 1, 2008 (as restated)			
Cost	P 613.6	P 134.3	P 747.9
Accumulated depreciation	-	(18.7)	(18.7)
Accumulated impairment	(41.5)	(22.9)	(64.4)
Net carrying amount	P 572.1	P 51.2	P 664.8

The Group recognized a prior period adjustment related to additional impairment loss of an investment property that should have been booked in 2006
(see Note 15.3).

A reconciliation of the carrying amounts at the beginning and end of 2010, 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, 2010, net of accumulated depreciation and impairment	P 668.1	P 57.4	P 725.5
Additions	19.6	11.9	31.5
Disposals	(11.5)	-	(11.5)
Reclassifications	(27.6)	-	(27.6)
Depreciation and amortization charges for the year	-	(11.4)	(11.4)
Impairment losses during the year	-	(5.2)	(5.2)
Balance at December 31, 2010, net of accumulated depreciation and impairment	**P 648.6**	**P 52.7**	**P 701.3**
Balance at January 1, 2009, net of accumulated depreciation and impairment (as restated)	P 640.9	P 69.2	P 710.1
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 (as restated)	P 668.1	P 57.4	P 725.5
Balance at January 1, 2008 net of accumulated depreciation and impairment (as restated)	P 572.1	P 51.2	P 664.8
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 (as restated)	P 640.9	P 69.2	P 710.1

The appraised values of the investment properties as of December 31, 2010, 2009 and 2008 follow:

	2010	2009	2008
Land	**P 931.1**	P 941.6	P 950.3
Building and improvements	**111.4**	137.4	155.7
	P 1,042.5	P 1,079.0	P 1,166.0

Direct operating expenses incurred on investment properties recognized in profit or loss are insignificant.

Gain on sale of investment properties lodged under Service Fees and Other Income amounted to P12.4, P7.2 and P9.2 in 2010, 2009 and 2008, respectively (see Note 16).

11. OTHER ASSETS

Other assets consist of the following:

		Group	
	2010	2009	2008
Prepaid expenses	**P 107.9**	P 71.9	P 27.6
Repossessed chattels and other equipment - net	**41.1**	17.2	23.0
Input value-added tax (VAT)	**23.2**	32.1	85.5
Miscellaneous - net	**8,7**	35.5	4.7
	180.9	156.7	140.8
Allowance for impairment	**-**	-	(13.8)
	P 180.9	P 156.7	P 127.0

		Parent Company	
	2010	2009	2008
Investment in subsidiary	**P 400.0**	P 237.5	P 46.9
Repossessed chattels and other equipment - net	**41.1**	17.2	23.0
Prepaid expenses	**33.2**	25.4	26.6
Miscellaneous - net	**8.6**	35,2	4.4
	P 482.9	P 315.3	P 100.9

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

	2010	2009	2008
Cost	**P 71.5**	P 37.1	P 31.7
Accumulated depreciation	**(25.1)**	(18.8)	(8.7)
	P 46.4	P 18.3	P 23.0

A reconciliation of the carrying amounts of repossessed chattels and other equipment at the beginning and end of 2010, 2009 and 2008 is shown below.

		2010		2009		2008
Balance at January 1, net of accumulated depreciation	**P**	**17.2**	P	23.0	P	18.3
Additions		**43.0**		6.1		28.9
Disposals	**(**	**7.9)**	(	1.2)	(	14.5)
Depreciation charges for the year	**(**	**11.2)**	(	10.7)	(	9.7)
Balance at December 31, net of accumulated depreciation	**P**	**41.1**	P	17.2	P	23.0

No impairment loss was recognized on repossessed chattels and other equipment in 2010, 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.

		2010		2009		2008
Balance at beginning of year	**P**	**237.5**	P	46.9	P	40.0
Additional investment during the year		**162.5**		197.5		-
		400.0		244.4		40.0
Increase (decrease) in deposit for future stock subscription		-	(	6.9)		6.9
Balance at end of year	**P**	**400.0**	P	237.5	P	46.9

On March 3, 2010, the Parent Company subscribed to additional 162.5 million preferred shares at P1 par value issued by BDO Rental or for a total of P162.5 million.

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.

12. BILLS PAYABLE

This account consists of borrowings from:

	Group		
	2010	2009	2008
Banks	**P 623.0**	P 1,525.5	P 1,635.3
Others	**7,041.8**	4,613.1	2,035.6
Accrued interest	**1.4**	4.4	10.7
	P 7,666.2	P 6,143.0	P 3,681.6

	Parent Company		
	2010	2009	2008
Banks	**P 623.0**	P 1,525.5	P 1,053.7
Others	**7,009.6**	3,735.6	2,035.5
Accrued interest	**1.3**	2.4	4.4
	P 7,633.9	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, 2010, 2009 and 2008 – see Note 19), with annual interest rates ranging from 6.21% to 7.36% in 2010, 4.75% to 6.25% in 2009 and 6.00% to 9.25% in 2008. As of December 31, 2010, 2009 and 2008, bills payable - others represent short-term notes issued to individual investors, with annual interest rates ranging from 3.75% to 4.00%, 4.00% to 6.25% and 4.00% to 7.48%, respectively. These rates approximate prevailing market rates.

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

	Group		
	2010	2009	2008
Secured – real estate mortgage	**P 254.0**	P -	P 255.1
Unsecured	**7,412.2**	6,143.0	3,426.5
	P 7,666.2	P 6,143.0	P 3,681.6

	Parent Company		
	2010	2009	2008
Secured – real estate mortgage	**P 254.0**	P -	P 255.1
Unsecured	**7,379.9**	5,263.5	2,838.5
	P 7,633.9	P 5,263.5	P 3,093.6

Interest and financing charges consist of interest on:

		Group		
	Note	**2010**	2009	2008
Bills payable - banks		**P 28.0**	P 54.1	P 150.8
Bills payable - others		**266.0**	158.1	80.9
Amortization on lease deposits	14	**36.9**	69.2	52.8
		P 330.9	P 281.4	P 284.5

	Note	Parent Company 2010	2009	2008
Bills payable - banks		**P 28.0**	P 27.6	P 130.3
Bills payable - others		**260.4**	143.1	80.8
Amortization on lease deposits	14	**11.2**	35.8	44.1
		P 299.6	P 206.5	P 255.2

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	Note	Group 2010	2009	2008
Accounts payable		**P 54.5**	P 43.8	P 40.8
Accrued taxes and other expenses		**15.6**	7.8	13.7
Retirement benefit obligation	18	**9.9**	13.8	14.7
Withholding and other taxes payable		**6.6**	11.0	4.3
Deferred rent		**-**	-	20.7
Other liabilities		**18.1**	16.0	18.6
		P 104.7	P 92.4	P 112.8

	Note	Parent Company 2010	2009	2008
Accounts payable		**P 53.4**	P 42.2	P 29.9
Accrued taxes and other expenses		**15.6**	6.9	13.1
Retirement benefit obligation	18	**9.9**	13.8	14.7
Withholding taxes payable		**6.2**	10.9	4.2
Other liabilities		**14.0**	15.3	18.3
		P 99.1	P 89.1	P 80.2

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

14. LEASE DEPOSITS

This account represents deposits on:

	Group		
	2010	2009	2008
Finance leases	**P 2,254.3**	P 1,974.1	P 1,742.9
Operating leases	**363.4**	327.8	282.6
	P 2,617.7	P 2,301.9	P 2,025.5

	Parent Company		
	2010	2009	2008
Finance leases	**P 2,254.3**	P 1,974.1	P 1,742.8

Interest expense on lease deposits accrued using the effective interest method in the Group's financial statements amounted to P36.9, P69.2 and P52.8 in 2010, 2009 and 2008, respectively, and P11.2, P35.8 and P44.1 in 2010, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 12). These are included as part of Interest and Financing Charges under Operating Costs and Expenses in the Group ad Parent Company 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, 2010, 2009 and 2008 are computed as follows:

		2010		2009 (As restated)		2008 (As restated)
Total equity	**P**	**4,565.8**	P	4,335.1	P	4,467.6
Cash and cash equivalents	**(**	**71.9)**	(	232.4)	(	186.1)
Net capital	**P**	**4,493.9**	P	4,102.7	P	4,281.5
Bills payable	**P**	**7,666.2**	P	6,143.0	P	3,681.6
Lease deposits		**2,617.7**		2,301.9		2,025.5
Total equity		**4,565.8**		4,335.1		4,467.6
Overall financing	**P**	**14,849.7**	P	12,780.0	P	10,174.7
Capital-to-overall financing ratio		**1 : 3.30**		1 : 3.12		1 : 2.38

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, 2010, 2009 and 2008.

As of December 31, 2010, 2009 and 2008, 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 December 8, 2010 and May 31, 2010, the BOD approved the declaration of cash dividends at P0.10 per share and P0.05 per share, respectively, amounting to P216.2 and P108.2 or for a total of P324.4 for the year. The December 2010 and May 2010 dividends were declared in favor of stockholders of record as of December 22, 2010 and June 30, 2010, respectively. As of December 31, 2010, the December 2010 dividends are still outstanding and is shown as Dividends Payable in the statement of financial position.

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.

15.3 Prior Period Adjustments

The balance of Retained Earnings and other statement of financial position accounts as of January 1, 2008 have been restated from the amounts previously stated to recognize the additional impairment loss on an investment property based on an appraisal that should have been reflected in the 2006 financial statements, and to adjust the balance of the deferred tax asset based on the balance at the end of 2007 of certain temporary differences relating to impairment losses and retirement liability.

The breakdown of the effects of the prior period adjustments in the opening balance of retained earnings for 2010, 2009 and 2008 is shown below.

	2010	2009	2008
Unrecognized impairment loss on investment property, net of deferred tax component of P12.0	**P 29.5**	P 29.5	P 29.5
Adjustment to correct the balance of deferred tax assets related to temporary differences	**10.2**	10.2	10.2
	P 39.7	P 39.7	P 39.7

The details of these prior period adjustments are explained further in the succeeding sections:

(a) *Recognition of Impairment Loss on Investment Property at the Beginning of 2008*

The carrying amount of the investment property referred to above was P66.8 at the end of 2006, before consideration of any fair valuation of the property. Based on the appraisal made on the property as of December 31, 2006, the fair value of the property was P25.3, or P41.5 lower than the carrying amount before the appraisal. Accordingly, an impairment loss equal to P41.5 should have been recognized in 2006. To correct this, the Parent Company restated the balance of investment property by reducing it by P41.5.

(b) *Adjustment to Correct the 2008Beginning Balance of Deferred Tax Assets*

The Parent Company adjusted the beginning balance of 2008 deferred tax assets to conform with the outstanding balance at that date of the following temporary differences:

Allowance for impairment losses on:	
Loans and discounts	P 7.0
Investment properties	3.4
Accounts receivable	(2.6)
Retirement liability	2.4
Net deferred tax adjustment	P 10.2

The following schedules present the specific accounts affected by the prior period adjustments in the 2009 and 2008 statements of financial position, as previously reported, restatement adjustments and the corresponding restated balances:

	Group		
	As Previously Reported	**Prior Period Adjustments Add (Deduct)**	**Restated Balance**
December 31, 2009			
Asset			
Investment properties	P 767.0	(P 41.5)	P 725.5
Liability			
Deferred tax liability - net	66.6	(1.8)	64.8
Equity			
Retained earnings	1,660.6	(39.7)	1,620.9
December 31, 2008			
Asset			
Investment property	P 751.6	(P 41.5)	P 710.1
Liability			
Deferred tax liability - net	72.3	(1.8)	70.5
Equity			
Retained earnings	1,793.1	(39.7)	1,753.4
January 1, 2008			
Asset			
Investment property	P 706.3	(P 41.5)	P 664.8
Liability			
Deferred tax liability - net	40.9	(1.8)	39.1
Equity			
Retained earnings	1,427.5	(39.7)	1,387.8

	Parent Company		
	As Previously Reported	**Prior Period Adjustments Add (Deduct)**	**Restated Balance**
December 31, 2009			
Asset			
Investment property	P 767.0	(P 41.5)	P 725.5
Liability			
Deferred tax liability - net	71.9	(1.8)	70.1
Equity			
Retained earnings	1,525.3	(39.7)	1,485.6
December 31, 2008			
Asset			
Investment property	P 751.6	(P 41.5)	P 710.1
Liability			
Deferred tax liability - net	79.2	(1.8)	77.4
Equity			
Retained earnings	1,659.8	(39.7)	1,620.1
January 1, 2008			
Asset			
Investment property	P 706.3	(P 41.5)	P 664.8
Liability			
Deferred tax liability - net	40.8	(1.8)	39.0
Equity			
Retained earnings	1,367.1	(39.7)	1,327.4

16. SERVICE FEES AND OTHER INCOME

This account is composed of the following:

	Group		
	2010	2009	2008
Dividend income	**P 104.9**	P -	P -
Recovery on charged-off accounts	**16.5**	11.1	4.7
Gain on assets acquired	**12.4**	7.2	9.2
Service fees	**1.9**	95.6	20.7
Fair value gains - net	**1.9**	7.3	51.1
Gain on sale of property and equipment	**0.9**	10.7	-
Gain on sale of receivable	**-**	62.6	-
Miscellaneous	**39.8**	24.4	13.9
	P 178.3	P 218.9	P 99.6

	Parent Company		
	2010	2009	2008
Dividend income	**P 104.9**	P -	P -
Recovery on charged-off accounts	**16.5**	11.1	4.7
Gain on assets acquired	**12.4**	7.2	9.2
Service fees	**1.9**	95.6	20.7
Fair value gains (losses) - net	**(0.6)**	(0.4)	1.5
Gain on sale of receivable	**-**	62.6	-
Miscellaneous	**22.5**	11.4	14.5
	P 157.6	P 187.5	P 50.6

Dividend income in 2010 pertains to income earned for investments in SMC shares acquired in December 2009 (see Note 7).

Fair value gains (losses) – net represent the fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits), net of the fair value losses on initial recognition of the residual value receivables under finance lease.

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 also Note 19).

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, 2010, 2009 and 2008 amounted to P830.9, P1,125.7 and P256.4, respectively.

Future minimum rentals receivable under operating leases follow:

	2010	2009	2008
Within one year	**P 138.8**	P 1.1	P 765.4
After one year but not more than five years	**159.5**	898.2	457.8
	P 298.3	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:

	2010	2009	2008
Salaries and wages	**P 70.0**	P 75.5	P 65.1
Bonuses	**22.6**	23.8	23.9
Retirement – defined benefit plan	**18.1**	14.2	7.9
Social security costs	**2.8**	3.5	2.9
Other benefits	**20.6**	16.9	14.5
	P 134.1	P 133.9	P 114.3

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):

	2010	2009	2008
Present value of the obligation	**P 101.5**	P 115.3	P 86.3
Fair value of plan assets	**(61.1)**	(51.3)	(44.6)
Excess of obligation	**40.4**	64.0	41.7
Net unrecognized actuarial gains	**(30.5)**	(50.2)	(27.0)
	P 9.9	P 13.8	P 14.7

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

	2010	2009	2008
Balance at beginning of year	**P 115.4**	P 86.3	P 67.4
Current service cost and interest cost	**19.4**	16.7	11.6
Actuarial losses (gains)	**(15.0)**	24.8	18.9
Transfer from the plan	**(5.0)**	-	-
Benefits paid by the plan	**(13.3)**	(12.5)	(11.6)
Balance at end of year	**P 101.5**	P 115.3	P 86.3

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

	2010	2009	2008
Balance at beginning of year	**P 51.3**	P 44.6	P 46.4
Contributions paid into the plan	**22.1**	15.0	6.9
Benefits paid by the plan	**(13.3)**	(12.5)	(11.6)
Actuarial losses	**3.2**	1.0	(0.8)
Transfer from the plan	**(5.0)**	-	-
Expected return on plan assets	**2.8**	3.2	3.7
Balance at end of year	**P 61.1**	P 51.3	P 44.6

Actual return on plan assets amounted P6.1 in 2010, P4.1 in 2009 and P3.0 in 2008.

The amounts of retirement benefits expense recognized in profit or loss follow:

	2010	2009	2008
Current service costs	**P 8.7**	P 6.9	P 6.0
Interest costs	**10.7**	9.8	5.6
Expected return on plan assets	**(2.8)**	(3.2)	(3.7)
Other benefits	**1.5**	0.7	-
	P 18.1	P 14.2	P 7.9

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

	2010	2009	2008
Discount rates	**8.25%**	9.28%	11.38%
Expected rate of return on plan assets	**5.00%**	5.00%	7.00%
Expected rate of salary increases	**10.00%**	10.00%	10.00%

For 2011, 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, 2010, 2009 and 2008, total savings and demand deposit accounts maintained with BDO Unibank by the Group amounted to P42.6, P71.2 and P54.2, respectively. Interest income earned on deposits amounted to P4.7, P0.8 and P0.6 in 2010, 2009 and 2008, respectively. Cash equivalents totaling P16.0 and P66.0 is also maintained with BDO Unibank as of December 31, 2010 and 2009.

b. Total bills payable to BDO Unibank amounted to P351.0 as of December 31, 2010 and P254.0 as of December 31, 2009 and 2008. Interest expense incurred on bills payable amounted to P0.5, P14.2 and P11.3 in 2010, 2009 and 2008, respectively.

c. 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 with the Parent Company and BDO Unibank. Related rent expense incurred amounted to P17.8, P16.1 and P12.7 in 2010, 2009 and 2008, respectively.

d. In 2010 and 2008, the Parent Company granted short-term unsecured loan amounting to P10.5 and P668.0, respectively, to BDO Rental, at prevailing market rates. The 2010 loan is not yet fully paid as of December 31, 2010 while the 2008 loan was fully paid in 2009. The loans carrying amount as of December 31, 2010 and 2008 amounted to P10.5 and P657.2 and are presented as part of Loans and Other Receivables in the Parent Company's statements of financial position.

   Total interest income earned by the Parent Company amounted to P1.0 in 2010, P27.6 in 2009 and P6.1 in 2008 on these loan transactions 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 Service Fees and Other Income (see Note 16).

f. Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to P26.2 in 2010, P24.6 in 2009 and P20.7 in 2008 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		
	2010	2009	2008
Gross receipts tax	**P 57.7**	P 56.9	P 53.9
Documentary stamp tax	**36.9**	24.2	16.7
Local taxes	**13.4**	8.3	7.1
Others	**4.8**	2.9	3.0
	P 112.8	P 92.3	P 80.7

	Parent Company		
	2010	2009	2008
Gross receipts tax	**P 57.7**	P 56.9	P 53.9
Documentary stamp tax	**36.5**	19.4	14.8
Local taxes	**6.6**	7.1	6.6
Others	**3.3**	2.1	3.0
	P 104.1	P 85.5	P 78.3

20.2 Current and Deferred Taxes

The components of tax expense reported in other comprehensive income for the years ended December 31 follow:

	Group		
	2010	2009	2008
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and 2009 and 35% in 2008	**P 83.4**	P 157.9	P 133.3
Final tax at 20%, 10% and 7.5%	**0.8**	2.1	0.1
	84.2	160.0	133.4
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**15.7**	(5.6)	37.3
Deferred tax relating to reduction in tax rate	**-**	-	(5.7)
	15.7	(5.6)	31.6
	P 99.9	P 154.4	P 165.0
Reported in other comprehensive income			
Deferred tax relating to origination of temporary difference	**P 7.6**	P -	P -

	Parent Company 2010	2009	2008
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and 2009 and 35% in 2008	**P 70.1**	P 147.5	P 107.3
Final tax at 20%, 10% and 7.5%	**0.4**	2.2	0.1
	70.5	149.7	107.4
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**18.1**	(7.4)	44.2
Deferred tax relating to reduction in tax rate	**-**	-	(5.8)
	18.1	(7.4)	38.4
	P 88.6	P 142.3	P 145.8
Reported in other comprehensive income			
Deferred tax relating to origination of temporary difference	**P 7.6**	P -	P -

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 2010	2009	2008
Tax on pretax income at 30% in 2010 and 2009 and 35% in 2008	**P 122.6**	P 136.3	P 185.8
Adjustment for income subjected to lower tax rates	**(0.6)**	(1.4)	(0.1)
Tax effects of:			
Non-deductible expense	**8.4**	26.4	25.1
Non-taxable income	**(34.1)**	(8.0)	(34.0)
Non-deductible interest expense	**3.6**	1.1	0.3
Reduction in deferred tax rate	**-**	-	(12.1)
Tax expense reported in profit or loss	**P 99.9**	P 154.4	P 165.0

	Parent Company 2010	2009	2008
Tax on pretax income at 30% in 2010 and 2009 and 35% in 2008	**P 118.5**	P 132.1	P 153.5
Adjustment for income subjected to lower tax rates	**(0.4)**	(1.4)	(0.1)
Tax effects of:			
Non-deductible expense	**0.2**	16.3	21.9
Non-taxable income	**(33.3)**	(5.8)	(16.6)
Non-deductible interest expense	**3.6**	1.1	0.3
Reduction in deferred tax rate	**-**	-	(13.2)
Tax expense reported in profit or loss	**P 88.6**	P 142.3	P 145.8

The components of net deferred tax liabilities as of December 31, 2010, 2009 and 2008 follow:

	Group		
	2010	2009 (As Restated - Note 15)	2008 (As Restated - Note 15)
Deferred tax assets:			
Allowance for impairment on:			
Loans	**P 68.2**	P 52.7	P 41.6
Investment properties	**21.2**	16.4	16.4
Accounts receivable	**2.1**	2.6	2.6
Retirement benefit obligation	**1.8**	2.1	2.0
Others	**0.6**	0.6	1.7
	93.9	74.4	64.3
Deferred tax liabilities:			
Lease income differential	**172.6**	137.4	133.2
Unrealized fair value gain on available-for-sale securities	**7.6**	-	-
Unrealized gain on exchange of assets	**1.6**	1.6	1.6
Others	**0.2**	0.2	-
	182.0	139.2	134.8
Net deferred tax liabilities	**P 88.1**	P 64.8	P 70.5

	Parent Company		
	2010	2009 (As Restated - Note 15)	2008 (As Restated - Note 15)
Deferred tax assets:			
Allowance for impairment on:			
Loans and discounts	**P 68.2**	P 52.7	P 37.4
Investment properties	**21.2**	16.4	16.4
Accounts receivable	**2.1**	2.6	2.6
Retirement benefit obligation	**1.8**	2.1	2.0
Others	**0.6**	0.6	1.2
	93.9	74.4	59.6
Deferred tax liabilities:			
Lease income differential	**180.4**	142.7	135.4
Unrealized fair value gain on available-for-sale securities	**7.6**	-	-
Unrealized gain on exchange of assets	**1.6**	1.6	1.6
Others	**0.2**	0.2	-
	189.7	144.4	137.0
Net deferred tax liabilities	**P 95.9**	P 70.1	P 77.4

The balance of deferred tax assets as of December 31, 2009 and 2008 were reduced from the amounts previously reported to correct the balance of the account on certain temporary differences (see Note 15.3).

The components of deferred tax expense (income) for the years ended December 31, 2010, 2009 and 2008 follow:

	Group			
	Profit or loss			Other Comprehensive Income
	2010	2009	2008	**2010**
Deferred tax assets:				
Allowance for impairment on:				
Loans and discounts	**P 15.5**	P 11.1	(P 39.8)	**P -**
Accounts receivable	**(0.5)**	-	-	-
Investment properties	**4.8**	-	1.2	-
Retirement benefit obligation	**(0.3)**	0.1	(0.4)	-
Others	**-**	(1.1)	(1.4)	-
	19.5	10.1	(40.4)	-
Lease income differential	**35.3**	4.2	(9.5)	-
Unrealized gain on exchange of assets	**-**	-	0.7	-
Unrealized fair value gain on available-for-sale financial assets	**-**	-	-	**7.6**
Others	**(0.1)**	0.3	-	-
	35.2	4.5	(8.8)	-
Deferred tax expense (income)	**P 15.7**	(P 5.6)	P 31.6	**P 7.6**

	Parent Company			
	Profit or loss			Other Comprehensive Income
	2010	2009	2008	**2010**
Deferred tax assets:				
Allowance for impairment on:				
Loans and discounts	**P 15.5**	P 15.3	(P 39.1)	**P -**
Accounts receivable	**(0.5)**	-	-	-
Investment properties	**4.8**	-	1.2	-
Retirement benefit obligation	**(0.3)**	0.1	(0.4)	-
Others	**-**	(0.7)	(1.8)	-
	19.5	14.7	(40.1)	-
Lease income differential	**37.7**	7.2	(2.3)	-
Unrealized gain on exchange of assets	**-**	-	0.6	-
Unrealized fair value gain on available-for-sale financial assets	**-**	-	-	**7.6**
Others	**(0.1)**	0.1	-	-
	37.6	7.3	(1.7)	-
Deferred tax expense (income)	**P 18.1**	(P 7.4)	P 38.4	**P 7.6**

20.3 Relevant Tax Regulations

Effective July 2009, Republic Act (RA) 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross revenues. Once the option is made, it shall be irrevocable for the taxable year for which the option was made.

In 2010 and 2009, the Parent Company opted to continue claiming itemized standard deductions.

20.4 Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering the form and content of financial statements under Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

21. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	Group		
	2010	2009	2008
Net income	**P 308.7**	P 300.0	P 365.6
Divided by the weighted average number of outstanding common shares – net*	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.14	P 0.17

	Parent Company		
	2010	2009	2008
Net income	**P 306.4**	P 298.1	P 292.7
Divided by the weighted average number of outstanding common shares – net*	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.14	P 0.14

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2010, 2009 and 2008.

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, 2010, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Group's financial position and results of operations.