COVER SHEET

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 N U E
Q U E Z O N C I T Y

(Business Address: No. Street/ City/ Town/ Province)

Atty. Elmer B. Serrano

Contact Person

687.1195

Company Telephone Number

1 2 3 1

Month *Day*

Fiscal Year

SEC Form 17-A

FORM TYPE

Month *Day*

Annual Meeting

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accompanied by SEC Personnel concerned

File Number

Document I.D.

STAMPS

SEC FORM 17-A

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended: **December 31, 2015**

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

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

5. **Manila**
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. **No. 12 ADB Avenue, Ortigas Avenue**
   Ortigas Center, Mandaluyong City, Philippines
   Address of principal office

   BDO Leasing Center, Corinthian Gardens
   Ortigas Avenue, Quezon City, Philippines
   Business address

   1100
   Postal Code

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

9. **BDO Leasing Center, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines**
   Former name, former address, and former fiscal year, if changed since last report.

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

	Subscribed and Outstanding	
Title of Each Class	**No. of Shares**	**Amount in Pesos**
Common	**2,162,475,312**	**Php 2,162,475,312.00**
Total	**2,162,475,312**	**Php 2,162,475,312.00**
	Authorized	**Outstanding**
Short Term Commercial Paper	**Php 25,000,000,000.00**	**13,389,800,000.00**
Long Term Commercial Paper	**0.00**	**0.00**
Total	**Php 25,000,000,000.00**	**13,389,800,00.00**

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

    Yes [**X**]   No [ ]

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

    The Philippine Stock Exchange, Inc.   **Common Shares only**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 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 twelve (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 ninety (90) days.

Yes [**X**]   No [ ]

13. Aggregate market value of the voting stock held by non-affiliates: Php 789,348,337.75

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<u>PART I - BUSINESS & GENERAL INFORMATION</u>

ITEM 1. BUSINESS

BDO LEASING AND FINANCE, INC. ("**BDOLF"** or the **"Company"**), is a domestic corporation incorporated with the Philippine Securities and Exchange Commission ("**SEC**") in 1981 under Republic Act No. 8556 (the **"Financing Company Act"**), and listed with The Philippine Stock Exchange, Inc. ("**PSE**") on January 6, 1997. The Company is eighty-eight percent (88%)-owned by BDO Unibank, Inc. (**"BDO", "BDO Unibank"** or the **"Parent Company"**), a corporation incorporated and domiciled in the Philippines. The Company is the principal business unit of BDO engaged in leasing and financing.

The Company became a subsidiary of BDO after the merger of BDO and Equitable PCI Bank, Inc., which took effect on May 31, 2007, with BDO as the surviving entity. BDO is presently engaged in the banking business as a universal bank.

BDO Rental, Inc. (**"BDO Rental"**), formerly Equitable Pentad Rental, Inc., is a wholly-owned subsidiary of the Company, is licensed by the SEC to engage in renting and leasing of equipment and real properties. It started commercial operations on June 30, 2005.

The Company and BDO Rental continue their respective operations up to present. The Company and BDO Rental are not under any bankruptcy, receivership or similar proceedings, and have not undertaken any material reclassification, consolidation or purchase or a sale of a significant amount of assets not in the ordinary course of their respective businesses.

Principal Products/Services

The Company's principal business is providing leasing & financing products to individual and corporate 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 operating assets such as receivables and inventories.

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

<u>Leasing Products:</u>

Finance Lease - A source of medium term financing for the acquisition of capital equipment and is ideal if the client plans to keep the asset up to the end of the term. With just capital outlay, the client can use the asset immediately.

Operating Lease – This refers to a short-term lease that does not permit the recovery of the investment by the lessor during the initial period of lease. It is an off-balance sheet transaction where rentals are recorded in the lessee's book as expense. The operating lease product is being offered by BDO Rental.

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.

Financing Products:

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

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 - Ideal for transport vehicle and equipment dealers, Floor Stock Financing is a revolving short-term credit facility that finances the purchase of inventory assets – motor vehicles, trucks, and heavy equipment – from manufacturers. Floor Stock Financing will ensure that you have your inventory in place when sales opportunities arise, without having to self-finance purchase.

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

As of December 31, 2015, the Company's leasing and financing products contributed 61.61% and 29.37% to its gross revenues, respectively, vis-a-vis 2015 projected ratios of 62.94 % and 29.89% 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 one or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

None of the Company's customers account for, or based upon existing orders will account for, thirty percent (30%) or more of the Company's sales, and the Company has no existing major sales contracts.

Government Approval

Under the Financing Company Act, only corporations for which a license to engage in the business of a financing company has been granted by the SEC may engage in both leasing and financing activities. Apart from the foregoing requirement, no other government approval is needed for the Company's and its subsidiary's principal products and services.

Market Position

The Company occupies a dominant position in the leasing and financing industry.

Marketing of Products/Services

BDO Leasing and Finance, Inc. (the "**Company**") markets its products through its offices located in No. 12 ADB Avenue, Ortigas Center, Mandaluyong City and BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, and its branch network nationwide. The Company has an extensive branch network in the leasing and financing industry, with six (6) branches strategically located in Cagayan de Oro City (Misamis Oriental), Cebu City (Cebu), Davao City (Davao), Iloilo City (Iloilo), San Fernando City (Pampanga) and Makati City (Metro Manila).

The Company has a wholly-owned subsidiary, BDO Rental, licensed by the SEC to engage in renting and leasing of equipment and real properties. BDO Rental started its commercial operations on June 30, 2005.

As part of the BDO Group (referring to BDO and its subsidiaries and affiliates, collectively), the Company is able to gain name recognition and marketing referrals provided by BDO via the latter's nationwide branches and institutional banking group. The Parent Company's well-established presence throughout the country helps the Company in understanding the local business environment and in finding potential clients.

Competition

The SEC'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 companies 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 the Company 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, Allied Leasing and Toyota Financial. The market strengths of the Company's 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/dealers for essential raw materials, equipment, energy or other items.

Related Party Transactions

In the ordinary course of business, the Group (referring to the Company and its subsidiary, BDO Rental) enters into transactions with BDO and other affiliates. Under the Group's policy, these transactions are made substantially on the same terms with other individuals and businesses of comparable risks.

The Group's and the Parent Company's related parties include BDO, affiliates, key management personnel and the retirement benefit fund discussed in detail under Item 12 on Certain Relationships and Related Transactions.

Intellectual Property

As of December 31, 2015, the Company is the licensee from BDO Unibank of the following trademark registered with the Philippine Intellectual Property Office:

Trademarks	Validity of Registration (*subject for renewal)
BDO Leasing	May 4, 2014 to May 4, 2024

Governmental Regulation

The Company does not foresee new changes or amendments to the Financing Company Act that would significantly affect the Company's business.

Research and Development

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, 2015, the Group had 196 employees – 20 senior officers, 79 junior officers and 97 rank & file employees. Of the total personnel, Executive Office is composed of two (2) employees; one hundred twenty eight (128) under the Marketing group; fifty-two (2) under the Operations group (Comptrollership and Operations, Risk Management, HR & Admin); nine (9) under Risk and Compliance; three (3) under Treasury; and two (2) under the Company's subsidiary, BDO Rental. In 2016, the Company anticipates fourteen (14) 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 BDO, under the terms of the Collective Bargaining Agreement (**"CBA"**) between BDO and NUBE-BDO, a legitimate labor organization duly registered with the Department of Labor and Employment. The CBA expires on October 31, 2018. Coverage of the CBA includes wage increases, allowances, bonuses, loans and other benefits.

Risk Factors

Portfolio Concentration Risks

As of December 31, 2015, 63% of the Company's leasing and financing portfolio consisted of exposure in firms in the following sectors: transportation, construction, real estate, mining and consumer products. 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 Board of Directors, 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, market, liquidity, and operational risks 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 may be 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.

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 re-lending 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 Company 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 a total of ₱25 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"** or the **"Tax Code"**) that apply to the Group are the following:

a) The regular corporate income tax ("**RCIT**") of 30% (effective January 1, 2009) is imposed on taxable income net of applicable deductions;

b) Fringe benefits tax of 32% 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 Revenue Regulation (**"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 the 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) Under Republic Act ("**RA**") No. 9504, corporate taxpayers have the option to claim itemized deduction or optional standard deduction (**"OSD"**) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made;

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;

g) In October 2012, BIR prescribed the rules on deductibility of depreciation expenses as it relates to purchase of vehicles and other related thereto, and input taxes allowed thereto through RR No. 12-2012. Revenue Memorandum Circular ("**RMC**") No. 2-2013 was issued on December 28, 2012 clarifying certain provisions on the deductibility of depreciation expense as it relates to purchase of vehicles and other related thereto, and the input taxes allowed;

h) RR No. 14-2012 effective November 2012 provides for the proper tax treatment of interest income earnings on financial instrument and other related transaction. Subsequently, BIR also issued Revenue Memorandum Order ("**RMO**") No. 27-2012 for the creation of alphanumeric tax code and RMO No. 84-2012 for the clarification on tax treatment of interest income earnings on loans that are not securitized, assigned or participated out;

i) RR No. 18-2012 was issued for the Processing of Authority to Print Official Receipts, Sales Invoices, and Other Commercial Invoices using the On-line ATP System and providing for the Additional Requirements in the Printing thereof;

j) RR No. 9-2013 was issued on May 10, 2013 amending certain provisions of RR No. 30-2002 relative to the payment of the amount offered as compromise settlement. Under Section 6 of the NIRC, the compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. No application for compromise settlement shall be processed without the full settlement of the offered amount. In case of disapproval of the application for compromise settlement, the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding liabilities;

k) BIR issued RR No. 10-2013 effective June 1, 2013, further amending pertinent provisions of RR No. 2-98, as last amended by RR No. 30-2003, which provides for the inclusion of Real Estate Service Practitioners (i.e. real estate consultants, real estate appraisers, and real estate brokers) who passed the licensure examination given by the Real Estate Service pursuant to RA No. 9646 "The Real Estate Service Act of the Philippines" among those professionals falling under Sec. 2.57.2 (A)(1) of RR No. 2-98, as amended subject to the 10% and 15% creditable (expanded) withholding tax and to amend Section 2.57.2 (G) of RR 14-2002 to include real estate practitioners who did not pass or did not take up licensure examinations given by the Real Estate Service;

l) RR No. 11-2013 prescribes the filing/submission of hard copy of the Certificate of Compensation Payment /Tax Withheld (BIR Form 2316) beginning 2013 and covering employees who are qualified for substituted filing thereby amending RR No. 2-98 as last amended by RR No. 010-08. In cases covered by substituted filing, the employer shall furnish each employee with the original copy of BIR Form No. 2316 and file/submit to the BIR the duplicate copy not later than February 28 following the close of the calendar year;

m) RR No. 12-2013, issued on July 12, 2013, amends Section 2.58.5 of RR No. 2-98, as amended, relative to the requirements for deductibility of certain income payments. No deduction will be allowed notwithstanding payments of withholding tax at the time of audit investigation or reinvestigation / reconsideration in cases where no withholding of tax was made in accordance with Sections 57 and 58 of the NIRC;

n) On September 17, 2013, the BIR issued RR No. 17-2013 that prescribes guidelines on the preservation of Books of Accounts and other accounting records. All taxpayers are required to preserve their books of accounts, including subsidiary books of accounts and other accounting records, for a period of ten (10) years reckoned from the day following the deadline from the date of the filing of the return, for taxable year when the last entry was made in the books of accounts;

o) RR No. 18-2013, which was issued on November 28, 2013, amends certain sections of RR No. 12-99 relative to the due process requirement in the issuance of Deficiency Tax Assessment. RR 18-2013 introduced the New Assessment Phase which removes requirement for issuance of informal conference, mandates the issuance of a Final Assessment Notice (**"FAN"**) 15 days from receipt of reply to the Preliminary Assessment Notice (**"PAN"**) and if the taxpayer fails to reply to the PAN within 15 days, the taxpayer shall be deemed in default and the FAN is issued right away. In the protest or administrative appeal, the regulations require the taxpayer to indicate whether a reinvestigation or reconsideration is sought, otherwise the protest/administrative appeal shall be void. Other changes imposed by RR 18-2013 is the imposition of 20% delinquency interest, in addition to the 20% deficiency interest;

p) RR No. 1-2014 was issued on December 17, 2013 amending the provisions of RR No. 2-98, as further amended by RR No. 10-2008, specifically on the submission of alphabetical list of employees/payees of income payments. These regulations were issued for purposes of ensuring that information on all income payments paid by employers/payors, whether or not subject to the withholding tax except on cases prescribed under existing international agreements, treaties, laws and revenue regulations, regardless on the number of employees and/or payees, are monitored by and captured in the taxpayer database of the BIR with the end in view of establishing simulation model, formulating analytical framework for policy analysis, and institutionalizing appropriate enforcement activities;

q) On January 24, 2014, the BIR issued RR No. 2-2014 that prescribes new BIR forms that will be used for income tax returns filing covering and starting the taxable year ended December 31, 2013; and

r) On April 25, 2014, BIR issued RMC No. 46-2014 to clarify taxability of financial lease for the purpose of documentary stamp tax (“DST”).

Gross Receipts Tax (“GRT”) / Value-Added Tax (“VAT”)

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of RA No. 9010. The Company became subject to VAT based on its gross receipts, in lieu of the GRT under Sections 121 and 122 of NIRC, which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

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

On May 24, 2005, the amendments on RA No. 9337 was approved amending, among others, the GRT 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.

Supplementary Information Required Under Revenue Regulations (RR) 15-2010 and 19-2011

The BIR issued RR Nos. 15-2010 and 19-2011, which required certain supplementary information 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 SEC rules and regulations covering the form and content of financial statements under SRC Rule 68.

ITEM 2. PROPERTIES

The Company leases its office premises located at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City from BDO. The lease contract expired last 30 June 2015 and is renewed on a monthly basis until the Company has completed its transfer to its head office located at No. 12 ADB Avenue, Ortigas Center, Mandaluyong City. In 2015 and 2014, the consolidated rent expense amounted to P18.2 million and P16.5 million, respectively. Cagayan de Oro, Davao, Iloilo, Pampanga, and Cebu branches lease their premises from the Parent Company.

These are the details of the branches' office premises:

Cagayan:

- Operates at the 5th Floor BDO Regional Office Lot 6 Blk, Limketkai Commercial Complex, Limketkai Avenue, Brgy. 31, Poblacion, Cagayan de Oro City for a period of five (5) years and will expire on March 31, 2020. Monthly rental amounts to P34,926.50 with no escalation clause.

Iloilo:

- Operates at the 2nd Floor, BDO Corporate Center, BDO Valeria Branch, Valeria St., Iloilo City for a period of five (5) years and will expire on November 17, 2018. Monthly rental amounts to P11,500.00 with no escalation clause.

Davao:

- Operates at the 4th Floor., BDO Davao-Claveria No. 30 C.M. Recto Avenue, Poblacion, Davao City for a period of five (5) years and will expire on May 31, 2018. Gross monthly rental amounts to P14,313.00 with no escalation clause

Cebu

- Operates at the Mezzanine Floor, BDO Bldg., Gorordo Ave. Lahug, Cebu City for a period of five years (5) and will expire on May 31, 2019. Monthly rental amounts to P46,122.00 with no escalation clause.

Pampanga:

- Operates at the 3rd Floor., BDO Angeles-Balibago Branch Building, Ramon Tang Avenue, Diamond Subdivision, Balibago, Angeles City for a period of five (5) years and will expire on December 14, 2018. Gross monthly rental amounts to P22,800.00 with no escalation clause.

Makati:

- Operates at the Ground Floor., Pacific Star Bldg., Sen. Gil Puyat corner Makati Avenue, Makati City for a period of three years (3) and will expire on February 28, 2017. Monthly rental amounts to P425,895.00 with escalation of 10% per annum beginning on the second year of the lease term.

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 – P31.4 million; Makati – P0.4 million; Cebu – P0.7 million; Davao – P0.6 million; Cagayan – P1.1 million; Iloilo – P0.8 million; Pampanga – P1.5 million.

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, 2015 was 62,693,718 shares or a total value of ₱81,776,628.

Dividends

On February 26, 2015, the Board approved the declaration of cash dividends at ₱0.175 per share in favor of stockholders of record as of March 11, 2015 paid on March 24, 2015. Total dividends in 2015 amounted to P378.43 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 Company 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 PSE.

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

2016	**High**	**Low**	**2015**	**High**	**Low**
1st quarter	2.85	2.84	1st quarter	2.34	2.28
			2nd quarter	2.54	2.51
			3rd quarter	2.47	2.47
			4th quarter	2.51	2.45

2014	**High**	**Low**	**2013**	**High**	**Low**
1st quarter	2.00	2.00	1st quarter	2.01	2.00
2nd quarter	2.11	2.11	2nd quarter	2.02	2.00
3rd quarter	2.20	2.15	3rd quarter	1.90	1.87
4th quarter	2.15	2.15	4th quarter	2.00	2.00

As at March 31, 2016 and December 31, 2015, the closing price of the Company's share were at P2.85 and P2.45, respectively.

Total number of stockholders as of March 31, 2016 was one thousand one hundred forty nine (1,149) and as of December 31, 2015 was one thousand one hundred fifty two (1,152). Common shares outstanding as of February 29, 2016 and December 31, 2015 totaled 2,162,475,312.

Holders

The Company's common stockholders, with their respective shareholdings, as of March 31, 2016 and December 31, 2015 are as follows:

Name	No. of Shares Held	% to Total
BDO Unibank, Inc.*[*]	1,914,711,807	88.542597%
Various Stockholders	247,763,505	11.457403%
	2,162,475,312	**100.00000%**

The top twenty (20) stockholders of the Company as of March 31, 2016 are as follows:

Name of Stockholders	*Securities*	*Shares Held*	*Total Outstanding*
BDO Unibank, Inc.*	Common	1,914,711,807	88.542597%
PCD Nominee Corporation (Filipino)	Common	233,335,758	10.790216%
Samuel Uy Chua	Common	21,000,000	0.971109%
Equitable Computer Services, Inc. A/C	Common	12,320,000	0.569717%
Panfilo Castro Jr.	Common	6,140,000	0.283934%
Felly G. Castro	Common	5,100,480	0.235863%
Marylen Castro Mateo	Common	3,795,000	0.175493%
Jesselen Castro Mateo	Common	3,795,000	0.175493%
Samuel Uy Chua	Common	3,011,150	0.139246%
Constantino Chua	Common	2,497,200	0.115479%
Equitable Computer Services, Inc.	Common	2,070,200	0.095733%
Victor Barranda	Common	1,157,475	0.053525%
Mercury Group of Companies, Inc.	Common	1,089,165	0.050367%
Constantino Chua &/or Willington Chua &/or George W. Chua	Common	1,020,000	0.047168%
Nardo R. Leviste	Common	759,000	0.035099%
Yok Bing S. Pua	Common	721,050	0.033344%
Oscar M. Lopez	Common	683,100	0.031589%
Willington/Constantino Chua/George W. Chua Chua	Common	584,430	0.027026%
Willington Chua	Common	508,530	0.023516%
Pablo Son Keng Go	Common	455,400	0.023516%
Wilson Go	Common	438,625	0.020283%

The top twenty (20) stockholders of the Company as of December 31, 2015 are as follows:

Name of Stockholders	*Securities*	*Shares Held*	*Total Outstanding*

[*]* Record and beneficial (Parent Company and subsidiary)

BDO Unibank, Inc.*	Common	1,914,711,807	88.542597%
PCD Nominee Corporation (Filipino)	Common	233,286,043	10.787917%
Samuel Uy Chua	Common	21,000,000	0.971109%
Equitable Computer Services, Inc A/C Cequit11	Common	12,320,000	0.569717%
Panfilo Castro Jr.	Common	6,140,000	0.283934%
Felly G. Castro	Common	5,100,480	0.235863%
Marylen Castro Mateo	Common	3,795,000	0.175493%
Jesselen Castro Versoza	Common	3,795,000	0.175493%
Samuel Uy Chua	Common	3,011,150	0.139246%
Constantino Chua	Common	2,497,200	0.115479%
Equitable Computer Services Inc.	Common	2,070,200	0.095733%
Victor Barranda	Common	1,157,475	0.053525%
Mercury Group of Companies	Common	1,089,165	0.050367%
Constantino Chua &/or Willington Chua &/or George W. Chua	Common	1,020,000	0.047168%
Nardo R. Leviste	Common	759,000	0.035099%
Oscar M. Lopez	Common	683,100	0.031589%
Willington / Constantino Chua / George W. Chua Chua	Common	584,430	0.027026%
Willington Chua	Common	508,530	0.023516%
Pablo Son Keng Po	Common	455,400	0.021059%
Wilson Go	Common	438,625	0.020283%

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.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

2015 Compared to 2014

Gross income for the year ended December 31, 2015 was P2.61 billion, an increase of P332.6 million, or 14.63% from P2.27 billion in 2014. Interest and discounts for the year ended December 31, 2015 were P1.57 billion, an increase of P120.7 million or 8.32% from P1.45 billion in 2014. Rent Income for the year ended December 31, 2015 were P807.1 million, an increase of P194.0 million or 31.64% from P613.1 million in 2014. The increase was due to higher operating lease income from our subsidiary, BDO Rental, Inc. The Company's leasing and financing portfolio as of December 31, 2015 was at P27.9 billion, a P3.89 billion increase, or 16.21% from P24.0 billion as of December 31, 2014 with leasing portfolio improving by 17.44% or an increase of P2.4 billion.

Interest and financing charges for 2015 amounted to P570.8 million, consisting of finance charges from borrowings of P564.4 million and interest expense on lease deposits of P6.4 million. The increase of

P102.9 million in financing charges is attributed to the increase in Bills Payable from P19.65 billion last year to P23.89 billion this year. Interest expense on leased deposits in 2015 amounted to P6.4 million or an increase of P3.1M from 2014's P3.2 million.

As of December 31, 2015, total provision for impairment losses amounted to P83.4 million, a decrease of P16.6 million from last year's P100.0 million. There were no accounts written off in 2015.

Taxes and licenses amounted to P198.6 million for the year ended December 31, 2015, an increase of P19.3 million, or 10.76% from P179.3 million for the year ended December 31, 2014. The increase was mainly the result of higher DST in 2015 vis a vis 2014, by P15.3 million.

Salaries and employee benefits expense amounted to P187.9 million in 2015 as compared to P161.4 million in 2014. Occupancy and equipment related expenses for the year ended December 31, 2015 amounted to P702.5 million, an increase of P168.2 million, or 31.48% from December 2014's P534.3 million. This was brought about by the improved operating lease business of BDO Rental.

Litigation/assets acquired expenses increased by 21.29% or from P24.9 million in 2014 to P30.2 million in 2015.

Other expenses increased to P107.4 million in 2015 as compared to P91.7 million as of 2014.

The Company registered a net income of P555.6 million for the year ended December 31, 2015.

Total assets amounted to P34.5 billion in December 31, 2015, an increase of P5.27 billion from the P29.25 billion balance of December 2014. Available-for-sale financial assets of P3.54 billion is comprised of investments in various corporate fixed rate bonds and preferred shares listed in the PSE. Leasing and Financing portfolio increased by 16.21%, representing an increase of P3.89 billion from last year. Property and Equipment-net amounted to P2,221.7 million as of 2015, or an increase of P209.12 million over last year's P2,012.6 million. This is due to the increase in booked leases of BDO Rental. Investment properties-net increased to P438.1 million from 2014's P320.6 million due to purchase of land for Operating Lease. Other assets stood at P522.0 million in 2015, primarily consisting of deferred input VAT of P260.6 million, prepaid expenses P102.2 million; and intangible assets P50.9 million.

Income tax payable, deferred tax liabilities, accounts payable, and other liabilities increased to P422.7 million from P417.2 million last year.

Lease deposits, amounting to P4.98 billion in 2015, increased by P788.7 million or 18.80% from last year's P4.19 billion. This was also due to the increased volume of lease transactions of the Company.

Stockholders' equity increased by P236.9 million or 4.75%, due to the increase in Net Income year-on-year.

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

	December 2015	**December 2014**
Current Ratio	0.46:1	0.41:1
Quick Asset Ratio	0.45:1	0.40:1
Debt to Equity Ratio	5.61:1	4.87:1
Net Profit Margin	21.32%	22.17%
Return on Equity	10.89%	10.33%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) registered slight improvements from last year. Debt to equity ratio, computed as total liabilities divided by total equity, increased from 4.87:1 in 2014 to 5.61:1 in 2015 because of more corporate and bank funding availed of to finance the increase in lease/loan portfolio during the year. Net Profit Margin which is computed as net income over gross revenue, declined slightly due to higher operating expenses. However, Return on Equity, which is net income over average equity, improved to 10.89% in 2015.

2014 Compared to 2013

Gross income for the year ended December 31, 2014 was P2.27 billion, an increase of P370.7 million, or 19.48% from P1.90 billion in 2013. Interest and discounts for the year ended December 31, 2014 were P1.45 billion, an increase of P153.0 million or 11.80% from P1.30 billion in 2013. Rent Income for the year ended December 31, 2014 were P613.1 million, an increase of P232.3 million or 61.00% from P380.8 million in 2013. The increase was due to higher operating lease income from BDO Rental. The Company's leasing and financing portfolio as of December 31, 2014 was at P24.0 billion, a P2.77 billion increase, or 13.07% from P21.20 billion as of December 31, 2013 with leasing portfolio improving by 7.96% or increase of P1.1 billion.

Interest and financing charges for 2014 amounted to P467.9 million, consisting of finance charges from borrowings of P461.7 million and interest expense on lease deposits of P3.3 million. Increase of P47.3 million in financing charges is attributed to the increase in Bills Payable from P16.45 billion last year to P19.65 billion this year. Interest expense on leased deposits in 2014 amounted to P3.3 million or a decrease of P0.9M from 2013's P4.2 million.

As of December 2014, total provision for impairment losses amounted to P100.0 million, a decrease of P26.0 million from last year's P126.0 million. There were no accounts written off in 2014.

Taxes and licenses amounted to P179.3 million for the year ended December 31, 2014, an increase of P30.6 million, or 20.58% from P148.7 million for the year ended December 31, 2013. The increase was mainly the result of higher DST in 2014 vis a vis 2013, by P18.6 million.

Salaries and employee benefits expense amounted to P161.4 million in 2014 as compared to P183.4 million in 2013. Occupancy and equipment related expenses for the year ended December 31, 2014 amounted to P534.3 million, an increase of P182.1 million, or 51.70% from December 2013's P352.2 million. This was brought about by the improved operating lease business of BDO Rental.

Litigation/assets acquired expenses increased by 46.47% or from P17.0 million in 2013 to P24.9 million in 2014.

Other expenses increased to P91.7 million in 2014 as compared to P91.2 million as of 2013.

The Company registered a net income of P504.0 million for the year ended December 31, 2014.

Total assets amounted to P29.2 billion in December 2014, an increase of P3.91 billion from the P25.34 billion balance of December 2013. Available-for-sale financial assets of P2.37 billion is comprised of investments in corporate fixed rate bonds and listed preferred shares. Leasing and Financing portfolio increased by 13.07% represents an increase of P2.77 billion from last year. Property and Equipment-net amounted to P2,012.6 million as of 2014, or an increase of P588.44 million over last year's P1,424.2 million. This is due to the increase in booked leases of BDO Rental. Investment properties-net increased to P320.6 million from 2013's P145.7 million due to accounting reclassification of some assets from Non Current Assets Held for Sale. Other assets stood at P479.1 million in 2014, primarily consisting of deferred input VAT of P235.4 million, prepaid expenses P102.0 million; and advances to suppliers P59.6 million.

Income tax payable, deferred tax liabilities, accounts payable, and other liabilities increased to P417.2 million from P300.8 million last year.

Lease deposits, amounting to P4.19 billion in 2014, increased by P376.8 million or 9.87% from last year's P3.82 billion. This was also due to the increase volume of lease transactions of the Company.

Stockholders' equity increased by P214.8 million or 4.50%, due to increase in net income year-on-year.

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

	December 2014	December 2013
Current Ratio	0.42:1	0.43:1
Quick Asset Ratio	0.40:1	0.40:1
Debt to Equity Ratio	4.87:1	4.31:1
Net Profit Margin	22.17%	22.09%
Return on Equity	10.33%	8.98%

Decrease in Current Ratio (computed as current assets divided by current liabilities) is attributed to the P0.3 million decrease in net loans & receivables financed that are expected to be collected within the year. Quick asset ratio (quick asset divided by current liabilities) was steady at 0.40:1. Debt to Equity ratio, computed as total liabilities divided by total equity, increased from 4.31:1 in 2013 to 4.87:1 in 2014 because of more corporate and bank funding availed to finance the increase in lease/loan portfolio during the year. Net Profit Margin, which is computed as net income over gross revenue, increased this year from last year due to higher interest & operating lease income from related bookings. Return on Equity, which is Net Income over Average Equity rose to 10.33% in 2014.

Policy on Revenue Recognition – Other Income

Income related to the administration and servicing a loan is recognized as revenue as the services are rendered, these are included under "Other Income" such as Service Fees, Gain on disposal of property, etc. These are recognized as they are earned.

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 P38.8 billion or 12% in 2016 with Net Loans and Other Receivables increasing from P27.3 billion in 2015 to P30.8 billion in 2016 or up to 13%. Total Revenue is estimated at P2.96 billion by year-end 2016 while Interest and Financing Charges and Operating Lease-related Depreciation total P684.9 million and P820.8 million, respectively.

Projected Net income is P575 million, an increase of 3% versus the P555.6 million Audited 2015 Performance.

Funding will be mainly sourced from the STCPs, bank lines and collections. The Company secured an approval in 2015 for P25 Billion worth of STCP.

ITEM 7. FINANCIAL STATEMENTS

The financial statements of the Company included in the 2015 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 and Other Related Matters

Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was P0.985 million for the year 2015 and P0.868 million for the year 2014. These fees cover services rendered by the external auditor for audit of the financial statements and other services in connection with statutory and regulatory filings for fiscal year 2015 and 2014.

(b) Tax fees and other fees

No other fees were paid to the auditing firm of Punongbayan & Araullo, CPAs ("**P&A**") for the last two (2) fiscal years.

(c) 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 for approval. It reports to the Board audit-related matters requiring the Board's action.

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2015, the auditing firm of 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 III - 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 the Board. The following are the eleven (11) members of the Board and corporate officers of the Company as of December 31, 2015.

TERESITA T. SY
CHAIRPERSON
65 YEARS OLD, FILIPINO

Ms. Teresita T. Sy was first elected director of BDO Leasing and Finance, Inc. (PLC) on September 20, 2005 and currently serves as Chairperson of the Board of Directors. She was first elected to the Board of BDO Unibank (PLC) in 1997 where she now sits as Chairperson. Concurrently, she serves as the Chairperson, Vice-Chairperson, and/or Director of various subsidiaries and affiliates of BDO Unibank such as BDO Private Bank, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., Generali Pilipinas Holding Company, Inc., Generali Pilipinas Life Assurance Company, Inc., and Generali Pilipinas Insurance Co., Inc. Ms. Sy is also adviser to the Board of One Network Bank, Inc. (A Rural Bank). Ms. Sy is the Vice Chairperson of SM Investments Corporation (PLC) and adviser to the Board of SM Prime Holdings, Inc. (PLC). She also sits as Chairperson, Vice Chairperson and/or Director of such companies as Multi Realty Development Corporation, Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.), SM Mart, Inc., SM Retail, Inc., and First Asia Realty Development Corp. A graduate of Assumption College, she brings to the Board her varied expertise in banking & finance, retail merchandising, mall and real estate development.

ROBERTO E. LAPID
VICE CHAIRMAN AND PRESIDENT
59 YEARS OLD, FILIPINO

Mr. Roberto E. Lapid was appointed as the Vice Chairman of BDO Leasing and Finance, Inc. (PLC) on December 1, 2010, and was appointed as President on April 23, 2014. He is concurrently President and Vice Chairman of the Board of Directors of BDO Rental.. He was formerly the President of Equitable Exchange, Inc. and Vice Chairman/Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He holds a Bachelor's degree in Business Administration from the University of the Philippines.

JESSE H.T. ANDRES
INDEPENDENT DIRECTOR
51 YEARS OLD, FILIPINO

Atty. Jesse H.T. Andres was elected as Independent Director of BDO Leasing and Finance, Inc. on September 20, 2005 (PLC). He is presently a member of the Company's Board Audit Committee, Corporate Governance Committee, and Risk Management Committee, and is

Chairman of the Nomination Committee and the Related Party Transactions Committee. Moreover, he is also serving as Independent Director of Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). 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. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Since July 1, 2011, he is the Managing Partner of the Andres Padernal & 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, and Board Secretary of GTEB, Department of Trade and Industry. Atty. Andres holds a Bachelor of Arts Degree in Economics from the School of Economics, U.P. Diliman, and a Bachelor of Laws degree from the U.P. College of Law.

ANTONIO N. COTOCO
DIRECTOR
67 YEARS OLD, FILIPINO

Mr. Antonio N. Cotoco was elected to the Board of BDO Leasing and Finance, Inc. (PLC) on January 25, 2001. He currently serves as Senior Executive Vice President and a member of the Board Credit Committee of BDO Unibank (PLC) and Director of BDO Insurance Brokers, Inc., BDO Remit Limited, Express Padala (Hong Kong) Limited, BDO Remit (Macau) Ltd., BDO Remit (USA), Inc., and Express Padala Frankfurt GmbH. He is the Chairman of BDO Rental. He has been involved in Investment Banking, Corporate Finance, Treasury, Consumer Banking, Credit, Business and Development & Account Management over the past 37 years. He currently also serves as a Director of 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
65 YEARS OLD, FILIPINO

Ms. Ma. Leonora V. De Jesus was elected as Independent Director of BDO Leasing and Finance, Inc. (PLC) on May 12, 2008 and is presently the Chairperson of the Company's Board Audit Committee, and a member of the Corporate Governance, Nomination, and Related Party Transactions Committees. She is also an Independent Director of BDO Capital & Investment Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation. She also serves as Director of Risks, Opportunities Assessment and Management, Inc. (ROAM, Inc.), and the University President of the Pamantasan ng Lungsod ng Maynila. In addition, she is an accredited trainor of the SEC on corporate governance. She is also a member of the Board of Governors of the Philippine National Red Cross. She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She was a professorial lecturer at the University of the Philippines, Diliman, and also at the De La Salle Graduate School of Business and Governance. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor's, Master's and Doctoral degrees in Psychology from the University of the Philippines.

JECI A. LAPUS
DIRECTOR
63 YEARS OLD, FILIPINO

Mr. Jeci A. Lapus was elected as Director of BDO Leasing and Finance, Inc. (PLC) on April 23, 2014 and is presently a member of the Company's Related Party Transactions Committee. He was formerly Independent Director of PCI Leasing and Finance, Inc. (now BDO Leasing and Finance, Inc.) from 2005 to 2006. He was a member of House of Representatives representing the third district of Tarlac from 2007 - 2013. He was formerly a Director of PNOC-Exploration

Corp.; President of TODO Foundation, Inc.; and Vice President & OIC – Finance Administration of the National Agri-Busness Corporation. He also served as a Reserved Officer with rank of Lieutenant Colonel in the Philippine Air Force. Mr. Lapus holds a Bachelor of Science Degree in Civil Engineering from the Mapua Institute of Technology and passed the CE Board in 1975.

LUIS S. REYES JR.
DIRECTOR & TREASURER
58 YEARS OLD, FILIPINO

Mr. Luis S. Reyes, Jr. was elected as Director of BDO Leasing and Finance, Inc. (PLC) on April 18, 2012 and was appointed as Treasurer on April 23, 2014. He is concurrently the Senior Vice President for Investor Relations and Corporate Planning of BDO Unibank (PLC). He is also the Director and Treasurer of BDO Rental, and Director of BDO Strategic Holdings, Inc. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines. He was First Vice President of Far East Bank & Trust Company, Trust Banking Group before joining BDO Unibank.

NESTOR V. TAN
DIRECTOR
58 YEARS OLD, FILIPINO

Mr. Nestor V. Tan was elected Director of BDO Leasing and Finance, Inc. (PLC) on January 23, 2007. He is the Chairman of the Risk Management Committee of the Company. Currently, he is President and Chief Executive Officer of BDO Unibank (PLC). He also concurrently holds vice chairmanships and/or directorships in the following subsidiaries of BDO Unibank: BDO Capital & Investment Corporation, BDO Insurance Brokers, Inc., BDO Private Bank, Inc., BDO Remit (USA), Inc., Generali Pilipinas Life Assurance Company, Inc., Generali Pilipinas Insurance Co., and SM Keppel Land, Inc. He also concurrently holds the Chairmanship of BDO Strategic Holdings Inc., Megalink, Inc., and One Network Bank, Inc. (A Rural Bank). He is a Trustee of BDO Foundation, Inc., Pinoy Me Foundation, De La Salle University Board of Advisors, Asian Institute of Management. He is also the Director of the Asian School of Business & Technology. He also serves as First Vice President and Director of Bankers Association of the Philippines. Mr. Tan had a 15-year banking career with the Mellon Bank (now Bank of New York – Mellon) in Pittsburgh PA, the Bankers Trust Company (now Deutsche Bank) in New York, and the Barclays Group in New York and London. Prior to joining BDO Unibank, he was Chief Operating Officer for the Financial Institutions Services Group of BZW, the investment banking subsidiary of the Barclays Group. He holds a Bachelor's degree in Commerce from De La Salle University and received his MBA from Wharton School, University of Pennsylvania.

JESUS G. TIRONA
INDEPENDENT DIRECTOR
75 YEARS OLD, FILIPINO

Mr. Jesus G. Tirona has been elected Independent Director to the Board of BDO Leasing and Finance, Inc. (PLC) since July 30, 2007 and is presently the Chairman of the Company's Corporate Governance Committee, a member of the Board Audit Committee, and alternate member of the Related Party Transactions Committee. He is an Independent Director of BDO Capital & Investment Corp., Banco De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.) 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 was formerly a Trustee of the BDO Foundation, Inc., and President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP and 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
70 YEARS OLD, FILIPINO

Mr. Exequiel P. Villacorta, Jr. was elected Director of BDO Leasing and Finance, Inc. (PLC) on May 24, 2006. He is currently a Director of Premium Leisure Corp. (PLC) 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 BDO Unibank 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.

WALTER C. WASSMER
DIRECTOR
58 YEARS OLD, FILIPINO

Mr. Walter C. Wassmer was elected Director of BDO Leasing and Finance, Inc. (PLC) on November 17, 1999. He is the Senior Executive Vice President and Head of the Institutional Banking Group of BDO Unibank (PLC). He is currently the Chairman and Officer-In-Charge of BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc. (A Savings Bank), Inc.). He also serves as Director of Banco De Oro Savings Bank, Inc. He was formerly director of MDB Land, Inc. and Mabuhay Vinyl Corporation.

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY
43 YEARS OLD, FILIPINO

Atty. Joseph Jason M. Natividad was appointed Corporate Secretary of BDO Leasing and Finance, Inc. (PLC) 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 BDO from September 2006 to June 2007. He serves as the Corporate Secretary of the BDO Rental and the Agility Group of Companies in the Philippines. He has been in law practice for seventeen (17) 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.

MA. CECILIA SALAZAR-SANTOS
ASSISTANT CORPORATE SECRETARY
50 YEARS OLD, Filipino

Atty. Ma. Cecilia Salazar-Santos was appointed Assistant Corporate Secretary of BDO Leasing and Finance, Inc. (PLC) effective October 1, 2015. She is concurrently the First Vice President of BDO Unibank (PLC). She is also the Assistant Corporate Secretary of BDO Private Bank, Inc., BDO Rental, Inc., Equimark-NFC Development Corporation, and One Network Bank, Inc. (a Rural Bank). Further, she is the Corporate Secretary of PCIB Securities, Inc., BDO Strategic Holdings, Inc., Ivory Homes, Inc., and Director and Corporate Secretary of PCI Insurance

Brokers, Inc., PCI Management Consultants, Inc., PCI Travel Corporation, The Executive Banclounge, Inc., and The Sign of the Anvil, Inc. She has been with BDO Unibank for more than 15 years, starting as Manager of BDO's Legal Department. She is currently the Team Head of the Legal Services Group that provides legal assistance to BDO's support groups and subsidiaries and manages BDO Unibank's Intellectual Property (BDO and BDO-related marks). She holds a Bachelor's Degree in Economics from the University of Sto. Tomas and finished law at San Beda College of Law (Dean's Lister).

Independent Directors

The Company has three (3) 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. The following are the executive officers of BDO Leasing and Finance, Inc. as of December 31, 2015.

GERARD M. AGUIRRE
FIRST VICE-PRESIDENT
61 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 of BDO IBG International Desk accounts. He is also a Director of BDO Rental (PLC). 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.

AGERICO MELECIO S. VERZOLA
FIRST VICE PRESIDENT & MARKETING HEAD
58 YEARS OLD, FILIPINO

Mr. Agerico Melecio S. Verzola was appointed as First Vice President & Marketing Head of BDO Leasing and Finance, Inc. (PLC) on October 1, 2014. Mr. Verzola has been involved in Credit, Corporate Banking, Commercial Banking, Branch Banking and Branch Lending, and Investment Banking over the past 35 years. He graduated with a degree of AB Economics from the University of the Philippines School of Economics, Diliman, and finished a 6-month Advanced Senior Management Course from the Asian Institute of Management.

PETER BLAIR S. AGUSTIN
VICE PRESIDENT/CHIEF RISK AND COMPLIANCE OFFICER
46 YEARS OLD, FILIPINO

Mr. Peter Blair S. Agustin is Vice President at BDO Unibank and was appointed as Chief Risk and Compliance Officer of BDO Leasing and Finance Inc. (PLC) in February 2014. He joined BDO Unibank in November 2005 as Team Head of Remedial Management Unit. Mr. Agustin was involved in account management, remedial and asset management, corporate recovery and credit and risk administration at Asiatrust Development Bank, LM-KPMG Philippines, PBCom and Solidbank Corporation. He also was senior technical and policy officer at the Presidential Management Staff – Office of the President of the Philippines from July 1989 to July 1996. Mr. Agustin earned his Master's Degree in Business Administration from Ateneo Graduate School of Business (Dean's Lister) and his Bachelor's degree in Economics from the University of Mindanao (Summa Cum Laude and one of The Outstanding Students of the Philippines in 1989).

Board and Senior Management Performance

The Board, through the Corporate Governance Committee, undertakes the evaluation of its performance as a collective body, its committees and senior management to determine whether they are functioning effectively, pinpoints areas for improvement and ensures that the President is providing effective leadership to the Company.

The assessment criteria used cover, among others, the areas of leadership, stewardship, review and approval of strategic and operational plans, annual budgets, focus on strategic on long-term issues, monitoring of financial performance, management succession planning, integrity of financial reporting, review of the Company's ethical conduct, defining of roles and monitoring activities of committees.

It also conducts the Director peer evaluation survey to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The assessment criteria used include, among others, the director's understanding of the Company's strategy and vision, organizational structure and culture, business and regulatory environments, responsibilities as Directors, accountability for his/her boardroom actions, contribution to board discussions, independent thinking, strategic insights and direction, active participation in committee meetings, financial literacy, time and commitment to board and committee duties, and finally, his/her overall contribution to the functioning of the Board.

Survey questionnaires were sent to all members of the Board including Advisers. Upon submission of accomplished forms, the Corporate Governance Officer tabulates the responses and prepares the final report to the Corporate Governance Committee. In turn, the Committee reviews and approves the report and submits to the Board for appropriate action. The Board then issues a resolution noting the results of the evaluation and recommendations stated in the final report.

Significant Employee

There is no person, other than the senior executive officers above, who is expected by the Company to make significant contribution to the business.

Family Relationships

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

Involvement of Directors and Executive Officers in Certain Legal Proceedings

To the Company’s knowledge, none of the directors or executive officers is named or is involved during the last five (5) years up to March 31, 2016 in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition.

To the Company’s knowledge, none of its directors and senior executives have been subject of the following legal proceedings during the last five (5) years up to March 31, 2016:

1. bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;

2. a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;

3. to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court

of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;

4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

Disclosure and Transparency

The Company recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications. Significant items that are disclosed include the following:

A. Executive Compensation Policy

It is the objective of the Company to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, the Company offers a remuneration package composed of fixed salary, benefits and long-term incentives. Below are the compensation details of the directors and key executive officers of the Company:

(1) President and four (4) most highly compensated executive officers

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
President and four (4) most highly compensated executive officers	2016 (estimate)	22.18	10.70	n.a.
	2015	20.17	9.73	n.a.
	2014	15.76	7.86	n.a.
Year	**Name**			**Position/Title**
2016	Roberto E. Lapid			President
	Gerard M. Aguirre			First Vice President
	Agerico Melecio S. Verzola			First Vice President
	Rosalisa B. Kapuno			Vice President
	Jennifer F. So			Vice President
2015	Roberto E. Lapid			President
	Gerard M. Aguirre			First Vice President
	Agerico Melecio S. Verzola			First Vice President
	Rosalisa B. Kapuno			Vice President
	Jennifer F. So			Vice President
2014	Roberto E. Lapid			President
	Gerard M. Aguirre			First Vice President
	Agerico Melecio S. Verzola			First Vice President
	Rosalisa B. Kapuno			Vice President
	Jennifer F. So			Vice President

The above compensation includes the usual bonus paid to the Company's officers. Except for salaries, allowances, retirement benefits provided under the retirement plan of the Group, there is no stock option, stock warrant or other security compensation arrangement between the Company and its individual officers.

(2) Compensation of directors and officers as a group

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
Aggregate Officers (from senior vice presidents) & Directors	2016 (estimate)	89.56	25.83	n.a.
	2015	81.42	23.48	n.a.
	2014	75.98	19.31	n.a.

B. <u>Compensation of Directors</u>

Each director is entitled to receive *per diem* allowance for attending board and committee meetings. The Board approves all compensation and remuneration schemes for the senior officers of the Company. As provided by law, the total compensation of directors shall not exceed ten percent (10%) of the net income before income tax of the Company during the preceding year.

There is no distinction on the fee for a committee chairman and member. The above table contains the details of the compensation of directors and officers of the Company. In view of possible security risks, the Company opted to disclose these on an aggregate basis as a group. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

The Company may grant to the directors any compensation other than per diems by the approval of the shareholders representing at least a majority of the outstanding capital stock.

C. <u>Outstanding warrants or options held by the Company's CEO, executive officers, and all officers and directors as a group.</u>

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

D. <u>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.</u>

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

Security Ownership of Certain Record/Beneficial Owners

As of December 31, 2015, the Company is 88.5% owned by the Parent Company and the remaining 11.4% 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 and Address of Record Owner & Relationship with Issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage

Common	BDO Unibank, Inc.***** ***(formerly Banco De Oro Unibank, Inc.)*** BDO Corporate Center 7899 Makati Avenue, Makati City ***BDO Unibank, Inc. is the parent company of BDOLF***	Record and beneficial (affiliate and majority stockholder)	Filipino	1,914,711,807	88.54%
Common	PCD Nominee Corp. (**"PCD"**) G/F Makati Stock Exchange Building, 6767 Ayala Avenue, Makati City ***PCD has no relationship with the Company except as stockholder.*** ***PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares.***	Various shareholders No stockholder owns more than 5% of the Company's voting securities through PCD	Filipino Foreigner	233,316,403 538,953	10.79% 0.02%

The persons authorized to vote the shares of BDO are Ms. Teresita T. Sy and Mr. Nestor V. Tan.

Security Ownership of Management

As of March 31, 2016, the total number of shares owned by the directors and management of the Company as a group unnamed is 107,375 common shares, which is equivalent to 0.0049651% of the total outstanding common capital stock of BDOLF. The Company's directors and officers own the following Common Shares:

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares	Percentage
Common	Teresita T. Sy	Chairperson	Filipino	100 (R)	0.0000046%
Common	Roberto E. Lapid	Vice-Chairman & President	Filipino	100 (R)	0.0000046%
Common	Jesse H.T. Andres	Independent Director	Filipino	100 (R)	0.0000046%
Common	Antonio N. Cotoco	Director	Filipino	115 (R)	0.0000053%
Common	Ma. Leonora V. De Jesus	Independent Director	Filipino	100 (R)	0.0000046%
Common	Jeci A. Lapus	Director	Filipino	100 (R)	0.0000046%
Common	Luis S. Reyes Jr.	Director	Filipino	100 (R)	0.0000046%
Common	Nestor V. Tan	Director	Filipino	100 (R)	0.0000046%
Common	Jesus G. Tirona	Independent Director	Filipino	100 (R)	0.0000046%
Common	Exequiel P. Villacorta, Jr.	Director	Filipino	100 (R)	0.0000046%
Common	Walter C. Wassmer	Director	Filipino	100 (R)	0.0000046%
Common	Rosario C. Crisostomo	Vice President	Filipino	106,260 (R)	0.0049138%
	Total			**107,375**	**0.0049651%**

Directors and officers of the Company are required to report to the Company any acquisition or disposition of the Company's shares within three (3) business days from the date of the transaction. As prescribed by the Disclosure Rules of PSE, the Company shall disclose to the PSE any acquisition or disposition of its shares by its directors and officers within five (5) trading days from the transaction.

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.

The Group's and Parent Company's related parties include BDO Unibank, affiliates, key management personnel and the retirement benefit fund as described below.

The summary of the Group's significant transactions with its related parties in 2015, 2014 and 2013 are as follows:

		Amount of Transaction		
Related Party Category	Notes	**2015**	2014	2013
Ultimate Parent Company (BDO Unibank)				
Interest income on savings and demand deposits	*(a)*	**P 0.6**	P 0.5	P 0.2
Interest expense on bills payable	*(b)*	**99.7**	94.6	148.5
Rent expense	*(d)*	**9.8**	10.5	10.7
Management fees	*(e)*	**2.4**	2.4	2.4
Subsidiary (BDO Rental)				
Service fees	*(c)*	**6.9**	6.3	5.3
Rent income	*(d)*	**0.4**	0.4	0.4
Management fees	*(e)*	**0.4**	0.4	0.4
Dividend income	*(j)*	-	43.8	-
Related Party under Common Ownership (BDO Capital)				
Service and charges fees	*(f)*	**4.0**	3.5	2.2
Key management personnel				
Short-term benefits	*(g)*	**65.6**	57.6	61.7
Post-employment benefits	*(g)*	**-**	-	**-**
Loans to officers	*(g)*	**3.5**	0.3	0.9

Related Party Category	Notes	Outstanding Balance 2015	2014
Ultimate Parent Company (BDO Unibank)			
Savings and demand deposits	*(a)*	**P 323.7**	P 409.2
Bills payable	*(b)*	**3,250.2**	4,387.2
Subsidiary (BDO Rental)			
Deposit for future stock subscription	(*k*)	**46.9**	-
Dividend receivable	*(j)*	**-**	28.5
Key management personnel			
Loans to officers	*(g)*	**5.0**	1.9
Retirement benefit fund			
Loans to officers and employees *(h)*		**1.1**	2.0
Shares of stock	*(i)*	**1.1**	1.1

- The Group maintains savings and demand deposit accounts with BDO. As of December 31, 2015 and 2014, savings and demand deposit accounts maintained with BDO are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on these deposits in 2015, 2014 and 2013 is included under Interest and Discounts under the Revenues account in the statements of income.

- The Group obtains short-term, unsecured bills payable from BDO. The amount outstanding from borrowings as of December 31, 2015 and 2014 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in 2015, 2014 and 2013 is included under Interest and financing charges account as part of Operating Costs and Expenses account in the statements of income.

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

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

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

- The Company engaged the services of BDO Capital and Investment Corporation ("**BDO Capital**"), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Company's issuance of bills payable. Service and charges fees paid by the Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of 2015 and 2014.

- Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Company. Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. The Group also incurred post-employment benefit expense related to key management personnel included as part of Employee Benefits under Operating Costs and Expenses. The Group also granted loans to officers.

- The Group maintains a retirement benefit fund with BDO Unibank covering all regular full-time employees. In the normal course of business, the retirement benefit fund grants salary and housing loans to certain officers and employees of the Company, and members and beneficiaries of the fund who are also officers of the Company. The housing loans are secured by the mortgage on the property and bear interest at 9.0% per annum and have terms ranging from 13 to 20 years. The salary loans on the other hand, are unsecured and bear interest ranging from 9.0% to 10.0% per annum and have terms ranging from 18 months to 3 years. There is no impairment loss recognized on this loan.

- The retirement fund holds 442,750 shares of stock of the Company as an investment, which has a market value of P2.00 per share as of December 31, 2015 and 2014. The retirement fund does not hold any shares of stock of BDO Unibank.

- In 2014, BDO Rental declared cash dividends amounting to P43.8 million which is presented as part of Other Income in the Parent Company's 2014 statement of income.

- In 2015, BDO Rental received cash from the Company as subscription payments to the increase in authorized capital stock representing 25% of the total subscribed capital stock. BDO Rental is still in the process of filing its application for the increase in authorized capital stock with the SEC.

2) The Company, to finance its lending requirements, borrows funds from BDO at prevailing market rates. As of end of December 31, 2015, the Company has a total dollar borrowings amounting to

USD 478,556.23. The Company's credit line with BDO stood at P7.00 billion for the years December 31, 2015, 2014 and 2013.

3) The Company and its two (2) branches maintain current and savings accounts with the Parent Company. Current accounts are non-interest earning while savings accounts earned interest of 0.25% per annum.

4) The Company, who is in need of IT services to operate its systems, entered into a Service level Agreement ("**SLA**") 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 the Company's approved SLA, which we will pay 200T monthly inclusive of all services extended to it by BDO.

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 NIL as of December 31, 2015.

PART IV - EXHIBITS AND SCHEDULES

ITEM 13. CORPORATE GOVERNANCE

Please refer to the attached Annual Corporate Governance Report.

ITEM 14. EXHIBITS AND SCHEDULES ON SEC FORM 17-C

Reports on SEC Form 17-C

Below is a summary of the various disclosures reported by the Company under SEC Form 17-C for the year 2015

Date Reported	Items Reported
January 14, 2015	**Setting of the date of the Annual Shareholders' Meeting** The Board of Directors of the Company, at its regular meeting held on January 14, 2015, approved the setting of the Annual Stockholders' Meeting ("ASM") of BDOLF on April 22, 2015, and fixed the record date on March 5, 2015. It was approved that the ASM will be held at the Francisco Santiago Hall, Mezzanine Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, at 10:00 in the morning.
January 14, 2015	**Results of Regular Board Meeting** The Board of Directors of the Company, at its regular meeting held on January 14, 2015, appointed the following as members of the Related Party Transactions

Date Reported	Items Reported
	Committee (RPTC) of the Board of Directors, which has been constituted to assist the Board in overseeing the conduct of all specified related party transactions of BDOLF: 1. Atty. Jesse H. T. Andres - Chairman 2. Ms. Ma. Leonora V. De Jesus - Member 3. Mr. Jeci A. Lapus - Member 4. Mr. Jesus G. Tirona - Alternate Member Mr. Antonio N. Cotoco - Adviser
February 25, 2015	**Press Release** **BDO Leasing Profits up 20% to P504 million in 2014** BDO Leasing and Finance, Inc. (BDO Leasing), a subsidiary of BDO Unibank Inc. (BDO), posted a 20% expansion in net income to P504 million in 2014. The company's strong performance was driven by the increase in lease and loan portfolio to P24 billion as BDOLF leveraged on its Parent Company's extensive market reach. Going forward, the Company will focus on growth areas to maintain its position as a leading provider of leasing and financing services.
February 26, 2015	**Amendment to the Articles of Incorporation (Amending Article III)** The Board of Directors of the Company, at its regular board meeting held on February 25, 2015, resolved to: Amend the Third Article of the Corporations' Articles of Incorporation of the Corporation changing the principal place of business of the Corporation from "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines" to "The Podium, 12 ADB Avenue, Ortigas Center, Mandaluyong City, Philippines"
February 26, 2015	**Declaration of Cash Dividend** The Board of Directors of the Company, at its regular board meeting held on February 25, 2015 declared cash dividends in the amount of Php0.175 per share to be paid to all stockholders of record as of March 11, 2015, and payable on March 24, 2015.
February 27, 2015	**Audited Financial Report for Fiscal year 2014** Disclosure of BDO Leasing and Finance Inc.'s 2014 Audited Financial Statements.
April 22, 2015	**Press Release** **BDO Leasing Posts P504 million profit in 2014 1Q15 Profit at P130 million** At its Annual Stockholders' Meeting today, Vice Chairman and President Roberto E. Lapid reported that BDO Leasing and Finance Inc. (BDO Leasing) posted a 20% expansion in net income to P504.0 million in 2014 from P420 million recorded in 2013. This was driven by the increase in lease and loan portfolio to P23.6 billion

Date Reported	Items Reported
	coming from key industries such as construction, real estate, mining and health care. BDO Leasing also leveraged on the Parent Company's extensive market reach, gaining access to its middle-market and consumer lending accounts. For the first quarter of 2015, the company's net income grew to P129.7 million on sustained expansion in its portfolio. Loan and lease portfolio went up by more than P2.0 billion to P24.4 billion, resulting in a 14 per cent year-on-year jump in total revenues to P605.9 million from P533.8 million in the same period last year. In the same meeting, Mr. Lapid likewise disclosed the company's full-year 2015 income guidance of P575 million on higher business volumes as the company taps more businesses in key provinces with additional funding coming from the increase in its STCP (Short-Term Commercial Paper) license from P15 billion to P25 billion.
April 22, 2015	**Election of Directors, Appointment of External Auditor, and Other Matters** The following are the results of the Annual Stockholders' Meeting of BDOLF held on April 22, 2015 at the Francisco Santiago Hall, Mezzanine Floor, South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City, Metro Manila. **I. Election of Directors** Elected directors of BDOLF for 2015-2016 are the following: *Regular Directors:* Mr. Antonio N. Cotoco. Mr. Roberto E. Lapid Mr. Jeci A. Lapus Mr. Luis S. Reyes, Jr. Ms. Teresita T. Sy Mr. Nestor V. Tan Mr. Exequiel P. Villacorta, Jr. Mr. Walter C. Wassmer *Independent Directors:* Atty. Jesse H.T. Andres Ms. Ma. Leonora V. De Jesus Mr. Jesus G. Tirona **II. External Auditor** Punongbayan & Araullo, CPAs has been re-appointed as external auditor of BDO Leasing and Finance, Inc. for the year 2015. **III. The following matters were also approved by the shareholders:** 1.Amendment to the Third Article of the Articles of Incorporation At the annual stockholders' meeting, the stockholders approved the Amendment to the Third Article of the Corporation's Articles of Incorporation changing the principal place of business of the Corporation from "BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, Philippines" to "No. 12 ADB Avenue, Ortigas Center, Mandaluyong City, Philippines", also presently known as "The Podium".

Date Reported	Items Reported
	2. Minutes of the Annual Stockholders' Meeting held on April 23, 2014 3. President's report and the Company's Audited Financial Statements as of December 31, 2014; and 4. All acts and proceedings of the Board of Directors, the Board Committees and Management during their respective term of offices.
April 22, 2015	**Results of the 2015 Organizational Meeting of the Board of Directors** At the organizational meeting, held immediately after the annual stockholders' meeting on April 22, 2015, the Corporate Officers, Board Committee members and Adviser to the Board were appointed. *Appointment of Corporate Officers* Ms. Teresita T. Sy — Chairperson Mr. Roberto E. Lapid — Vice Chairman & President Atty. Joseph Jason M. Natividad — Corporate Secretary/Alternate Corporate Information Officer Atty. Angelita L. Ortega-Cortez — Assistant Corporate Secretary/Alternate Corporate Information Officer Atty. Elmer B. Serrano — Corporate Information Officer Mr. Luis S. Reyes, Jr. — Treasurer Mr. Peter Blair S. Agustin — Chief Risk & Compliance Officer *Composition of Board Committees* At the organizational meeting of BDOLF, the following were appointed: *Adviser to the Board* Edmundo L. Tan *Executive Committee* Nestor V. Tan — Chairman Antonio N. Cotoco — Vice Chairman Teresita T. Sy — Member Roberto E. Lapid — Member Walter C. Wassmer — Member *Board Audit Committee* Ma. Leonora V. De Jesus — Chairperson/Independent Director Jesse H.T. Andres — Member/Independent Director Jesus G. Tirona — Member/Independent Director *Corporate Governance Committee* Jesus G. Tirona — Chairperson/Independent Director Jesse H.T. Andres — Member/Independent Director Ma. Leonora V. De Jesus — Member/Independent Director *Nomination Committee* Jesse H.T. Andres — Chairman/Independent Director Antonio N. Cotoco — Member/Non-Executive Director

Date Reported	Items Reported
	Ma. Leonora V. De Jesus — Member/Independent Director *Risk Management Committee* Nestor V. Tan — Chairman/Executive Director Antonio N. Cotoco — Member/Executive Director Jesse H.T. Andres — Member/Independent Director *Related Party Transactions Committee* Jesse H.T. Andres — Chairman/Independent Director Ma. Leonora V. De Jesus — Member/Independent Director Jeci A. Lapus — Member/Non-Executive Director Jesus G. Tirona — Alternate Member /Independent Director Antonio N. Cotoco — Adviser
July 30, 2015	**Statement to the press - BDO Leasing earns P251 million in 1H 2015** **BDO Leasing earns P251 million in 1H 2015** BDO Leasing and Finance, Inc. (BDO Leasing) posted a net income of P251 million in the first six months of the year. The company grew its loan and lease portfolio by 16 per cent to P26 billion on intensified marketing efforts and as BDOLF continued to leverage on its Parent Company's extensive market reach to gain access to middle-market and consumer lending accounts. Gross revenues went up to P1.2 billion, representing an 11 per cent increase from year-ago. However, declining asset yields due to competitive pressures negated the volume growth. For the medium term, the Company will continue to tap more businesses in key provinces with focus on growth areas to maintain its position as a leading provider of leasing and financing services.
September 3, 2015	**Resignation of the Company's Director or Officer** The Board of Directors of BDOLF, at its regular meeting held on September 2, 2015, accepted the resignation of Atty. Angelita L. Ortega-Cortez as Assistant Corporate Secretary and Alternate Corporate Information Officer of BDOLF, effective October 1, 2015.
October 1, 2015	**Appointment of Corporate Officers** The Board of Directors of the Company, at its regular meeting held on September 30, 2015, approved the appointment of Atty. Ma. Cecilia S. Santos as Assistant Corporate Secretary and Alternate Corporate Information Officer of BDOLF, effective October 1, 2015, vice Atty. Angelita L. Ortega-Cortez.
October 29, 2015	**Statement to the press- BDO Leasing posts P387 million income in 9M 2015** **BDO Leasing posts P387 million income in 9M 2015** BDO Leasing and Finance Inc. (BDO Leasing) registered a net income of P387 million in the first nine months of the year, slightly higher vs. P378 million in the

Date Reported	Items Reported
	comparable period last year. The company expanded its loan and lease portfolio by 14 per cent to P26.4 billion resulting in gross revenues growth of 12 per cent to P1.9 billion. The Company will continue to direct its marketing efforts on growth areas and key provinces, while leveraging on its Parent Company's broad market reach to keep its position among the industry's leading players.

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SIGNATURES

Pursuant to the requirements of Section 17 of the RSA and Section 141 of the Corporation Code, this is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _________ on APR 14 2016 2016.

By:

ROBERTO E. LAPID
PRESIDENT/ VICE CHAIRMAN

LUIS S. REYES JR.
TREASURER

ROSALISA B. KAPUNO
VICE PRESIDENT, COMPTROLLER

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY

APR 14 2016

SUBSCRIBED AND SWORN to before me this _____ day of _______, 2016 affiant(s) exhibiting to me their Competent Evidence of Identity, as follows:

NAMES	TIN	SSS No.
Roberto E. Lapid	108-159-915	03-5034078-2
Luis S. Reyes Jr.	115-322-321	03-4282031-7
Joseph Jason M. Natividad	908-730-009	33-6273422-8
Rosalisa B. Kapuno	177-688-317	03-5894505-3

NOTARY PUBLIC

Doc. No. 114
Page No. 24
Book No. I
Series of 2016.

KRISTINE R. BONGCARON
Appointment No. 140 (2016-2017)
Notary Public for Pasig City
Until December 31, 2017
Attorney's Roll No. 60559
33rd Floor The Orient Square,
F. Ortigas Jr. Road, Ortigas Center Pasig City
PTR No. 1385890, 01.05.16, Pasig City
IBP No. 1018258, 01.06.16, RSM

Statement of Management's Responsibility, Audited Financial Statements and Supplementary Schedules

BDO Leasing

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **BDO Leasing and Finance, Inc. and Subsidiary** (the Group), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015, 2014 and 2013, in accordance with Philippine Financial Reporting Standards (PFRS), including the following additional supplemental information filed separately from the basic financial statements:

a. Supplementary Schedules Required under Annex 68-E of the Securities Regulation Code Rule 68;
b. Reconciliation of Retained Earnings Available for Dividend Declaration;
c. Schedule of PFRS Effective as of December 31, 2015;
d. Schedule of Financial Indicators for December 31, 2015 and 2014
e. Map Showing the Relationship Between and Among the Company and its Related Entities;

Management responsibility on the financial statements include designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements, and the additional supplementary information, and submits the same to the stockholders.

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

Signature: ______________________
TERESITA T. SY
Chairperson

Signature: ______________________
ROBERTO E. LAPID
Vice Chairman and President

Signature: ______________________
ROSALISA B. KAPUNO
Comptroller

Signed this 14th day of March 2016.

Leasing

SUBSCRIBED and SWORN to me before this ______ day of MAR 1 6 2016, 2016 affiant exhibiting to me his/her Social Security Number, as follows:

NAMES	SSS NUMBER
Teresita T. Sy	03-2832705-4
Roberto E. Lapid	03-5034078-2
Rosalisa B. Kapuno	03-5894505-3

Kristine Gail C. Ochoa
Appointment No. 23 (2016-2017)
Notary Public for Pasig City
Until December 31, 2017
Attorneys Roll No. 60847
Suite 2401 The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
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IBP No. 1018269; 01.06.16; RSM

DOC. NO. 430
PAGE NO. 88
BOOK NO. I
SERIES OF 2016

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P&A Grant Thornton

An instinct for growth™

Financial Statements and
Independent Auditors' Report

BDO Leasing and Finance, Inc. and Subsidiary

December 31, 2015, 2014 and 2013

P&A
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Report of Independent Auditors

The Board of Directors and Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of BDO 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 of BDO Leasing and Finance, Inc. (the Parent Company) which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2015, 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, 2015 and 2014, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 06 2016 TSIS
RECEIVED
CRISTINA C. DE GUZMAN

Emphasis of Matter

As discussed in Note 21 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue for the year ended December 31, 2015 in a supplementary schedule filed separately from the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information is presented for purposes of additional analysis and is 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 the Securities Regulation Code Rule 68, as amended.

PUNONGBAYAN & ARAULLO

By: Romualdo V. Murcia III
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 24, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
TSIS
Date APR 06 2016
RECEIVED
CRISTINA C. DE GUZMAN

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(Amounts in Millions of Philippine Pesos)

	Notes	Group 2015	Group 2014	Parent Company 2015	Parent Company 2014
ASSETS					
CASH AND CASH EQUIVALENTS	7	P 332.3	P 417.7	P 301.6	P 360.3
AVAILABLE-FOR-SALE FINANCIAL ASSETS	8	3,540.2	2,373.3	3,540.2	2,373.3
LOANS AND OTHER RECEIVABLES - Net	9	27,463.3	23,646.6	27,459.7	23,672.5
PROPERTY AND EQUIPMENT - Net	10	2,221.7	2,012.6	9.2	4.3
INVESTMENT PROPERTIES - Net	11	438.1	320.6	212.0	320.6
OTHER ASSETS - Net	12	522.0	479.1	515.8	477.8
TOTAL ASSETS		P 34,517.6	P 29,249.9	P 32,038.5	P 27,208.8
LIABILITIES AND EQUITY					
BILLS PAYABLE	13	P 23,889.6	P 19,653.0	P 21,919.0	P 17,993.0
ACCOUNTS PAYABLE AND OTHER LIABILITIES	14	368.9	340.8	276.7	266.8
INCOME TAX PAYABLE		46.6	36.4	46.6	36.4
LEASE DEPOSITS	15	4,982.6	4,193.9	4,926.0	4,148.9
DEFERRED TAX LIABILITIES - Net	21	7.2	40.0	7.2	40.0
Total Liabilities		29,294.9	24,264.1	27,175.5	22,485.1
CAPITAL STOCK	16	2,225.2	2,225.2	2,225.2	2,225.2
ADDITIONAL PAID-IN CAPITAL		571.1	571.1	571.1	571.1
TREASURY SHARES		(81.8)	(81.8)	(81.8)	(81.8)
RETAINED EARNINGS	2	2,343.0	2,165.8	1,983.3	1,903.7
UNREALIZED FAIR VALUE GAINS ON AVAILABLE-FOR-SALE FINANCIAL ASSETS		201.4	140.6	201.4	140.6
NET ACCUMULATED ACTUARIAL LOSSES	2	(36.2)	(35.1)	(36.2)	(35.1)
Total Equity		5,222.7	4,985.8	4,863.0	4,723.7
TOTAL LIABILITIES AND EQUITY		P 34,517.6	P 29,249.9	P 32,038.5	P 27,208.8

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	Group 2015	Group 2014	Group 2013	Parent Company 2015	Parent Company 2014	Parent Company 2013
REVENUES							
Interest and discounts	9	P 1,571.6	P 1,450.9	P 1,297.8	P 1,571.4	P 1,450.7	P 1,297.7
Rent	18	807.1	613.1	380.8	-	-	1.2
Other income	17	227.5	209.6	224.3	186.8	240.3	197.4
		2,606.2	2,273.6	1,902.9	1,758.2	1,691.0	1,496.3
OPERATING COSTS AND EXPENSES							
Occupancy and equipment-related expenses	10, 11, 12	702.5	534.3	352.2	53.6	56.0	61.1
Interest and financing charges	13	570.8	467.9	418.6	519.1	431.1	400.2
Taxes and licenses	21	198.6	179.3	148.7	185.1	170.4	144.0
Employee benefits	19	187.9	161.4	183.4	187.9	161.4	183.4
Impairment and credit losses	9, 11, 12	83.4	100.0	126.0	83.3	100.0	126.0
Litigation/assets acquired expenses		30.2	24.9	17.0	30.2	24.6	17.0
Other expenses	20	107.4	91.7	91.2	106.4	91.7	88.9
		1,880.8	1,559.5	1,337.1	1,165.6	1,035.2	1,020.6
PROFIT BEFORE TAX		725.4	714.1	565.8	592.6	655.8	475.7
TAX EXPENSE	21	169.8	210.1	145.5	134.6	179.5	118.2
NET PROFIT		P 555.6	P 504.0	P 420.3	P 458.0	P 476.3	P 357.5
Basic/Diluted Earnings Per Share	22	P 0.26	P 0.23	P 0.19	P 0.21	P 0.22	P 0.17

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		Group			Parent Company		
	Notes	**2015**	2014	2013	**2015**	2014	2013
NET PROFIT		**P 555.6**	P 504.0	P 420.3	**P 458.0**	P 476.3	P 357.5
OTHER COMPREHENSIVE INCOME							
Items that will not be reclassified subsequently to profit or loss							
Remeasurements of post-employment defined benefit plan	19	**(1.6)**	9.7	21.7	**(1.6)**	9.7	21.7
Tax income (expense)	21	**0.5**	(2.9)	(6.5)	**0.5**	(2.9)	(6.5)
		(1.1)	6.8	15.2	**(1.1)**	6.8	15.2
Items that will be reclassified subsequently to profit or loss							
Unrealized fair value gains on revaluation of available-for-sale financial assets	8	**61.3**	28.5	71.5	**61.3**	28.5	71.5
Tax expense	21	**(0.5)**	(0.1)	(0.4)	**(0.5)**	(0.1)	(0.4)
		60.8	28.4	71.1	**60.8**	28.4	71.1
Other Comprehensive Income - net of tax		**59.7**	35.2	86.3	**59.7**	35.2	86.3
TOTAL COMPREHENSIVE INCOME		**P 615.3**	P 539.2	P 506.6	**P 517.7**	P 511.5	P 443.8

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		Group						
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Retained Earnings	Net Accumulated Actuarial Losses	Unrealized Fair Value Gains on Available-for-Sale Financial Assets	Net Equity
Balance at January 1, 2015		P 2,225.2	P 571.1	(P 81.8)	P 2,165.8	(P 35.1)	P 140.6	P 4,985.8
Total comprehensive income (loss)		-	-	-	555.6	(1.1)	60.8	615.3
Cash dividends	16	-	-	-	(378.4)	-	-	(378.4)
Balance at December 31, 2015		P 2,225.2	P 571.1	(P 81.8)	P 2,343.0	(P 36.2)	P 201.4	P 5,222.7
Balance at January 1, 2014		P 2,225.2	P 571.1	(P 81.8)	P 1,986.2	(P 41.9)	P 112.2	P 4,771.0
Total comprehensive income		-	-	-	504.0	6.8	28.4	539.2
Cash dividends	16	-	-	-	(324.4)	-	-	(324.4)
Balance at December 31, 2014		P 2,225.2	P 571.1	(P 81.8)	P 2,165.8	(P 35.1)	P 140.6	P 4,985.8
Balance at January 1, 2013		P 2,225.2	P 571.1	(P 81.8)	P 1,890.3	(P 57.1)	P 41.1	P 4,588.8
Total comprehensive income		-	-	-	420.3	15.2	71.1	506.6
Cash dividends	16	-	-	-	(324.4)	-	-	(324.4)
Balance at December 31, 2013		P 2,225.2	P 571.1	(P 81.8)	P 1,986.2	(P 41.9)	P 112.2	P 4,771.0

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		Parent Company						
	Note	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost	Retained Earnings	Net Accumulated Actuarial Losses	Unrealized Fair Value Gains on Available-for-Sale Financial Assets	Net Equity
Balance at January 1, 2015		P 2,225.2	P 571.1	(P 81.8)	P 1,903.7	(P 35.1)	P 140.6	P 4,723.7
Total comprehensive income (loss)		-	-	-	458.0	(1.1)	60.8	517.7
Cash dividends	16	-	-	-	(378.4)	-	-	(378.4)
Balance at December 31, 2015		P 2,225.2	P 571.1	(P 81.8)	P 1,983.3	(P 36.2)	P 201.4	P 4,863.0
Balance at January 1, 2014		P 2,225.2	P 571.1	(P 81.8)	P 1,751.8	(P 41.9)	P 112.2	P 4,536.6
Total comprehensive income		-	-	-	476.3	6.8	28.4	511.5
Cash dividends	16	-	-	-	(324.4)	-	-	(324.4)
Balance at December 31, 2014		P 2,225.2	P 571.1	(P 81.8)	P 1,903.7	(P 35.1)	P 140.6	P 4,723.7
Balance at January 1, 2013		P 2,225.2	P 571.1	(P 81.8)	P 1,718.7	(P 57.1)	P 41.1	P 4,417.2
Total comprehensive income		-	-	-	357.5	15.2	71.1	443.8
Cash dividends	16	-	-	-	(324.4)	-	-	(324.4)
Balance at December 31, 2013		P 2,225.2	P 571.1	(P 81.8)	P 1,751.8	(P 41.9)	P 112.2	P 4,536.6

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(Amounts in Millions of Philippine Pesos)

		Group			Parent Company		
	Notes	**2015**	2014	2013	**2015**	**2014**	2013
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		**P 725.4**	P 714.1	P 565.8	**P 592.6**	P 655.8	P 475.7
Adjustments for:							
Interest received		**1,591.5**	1,424.4	1,316.8	**1,591.4**	1,425.4	1,311.5
Interest and discounts	9	**(1,571.6)**	(1,450.9)	(1,297.8)	**(1,571.4)**	(1,450.7)	(1,297.7)
Depreciation and amortization	10, 11, 12	**669.8**	500.8	324.6	**22.4**	23.1	33.7
Interest and financing charges	13	**570.8**	467.9	418.6	**519.1**	431.1	400.2
Interest and financing charges paid		**(550.2)**	(472.7)	(419.0)	**(498.5)**	(435.1)	(409.6)
Dividend income	8, 17	**(154.3)**	(155.2)	(155.2)	**(154.3)**	(199.0)	(155.2)
Impairment and credit losses	9, 11, 12	**83.4**	100.0	126.0	**83.3**	100.0	126.0
Gain on sale of property and equipment and investment properties	17	**(16.9)**	(25.7)	(24.5)	**(6.4)**	(19.4)	(4.7)
Day one loss (gain) - net		**(13.1)**	3.4	0.6	**4.6**	4.3	3.0
Gain on sale of available-for-sale (AFS) financial assets	8	**(4.6)**	-	-	**(4.6)**	-	-
Reversal of impairment losses	11	**(3.0)**	-	-	**(3.0)**	-	-
Operating profit before changes in operating assets and liabilities		**1,327.2**	1,106.1	855.9	**575.2**	535.5	482.9
Increase in loans and other receivables		**(3,925.7)**	(2,775.6)	(3,839.1)	**(3,924.4)**	(2,776.9)	(3,832.8)
Increase in other assets		**(123.1)**	(179.2)	(134.0)	**(44.3)**	(74.7)	(19.1)
Increase in accounts payable and other liabilities		**28.2**	82.8	146.2	**10.0**	70.3	97.8
Increase in lease deposits		**802.2**	374.7	644.3	**772.9**	372.3	644.7
Cash used in operations		**(1,891.2)**	(1,391.2)	(2,326.7)	**(2,610.6)**	(1,873.5)	(2,626.5)
Cash paid for income taxes		**(127.3)**	(117.4)	(154.0)	**(127.3)**	(117.4)	(154.0)
Net Cash Used in Operating Activities		**(2,018.5)**	(1,508.6)	(2,480.7)	**(2,737.9)**	(1,990.9)	(2,780.5)
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of AFS financial assets	8	**(1,137.2)**	(250.0)	-	**(1,137.2)**	(250.0)	-
Acquisition of property and equipment	10	**(922.6)**	(1,178.3)	(1,091.0)	**(14.7)**	(1.8)	(3.5)
Addition in investment properties	11	**(227.3)**	(5.0)	(14.1)	**(1.2)**	(5.0)	(14.1)
Proceeds from disposal of property and equipment and investment properties	10, 11	**187.1**	150.5	67.4	**128.3**	37.0	35.0
Receipt of cash dividends	8	**154.6**	180.0	155.2	**183.0**	195.4	155.2
Disposal of AFS financial assets	8	**48.5**	-	-	**48.5**	-	-
Addition in investment in a subsidiary	12	-	-	-	**(46.9)**	-	-
Net Cash From (Used in) Investing Activities		**(1,896.9)**	(1,102.8)	(882.5)	**(840.2)**	(24.4)	172.6
CASH FLOWS FROM FINANCING ACTIVITIES							
Net availments of bills payable	13	**4,208.4**	3,215.5	3,756.2	**3,897.8**	2,483.4	2,997.9
Payments of cash dividends	16	**(378.4)**	(324.4)	(324.4)	**(378.4)**	(324.4)	(324.4)
Redemption of preferred shares		-	-	-	-	87.5	-
Net Cash From Financing Activities		**3,830.0**	2,891.1	3,431.8	**3,519.4**	2,246.5	2,673.5
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(85.4)**	279.7	68.6	**(58.7)**	231.2	65.6
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**417.7**	138.0	69.4	**360.3**	129.1	63.5
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**P 332.3**	P 417.7	P 138.0	**P 301.6**	P 360.3	P 129.1

Supplemental Information on Non-cash Investing Activities –

The Company reclassified certain Non-current Assets Held-for-sale to Investment Properties amounting to P9.0 in 2015 and P204.3 in 2014 (see Notes 11 and 12).

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014
(Amounts in Millions of Philippine Pesos, Except Per Share Data, Exchange Rates and As Indicated)

1. CORPORATE INFORMATION

1.01 Incorporation and Operations

BDO Leasing and Finance, Inc. (BDO Leasing or the Parent Company) is a domestic corporation incorporated in 1981. Its shares were listed in the Philippine Stock Exchange (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, floor stock financing, receivables discounting, and factoring.

The Parent Company is a subsidiary of BDO Unibank, Inc. (BDO Unibank or Ultimate Parent Company), a universal bank incorporated and doing business in the Philippines. BDO Unibank offers a wide range of banking services such as traditional loan and deposit products, as well as treasury, remittance, trade services, credit card services, trust and others.

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

The Parent Company's principal office is located at No. 12 ADB Avenue, Ortigas Center, Mandaluyong City. It also maintains an office at BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City. As of December 31, 2015, BDO Leasing has six branches located in the cities of Makati, Cebu, Davao, Cagayan de Oro and Iloilo and in the province of Pampanga. The registered address of BDO Unibank is located at BDO Corporate Center, 7899 Makati Avenue, Makati City.

1.02 Approval of Financial Statements

The accompanying financial statements of BDO Leasing and Subsidiary (the Group) and of the Parent Company as of and for the year ended December 31, 2015 (including the comparative financial statements as of and for the years ended December 31, 2014 and 2013) were authorized for issue by the Parent Company's Board of Directors (BOD) on February 24, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.01 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group and the separate financial statements of the Parent Company 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), and approved by the Philippine Board of Accountancy.

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

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents the statement of comprehensive income separate from the statement of income.

The Group presents a third statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(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 the Group's functional currency. Functional currency is the currency of the primary economic environment in which the Group operates.

2.02 Adoption of New and Amended PFRS

(a) *Effective in 2015 that are Relevant to the Group*

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions.* The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis), for the gross benefit. The amendment did not have a significant impact on the Group's financial statements since the Group's defined benefit plan does not require employees or third parties to contribute to the benefit plan.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but had no material impact on the Group's financial statements as these amendments merely clarify the existing requirements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 3 (Amendment), *Business Combinations – Accounting for Contingent Consideration in a Business Combination.* This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities.* It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments.* This amendment requires disclosure of the judgments made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets.* The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures.* The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3 (Amendment), *Business Combinations.* It clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement*, in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement.* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation.*

- PAS 40 (Amendment), *Investment Property.* The amendment clarifies the interrelationship of PFRS 3 and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) *Effective in 2015 that is not Relevant to the Group*

Among the annual improvements to PFRS which are mandatory for accounting periods beginning on or after July 1, 2014, PFRS 2 (Amendment), *Share-based Payment,* in relation to the definition of vesting condition, is not relevant to the Group.

(c) *Effective Subsequent to 2015 but not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards effective for annual periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and, unless otherwise stated, none of these are expected to have significant impact on the Group's financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment*, and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39 or PFRS 9. As of the end of the reporting period, the Group has no plan to change the accounting policy for its investments in its subsidiary.

(iv) PFRS 10 (Amendment), *Consolidated Financial* Statements, PFRS 12, *Disclosure of Interests in Other* Entities, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. It clarifies which subsidiaries of an investment entity are consolidated in accordance with paragraph 32 of PFRS 10 and clarifies whether the exemption to present consolidated financial statements, set out in paragraph 4 of PFRS 10, is available to a parent entity that is a subsidiary of an investment entity. This amendment also permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(v) PFRS 10 (Amendment), *Consolidated Financial Statements*, and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3 between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of these amendments (i.e., from January 1, 2016) indefinitely.

(vi) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL), which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the principal outstanding. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt any version of PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(vii) Annual Improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among the improvements, the following amendments are relevant to the Group:

- PFRS 5 (Amendment), *Non-current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of PFRS 5 does not apply. It also states that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of PFRS 5.

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment), *Employee Benefits*. The amendment clarifies that the currency and term of the high quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligations.

2.03 Basis of Consolidation and Investment in a Subsidiary

The Group's consolidated financial statements comprise the accounts of the Parent Company and its subsidiary, after the elimination of all intercompany transactions. All intercompany assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities under the Group, are eliminated in full on consolidation. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment is recognized in the consolidated financial statements.

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

A subsidiary is an entity (including structured entities) over which the Parent Company has control. The Parent Company controls an entity when (i) it has the power over the entity, (ii) it is exposed, or has rights to, variable returns from its involvement with the entity and (iii) it has the ability to affect those returns through its power over the entity. A subsidiary is consolidated from the date the Parent Company obtains control.

The Parent Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that 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 noncontrolling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree 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.

The Parent Company's investment in a subsidiary is accounted for in the Parent Company's financial statements at cost, less any impairment loss (see Note 2.19).

2.04 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee, its 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 service lines 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 requires 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 are the same as those used in its consolidated financial statements.

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

2.05 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32. All other non-derivative financial instruments are treated as debt instruments.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: FVTPL, loans and receivables, held-to-maturity investments and available-for-sale (AFS) 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.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets that are relevant to the Group is as follows:

(i) 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. They are included in current assets, except for those with maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

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 with original maturities of three months or less, readily convertible to known amounts of cash.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(ii) AFS 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. The Group's AFS financial assets include listed equity securities, corporate bonds and golf club shares.

All financial assets within this category are subsequently measured at fair value. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Unrealized fair value gain or loss on available-for-sale financial assets account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, that is, when there is a significant or prolonged decline in the fair value of the security below its cost, the cumulative fair value gains or losses recognized in other comprehensive income is reclassified from equity to profit or loss and is presented as reclassification adjustment within other comprehensive income even though the financial asset has not been derecognized.

(b) 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. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at cost has been incurred, the amount of the impairment loss is determined 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 or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of the loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases 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 reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of the reversal is recognized in the profit or loss.

(ii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses relating to financial assets that are recognized in profit or loss are presented as part of Interest and Discounts under Revenues or Interest and Financing Charges under Operating Costs and Expenses in the statement of income. Impairment losses recognized on financial assets are included as part of Impairment and Credit Losses under Operating Costs and Expenses in the statement of income.

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.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.06 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 while expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets as follows:

Transportation and other equipment	3-5 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 2.19).

The residual values and estimated useful lives and method of depreciation 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 year the item is derecognized.

2.07 Non-current Assets Classified as Held-for-Sale

Assets held-for-sale (presented under Other Assets) include chattel or personal properties acquired through repossession or foreclosure that the Group intends to sell and will be disposed of within one year from the date of classification as held-for-sale. Starting 2014, for real and other properties acquired through foreclosure or repossession, the Group included in its criteria that there should be an existence of a buyer before a foreclosed or repossessed property can be classified as Non-current Asset Held for Sale [see Note 3.01(d)].

The Group classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and as long as there is a ready buyer.

Assets classified as held-for-sale are measured at the lower of their carrying amounts, immediately prior to their classification as held for sale, and their fair value less costs to sell. The Group shall recognize an impairment loss for any initial or subsequent write-down of the asset at fair value less cost to sell. Gain for any subsequent increase in fair value less cost to sell of an asset is recognized to the extent of the cumulative impairment loss previously recognized. Assets classified as held for sale are not subject to depreciation.

If the Group has classified an asset as held-for-sale, but the criteria for it to be recognized as held for sale are no longer satisfied, the Group shall cease to classify the asset as held for sale.

The gain or loss arising from the sale or remeasurement of held for sale assets is recognized in profit or loss and included as part of Other Income (Expenses) in the statement of income.

2.08 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 from the end of the reporting period. For these properties, 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 ten years.

Subsequent to initial recognition, investment properties are stated 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.

The fair value of investment properties, as disclosed in Note 11, are based on valuations provided by independent and/or in-house appraisers, which are market value for land and building and related improvements and reproduction cost for certain building and improvements.

Investment properties are 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 investment properties is recognized in profit or loss in the year of retirement or disposal.

Direct operating expenses related to investment properties, such as repairs and maintenance, and real estate taxes are normally charged against current operations in the period in which these costs are incurred.

2.09 Other Assets

Other assets pertain to other resources controlled by the Group as a result of past events. They are recognized in the financial statements when it is probable that the future economic benefits will flow to the Group and the asset has a cost or value that can be measured reliably.

2.10 Financial Liabilities

Financial liabilities, which include bills payable, accounts payable and other liabilities (except tax-related payables) and lease deposits, are recognized when the Group becomes a party to the contractual terms 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 income.

Bills payable are raised for support of long-term and short-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 values 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 present value at initial recognition is immediately recognized and is included as part of Day one gains under Other Income account in the statement of income. Meanwhile, interest expense on the amortization of lease deposits using the effective interest method is included as part of Interest and Financing Charges under Operating Costs and Expenses in the statement of income.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Group.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

2.11 Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Group currently has legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on a future event. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.12 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. 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. The increase in the provision due to passage of time is recognized as interest expense. 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.

2.13 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 of the leased asset is generally applied against the lease deposit of the lessee. The residual value of leased assets is presented as part of loans and other receivables account in the statement of financial position.

2.14 Equity

Capital 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, net of any related income tax benefits.

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

Retained earnings represent all current and prior period results as reported in the statement of income, reduced by the amounts of dividends declared.

Unrealized fair value gains on AFS financial assets pertains to cumulative mark-to-market valuation of AFS financial assets.

Net accumulated actuarial losses arise from the remeasurement of post-employment defined benefit plan.

2.15 Revenue and Expense Recognition

Revenue comprises interest income on loans and receivable financed and rent income from operating lease contracts, measured by reference to the fair value of consideration received or receivable by the Group for products sold and services rendered, excluding value-added tax (VAT), as applicable.

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* – 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.

The interest income on finance lease receivables 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.

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.

(b) *Rent* – Revenue from operating lease contracts 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 (see Note 2.16).

(c) *Service fees* – Fees related to the administration and servicing a loan are recognized as revenue as the services are rendered. This account is included under Other Income.

(d) *Dividends* – Revenue is recognized when the Group's right to receive payment is established.

Operating costs and expenses are recognized in profit or loss upon utilization of the assets or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.21).

2.16 Leases

The Group accounts for its leases as follows:

(a) *Group as a 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 statement 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. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

All income resulting from the receivable is included as part of Interest and Discounts in the statement of income.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in profit or loss on a straight-line basis over the lease term, or on a systematic basis which is more representative of the time pattern in which the use or benefit derived from the leased asset is diminished.

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

(b) *Group as a 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 (net of any incentive received from the lessor) 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.

2.17 Foreign Currency Transactions and Translation

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 income.

2.18 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. Financial 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 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 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 decreases and the decrease can be related objectively to an event occurring after the impairment is 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.

In addition, under Section 9(f) of the Rules and Regulations to implement the provisions of Republic Act No. 8556, *The Financing Company Act of 1998*, a 100% allowance should be set up for the following:

(i) Clean loans and advances past due for a period of more than six months;
(ii) Past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;
(iii) Past due loans secured by real estate mortgage the title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
(iv) When the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
(v) Accrued interest receivable that remains uncollected after six months from the maturity date of the loan to which it accrues; and,
(vi) Accounts receivable past due for 361 days or more.

These requirements and conditions were accordingly considered by the Group in the determination of impairment loss provision on assets carried at amortized cost particularly loans and other receivables.

(b) *Assets carried at fair value with changes charged to other comprehensive income.* In the case of investments classified as AFS 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 AFS 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 other comprehensive income as part of equity – is reclassified to profit or loss as a reclassification adjustment. 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 AFS 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 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 exists. 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.

2.19 Impairment of Non-financial Assets

The Group's property and equipment, investment properties and other non-financial assets and the Parent Company's investment in a subsidiary are subject to impairment testing. Intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

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.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

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.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, and defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment 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 post-employment 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 post-employment defined benefit pension plan covers all regular full-time employees. The post-employment plan is tax-qualified, non-contributory and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero-coupon government bond as published by Philippine Dealing & Exchange Corporation, 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 post-employment liability.

Remeasurement, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding interest) is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset and is included as part of interest and discounts or interest and financing charges.

Past service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) Post-employment Defined Benefit Contribution Plan

A defined contribution plan is a post-employment 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.

(c) 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 at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of reporting period. They are included in the Account Payable and Other Liabilities account in the statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement. Starting 2014, compensated absences convertible to monetary consideration accruing to employees qualified under the retirement plan are now funded by the Group through its post-employment retirement fund. Accordingly, the related Accounts Payable and Other Liabilities account previously set-up for the compensated absences is reversed upon contribution to the retirement fund.

2.21 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

2.22 Income Taxes

Tax expense recognized in profit or loss comprises 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 using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the 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 deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

2.23 Earnings Per Share

Basic earnings per common share is determined by dividing net income attributable to equity holders of the Parent Company 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.

2.24 Related Party Relationships and 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. These parties include: (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; (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; and, (d) the Group's retirement plan.

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

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.01 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) Distinguishing Operating and Finance Leases

The Group has entered in various lease arrangements as a lessor. 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. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

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. 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.

(b) Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows No impairment loss was recognized in 2015, 2014 and 2013 for AFS financial assets.

(c) 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 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 portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions 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.

(d) Classification of Acquired Properties and Fair Value Determination of Non-current Assets Held-for-Sale and Investment Properties

The Group classifies its acquired properties as Non-current Assets Held-for-Sale if expected that the properties will be recovered through sale rather than use, and as Investment Properties if intended to be held for capital appreciation or for rental to others. At initial recognition, the Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

Starting 2014, the Group provides additional criterion for booking real and chattel properties to Non-Current Asset Held for Sale (NCAHS) such that the real and chattel properties should have a ready buyer before it can be booked as NCAHS. Accounts with no ready buyers were classified as Investment Properties for real properties and as Repossessed chattels and other equipment under Other Assets account for other properties.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.12 and disclosures on relevant provisions are presented in Note 24.

3.02 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 reporting period:

(a) Estimating Useful Lives of Property and Equipment and Investment Properties

The Group estimates the useful lives of property and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and investment properties 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 and investment properties are presented in Notes 10 and 11, respectively. Based on management's assessment as of December 31, 2015 and 2014, there is no change in estimated useful lives of property and equipment and investment properties during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(b) *Impairment of Loans and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectability of the accounts, 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. The Group also considers the loan loss provisioning requirements of the The Bangko Sentral ng Pilipinas and The Financing Company Act. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of loans and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 9.

(c) *Impairment of Non-financial Assets*

The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. 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 those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized on investment properties and other assets are presented in Notes 11 and 12, respectively.

(d) *Determining Fair Value Measurement for Financial Instruments*

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying values of the Group's financial instruments are disclosed in Note 6.

(e) *Fair Value Measurement for Investment Properties*

The Group's land and building including improvements classified under investment property are measured at cost model, however, the related fair value is disclosed at the end of the reporting period. In determining the fair value of these assets, the Group engages the services of professional and independent appraisers applying the relevant valuation methodologies as discussed in Note 6.

For investment properties with appraisal conducted prior to the end of the current reporting period, management determines whether there are significant circumstances during the intervening period that may require adjustments or changes in the disclosure of fair value of those properties.

(f) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management has assessed that some of the deferred tax assets recognized as at December 31, 2015 and 2014 may not be actually recoverable.

Accordingly, in 2014, the Group fully derecognized its deferred tax asset arising from the setting up of general loan loss provision on loans and receivables. The carrying value of the remaining deferred tax assets (netted against deferred tax liabilities) as of the end of 2015 and 2014 is disclosed in Note 21.

(g) Valuation of Post-employment Defined Benefit Obligation

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 include, among others, discount rates, and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of retirement benefit obligation and expense and an analysis of the movements in the estimated present value of retirement benefit obligation, as well as significant assumptions used in estimating such obligation are presented in Note 19.02.

4. SEGMENT REPORTING

4.01 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 six branches.

4.02 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 bills payable and lease deposits. Segment assets and liabilities do not include deferred taxes.

4.03 Intersegment Transactions

Intersegment transactions in 2015 and 2014 pertain to service fees charged by BDO Rental to the Parent Company as well as dividends, rent income and management fee earned by the Parent Company from BDO Rental.

4.04 Analysis of Segment Information

Segment information can be analyzed as follows:

	Leasing	Financing	Others	Eliminations	Group
For the year ended December 31, 2015					
Statement of Income					
Segment revenues					
External	P 1,605.6	P 765.3	P 235.3	P -	P 2,606.2
Inter-segment	-	-	7.7	(7.7)	-
	1,605.6	765.3	243.0	(7.7)	2,606.2
Segment expenses					
External	1,158.7	552.3	169.8	-	1,880.8
Inter-segment	-	-	7.7	(7.7)	-
	1,158.7	552.3	177.5	(7.7)	1,880.8
Segment results	P 446.9	P 213.0	P 65.5	P -	725.4
Tax expense					(169.8)
Net profit					P 555.6

	Leasing	Financing	Others	Eliminations	Group
December 31, 2015					
Statement of Financial Position					
Segment assets	P 17,860.1	P 11,635.2	P -	P -	P 29,495.3
Unallocated assets					5,022.3
Total assets					P 34,517.6
Segment liabilities	P 16,403.2	P 12,468.9	P -	P -	P 28,872.1
Unallocated liabilities					422.8
Total liabilities					P 29,294.9
Other segment information:					
Capital expenditures	P 907.9	P -	P 14.7	P -	P 922.6
Depreciation and amortization	647.4	-	5.6	-	653.0
Impairment losses	-	-	83.4	-	83.4
For the year ended December 31, 2014					
Statement of Income					
Segment revenues					
External	P 1,368.7	P 685.3	P 219.6	P -	P 2,273.6
Inter-segment	-	-	50.9	(50.9)	-
	1,368.7	685.3	270.5	(50.9)	2,273.6
Segment expenses					
External	938.9	470.0	150.6	-	1,559.5
Inter-segment	-	-	7.1	(7.1)	-
	938.9	470.0	157.7	(7.1)	1,559.5
Segment results	P 429.8	P 215.3	P 112.8	(P 43.8)	714.1
Tax expense					(210.1)
Net profit					P 504.0
December 31, 2014					
Statement of Financial Position					
Segment assets	P 15,331.8	P 10,155.6	P -	P -	P 25,487.4
Unallocated assets					3,762.5
Total assets					P 29,249.9
Segment liabilities	P 13,493.5	P 10,353.4	P -	P -	P 23,846.9
Unallocated liabilities					417.2
Total liabilities					P 24,264.1
Other segment information:					
Capital expenditures	P 1,176.5	P -	P 1.8	P -	P 1,178.3
Depreciation and amortization	477.7	-	5.0	-	482.7
Impairment losses	-	-	100.0	-	100.0

Segment expenses are allocated on the basis of gross income.

Net segment assets are comprised of the following:

	2015	
	Leasing	Financing
Receivables	P 12,144.5	P 12,027.9
Residual value of leased assets	4,974.0	-
Unearned income	(1,181.4)	(67.9)
Client's equity	-	(38.1)
	15,937.1	11,921.9
Equipment under lease	2,212.5	-
	18,149.6	11,921.9
Allowance for impairment	(289.5)	(286.7)
	P 17,860.1	P 11,635.2

	2014	
	Leasing	Financing
Receivables	P 10,520.6	P 10,514.3
Residual value of leased assets	4,167.9	-
Unearned income	(1,118.1)	(75.4)
Client's equity	-	(36.5)
	13,570.4	10,402.4
Equipment under lease	2,008.3	-
	15,578.7	10,402.4
Allowance for impairment	(246.9)	(246.8)
	P 15,331.8	P 10,155.6

Bills payable, including payable to BDO Unibank amounting to P3,250.2 and P4,387.2 as of December 31, 2015 and 2014, respectively, is allocated between the leasing and financing segments based on the carrying amounts of receivables of these segments. Deposits on lease amounting to P4,982.6 and P4,193.9 as of December 31, 2015 and 2014, respectively, are included in the leasing segment.

5. RISK MANAGEMENT

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

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

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

5.01 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 a portion of the Group's leasing and financing portfolio, cash and cash equivalents and lease deposits which are denominated in United States (U.S.) dollars.

The Group's and Parent Company's foreign-currency denominated financial assets and liabilities translated into Philippine pesos at the closing rate at December 31, 2015 and 2014 are as follows:

	2015		2014	
Cash and cash equivalents	P	10.7	P	53.9
Loans and other receivables		39.6		756.2
Bills payable	(	22.6)	(	767.5)
Lease deposits	(	17.5)	(	32.3)
	P	10.2	P	10.3

At December 31, 2015 and 2014, the currency exchange rates used to translate U.S. dollar denominated financial assets and financial liabilities to the Philippine pesos is approximately P47.1 and P44.7, 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 +/-24.1% change and +/-27.8% change of the Philippine peso/U.S. dollar exchange rate at December 31, 2015 and 2014, respectively. These percentages have been determined based on the average market volatility in exchange rates in the previous 12 months at a 99% confidence level. The sensitivity analysis is based on the Group's foreign currency financial instruments held at the end of each reporting period.

	2015		2014	
	Depreciation of Peso	Appreciation of Peso	Depreciation of Peso	Appreciation of Peso
Profit before tax	P 2.5	(P 2.5)	P 2.9	(P 2.9)
Equity	1.8	(1.8)	2.0	(2.0)

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency denominated transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

5.02 Interest Rate Risk

At December 31, 2015 and 2014, 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 financial 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 table below and in the succeeding page illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates for bills payable of +/-0.3% at December 31, 2015 and +/-0.4% at December 31, 2014 and variable rate loans and other receivables of +/-0.8% at December 31, 2015 and +/-2.4% at December 31, 2014. These changes are considered to be reasonably possible based on observation of current market conditions for the past 12 months at a 99% confidence level. The calculations are based on the Group's and Parent Company's financial instruments held at the end of each reporting period. All other variables are held constant.

	2015	
	Increase in Interest Rate	Decrease in Interest Rate
Loans and other receivables	+0.8%	-0.8%
Bills payable	+0.3%	-0.3%
Group		
Increase (decrease) in:		
Profit before tax	P 0.8	(P 0.8)
Equity	0.6	(0.6)
Parent Company		
Increase (decrease) in:		
Profit before tax	P 0.1	(P 0.1)
Equity	0.0	(0.0)

	2014	
	Increase in Interest Rate	Decrease in Interest Rate
Loans and other receivables	+2.4%	-2.4%
Bills payable	+0.4%	-0.4%
Group		
Increase (decrease) in:		
Profit before tax	P 3.4	(P 3.4)
Equity	2.4	(2.4)
Parent Company		
Increase (decrease) in:		
Profit before tax	P 1.6	(P 1.6)
Equity	1.1	(1.1)

5.03 Credit Risk

Credit risk is the risk that one party to a financial instrument may 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:

	2015			2014		
	Cash and Cash Equivalents	Loans and Other Receivables	AFS Financial Assets	Cash and Cash Equivalents	Loans and Other Receivables	AFS Financial Assets
Group						
Concentration by sector:						
Financial intermediaries	P 332.3	P 1,391.6	P -	P 417.7	P 805.7	P -
Manufacturing	-	3,929.4	-	-	3,475.0	-
Transportation, communication and energy	-	4,804.0	-	-	4,611.2	-
Wholesale and retail trade and personal activities	-	3,233.1	-	-	2,576.7	-
Real estate, renting and business activities	-	6,420.8	1,392.3	-	6,225.8	246.0
Agriculture, fishing and forestry	-	109.0	-	-	108.1	-
Other community, social and personal activities	-	7,575.4	-	-	5,844.1	-
	P 332.3	P 27,463.3	P 1,392.3	P 417.7	P 23,646.6	P 246.0
Parent Company						
Concentration by sector:						
Financial intermediaries	P 301.6	P 1,391.6	P -	P 360.3	P 805.7	P -
Manufacturing	-	3,929.4	-	-	3,475.0	-
Transportation, communication and energy	-	4,804.0	-	-	4,611.2	-
Wholesale and retail trade and personal activities	-	3,233.1	-	-	2,576,7	-
Real estate, renting and business activities	-	6,420.8	1,392.3	-	6,225.8	246.0
Agriculture, fishing and forestry	-	109.0	-	-	108.1	-
Other community, social and personal activities	-	7,571.8	-	-	5,870.0	-
	P 301.6	P 27,459.7	P 1,392.3	P 360.3	P 23,672.5	P 246.0

Loan classification and credit risk rating are an integral part of the Group's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

The Group's definition of its loan classification and corresponding credit risk ratings are described below.

- Current/Unclassified : Grades AAA to B
- Watchlisted : Grade B
- Loans Especially Mentioned : Grade C
- Substandard : Grade D
- Doubtful : Grade E
- Loss : Grade F

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(i) Unclassified

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans as to be defined below. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(ii) Watchlisted

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(iii) Adversely Classified

a. *Loans Especially Mentioned (LEM)*

Accounts classified as LEM are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to the Group.

A credit may also be classified as "LEM" if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

b. *Substandard*

Accounts classified as "Substandard" are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to the Group because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to the Group unless given closer supervision. Those classified as "Substandard" must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

c. *Doubtful*

Accounts classified as "Doubtful" are individual credits or portions thereof which have the weaknesses inherent in those classified as "Substandard", with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

d. *Loss*

Accounts classified as "Loss" are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

In addition to the above, credit portfolio review is another integral part of the Group's management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by the Group using internal credit ratings.

The following table shows the exposure to credit risk as of December 31, 2015 and 2014 for each internal risk grade and the related allowance for impairment for loans and other receivables:

	Group		Parent	
	2015	2014	2015	2014
Carrying Amount	P 27,463.3	P 23,646.6	P 27,459.7	P 23,672.5
Individually impaired:				
Grade C: LEM	P 85.1	P 50.5	P 85.1	P 50.5
Grade D: Substandard	205.2	285.0	205.2	285.0
Grade E: Doubtful	210.1	183.3	210.1	183.3
Grade F: Loss	144.3	154.8	144.3	154.8
Gross amount	644.7	673.6	644.7	673.6
Allowance for impairment	(580.1)	(496.8)	(580.1)	(496.8)
Carrying amount	64.6	176.8	64.6	176.8
Past due but not impaired:				
Aging of past due				
30-60 days	5.3	-	5.3	-
61-90 days	0.7	-	0.7	-
91-180 days	12.3	24.1	12.3	24.1
More than 180 days	70.2	6.4	70.2	6.4
Carrying amount	88.5	30.5	88.5	30.5
Neither past due nor impaired				
Grade B: Watchlisted	-	259.9	-	259.9
Unclassified	27,310.2	23,179.4	27,306.6	23,205.3
Carrying amount	27,310.2	23,439.3	27,306.6	23,465.2
Total carrying amount	P 27,463.3	P 23,646.6	P 27,459.7	P 23,672.5

The credit risk for cash and cash equivalents and debt securities presented under AFS financial assets is considered negligible, since the counterparties are reputable institutions with high quality external credit ratings.

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.

An estimate of the fair value of collateral and other security enhancements held against loans and other receivables that are not impaired as of December 31, 2015 and 2014 is shown below.

		2015		2014
Against neither past due nor impaired:				
Real property	P	6,276.1	P	2,253.8
Personal property		32,666.0		21,412.4
	P	38,942.1	P	23,666.2

An estimate of the fair value of collateral and other security enhancements held against loans and other receivables that are impaired as of December 31, 2015 and 2014 is shown below.

		2015		2014
Real property	P	29.7	P	2.4
Personal property		825.7		1,207.9
	P	855.4	P	1,210.3

The fair value of these collaterals somehow mitigates the credit risk to which the Group is exposed to.

The Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place. Aside from the foregoing, there are no other credit enhancements on the Group's financial assets held as of December 31, 2015 and 2014.

5.04 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). On December 12, 2013, the SEC granted the Group a license to issue P15.0 billion STCPs. In 2014, the Group obtained license from the SEC to issue additional P25.0 billion STCPs. In 2015, the Group renewed its license to issue the P40.0 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, 2015 and 2014 analyzed according to when these are expected to be recovered or settled.

	One to Three Months	Three Months to One Year	One to Three Years	More than Three Years	Total
2015					
Group					
Financial assets					
Cash and cash equivalents	P 332.3	P -	P -	P -	P 332.3
Available-for-sale financial assets	2,161.6	-	248.8	1,129.8	3,540.2
Loans and other receivables	4,310.6	6,727.8	11,848.2	4,576.7	27,463.3
	P 6,804.5	P 6,727.8	P 12,097.0	P 5,706.5	P 31,335.8
Financial liabilities					
Bills payable	P 22,508.4	P 474.3	P 906.9	P -	P 23,889.6
Accounts payable and other liabilities	280.6	-	-	-	280.6
Lease deposits	419.4	983.6	2,562.5	1,017.1	4,982.6
	P 23,208.4	P 1,457.9	P 3,469.4	P 1,017.1	P 29,152.8
Parent Company					
Financial assets					
Cash and cash equivalents	P 301.6	P -	P -	P -	P 301.6
Available-for-sale financial assets	2,161.6	-	248.8	1,129.8	3,540.2
Loans and other receivables	4,306.9	6,727.8	11,848.2	4,576.8	27,459.7
	P 6,770.1	P 6,727.8	P 12,097.0	P 5,706.6	P 31,301.5
Financial liabilities					
Bills payable	P 20,550.9	P 461.2	P 906.9	P -	P 21,919.0
Accounts payable and other liabilities	189.3	-	-	-	189.3
Lease deposits	410.1	969.8	2,541.3	1,004.8	4,926.0
	P 21,150.3	P 1,431.0	P 3,448.2	P 1,004.8	P 27,034.3

		One to Three Months		Three Months to One Year		One to Three Years		More than Three Years		Total
2014										
Group										
Financial assets										
Cash and cash equivalents	P	417.7	P	-	P	-	P	-	P	417.7
Available-for-sale financial assets		2,373.3		-		-		-		2,373.3
Loans and other receivables		2,581.4		5,505.7		9,751.8		5,807.7		23,646.6
	P	5,372.4	P	5,505.7	P	9,751.8	P	5,807.7	P	26,437.6
Financial liabilities										
Bills payable	P	18,058.3	P	981.9	P	612.8	P	-	P	19,653.0
Accounts payable and other liabilities		272.8		-		-		-		272.8
Lease deposits		415.7		854.9		2,083.1		840.2		4,193.9
	P	18,746.8	P	1,836.8	P	2,695.9	P	840.2	P	24,119.7
Parent Company										
Financial assets										
Cash and cash equivalents	P	360.3	P	-	P	-	P	-	P	360.3
Available-for-sale financial assets		2,373.3		-		-		-		2,373.3
Loans and other receivables		2,607.3		5,505.7		9,751.8		5,807.7		23,672.5
	P	5,340.9	P	5,505.7	P	9,751.8	P	5,807.7	P	26,406.1
Financial liabilities										
Bills payable	P	16,768.4	P	611.8	P	612.8	P	-	P	17,993.0
Accounts payable and other liabilities		202.3		-		-		-		202.3
Lease deposits		405.5		829.9		2,075.3		838.2		4,148.9
	P	17,376.2	P	1,441.7	P	2,688.1	P	838.2	P	22,344.2

The Group and the Parent Company's maturing financial liabilities within the one to three month period pertain mostly to bills payable due to various private entities. 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.

5.05 Price Risk

The Group is exposed to the changes in the market values of AFS financial assets held as of December 31, 2015 and 2014. The Group manages its risk by identifying, analyzing and measuring relevant or likely market price risks. To manage its price risk arising from its AFS financial assets, the Group does not concentrate its investment in any single counterparty.

If the prices of AFS financial assets changed by +/-4.0% in 2015, then other comprehensive income would have increased/decreased by P141.7. If the prices of AFS financial assets changed by +/-2.9% in 2014, then other comprehensive income would have increased/decreased by P69.5. The analysis is based on the assumption on the change of the correlated equity indices, with all other variables held constant.

6. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

6.01 Carrying Amounts and Fair Values by Category

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

	2015			
	Group		Parent	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 332.3	P 332.3	P 301.6	P 301.6
Loans and other receivables	27,463.3	27,421.1	27,459.7	27,417.5
	27,795.6	27,753.4	27,761.3	27,719.1
AFS financial assets	3,540.2	3,540.2	3,540.2	3,540.2
	P 31,335.8	P 31,293.6	P 31,301.5	P 31,259.3
Financial Liabilities				
At amortized cost:				
Bills payable	P 23,889.6	P 23,779.7	P 21,919.0	P 21,818.4
Accounts payable and other liabilities	280.6	280.6	189.3	189.3
Lease deposits	4,982.6	4,982.6	4,926.0	4,926.0
	P 29,152.8	P 29,042.9	P 27,034.3	P 26,933.7

	2014			
	Group		Parent	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	P 417.7	P 417.7	P 360.3	P 360.3
Loans and other receivables	23,646.6	23,380.7	23,672.5	23,406.6
	24,064.3	23,798.4	24,032.8	23,766.9
AFS financial assets	2,373.3	2,373.3	2,373.3	2,373.3
	P 26,437.6	P 26,171.7	P 26,406.1	P 26,140.2

	2014							
	Group				Parent			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
Financial Liabilities								
At amortized cost:								
Bills payable	P	19,653.0	P	19,604.7	P	17,993.0	P	17,955.0
Accounts payable and other liabilities		272.8		272.8		202.3		202.3
Lease deposits		4,193.9		4,193.9		4,148.9		4,148.9
	P	24,119.7	P	24,071.4	P	22,334.2	P	22,306.2

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

(i) Cash and cash equivalents

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

(ii) AFS financial assets

The fair value of available-for-sale financial assets 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.

6.02 Fair Value Measurement and Disclosures

6.02.01 Fair Value Hierarchy

In accordance with PFRS 13, the fair value of financial assets and financial liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

For investments which do not have quoted market price, the fair value is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

6.02.02 Financial Instrument Measured at Fair Value

The table below shows the fair value hierarchy of the Group and Parent Company's class of financial assets measured at fair value in the statements of financial position on a recurring basis as of December 31, 2015 and 2014.

	Note	Level 1	Level 2	Level 3	Total
December 31, 2015					
AFS financial assets:					
Equity securities - quoted	8	P 2,147.9	P -	P -	P 2,147.9
Debt securities		1,392.3	-	-	1,392.3
		P 3,540.2	P -	P -	P 3,540.2
December 31, 2014					
AFS financial assets:					
Equity securities - quoted	8	P 2,127.3	P -	P -	P 2,127.3
Debt securities		246.0	-	-	246.0
		P 2,373.3	P -	P -	P 2,373.3

The Group and the Parent Company has no financial liabilities measured at fair value as of December 31, 2015 and 2014.

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

6.02.03 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below summarizes the fair value hierarchy of the Group and the Parent Company's financial assets and financial liabilities which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

Group

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial assets:					
Cash and cash equivalents	7	P 332.3	P -	P -	P 332.3
Loans and other receivables	9	-	-	27,421.1	27,421.1
		P 332.3	P -	P 27,421.1	P 27,753.4
Financial liabilities:					
Bills payable	13	P -	P -	P 23,779.7	P 23,779.7
Accounts payable and other liabilities	14	-	-	280.6	280.6
Lease deposits	15	-	-	4,982.6	4,982.6
		P -	P -	P 29,042.9	P 29,042.9

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2014					
Financial assets:					
Cash and cash equivalents	7	P 417.7	P -	P -	P 417.7
Loans and other receivables	9	-	-	23,380.7	23,380.7
		P 417.7	P -	P 23,380.7	P 23,798.4
Financial liabilities:					
Bills payable	13	P -	P -	P 19,604.7	P 19,604.7
Accounts payable and other liabilities	14	-	-	272.8	272.8
Lease deposits	15	-	-	4,193.9	4,193.9
		P -	P -	P 24,071.4	P 24,071.4

Parent Company

	Notes	Level 1	Level 2	Level 3	Total
December 31, 2015					
Financial assets:					
Cash and cash equivalents	7	**P 301.6**	**P -**	**P -**	**P 301.6**
Loans and other receivables	9	**-**	**-**	**27,417.5**	**27,417.5**
		P 301.6	**P -**	**P 27,417.5**	**P 27,719.1**
Financial liabilities:					
Bills payable	13	**P -**	**P -**	**P 21,818.4**	**P 21,818.4**
Accounts payable and other liabilities	14	**-**	**-**	**189.3**	**189.3**
Lease deposits	15	**-**	**-**	**4,926.0**	**4,926.0**
		P -	**P -**	**P 26,933.7**	**P 26,933.7**
December 31, 2014					
Financial assets:					
Cash and cash equivalents	7	P 360.3	P -	P -	P 360.3
Loans and other receivables	9	-	-	23,406.6	23,406.6
		P 360.3	P -	P 23,406.6	P 23,766.9
Financial liabilities:					
Bills payable	13	P -	P -	P 17,955.0	P 17,955.0
Accounts payable and other liabilities	14	-	-	202.3	202.3
Lease deposits	15	-	-	4,148.9	4,148.9
		P -	P -	P 22,306.2	P 22,306.2

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

Summarized below are the information on how the fair values of the Group's financial assets and financial liabilities are determined.

(a) Financial instruments in Level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. In 2015 and 2014, the Group acquired fixed rate corporate bonds classified as AFS financial asset and are carried at Level 1. As of December 31, 2015 and 2014, the Group also holds preferred shares which are listed in the PSE and are classified as AFS financial assets and are also are carried at Level 1. The quoted market prices used by the Group are the closing share prices of the said preferred shares in the PSE as of the reporting period.

(b) Financial instruments in Level 2

The fair value of financial instruments not traded in an active market is determined by using valuation techniques or by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment. When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Currently, the Group has no financial instruments carried under Level 2.

(c) Financial instruments in Level 3

The Group classifies financial instruments that have no quoted prices or observable market data where reference of fair value can be derived; hence, fair value is determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values.

6.02.04 Fair Value Measurement for Non-Financial Assets

Details of the Group and Parent Company's investment properties and the information about the fair value hierarchy as of December 31 are shown below.

Group

	2015			
	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 652.7	P 652.7
Building and improvements	-	-	69.4	69.4
	P -	P -	P 722.1	P 722.1

	2014			
	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 503.9	P 503.9
Building and improvements	-	-	71.6	71.6
	P -	P -	P 575.5	P 575.5

Parent Company

	2015			
	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 450.2	P 450.2
Building and improvements	-	-	69.4	69.4
	P -	P -	P 519.6	P 519.6

	2014			
	Level 1	Level 2	Level 3	Total
Land	P -	P -	P 503.9	P 503.9
Building and improvements	-	-	71.6	71.6
	P -	P -	P 575.5	P 575.5

The fair value of the investment properties of the Group and the Parent Company as of December 31, 2015 and 2014, determined under Level 3 measurement, was derived on the basis of a valuation carried out on the respective dates by either an independent or internal appraiser having appropriate qualifications and recent experience in the valuation of properties in the relevant locations. The fair value of investment properties was derived using the market approach that reflects the recent transaction prices for similar properties in nearby locations, adjusted for differences in property size, age, condition, and location. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

There has been no change to the valuation technique during the year and there were no transfers between Levels 1 and 2 during the year.

7. CASH AND CASH EQUIVALENTS

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

	Group				Parent Company			
	2015		2014		2015		2014	
Cash on hand and in banks	P	323.8	P	393.8	P	293.1	P	336.3
Cash equivalents		8.5		23.9		8.5		24.0
	P	332.3	P	417.7	P	301.6	P	360.3

Cash in banks earn interest at rates based on daily bank deposit rates. Cash equivalents represent a special savings account and time deposit with average maturity of 30 to 90 days and annual interest rates ranging from 0.3% to 1.5% in 2015 and 0.3% to 1.9% in 2014.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

	2015		2014	
San Miguel Corporation preferred shares (SMC Shares)	P	**1,246.0**	P	1,270.0
First Gen Corp. Series "F" preferred shares (First Gen Shares)		**680.0**		700.0
8990 Holdings Inc. fixed rate bonds (8990 Holdings Bonds)		**937.2**		-
Century Properties Group, Inc. fixed rate bonds (Century Bonds)		**250.0**		250.0
Sta. Lucia Land Inc. fixed rate bonds (Sta. Lucia Bonds)		**200.0**		-
Club shares and other equity investments		**0.8**		0.8
		3,314.0		2,220.8
Accumulated unrealized fair value gains		**212.5**		151.2
Accrued interest receivable		**13.7**		1.3
	P	**3,540.2**	P	2,373.3

A reconciliation of the carrying amounts of AFS financial assets is as follows:

		2015		2014
Balance at the beginning of year	P	**2,373.3**	P	2,093.5
Additions		**1,137.2**		250.0
Disposals	(	**43.9)**		-
Accrued interest receivable		**12.3**		1.3
Fair value gains – net		**61.3**		28.5
Balance at end of year	**P**	**3,540.2**	P	2,373.3

In July 2015, the Group acquired P937.2 fixed rate 8990 Holdings Bonds carrying a fixed rate of 6.2% and a term of five years and three months. In December of the same year, the Group acquired P200.0 fixed rate Sta. Lucia Bonds carrying a fixed rate of 6.7% and a term of five years and three months. In September 2014, the Group acquired P250.0 fixed rate Century Bonds. Century Bonds carry a fixed rate of 6.0% per annum and a term of three years.

The First Gen Shares carry a dividend rate of 8.0% per annum and are cumulative, non-voting, non-participating and non-convertible. SMC Shares also bear an annual dividend rate of 8.0%.

Club shares and other equity investments consist of golf and country club shares of stock.

Dividend income earned from available-for-sale financial assets are recorded under Other Income account in the statements of income (see Note 17).

The Group and the Parent Company recognized fair value gains of P61.3, P28.5 and P71.5 in 2015, 2014 and 2013, respectively, recorded as part of items that will be reclassified subsequently to profit or loss in the statements of comprehensive income.

The fair values of AFS financial assets have been determined based on quoted prices in active markets (see Note 6).

The Group and the Parent Company recognized a gain on disposal of AFS financial assets amounting to P4.6 in 2015 (nil in 2014 and 2013) which is recorded as part of Miscellaneous under Other Income (see Note 17).

Certain AFS financial assets with face amount of P1,970.0 as of December 31, 2015 and 2014 were used as collateral to secure the payment of certain bills payable (see Note 13).

9. LOANS AND OTHER RECEIVABLES

This account consists of the following:

	Group		Parent Company	
	2015	2014	2015	2014
Receivables from customers:				
Finance lease receivables	P 12,144.5	P 10,520.6	P 12,144.5	P 10,520.6
Residual value of leased assets	4,974.0	4,167.9	4,974.0	4,167.9
Unearned leased income	(1,181.4)	(1,118.1)	(1,181.4)	(1,118.1)
	15,937.1	13,570.4	15,937.1	13,570.4
Loans and receivables financed	12,027.9	10,514.3	12,027.9	10,514.3
Unearned finance income	(67.9)	(75.4)	(67.9)	(75.4)
Client's equity	(38.1)	(36.5)	(38.1)	(36.5)
	11,921.9	10,402.4	11,921.9	10,402.4
Other receivables:				
Accrued interest receivable	93.5	113.5	93.5	113.5
Dividends receivable	26.3	26.6	26.3	55.0
Sales contract receivable	25.5	16.1	25.5	16.1
Accounts receivable	35.6	11.9	35.5	11.9
Accrued rental receivable	3.5	2.5	-	-
	184.4	170.6	180.8	196.5
Total	28,043.4	24,143.4	28,039.8	24,169.3
Allowance for impairment	(580.1)	(496.8)	(580.1)	(496.8)
	P 27,463.3	P 23,646.6	P 27,459.7	P 23,672.5

As of December 31, 2015 and 2014, 62.3% and 47.0%, 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 4.0% to 19.6% in 2015 and 4.3% to 28.0% in 2014.

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

	Group		Parent Company	
	2015	2014	2015	2014
Secured				
Chattel mortgage	P 17,716.8	P 14,704.1	P 17,716.8	P 14,704.1
Real estate mortgage	1,231.3	920.2	1,231.3	920.2
Others	201.9	5,406.3	201.9	5,406.3
	19,150.0	21,030.6	19,150.0	21,030.6
Unsecured	8,313.3	2,616.0	8,309.7	2,641.9
	P 27,463.3	P 23,646.6	P 27,459.7	P 23,672.5

An analysis of the Group's and Parent Company's finance lease receivables as of December 31, 2015 and 2014 is shown below.

	2015	2014
Maturity of gross investment in:		
Finance lease receivables		
Within one year	P 1,223.0	P 1,130.5
Beyond one year but not beyond five years	10,732.1	9,390.1
Beyond five years	189.4	-
	12,144.5	10,520.6
Residual value of leased assets		
Within one year	1,388.0	1,242.2
Beyond one year but not beyond five years	3,538.7	2,925.7
Beyond five years	47.3	-
	4,974.0	4,167.9
Gross finance lease receivables	17,118.5	14,688.5
Unearned lease income	(1,181.4)	(1,118.1)
Net investment in finance lease receivables	P 15,937.1	P 13,570.4

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

	2015	2014
Due within one year	P 2,543.0	P 2,308.4
Due beyond one year but not beyond five years	13,184.9	11,262.0
Beyond five years	209.2	-
	P 15,937.1	P 13,570.4

Past due finance lease receivables amount to P321.4 and P343.6 as of December 31, 2015 and 2014, respectively.

Past due loans and receivables financed amount to P146.2 and P107.0 as of December 31, 2015 and 2014, respectively.

Interest and discounts in the statements of income consist of interest on:

	Group		
	2015	2014	2013
Finance lease receivables	P 802.8	P 761.1	P 661.6
Loans and receivable financed	723.3	686.9	634.8
AFS financial assets	42.0	-	-
Interest on defined benefit plan	2.8	2.3	0.9
Cash and cash equivalents	0.7	0.6	0.5
	P 1,571.6	P 1,450.9	P 1,297.8

	Parent Company		
	2015	2014	2013
Finance lease receivables	P 802.8	P 761.1	P 661.6
Loans and receivables financed	723.2	686.9	634.8
AFS financial assets	42.0	-	-
Interest on defined benefit plan	2.8	2.3	0.9
Cash and cash equivalents	0.6	0.4	0.4
	P 1,571.4	P 1,450.7	P 1,297.7

Interest income recognized on impaired loans and receivables amounted to P2.7 in 2015, P5.5 in 2014 and P5.4 in 2013.

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

	2015	2014	2013
Balance at beginning of year	P 496.8	P 396.8	P 311.5
Impairment losses during the year	83.3	100.0	86.0
Reclassification	-	-	(0.7)
Balance at end of year	P 580.1	P 496.8	P 396.8

Certain loans and receivables with carrying amount of P1,847.0 and P817.0 as of December 31, 2015 and 2014, respectively, were used as collateral to secure the payment of certain bills payable (see Note 13).

10. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2015 and 2014 are shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improvements	Total
Group				
December 31, 2015				
Cost	P 3,512.1	P 36.5	P 20.0	P 3,568.6
Accumulated depreciation and amortization	(1,299.6)	(28.8)	(18.5)	(1,346.9)
Net carrying amount	P 2,212.5	P 7.7	P 1.5	P 2,221.7
December 31, 2014				
Cost	P 2,860.4	P 30.4	P 18.2	P 2,909.0
Accumulated depreciation and amortization	(852.1)	(26.9)	(17.4)	(896.4)
Net carrying amount	P 2,008.3	P 3.5	P 0.8	P 2,012.6
January 1, 2014				
Cost	P 2,028.8	P 30.6	P 26.2	P 2,085.6
Accumulated depreciation and amortization	(612.1)	(25.3)	(24.0)	(661.4)
Net carrying amount	P 1,416.7	P 5.3	P 2.2	P 1,424.2
Parent Company				
December 31, 2015				
Cost	P -	P 36.5	P 20.0	P 56.5
Accumulated depreciation and amortization	-	(28.8)	(18.5)	(47.3)
Net carrying amount	P -	P 7.7	P 1.5	P 9.2
December 31, 2014				
Cost	P -	P 30.4	P 18.2	P 48.6
Accumulated depreciation and amortization	-	(26.9)	(17.4)	(44.3)
Net carrying amount	P -	P 3.5	P 0.8	P 4.3
January 1, 2014				
Cost	P -	P 30.6	P 26.2	P 56.8
Accumulated depreciation and amortization	-	(25.3)	(24.0)	(49.3)
Net carrying amount	P -	P 5.3	P 2.2	P 7.5

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2015 and 2014 is shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improvements	Total
Group				
Balance at January 1, 2015, net of accumulated depreciation and amortization	P 2,008.3	P 3.5	P 0.8	P 2,012.6
Additions	907.9	12.9	1.8	922.6
Disposals - net	(48.3)	(4.2)	-	(52.5)
Reclassifications	(8.0)	-	-	(8.0)
Depreciation and amortization charges for the year	(647.4)	(4.5)	(1.1)	(653.0)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P 2,212.5	P 7.7	P 1.5	P 2,221.7
Balance at January 1, 2014, net of accumulated depreciation and amortization	P 1,416.7	P 5.3	P 2.2	P 1,424.2
Additions	1,176.5	1.3	0.5	1,178.3
Disposals - net	(107.2)	-	-	(107.2)
Depreciation and amortization charges for the year	(477.7)	(3.1)	(1.9)	(482.7)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P 2,008.3	P 3.5	P 0.8	P 2,012.6
Parent Company				
Balance at January 1, 2015, net of accumulated depreciation and amortization	P -	P 3.5	P 0.8	P 4.3
Additions	-	12.9	1.8	14.7
Disposals	-	(4.2)	-	(4.2)
Depreciation and amortization charges for the year	-	(4.5)	(1.1)	(5.6)
Balance at December 31, 2015, net of accumulated depreciation and amortization	P -	P 7.7	P 1.5	P 9.2

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Parent Company				
Balance at January 1, 2014, net of accumulated depreciation and amortization	P -	P 5.3	P 2.2	P 7.5
Additions	-	1.3	0.5	1.8
Depreciation and amortization charges for the year	-	(3.1)	(1.9)	(5.0)
Balance at December 31, 2014, net of accumulated depreciation and amortization	P -	P 3.5	P 0.8	P 4.3

The cost of fully depreciated assets that are still being used in operations amounts to P95.3 and P3.2 for the Group as of December 31, 2015 and 2014, respectively, and P71.6 and P3.2 for the Parent Company as of December 31, 2015 and 2014, respectively.

Depreciation and amortization charges for 2015 and 2014 are included as part of Occupancy and Equipment-related Expenses account in the statements of income.

As of December 31, 2015 and 2014, the net book value of transportation and other equipment leased out by the Group (nil for the Parent Company) under operating lease arrangements amounts to P2,212.5 and P2,008.3, respectively.

In 2015 and 2014, the Group disposed of certain transportation equipment with carrying value of P52.5 and P107.2, respectively, resulting in a gain on sale of P10.5 and P6.3, respectively (see Note 17).

11. 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 2015 and 2014 are shown below.

	Land	Building and Improvements	Total
Group			
December 31, 2015			
Cost	P 467.6	P 78.5	P 546.1
Accumulated depreciation	-	(63.2)	(63.2)
Accumulated impairment	(44.8)	-	(44.8)
Net carrying amount	P 422.8	P 15.3	P 438.1

	Land		Building and Improvements		Total
Group					
December 31, 2014					
Cost	P	358.0	P 82.3	P	440.3
Accumulated depreciation		-	(62.7)	(	62.7)
Accumulated impairment	(	57.0)	-	(	57.0)
Net carrying amount	P	301.0	P 19.6	P	320.6
January 1, 2014					
Cost	P	175.0	P 46.2	P	221.2
Accumulated depreciation		-	(25.8)	(	25.8)
Accumulated impairment	(	49.7)	-	(	49.7)
Net carrying amount	P	125.3	P 20.4	P	145.7
Parent Company					
December 31, 2015					
Cost	P	241.5	P 78.5	P	320.0
Accumulated depreciation		-	(63.2)	(	63.2)
Accumulated impairment	(	44.8)	-	(	44.8)
Net carrying amount	**P**	**196.7**	**P 15.3**	**P**	**212.0**
December 31, 2014					
Cost	P	358.0	P 82.3	P	440.3
Accumulated depreciation		-	(62.7)	(	62.7)
Accumulated impairment	(	57.0)	-	(	57.0)
Net carrying amount	P	301.0	P 19.6	P	320.6
January 1, 2014					
Cost	P	175.0	P 46.2	P	221.2
Accumulated depreciation		-	(25.8)	(	25.8)
Accumulated impairment	(	49.7)	-	(	49.7)
Net carrying amount	P	125.3	P 20.4	P	145.7

A reconciliation of the carrying amounts at the beginning and end of 2015 and 2014 of investment properties is shown below.

	Land		Building and Improvements		Total
Group					
Balance at January 1, 2015, net of accumulated depreciation and impairment	P	301.0	P 19.6	P	320.6
Additions		227.3	-		227.3
Disposals	(	117.5)	(0.2)	(	117.7)
Reclassifications		9.0	-		9.0
Reversal of impairment losses		3.0	-		3.0
Depreciation and amortization charges for the year		-	(4.1)	(	4.1)
Balance at December 31, 2015, net of accumulated depreciation and impairment	**P**	**422.8**	**P 15.3**	**P**	**438.1**

	Land	Building and Improvements	Total
Group			
Balance at January 1, 2014, net of accumulated depreciation and impairment	P 125.3	P 20.4	P 145.7
Additions	4.0	1.0	5.0
Disposals	(8.3)	(9.3)	(17.6)
Reclassifications	180.0	24.3	204.3
Depreciation and amortization charges for the year	-	(16.8)	(16.8)
Balance at December 31, 2014, net of accumulated depreciation and impairment	P 301.0	P 19.6	P 320.6
Parent Company			
Balance at January 1, 2015, net of accumulated depreciation and impairment	P 301.0	P 19.6	P 320.6
Additions	1.2	-	1.2
Disposals	(117.5)	(0.2)	(117.7)
Reclassifications	9.0	-	9.0
Reversal of impairment losses	3.0	-	3.0
Depreciation and amortization charges for the year	-	(4.1)	(4.1)
Balance at December 31, 2015, net of accumulated depreciation and impairment	**P 196.7**	**P 15.3**	**P 212.0**
Balance at January 1, 2014, net of accumulated depreciation and impairment	P 125.3	P 20.4	P 145.7
Additions	4.0	1.0	5.0
Disposals	(8.3)	(9.3)	(17.6)
Reclassifications	180.0	24.3	204.3
Depreciation and amortization charges for the year	-	(16.8)	(16.8)
Balance at December 31, 2014, net of accumulated depreciation and impairment	P 301.0	P 19.6	P 320.6

The appraised values of the investment properties as of December 31, 2015 and 2014 follow:

	2015	2014
Group		
Land	**P 652.7**	P 503.9
Building and improvements	**69.4**	71.6
	P 722.1	P 575.5

	2015		2014	
Parent Company				
Land	P	450.2	P	503.9
Building and improvements		69.4		71.6
	P	519.6	P	575.5

Fair values have been determined based on valuations made by independent and/or in-house appraisers, which are the market value for land and building and related improvements and reproduction cost for certain building and improvements. Valuations were derived on the basis of recent sales of similar properties in the same area as the investment properties and taking into account the economic conditions prevailing at the time the valuations were made. In addition, there are certain significant assumptions that are considered in the valuation of these properties, based on the following: (a) extent, character and utility of the properties; (b) sales or listing of prices for similar properties; (c) highest and best use of the property; and (d) accumulated depreciation for depreciable properties. Internal appraisals were made for all properties with book value of P5 or less, while external appraisals were made for all properties with book value exceeding P5.

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

Depreciation and amortization charges for 2015 and 2014 are included as part of Occupancy and Equipment-related Expenses account in the statements of income. Impairment losses recognized on investment properties amounted to P7.0 in 2013 and are included as part of Impairment and Credit Losses account in the 2013 statement of income.

Gain on sale of investment properties of the Parent Company, recorded as Gain on sale of property and equipment and investment properties as part of Other Income, amounted to P6.4, P19.4 and P4.7 in 2015, 2014 and 2013, respectively (see Note 17).

12. OTHER ASSETS

Other assets consist of the following:

		Group				Parent Company			
	Note	2015		2014		2015		2014	
Deferred input VAT		P	260.6	P	235.4	P	-	P	-
Prepaid expenses			102.2		102.0		29.3		29.5
Retirement benefit asset	19		60.1		56.2		60.1		56.2
Intangible asset - net			50.9		-		50.9		-
Repossessed chattels and other equipment - net			8.0		-		-		-
Non-current assets held-for-sale - net			4.2		11.8		4.2		11.8
Advances to supplier			-		59.6		-		59.6
Investment in a subsidiary			-		-		359.4		312.5
Miscellaneous - net			36.0		14.1		11.9		8.2
		P	522.0	P	479.1	P	515.8	P	477.8

Deferred input VAT pertains to the VAT due or paid by the Group on purchases of capital assets for lease in the ordinary course of business wherein the application against the output VAT is amortized over the useful life of the asset or 60 months, whichever is shorter.

Prepaid expenses of the Group include creditable withholding taxes of BDO Rental amounting to P72.8 and P72.0 as of December 31, 2015 and 2014, respectively.

In 2014, advances to supplier pertains to payments for the new leasing system of the Parent Company. In 2015, these were reclassified to intangible asset upon actual use of the system. Consequently, the Parent Company recognized amortization expense amounting to P12.7 included as part of Occupancy and Equipment-related Expenses account in the 2015 statement of income.

In 2015 and 2014, the Group reclassified certain non-current assets held-for-sale to investment properties amounting to P9.0 and P204.3, respectively.

The gross carrying amounts and accumulated impairment losses of non-current assets held-for-sale are shown below.

	2015	2014
Cost	**P 8.4**	P 28.8
Accumulated impairment losses	**(4.2)**	(17.0)
	P 4.2	P 11.8

A reconciliation of the carrying amounts of non-current assets held-for-sale at the beginning and end of 2015 and 2014 is shown below.

	2015	2014
Balance at January 1, net of accumulated impairment losses	**P 11.8**	P 237.4
Additions	**1.4**	3.5
Reclassifications	**(9.0)**	(204.3)
Disposals	**-**	(24.8)
Balance at December 31, net of accumulated impairment losses	**P 4.2**	P 11.8

Impairment losses recognized on non-current assets held-for-sale amounted to P33.0 in 2013 and are included as part of Impairment and Credit Losses account in the 2013 statement of income.

In 2015, repossessed chattels and other equipment of the Group include certain transportation equipment returned to BDO Rental which were reclassified from property and equipment to other assets at year-end. Depreciation expense of P2.4 and impairment losses of P0.1 were recognized in 2015 prior to reclassification. As of December 31, 2014, the Group had no remaining repossessed chattels and other equipment.

Depreciation expense of repossessed chattels and other equipment amounted to P1.3 in 2014 (nil in 2015) and is included as part of Occupancy and Equipment-related Expenses account in the 2014 statement of income. No impairment loss was recognized on repossessed chattels and other equipment in 2015 and 2014.

Investment in a subsidiary represents 100.0% ownership of the Parent Company in BDO Rental. Prior to 2014, investment in BDO Rental consisted of 150 million common shares and 250 million non-voting, cumulative and redeemable preferred shares. In 2014, BDO Rental redeemed 87.5 million preferred shares at P1.00 par value per share or P87.5, while the remaining 162.5 million shares were converted to 100 million common shares. Consequently, as of December 31, 2015 and 2014, the Parent Company holds 250 million common shares of BDO Rental still representing 100.0% ownership. In 2015, the Parent Company made additional investment in BDO Rental representing deposit for future stock subscription as part of BDO Rental's application for the increase in its authorized capital stock with the SEC (see Note 20).

13. BILLS PAYABLE

This account consists of:

	Group		Parent Company	
	2015	2014	**2015**	2014
Borrowings from:				
Banks	**P 11,362.0**	P 7,924.1	**P 9,396.0**	P 6,268.6
Others	**12,486.4**	11,715.9	**12,486.3**	11,715.9
Accrued interest	**41.2**	13.0	**36.7**	8.5
	P 23,889.6	P 19,653.0	**P 21,919.0**	P 17,993.0

Bills payable to banks represent peso borrowings from local banks (including BDO Unibank as of December 31, 2015 and 2014 – see Note 20), with annual interest rates ranging from 2.2% to 3.3% in 2015 and 2.2% to 3.0% in 2014. As of December 31, 2015 and 2014, bills payable – others represent short-term notes issued to individual and corporate investors, with annual interest rates ranging from 2.4% to 2.8% and 2.4% to 2.5% in 2015 and 2014, respectively. These rates approximate prevailing market rates. As of December 31, 2015 and 2014, bills payable amounting to P1,105.5 and P1,123.0, respectively, are secured by the Group's AFS financial assets with face amount of P1,970.0 both as of December 31, 2015 and 2014, and certain loans receivables with carrying value amounting to P1,847.0 as of December 31, 2015 and P817.0 as of December 31, 2014 (see Notes 8 and 9).

Interest and financing charges consist of interest on:

	Note	Group		
		2015	2014	2013
Bills payable - banks		**P 253.2**	P 177.7	P 239.2
Bills payable - others		**311.2**	284.0	175.2
Amortization on lease deposits	15	**6.4**	3.3	4.2
Others		**-**	2.9	-
		P 570.8	P 467.9	P 418.6

	Note	Parent Company		
		2015	2014	2013
Bills payable - banks		**P 203.1**	P 142.0	P 222.6
Bills payable - others		**311.2**	284.0	175.1
Amortization on lease deposits	15	**4.8**	2.1	2.5
Others		**-**	3.0	-
		P 519.1	P 431.1	P 400.2

14. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	Group				Parent Company			
	2015		2014		2015		2014	
Accounts payable	P	168.4	P	218.0	P	77.5	P	155.4
Accrued taxes and other expenses		68.7		46.3		68.6		46.3
Withholding taxes payable		19.9		13.5		18.9		11.8
Other liabilities		111.9		63.0		111.7		53.3
	P	368.9	P	340.8	P	276.7	P	266.8

Other liabilities include, among others, unapplied cash receipts, documentary stamp taxes, and insurance, mortgage and other fees.

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

15. LEASE DEPOSITS

This account represents deposits on:

	Group				Parent Company			
	2015		2014		2015		2014	
Finance leases	P	4,926.0	P	4,148.9	P	4,926.0	P	4,148.9
Operating leases		56.6		45.0		-		-
	P	4,982.6	P	4,193.9	P	4,926.0	P	4,148.9

Interest expense on lease deposits accrued using the effective interest method in the Group's financial statements amounted to P6.4, P3.3 and P4.2 in 2015, 2014 and 2013 respectively, and P4.8, P2.1 and P2.5 in 2015, 2014 and 2013, respectively, in the Parent Company's financial statements (see Note 13). These are included as part of Interest and Financing Charges under Operating Costs and Expenses in the Group and Parent Company's statements of income.

16. EQUITY

16.01 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, 2015 and 2014 are shown below.

	2015	2014
Total equity	**P 5,222.7**	P 4,985.8
Cash and cash equivalents	**(332.3)**	(417.7)
Net capital	**P 4,890.4**	P 4,568.1
Bills payable	**P 23,889.6**	P 19,653.0
Lease deposits	**4,982.6**	4,193.9
Total equity	**5,222.7**	4,985.8
Overall financing	**P 34,094.9**	P 28,832.7
Capital-to-overall financing ratio	**0.14:1**	0.16:1

Under RA No. 8556, the Group is required to maintain the following capital requirements:

- Minimum paid-up capital of P10.0 million; and,
- Additional capital requirements for each branch of P1.0 million for branches established in Metro Manila, P0.5 million for branches established in other classes of cities and P0.25 million for branches established in municipalities.

As of December 31, 2015 and 2014, the Group is in compliance with this minimum paid-up capital requirement.

16.02 Preferred Shares

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 have been issued as of December 31, 2015 and 2014.

16.03 Common Shares

As of December 31, 2015 and 2014, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1.00 per share, 2,162,475,312 common shares, net of treasury shares of 62,693,718, common shares amounting to P2,162.5 are issued and outstanding.

16.04 Retained Earnings

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

On February 26, 2014, the BOD approved the declaration of cash dividends at P0.15 per share amounting to P324.4. The dividends were declared in favor of stockholders of record as of March 13, 2014 and were paid on March 31, 2014.

On April 17, 2013, the BOD approved the declaration of cash dividends at P0.15 per share amounting to P324.4. The dividends were declared in favor of stockholders of record as of May 17, 2013 and were paid on June 13, 2013.

The Group's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting periods.

16.05 Track Record of Registration of Securities

On January 6, 1997, the Parent Company was listed with the PSE with 106,100,000 new additional common shares and 15,120,000 existing common shares with par value of P1.00 per share. The listing was approved by the SEC in May 1996. As of December 31, 2015 and 2014, the Parent Company's number of shares registered totaled 3,400,000,000 with par value of P1.00 per share and closed at a price of P2.00 both in 2015 and 2014. The total number of stockholders is 1,152 and 1,167 as of December 31, 2015 and 2014, respectively.

17. OTHER INCOME

This account is composed of the following:

		Group		
	Notes	**2015**	2014	2013
Dividend income	8	**P 154.3**	P 155.2	P 155.2
Day one gains – net		**18.4**	1.1	4.0
Gain on sale of property and equipment and investment properties	10, 11	**16.9**	25.7	24.5
Miscellaneous	8, 20	**37.9**	27.6	40.6
		P 227.5	P 209.6	P 224.3

		Parent Company		
	Notes	2015	2014	2013
Dividend income	8	P 154.3	P 199.0	P 155.2
Gain on sale of property and equipment and investment properties	10, 11	6.4	19.4	4.7
Day one gains – net		0.6	0.1	1.6
Miscellaneous	8, 10, 20	25.5	21.8	35.9
		P 186.8	P 240.3	P 197.4

Dividend income pertains to income earned for investments in SMC Shares and First Gen Shares (see Note 8). Dividend Income on Parent Company's 2014 statement of income also includes cash dividends declared by BDO Rental amounting to P43.8.

Day one gains – 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 day one losses on initial recognition of the residual value receivables under finance lease.

18. 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 12 months to 15 years. Operating lease income, presented under Rent account in the Group's statements of income for the years ended December 31, 2015, 2014 and 2013, amounted to P807.1, P613.1 and P380.8, respectively.

Future minimum rental receivables under operating leases follow:

	2015	2014	2013
Within one year	P 209.1	P 97.7	P 91.7
After one year but not more than five years	1,354.7	1,421.8	890.0
More than five years	112.8	-	-
	P 1,676.6	P 1,519.5	P 981.7

19. EMPLOYEE BENEFITS

19.01 Employee Benefits Expense

Expenses recognized for salaries and employee benefits for the Group and the Parent Company are presented below.

		2015		2014		2013
Salaries and wages	P	**108.0**	P	99.6	P	99.3
Bonuses		**38.8**		33.5		33.0
Retirement – defined benefit plan		**14.1**		15.3		16.4
Social security costs		**3.5**		3.5		3.4
Other benefits		**23.5**		9.5		31.3
	P	**187.9**	P	161.4	P	183.4

19.02 Post-employment Benefits

(a) Characteristics of the Defined Benefit Plan

The Group maintains a wholly-funded, tax-qualified, noncontributory and multi-employer retirement plan that is being administered by a trustee bank covering all regular full-time employees.

The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provides for an early retirement at age 50 with a minimum of 5 years of credited service and late retirement after age 60 but not beyond 65 years of age, both subject to the approval of the Group's BOD.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made annually to update the post-employment benefit costs and the related amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2015 and 2014.

The amounts of retirement benefit asset of both Parent Company and the Group recognized in the statements of financial position are determined as follows:

		2015		2014
Fair value of plan assets	**P**	**245.4**	P	230.4
Present value of the obligation	(	**176.9)**	(	167.5)
Effect of asset ceiling	(	**8.4)**	(	6.7)
Balance at end of year	**P**	**60.1**	P	56.2

The movement in the fair value of plan assets is presented below.

	2015	2014
Balance at beginning of year	P 230.4	P 206.6
Interest income	10.7	9.9
Return on plan assets (excluding amounts included in net interest)	(7.1)	2.3
Contributions to the plan	16.8	28.7
Benefits paid	(5.4)	(17.1)
Balance at end of year	P 245.4	P 230.4

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

	2015	2014
Balance at beginning of year	P 167.5	P 159.4
Current service cost	14.1	15.3
Interest expense	7.6	7.6
Remeasurements:		
Actuarial losses (gains) arising from:		
- changes in financial assumptions	(4.8)	1.9
- experience adjustments	5.7	(1.5)
- changes in demographic assumptions	(7.8)	(10.4)
Other liabilities	-	12.3
Benefits paid	(5.4)	(17.1)
Balance at end of year	P 176.9	P 167.5

The composition of the fair value of plan assets at the end of the reporting period for each category and risk characteristics is shown below.

	2015	2014
Cash and cash equivalents	P 50.0	P 49.2
Unit Investment Trust Funds	26.0	31.9
Loans	3.1	6.7
Equity instruments	4.6	2.7
Real estate	2.8	2.7
	86.5	93.2
Debt instruments:		
Government bonds	98.5	76.9
Other bonds	46.7	39.0
	145.2	115.9
Others	13.7	21.3
	P 245.4	P 230.4

The retirement trust fund assets are valued by the fund manager at fair value using the mark-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the retirement plan trustee may make changes at any time.

Actual return on plan assets amounted P3.6 in 2015, P12.2 in 2014 and P12.0 in 2013.

Except for certain shares of stock of the Parent Company, plan assets do not comprise any of the Parent Company's own financial instruments or any of its assets occupied and/or used in its operations [see Note 20 (i)].

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit plan are as follows:

	2015	2014	2013
Reported in profit or loss:			
Current service cost	P 14.1	P 15.3	P 16.4
Net interest income	(2.8)	(2.3)	(0.9)
	P 11.3	P 13.0	P 15.5
Reported in other comprehensive income:			
Actuarial losses (gains) arising from:			
- changes in financial assumptions	(P 4.8)	P 1.9	(P 1.7)
- experience adjustments	5.7	(1.5)	(22.1)
- demographic changes	(7.8)	(10.4)	-
Return on plan assets (excluding amounts included in net interest)	7.1	(2.3)	(2.0)
Effect of asset ceiling	1.4	2.6	4.1
	P 1.6	(P 9.7)	(P 21.7)

Current service cost is presented as a part of Employee Benefits account. The net interest income is included as part of Interest and Discounts account in the statements of income.

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the post-employment benefit obligation, the following significant actuarial assumptions were used:

	2015	2014	2013
Discount rates	4.9%	4.6%	4.7%
Expected rate of salary increases	8.0%	8.0%	8.0%

Assumptions regarding future mortality are based on published statistics and mortality tables. The projected retirement date of the employees is at age 60 or at age of 50 with completion of 10 years of service, whichever is shorter. These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of a zero coupon government bond with terms to maturity approximating to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

As of December 31, 2015 and 2014, the net accumulated actuarial losses amount to P36.2 and P35.1, respectively, due mainly to the changes in the discount rates. Nevertheless, the Group has net retirement benefit asset amounting to P60.1 and P56.2 as of December 31, 2015 and 2014, respectively (see Note 12), due to higher contributions made in 2015 and 2014.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risk*

The present value of the retirement benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan has relatively balanced investment in cash and cash equivalents, equity securities and debt instruments. Due to the long-term nature of plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plans efficiently.

(ii) *Longevity and Salary Risks*

The present value of the retirement benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation as of December 31, 2015 and 2014:

	Impact on retirement benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
December 31, 2015			
Discount rate	**+/-1.0%**	**P 6.8**	**(P 6.1)**
Salary growth rate	**+/-1.0%**	**5.9**	**(5.4)**
December 31, 2014			
Discount rate	+/-1.0%	P 7.2	(P 8.7)
Salary growth rate	+/-1.0%	6.2	(5.7)

The above table of sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the retirement benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the retirement benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability matching strategy

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities.

(iii) Funding Arrangements and Expected Contributions.

The plan is currently overfunded by P60.1 as of December 31, 2015 based on the latest actuarial valuation.

The Parent Company expects to make contribution of P16.8 to the plan during the next financial year.

The maturity profile of undiscounted expected benefits payments from the plan for the next 10 years follows:

Within one year	P	53.9
More than one year to five years		28.0
More than five years to ten years		76.0
	P	157.9

20. RELATED PARTY TRANSACTIONS

The Group's and Parent Company's related parties include BDO Unibank, related party under common ownership, key management personnel and the retirement benefit fund as described below.

The summary of the Group's and Parent Company's transactions with its related parties in 2015, 2014 and 2013 are as follows:

Related Party Category	Notes	Amount of Transaction 2015	2014	2013
Ultimate Parent Company (BDO Unibank)				
Interest income on savings and demand deposits	*(a)*	P **0.6**	P 0.5	P 0.2
Interest expense on bills payable	*(b)*	**99.7**	94.6	148.5
Rent expense	*(d)*	**9.8**	10.5	10.7
Management fees	*(e)*	**2.4**	2.4	2.4
Subsidiary (BDO Rental)				
Service fees	*(c)*	**6.9**	6.3	5.3
Rent income	*(d)*	**0.4**	0.4	0.4
Management fees	*(e)*	**0.4**	0.4	0.4
Dividend income	*(j)*	**-**	43.8	-
Related Party under Common Ownership (BDO Capital)				
Service and charges fees	*(f)*	**4.0**	3.5	2.2
Key management personnel				
Short-term benefits	*(g)*	**65.6**	57.6	61.7
Loans to officers	*(g)*	**3.5**	0.3	0.9

Related Party Category	Notes	Outstanding Balance 2015	Outstanding Balance 2014
Ultimate Parent Company (BDO Unibank)			
Savings and demand deposits	*(a)*	P **323.7**	P 409.2
Bills payable	*(b)*	**3,250.2**	4,387.2
Subsidiary (BDO Rental)			
Deposit for future stock subscription	*(k)*	**46.9**	-
Dividend receivable	*(j)*	-	28.5
Key management personnel			
Loans to officers	*(g)*	**5.0**	1.9
Retirement benefit fund			
Loans to officers and employees	*(h)*	**1.1**	2.0
Shares of stock	*(i)*	**1.1**	1.1

(a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2015 and 2014, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position (see Note 7). Interest income earned on these deposits in 2015, 2014 and 2013 is included under Interest and Discounts under the Revenues account in the statements of income.

(b) The Group obtains short-term, unsecured bills payable from BDO Unibank. The amount outstanding from borrowings as of December 31, 2015 and 2014 is presented under Bills Payable account in the statements of financial position (see Note 13). Interest expense incurred on these bills payable in 2015, 2014 and 2013 is included under Interest and financing charges account as part of Operating Costs and Expenses account in the statements of income.

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

(d) The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from three 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 in 2015, 2014 and 2013 is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2015 and 2014 is presented as part of Other Income in the statements of income. There are no outstanding receivable and payable on these transactions as of the end of 2015 and 2014.

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

(f) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Parent Company's issuance of bills payable. Service and charges fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of 2015 and 2014.

(g) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) 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. The Group also grants loans to officers which are secured by the mortgage on the property, bear interest at 9.0% per annum and have terms ranging from 3 to 4 years.

(h) The Group maintains a retirement benefit fund with BDO Unibank covering all regular full-time employees. In the normal course of business, the retirement benefit fund grants salary and housing loans to certain officers and employees of the Parent Company, and members and beneficiaries of the fund who are also officers of the Parent Company. The housing loans are secured by the mortgage on the property and bear interest at 9.0% per annum and have terms ranging from 13 to 20 years. The salary loans on the other hand, are unsecured and bear interest ranging from 9.0% to 10.0% per annum and have terms ranging from 18 months to 3 years. There is no impairment loss recognized on these loans.

(i) The retirement fund holds 442,750 shares of stock of the Parent Company as an investment, which has a market value of P2.00 per share as of December 31, 2015 and 2014. The retirement fund does not hold any shares of stock of BDO Unibank.

(j) In 2014, BDO Rental declared cash dividends amounting to P43.8 which is presented as part of Other Income in the Parent Company's 2014 statement of income.

(k) In 2015, BDO Rental received cash from the Parent Company as subscription payments to the increase in authorized capital stock representing 25% of the total subscribed capital stock. BDO Rental is still in the process of filing its application for the increase in authorized capital stock with the SEC.

21. TAXES

21.01 Taxes and Licenses

This account is composed of the following:

	Group		
	2015	2014	2013
Documentary stamp tax	P **107.1**	P 91.8	P 73.2
Gross receipts tax	**72.0**	68.4	63.1
Local taxes	**12.6**	10.8	11.8
Others	**6.9**	8.3	0.6
	P **198.6**	P 179.3	P 148.7

	Parent Company		
	2015	2014	2013
Documentary stamp tax	P **98.1**	P 85.6	P 70.2
Gross receipts tax	**72.0**	68.4	63.1
Local taxes	**8.5**	8.1	10.1
Others	**6.5**	8.3	0.6
	P **185.1**	P 170.4	P 144.0

21.02 Current and Deferred Taxes

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

	Group		
	2015	2014	2013
Reported in statements of income			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P **190.8**	P 182.0	P 129.7
Final tax at 20%	**11.8**	6.3	20.5
	202.6	188.3	150.2
Deferred tax expense (income) relating to origination and reversal of temporary differences	(**32.8**)	21.8	(4.7)
	P **169.8**	P 210.1	P 145.5

	Group		
	2015	2014	2013
Reported in statements of comprehensive income			
Deferred tax expense (income) relating to origination of temporary differences:			
Actuarial gains and losses	(P 0.5)	P 2.9	P 6.5
AFS financial assets	0.5	0.1	0.4
	P -	P 3.0	P 6.9

	Parent Company		
	2015	2014	2013
Reported in statements of income			
Current tax expense:			
RCIT at 30%	P 155.7	P 151.4	P 102.3
Final tax at 20%	11.7	6.3	20.5
	167.4	157.7	122.8
Deferred tax expense (income) relating to origination and reversal of temporary differences	(32.8)	21.8	(4.6)
	P 134.6	P 179.5	P 118.2
Reported in statements of comprehensive income			
Deferred tax expense (income) relating to origination of temporary differences:			
Actuarial gains and losses	(P 0.5)	P 2.9	P 6.5
AFS financial assets	0.5	0.1	0.4
	P -	P 3.0	P 6.9

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

	Group		
	2015	2014	2013
Tax on pretax profit	P 217.6	P 214.2	P 169.7
Adjustment for income subjected to lower tax rates	(6.0)	(3.2)	(10.3)
Tax effects of:			
Non-taxable income	(53.1)	(48.2)	(27.1)
Non-deductible expense	39.8	39.0	4.9
Reversal of deferred tax asset (liability)	(36.4)	4.0	-
Non-deductible interest expense	7.9	4.3	8.3
	P 169.8	P 210.1	P 145.5

	Parent Company		
	2015	2014	2013
Tax on pretax profit	P 177.8	P 196.7	P 142.7
Adjustment for income subjec ed to lower tax rates	(6.0)	(3.2)	(3.7)
Tax effects of:			
Non-taxable income	(47.7)	(61.2)	(26.5)
Non-deductible expense	39.6	39.4	4.9
Reversal of deferred tax asset (liability)	(36.4)	4.0	-
Non-deductible interest expense	7.3	3.8	0.8
	P 134.6	P 179.5	P 118.2

The components of net deferred tax liabilities as of December 31, 2015 and 2014 follow:

	Statements of Financial Position			
	Group		Parent Company	
	2015	2014	2015	2014
Deferred tax assets:				
Allowance for impairment on:				
Loans and discounts	P 62.1	P 60.3	P 62.1	P 60.3
Investment properties and non-current assets held-for-sale	14.7	22.2	14.7	22.2
Accounts receivable	1.2	0.9	1.2	0.9
Retirement benefit obligation	10.6	8.0	10.6	8.0
	88.6	91.4	88.6	91.4
Deferred tax liabilities:				
Lease income differential	(84.4)	(120.8)	(84.4)	(120.8)
Unrealized fair value gain on AFS	(11.1)	(10.6)	(11.1)	(10.6)
Others	(0.3)	-	(0.3)	-
	(95.8)	(131.4)	(95.8)	(131.4)
Net deferred tax liabilities	(P 7.2)	(P 40.0)	(P 7.2)	(P 40.0)

The components of deferred tax expense (income) in profit and loss and in other comprehensive income for the years ended December 31, 2015, 2014 and 2013 follow:

	Group		
	2015	2014	2013
In profit or loss:			
Deferred tax assets:			
Allowance for impairment on:			
Loans and discounts	**(P 1.8)**	P 25.1	P 2.4
Investment properties and non-current assets held-for-sale	**7.5**	20.1	(0.4)
Accounts receivable	**(0.3)**	-	0.1
Retirement benefit obligation	**(2.1)**	1.1	(1.7)
Other	**-**	3.8	(3.2)
Total deferred tax assets	**3.3**	50.1	(2.8)
Deferred tax liabilities:			
Lease income differential	**(36.4)**	(27.8)	-
Others	**0.3**	(0.5)	1.9
	(36.1)	(28.3)	(1.9)
Net deferred tax expense (income)	**(P 32.8)**	P 21.8	(P 4.7)

	Parent Company		
	2015	2014	2013
In profit or loss:			
Deferred tax assets:			
Allowance for impairment on:			
Loans and discounts	**(P 2.1)**	P 25.1	P 2.4
Investment properties and non-current assets held-for-sale	**7.5**	20.1	(0.4)
Accounts receivable	**-**	-	0.1
Retirement benefit obligation	**(2.1)**	1.1	(1.7)
Other	**0.2**	3.8	(3.1)
	3.5	50.1	(2.7)
Deferred tax liabilities:			
Lease income differential	**(36.4)**	(27.8)	-
Others	**0.1**	(0.5)	1.9
	(36.3)	(28.3)	(1.9)
Net deferred tax expense (income)	**(P 32.8)**	P 21.8	(P 4.6)

	Group/Parent Company		
	2015	2014	2013
In other comprehensive income:			
Deferred tax expense (income) on:			
Net actuarial losses	(P 0.5)	P 2.9	P 6.5
Unrealized fair value gains on AFS financial assets	0.5	0.1	0.4
	P -	P 3.0	P 6.9

21.03 Supplementary Information Required Under Revenue Regulations (RR) 15-2010 and 19-2011

The Bureau of Internal Revenue (BIR) issued RR 15-2010 and RR 19-2011 which required certain supplementary information 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 the Securities Regulation Code Rule 68, as amended.

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

22. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	Group		
	2015	2014	2013
Net profit	P 555.6	P 504.0	P 420.3
Divided by the weighted average number of outstanding common shares – net*	2,162.0	2,162.0	2,162.0
Basic earnings per share	P 0.26	P 0.23	P 0.19

	Parent Company		
	2015	2014	2013
Net profit	P 458.0	P 476.3	P 357.5
Divided by the weighted average number of outstanding common shares – net*	2,162.0	2,162.0	2,162.0
Basic earnings per share	P 0.21	P 0.22	P 0.17

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2015 and 2014.

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On January 28, 2016, the Parent Company entered into a joint venture agreement with Sojitz Corporation, JACCS Co., Ltd. and Mitsubishi Motors Philippines Corporation. The joint venture is to be named MMPC Auto Financial Services Corp. and is to be 40% owned by the Parent Company for a capital contribution of P300.0. Its primary purpose is to provide financing services to individual and corporate buyers of Mitsubishi vehicles.

On February 24, 2016, the BOD approved the declaration of cash dividends at P0.2 per share amounting to P432.5. The dividends were declared in favor of stockholders of record as of March 11, 2016 and are payable on March 30, 2016.

24. CONTINGENT LIABILITIES AND COMMITMENTS

24.01 Operating Lease Commitments – Group as Lessee

The Group leases the head office and certain branch offices from BDO Unibank. Total lease payments presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses in the statements of income amounted to P9.8 in 2015, P10.5 in 2014 and P11.2 in 2013.

Future minimum lease payments under these operating leases follow:

	2015	2014	2013
Within one year	**P 7.5**	P 14.9	P 15.7
After one year but not more than five years	**6.8**	28.8	68.9
	P 14.3	P 43.7	P 84.6

24.02 Others

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, 2015, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Group's financial position and results of operations.

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Report of Independent Auditors to Accompany Supplementary Information Required by the Securities and Exchange Commission Filed Separately from the Basic Financial Statements

The Board of Directors and Stockholders
BDO Leasing and Finance, Inc.
(A Subsidiary of BDO 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 of BDO Leasing and Finance, Inc. (the Parent Company) for the year ended December 31, 2015, on which we have rendered the attached report dated February 24, 2016. Our audit was conducted 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, 2015 and for the year then ended, in compliance with the requirements of the Securities Regulation Code Rule 68, are presented for purposes of additional analysis and are not required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. Such supplementary information is the responsibility of management. 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: **Romualdo V. Murcia III**
Partner

CPA Reg. No. 0095626
TIN 906-174-059
PTR No. 5321731, January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0628-AR-2 (until Sept. 5, 2016)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-22-2013 (until Nov. 7, 2016)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

February 24, 2016

BDO LEASING AND FINANCE, INC.
SEC Supplementary Schedules
December 31, 2015

Table of Contents

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule A - Financial Assets

December 31, 2015

(Amount in Philippine Pesos)

Name of issuing entity and association of each issue [(i)]	*Number of shares or principal amount of bonds or notes*	*Amount shown on the balance sheet* [(ii)]	*Valued based on the market quotation at balance sheet date* [(iii)]	*Income received and accrued*
Available-for-sale securities				
Century Properties Group Inc.	250,000,000	P 250,000,000	P 248,819,175	P 15,000,000
8990 Holdings Inc.	937,220,000	937,220,000	929,842,204	26,667,033
Sta. Lucia Land Inc.	200,000,000	200,000,000	199,996,780	298,444
San Miguel Corporation (Series "2-B")	8,461,600	634,620,000	654,927,840	48,407,249
San Miguel Corporation (Series "2-C")	8,152,330	611,424,750	676,643,390	50,256,185
First Gen Corporation	6,800,000	680,000,000	816,000,000	55,600,000
Valley Golf Country Club	1	25,000	250,000	-
Tagaytay Splendido	1	800,000	80,000	-
Total AFS Financial Assets		P 3,314,089,750	P 3,526,559,389	P 196,228,911

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

December 31, 2015

(Amount in Philippine Pesos)

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*
Amounts Due from Related Parties:							
L.V. Locsin Condominium Corporation	P 3,468,000	P -	P 1,734,000	P -	P 1,734,000	P -	P 1,734,000
L.V. Locsin Condominium Corporation	6,543,584	-	2,707,692	-	3,835,892	-	3,835,892
Westech Wipi Manufacturing Corporation	6,922,008	-	4,231,595	-	2,690,413	-	2,690,413
Bautista, Sps. Arnold S. and Venus T.	2,539,783	-	263,316	-	2,276,467	-	2,276,467
Martinez Vergara Gonzales & Serrano	60,000,000	-	883,910	-	59,116,090	-	59,116,090
Martinez Vergara Gonzales & Serrano	-	10,000,000	-	-	10,000,000	-	10,000,000
Martinez Vergara Gonzales & Serrano	-	20,000,000	-	-	20,000,000	-	20,000,000
Martinez Vergara Gonzales & Serrano	-	10,000,000	-	-	10,000,000	-	10,000,000
	79,473,375	40,000,000	9,820,513	-	109,652,862	-	109,652,862
Loans to Officers and Employees:							
Lapid, Roberto Estrera	1,515,086	-	633,029	-	882,057	-	882,057
Kapuno, Rosalisa Bantog	-	1,474,132	262,059	-	1,212,073	-	1,212,073
Verzola, Sps. Agerico Melecio S. Serietta P.	-	1,530,542	366,468	-	1,164,074	-	1,164,074
Natividad, Joseph Jason Martinez	-	1,711,817	-	-	1,711,817	-	1,711,817
	1,515,086	4,716,490	1,261,556	-	4,970,021	-	4,970,021
Loans to Directors (not officer or employee)							
Andres, Jesse Hermogenes Torres	1,861,818	-	1,861,818	-	-	-	-
	1,861,818	-	1,861,818	-	-	-	-
	P 82,850,279	P 44,716,490	P 12,943,887	P -	P 114,622,882	P -	P 114,622,882

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements

December 31, 2015

(Amount in Philippine Pesos)

Name and Designation of debtor	Balance at beginning of period	Additions	Deductions: Amounts collected (i)	Deductions: Amounts written off (ii)	Current	Non-current	Balance at end of period

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule D - Intangible Assets - Other Assets

December 31, 2015

(Amount in Philippine Pesos)

Description (i)	*Beginning balance*	*Additions at Cost* (ii)	*Charged to cost and expenses*	*Charged to other accounts*	*Other changes additions (deductions)* (iii)	*Ending balance*
Licenses and Franchises	P 59,590,700	P 3,999,789	(P 12,685,122)	P -	P -	P 50,905,367
Deferred Charges	3,455,274	-	-	-	(837,403)	2,617,871
	P 63,045,974	P 3,999,789	(P 12,685,122)	P -	(P 837,403)	P 53,523,238

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
Schedule E - Long-Term Debt
December 31, 2015
(Amount in Philippine Pesos)

Title of issue and type of obligation (i)		*Amount authorized by indenture*		*Amount shown under caption "Current portion of long-term debt" in related balance sheet* (ii)		*Amount shown under caption "Long-Term Debt" in related balance sheet* (iii)	*Interest Rate*	*Maturity Date*
Bills Payable - Others								
Development Bank of the Philippines (DBP)	P	204,250,000	P	204,250,000	P	-	3.250%	June 30, 2016
Development Bank of the Philippines (DBP)		901,250,000		569,210,526		332,039,474	3.250%	July 22, 2017
		1,105,500,000		773,460,526		332,039,474		
Total Bills Payable - Others	P	1,105,500,000	P	773,460,526	P	332,039,474		

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

(ii) This column is to be totalled to correspond to the related balance sheet caption.

(iii) Include in this column details as to interest rates, amounts or number of periodic installments, and maturity date.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule F - Indebtedness to Related Parties

December 31, 2015

(Amount in Philippine Pesos)

Name of related party (1)	*Balance at beginning of period*	*Balance at end of period* (2)

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule G - Guarantees of Securities of Other Issuers (1)

December 31, 2015

(Amount in Philippine Pesos)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	*Title of issue of each class of securities guaranteed*	*Total amount guaranteed and outstanding (2)*	*Amount owned by person for which statement is filed*	*Nature of guarantee (3)*

- nothing to report -

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

Schedule H - Capital Stock [1]

December 31, 2015

(Amount in Philippine Pesos)

Title of Issue [2]	Number of shares authorized	Number of shares issued and outstanding as shown under the related balance sheet caption	Number of shares reserved for options, warrants, coversion and other rights	Number of shares held by: Related parties [3]	Number of shares held by: Directors, officers and employees	Number of shares held by: Others
Preferred Shares	200,000	-	-	-	-	-
Common shares	3,400,000,000	2,162,475,312	-	1,914,711,807	175,685	247,587,820
BDO Unibank Inc.				1,890,610,907		
BDO Capital & Investment Corporation				24,100,900		

*Determination of number of shares and outstanding	
Number of shares issued	2,225,169,030
Less shares held in treasury	62,693,718
	2,162,475,312

BDO Leasing and Finance, Inc.
Ortigas Avenue, Quezon City

Reconciliation of Retained Earnings Available for Dividend Declaration
December 31, 2015
(Amounts in Millions)

Unappropriated Retained Earnings at Beginning of Year	P	1,903.7
Prior Year's Outstanding Reconciling Items , net of tax Deferred tax income		(91.4)
Unappropriated Retained Earnings Available for Dividend declaration at beginning of Year, as Adjusted		1,812.3
Net Profit Realized During the Year		458.0
Non -actual/unrealized income, net of tax		(40.6)
Net income actually earned during the period		417.4
Other Transactions During the Year Dividend declarations during the period		(378.4)
Unappropriated Retained Earnings Available for Dividend Declaration at End of Year	P	1,851.3

BDO LEASING AND FINANCE, INC.

Schedule of Philippine Financial Reporting Standards and Interpretations Adopted by the Securities and Exchange Commission and the Financial Reporting Standards Council as of December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements		✓		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		✓		
Practice Statement Management Commentary			✓	
Philippine Financial Reporting Standards (PFRS)				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	✓		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✓		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	✓		
	Amendment to PFRS 1: Government Loans	✓		
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS 3 (Revised)	Business Combinations	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures *(effective when PFRS 9 is first applied)*	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments (2014)* *(effective January 1, 2018)*			✓
PFRS 10	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 11	Joint Arrangements			✓
	Amendment to PFRS 11: Transition Guidance			✓
	Amendment to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations* *(effective January 1, 2016)*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendment to PFRS 12: Transition Guidance	✓		
	Amendment to PFRS 12: Investment Entities	✓		
	Amendment to PFRS 10: Investment Entities – Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts* *(effective January 1, 2016)*			✓
Philippine Accounting Standards (PAS)				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Disclosure Initiative* *(effective January 1, 2016)*			✓
PAS 2	Inventories			✓
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events After the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Bearer Plants* *(effective January 1, 2016)*			✓
	Amendment to PAS 16: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans - Employee Contributions	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Revised)	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities	✓		
	Amendment to PAS 27: Equity Method in Separate Financial Statements* *(effective January 1, 2016)*			✓
PAS 28 (Revised)	Investments in Associates and Joint Ventures	✓		
	Amendment to PFRS 10: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* *(effective January 1, 2016)*			✓
	Amendment to PAS 28: Investment Entities - Applying the Consolidation Exception* *(effective January 1, 2016)*			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings Per Share	✓		
PAS 34	Interim Financial Reporting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures for Non-financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization* *(effective January 1, 2016)*			✓
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendment to PAS 41: Bearer Plants* *(effective January 1, 2016)*			✓
Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			✓
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives**	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives**	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction**	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners**	✓		
IFRIC 18	Transfers of Assets from Customers**	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine**			✓
IFRIC 21	Levies	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
Philippine Interpretations - Standing Interpretations Committee (SIC)				
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	✓		
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services**	✓		
SIC-32	Intangible Assets - Web Site Costs**	✓		

* These standards will be effective for periods subsequent to 2015 and are not early adopted by the Company.

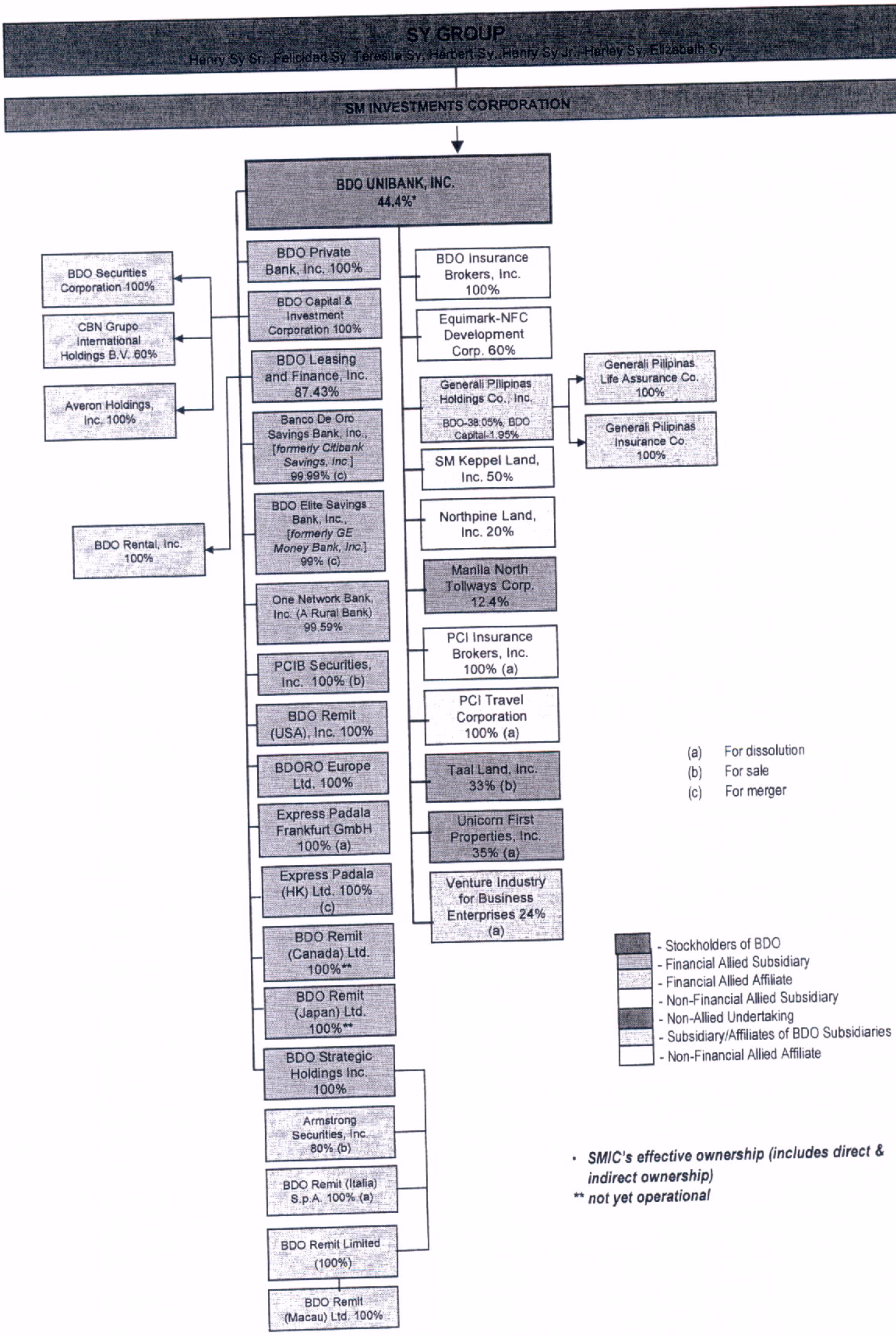
** These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.

BDO Leasing and Finance, Inc. and Subsidiary
Financial Ratios
December 31, 2015 and 2014
(Amounts in Millions of Philippine Pesos)

	2015	2014	2015	2014
I. Current/liquidity ratios				
Current ratio				
Total current assets	11,216.4	8,380.5	0.46	0.41
Total current liabilities	24,602.8	20,688.2		
Quick ratio				
Quick assets	10,988.4	8,189.6	0.45	0.40
Total current liabilities	24,602.8	20,688.2		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
(After tax net profit + Depreciation)	1,207.4	984.8	0.04	0.04
Total liabilities	29,294.9	24,264.1		
Debt-to-equity ratio				
Total liabilities	29,294.9	24,264.1	5.61	4.87
Total equity	5,222.7	4,985.8		
III. Asset-to-equity ratio				
Asset-to-equity ratio				
Total assets	34,517.6	29,249.9	6.61	5.87
Total equity	5,222.7	4,985.8		
IV. Interest coverage ratio				
Interest coverage ratio				
Earnings before interest and taxes	1,296.2	1,182.0	2.27	2.53
Interest expense	570.8	467.9		

	2015	2014	2015	2014
V. Profitability ratios				
Net profit margin				
Net Profit / Interest income + Other operating income	555.6 / 2,606.2	504.0 / 2,273.6	21.32%	22.17%
Return on equity				
Net profit / Average equity	555.6 / 5,104.3	504.0 / 4,878.4	10.89%	10.33%
Return on assets				
Net profit / Average assets	555.6 / 31,883.8	504.0 / 27,293.7	1.74%	1.85%
VI. Others				
Total real estate investments to Assets				
Total investment properties / Total assets	438.1 / 34,517.6	320.6 / 29,249.9	1.27%	1.10%
Loans to Assets				
Total loans and other receivables / Total assets	27,463.3 / 34,517.6	23,646.6 / 29,249.9	79.56%	80.84%
DOSRI to Net worth				
Receivables from Directors, Officers, Stakeholders and Related Interests / Total equity	114.6 / 5,222.7	82.8 / 4,985.8	2.19%	1.66%
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation / Total loans and other receivables	1,300.0 / 27,463.3	1,300.0 / 23,646.6	4.73%	5.50%

BDO Unibank, Inc. Subsidiaries and Affiliates
Organizational Chart
As of 31 December 2015



- *SMIC's effective ownership (includes direct & indirect ownership)*

** *not yet operational*

BDO LEASING AND FINANCE, INC.
USE OF PROCEEDS
DECEMBER 31, 2015
(Amounts in Philippine Pesos)

Gross/ Net Proceeds as disclosed in Final Prospectus

Existing STCP Placements	13,282,900,000.00
Payment of Maturing Obligation	7,461,875,000.00
For Relending	4,255,225,000.00
	25,000,000,000.00

Actual Proceeds - December 31, 2015

Gross Proceeds	2,519,200,000.00
Net Proceeds	2,512,954,070.76

Expenditures

Rollover	2,206,288,348.34
Relending	
PN Payment	306,665,722.42
Balance - December 31, 2015	**22,480,800,000.00**

Annual Corporate Governance Report

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year : **2015**

2. Exact Name of Registrant as Specified in its Charter : **BDO LEASING AND FINANCE, INC.***

3. _39th FLOOR, BDO CORPORATE CENTER ORTIGAS, 12 ADB AVENUE, ORTIGAS CENTER, MANDALUYONG CITY_ — **_1550_**
   Address of Principal Office — Postal Code

4. SEC Identification Number **: 97869**

5. (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number**: 000-486-050-000**

7. **(632) 840 7000**
   Issuer's Telephone number, including area code

8. **Not applicable**
   Former name or former address, if changed from the last report

*Abbreviated as BDO Leasing, BDOLF, BDOLFI, BLFI

TABLE OF CONTENTS

A. BOARD MATTERS

1. Board of Directors

Number of Directors per Articles of Incorporation	11

Actual number of Directors for the year	11

- Composition of the Board ***(updated)***

Complete the table with information on the Board of Directors:

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (if ID, state the relationship with the nominator)	Date first elected	Date last elected (if ID, state the number of years served as ID)[1]	Elected when (Annual/ Special Meeting)	No. of years served as director
Teresita T. Sy	ED	BDO Unibank		September 2005	April 22, 2015	Annual Meeting	10
Roberto E. Lapid	ED	BDO Unibank		May 24, 2006	April 22, 2015	Annual Meeting	9
Jesse H.T. Andres	ID		Mannette D. Vicente/ no relation	September 20, 2005	April 22, 2015 (4 years)	Annual Meeting	10
Antonio N. Cotoco	ED	BDO Unibank		January 25, 2001	April 22, 2015	Annual Meeting	15
Ma. Leonora V. De Jesus	ID		Mannette D. Vicente/ no relation	May 12, 2008	April 22, 2015 (4 years)	Annual Meeting	7
Luis S. Reyes Jr.	ED	BDO Unibank		April 18, 2012	April 22, 2015	Annual Meeting	3
Nestor V. Tan	ED	BDO Unibank		January 23, 2007	April 22, 2015	Annual Meeting	9
Jesus G. Tirona	ID		Mannette D. Vicente/ no relation	July 30, 2007	April 22, 2015 (4 years)	Annual Meeting	8
Exequiel P. Villacorta Jr.	NED	BDO Unibank		May 24, 2006	April 22, 2015	Annual Meeting	9
Walter C. Wassmer	ED	BDO Unibank		November 17, 1999	April 22, 2015	Annual Meeting	16
Jeci A. Lapus	NED	BDO Unibank		April 23,2014	April 22, 2015	Annual Meeting	1.67

- Provide a brief summary of the corporate governance policy that the board of directors has adopted. Please emphasis the policy/ies relative to the treatment of all shareholders, respect for the rights of minority shareholders and of other stakeholders, disclosure duties, and board responsibilities.
    - Board Responsibilities

1

DUTIES & RESPONSIBILITIES OF THE BOARD OF DIRECTORS (*Reference: Corgov Manual*) ***updated***

a. General Responsibility

It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders and other stakeholders.

b. Specific Duties and Responsibilities

The specific duties and responsibilities of the Board shall be as follows:

1. Implement a process for the selection of Board members who can add value and meaningfully contribute independent judgment to the formulation of sound corporate strategies and policies.
2. Approve and monitor the implementation of strategic objectives.
3. Ensure that the Company has a beneficial influence on the economy by providing those services and facilities that shall be supportive of the national economy.
4. Approve and oversee the implementation of policies governing major areas of Company's operations.
5. Approve and oversee the implementation of risk management policies.
6. Formulate and implement the necessary policies governing the Company's internal control system. Undertake the continuing review of such a system in order to maintain its adequacy and effectiveness.
7. Ensure the Company's faithful compliance with all applicable laws, regulations and best business practices including the timely and accurate submission of public disclosures, prudential and supervisory reports to the relevant regulatory bodies.
8. Oversee selection and performance of senior management.
9. Adopt appropriate human resource and development programs including an equitable compensation plan for all concerned that is in line with the Company's strategy and control environment and a fully funded employee pension fund.
10. Consistently conduct itself with honesty and integrity in the performance of its duties and responsibilities to ensure high standard of best practices for the Company, its stockholders and other stakeholders.
11. Define appropriate governance policies and practices for the Company and for its own work and to establish means to ensure that such are followed and periodically reviewed for ongoing improvement.
12. Constitute committees to increase efficiency and allow deeper focus in specific areas.
13. Effectively utilize the work conducted by the internal audit, risk management and compliance functions and the external auditors.
14. In Company structures, define an appropriate corporate governance framework that shall contribute to the effective oversight over entities of the group.
15. Establish and maintain an alternative dispute resolution system in the Company that can amicably settle conflicts or differences between the Company and its stockholders, and the Company and third parties, including the regulatory authorities.

- Stockholders' Rights (*Reference: Corgov Manual)*

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTERESTS

A. The Board of Directors shall be committed to respect the following rights of the stockholders:

1. Right to Nominate

Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of BSP and SEC.

2. Voting Rights (updated)

a) Shareholders shall have the right to participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code , issuance of additional shares and appointment of the external auditor.

b) Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

c) Cumulative voting shall be used in the election of directors.

d) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

4. Right to Information

a) Upon request and for a legitimate purpose, the shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.

b) The shareholders, including minority shareholders shall have access to any information relating to matters for which the management is accountable.

c) The shareholders, including minority shareholders shall be granted the right to propose items in the agenda of the meeting provided the items is for legitimate business purposes.

5. Right to Dividends (updated)

BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2015, the Company paid cash dividend of PHP0.175 per share and will endeavor to do so while maintaining financial flexibility.

The Board of Directors may, at its discretion and depending on the business results for the year and capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders normally announced at the Annual Stockholders' Meeting.

6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.

2) In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.

3) In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings. ***(updated)***

a. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

b. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.

c. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

d. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval. The Office of the Corporate Secretary will issue the Notice of Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile, transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.

e. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

f. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

- Disclosure and Transparency (*Reference: Corgov Manual)* ***(updated)***

The essence of good corporate governance is transparency. The Board commits at all times to meet all disclosure requirements particularly those involving material information as mandated by regulators within the prescribed period.

1) All material information, both financial and non-financial, about the Company that may adversely affect its viability or the interests of the stockholders and other stakeholders shall be publicly and timely disclosed such as, among others earnings results, acquisition or disposition of assets, off balance sheet transactions, related party transactions, company's ownership structure, beneficial ownership whether direct or indirect of at least 5% of the company shares including that of directors and senior officers, and direct and indirect remuneration of members of the Board and Management.

2) Information on Company's business structure including subsidiaries, joint ventures/special purpose vehicles and the participation of significant shareholders, directors and senior officers will be provided and updated regularly in the corporate website.

3) Audited financial statements will be released not later than 60 days after the close of the financial year together with a statement that management is responsible for its preparation and fair presentation in accordance with the financial reporting standards in the Philippines.

4) All such information shall be disclosed through the appropriate disclosure mechanisms of the Philippine Securities Exchange and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.

5) The Company will not put up barriers or impediments that will prevent stockholders from communicating or consulting with one another on any issues related to the Company.

- Stakeholders' Interests *(Reference: 2014 Definitive Information Statement)*

Equitable Treatment of Stakeholders

Shareholders (updated)

The Company respects the inherent rights and recognizes the roles of various stakeholders in accordance with law. To this end, it has put in place various practices for the protection of shareholders' rights and promotion for exercising those rights such the right to buy, sell or transfer security held, the right to receive dividend, the right to vote for the appointment of the external auditor, the right to participate in the decision making for corporate matters, the right to propose agenda item in the shareholder's meeting. In particular, for the convenience of shareholders to exercise their right to attend the stockholders' meeting, it will announce in advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting and disclosure of voting results. Shareholders will be given equal opportunities to raise questions, make suggestions and recommendations pertaining to the operations of the Company. They can assign proxies to vote on their behalves if shareholders could not attend the stockholders' meeting. As a matter of policy, all stockholders' including institutional shareholders on record are encouraged to attend personally or by proxy the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Company.

The Annual Stockholders' Meeting was held on April 23, 2014 and was attended by the Board Chair, President, Directors and Chairmen of various Board Committees.

The shareholders are allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinions and make suggestions on various issues. Please see the Minutes of the 2014 Annual Stockholders' Meeting for detailed Questions and Answers, the voting results showing the Approving, Dissenting and Abstaining Votes cast by the shareholders on each agenda item in Annex A-10.

Declaration of cash/stock dividends is approved by the Board of Directors and is immediately disclosed with the Philippine Stock Exchange (PSE) and the Securities and Exchange Commission (SEC) and is subject to the approval of the BSP. This disclosure is readily available at the websites of the PSE and the SEC, as well as of the Company. During the Annual Stockholders' Meeting, the President reports to the stockholders the financial performance of the Company for the year. In addition, the addition, the Company files with the PSE and SEC quarterly reports on its financial performance.

On December 2014, the Board of Directors approved the Company's Dividend Policy which states that
" BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2014, The Company paid cash dividend of Php0.15 per share and will endeavor to do so while maintaining financial flexibility.

The Board of Directors may, at its discretion and depending on the business results for the year and capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders normally announced at the Annual Stockholders' Meeting"

Investors (updated)

The Company adopts a pro-active relationship with its stockholders by directly addressing their concerns and queries. The Company directly liaises with its stock transfer agent on matters relating to stockholders' claim for cash dividends, updating of contact information and requests for documents and/or information regarding their stockholdings.

It also recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company by appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or Investor Relations Unit through contact details provided in the Company's official website.

Investor Relations (IR) articulates BDOLF's strategic directions as well as updates to investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through one-one-one meeting during conferences and roadshows, supplemented by periodic email broadcasts and posting of discloures at the Company's website. This ensures continuing access to both strategic and financial information about BDOLF.

To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. In 2014, the Company, as part of the BDO Group conducted two (2) analyst briefings in March and August where the Company's President and IR Officers gave presentations to analysts to update them on the Company's performance and outlook, as well as answered queries on the Company's operations. The Company likewise participated in SMIC briefings to analysts and media together with SMIC's other listed subsidiaries. Investor presentations are posted in the Company's website. Meanwhile, highlights of the SMIC quarterly briefings (including BDO's presentation) are posted in the SMIC website and are available for viewing and downloading by analysts and media.

Customers (updated)

Our clients provide the Company the business for which we are most thankful. BDOLF is committed to meet their needs by providing them with high quality customer service and relevant products and services.

BDOLF is also committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following:

1. Communications are fair and not misleading.
2. Ensure that clients are given clear and concise information, including the risks involved, before they enter into financial products and services.
3. Products and service are suitable and appropriate, taking into account the needs of the clients, their financial and risk profile and objectives.
4. Complaints should be handled in a prompt, friendly, fair and effective manner.

Equipped with the "we Find Ways" attitude, BDOLF is committed to meet the needs of the clients by providing them with high quality customer service and relevant products and services. It continues to expand its network of domestic branches, overseas offices, ATMs, point of sale terminals and electronic delivery channels to offer seamless banking convenience. These efforts are backed by the Company's dedicated management team, capable employees, solid IT infrastructure and dependable Customer Contact Center that manages and resolves customer complaints.

It has put in place specific activities for the welfare of the customers such the launch of social media facility such Facebook and International Desk were set up to support foreign clients and service them by native language speaking Company Officers for their needs. It has also offered specialized product offering to the OFW and Korean markets.

Creditors, Counterparties and Suppliers (updated)

The Company is committed to meet its contractual obligations with all creditors and counterparties based on the covenants agreed with them.

In the conduct of its business dealings, the Company undertakes to honor all binding trade related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties. In accordance with law, they will be given priority in payment of the Bank's obligations in the normal course of business and in event of liquidation.

For suppliers, it has established appropriate policies that govern the vendor accreditation, selection, bidding and approval processes. The Company strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services and activities), gratuity, commission or any form of payment from clients, business partners, suppliers and third party service providers in exchange for any unnecessary favorable treatment.

Employees (updated)

The Company puts very high value to its human resources. To ensure the protection and well-being of the employees, the Company has implemented policies and programs that cover the following areas:

a. Code of Conduct and Business Ethics

As a financial institution, BDOLF believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders.

To Code outlines the principles and policies that govern the activities of the institution, sets forth the rules of conduct in our workplace an the standards of behavior of its directors, officers and employees in their activities and relationship with external shareholders. These reflect the core values the institition subscribes to and promotes.

The Code applies at all times to all members of the Board of Directors and BDO Unibank Group employees in their dealings with clients, suppliers, business partners and service providers.

b. Training and Development

The Company provides various in-house programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget to cover internal training programs. E-learning is also being promoted on Foreign Account Tax Compliance Act (FATCA) and Anti-Money Laundering Prevention and Detection.

For key officers of the Company (SVP up), the Company provided an in-house Corporate Governance Seminar conducted by an accredited training provider of the Securities and Exchange Commission as part of its continuing education program.

c.) Employee Welfare

BDOLF is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and physiological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

Society, Community and the Environment

As part of BDO Group, the Company recognized its role in social development specifically to be involved in community-related issues and activities as a way of giving back particularly to the communities in which we operate and to the society in general, the Company, with the active involvement of its employees, instituted socio-civic programs through BDO Foundation geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site nfor typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last january 14, 2012, the Company participated in the “BDO Greens NLEX_SCTEX” project by planting 2,012 local trees along NLEX Mexico Interchange.

Equally important to the Company is our commitment to enhance the sustainability of the environment thru information, education and advocacies. The Company has in place a Social and Environmental Management Systems Policy (SEMS) o ensure that Environmental and social consciousness are incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees and the community it operates. It has also a provision that will limit the Company's exposure to certain industries that have an adverse impact on the environment and this is included in the evaluation of credit proposals. The Company as part of BDO Group also introduced the Go Green Program” to raise awareness on environmental issues, promote good Environmental practices in the workplace.

Directors and employees should promote actively the Company's corporate social responsibility and care for the environment through the initiatives and partnerships with civil society, governments an dother stakeholders.

Business Competitors

The Company is committed to treat business competitors fairly and professionally in all dealings with them. It will avoid making references or discussions that may have a negative impact on the Company's competitors.

Government and Regulators

The Company supports the compliance with the spirit, not just the letter, of the laws and regulations of the jurisdictions it operates. All business deals and transactions shall adhere to regulatory requirements and applicable laws particularly on confidentiality of deposits, data privacy and protection, anti-money laundering and other financial crimes, anti-corruption and bribery, insider trading and consumer protection.

- Transparency and Disclosures

  The Company is fully committed to provide its investors and other stakeholders full transparency and timely information disclosures through filings with the Secutiries and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE), as found in the following:

  - General Information Sheet (GIS)
  - SEC Form 20-IS (Information Statement)
  - SEC Form 17-A (Annual Report)
  - SEC Form 17-C (current report-material information)
  - SEC Form 17-Q (Quarterly Report)
  - SEC Form 23-A/B (Statement of Beneficial Owners)
  - Audited Financial Statements (AFS)

  Required disclosures relating to:

  - Financial information is stated in the AFS and the DIS
  - Shareholder matters are provided in the DIS
  - Executive compensation policy is stated in the DIS
  - Directors’ fees are found in the DIS
  - Corporate actions, among others, are provided in the PSE official website www.pse.com.ph

  Other key information disclosed by the Company including the role of board committees, meetings held and attendance of directors, director continuing education records, remuneration policy, shareholding structure, annual performance self assessment of Board of Directors, committees and senior management, Code of Conduct and Business Ethics, Corporate Governance Manual and important corporate governance policies such as whistle blowing, term limit of independent directors and related party transactions.

To ensure an even wider access by the investors and the public, these disclosures and other corporate information are also uploaded in the Company's official website www.bdo.com.ph/business/leasing-financing *(See "Investor Relations" and "Corporate Governance"*). The details of the established corporate governance policies could be found in the Revised Corporate Governance Manual.

- How often does the Board review and approve the vision and mission? Every five (5) years

- Directorship in Other Companies **(updated)**

(i) Directorship in the Company's Group[2]

Identify, as and if applicable, the members of the company's Board of Directors who hold the office of director in other companies within its Group:

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Teresita T. Sy	BDO Capital & Investment Corp. BDO Private Bank, Inc. BDO Foundation Inc. First Asia Realty Development Corp. Forsyth Equity Holdings, Inc Generali Pilipinas Holdings, Co., Inc. Generali Pilipinas Insurance Co., Inc. Generali Pilipinas Life Assurance Co., Inc. HFS Corporation Hotel Specialist, (Tagaytay) Inc. Intercontinental Development Corp. Marketwatch Investments Co., Inc. Meridien Business Leader, Inc. MH Holdings, Inc. Morrison Corporation Multi Realty Development Corp. Prime Metroestate Inc. (formerly Pilipinas Makro, Inc.) Premier Southern Corp. Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.) SM Investments Corporation SM Mart, Inc. SM Retail, Inc. SM Foundation, Inc. Sodexo Motivation Solutions Philippines, Inc. (formerly Sodexo Pass, Inc.) Sports Central Manila, Inc. Sunninghill Holdings, Inc.	Executive/Chairperson Executive/Chairperson Executive/Chairperson Executive Executive Executive Executive/Chairperson Executive/Chairperson Non-executive Executive Executive Non-executive Executive/Chairperson Executive/Chairperson Executive/Chairperson Non-executive Executive/Chairperson Executive/Chairperson Executive Executive/Vice Chairperson Executive/Chairperson Executive/Chairperson Executive/Vice Chairperson Executive/Chairperson Executive Executive/President Executive Non-executive

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

	Sybase Equity Investments Corp. Syper Holdings, Inc. Sysmart Corporation Tangiers Resources Corp. West Avenues Theatres Corp. Kultura Stores, Inc. Bellevue Properties Inc. Romer Mercantile,Inc.	Non-executive Executive/President Non-executive Executive Executive/President Non-executive Executive/Chairperson Non-executive
Nestor V. Tan	BDO Private Bank, Inc. BDO Capital and Investment Corp. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. BDO Strategic Holdings, Inc. BDO Foundation Inc. Generali Pilipinas Insurance Co. Inc. Generali Pilipinas Life Assurance Company Inc. SM Keppel Land, Inc. Megalink	Executive/Vice Chairperson Executive/Vice Chairperson Executive Executive Executive/Chairman Executive Executive Executive Executive Executive/Chairman
Roberto E. Lapid	BDO Rental, Inc.	Executive/Vice Chairman & President
Antonio N. Cotoco	BDO Rental, Inc. BDO Insurance Brokers, Inc. BDO Remit (USA), Inc. Express Padala (Hong Kong) Limited Express Padala Frankfurt GmbH BDO Remit Limited BDO Remit (Macau) Ltd.	Executive/Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive
Ma. Leonora V. De Jesus	BDO Capital & Investment Corporation BDO Elite Savings Bank, Inc. SM Development Corporation	Independent Independent
Luis S. Reyes, Jr.	BDO Rental, Inc. (updated) BDO Strategic Holdings, Inc. Banco De Oro Savings Bank (formerly CitySavings Bank)	Executive/Treasurer Non-Executive Non Executive
Jesus G. Tirona	Armstrong Securities, Inc. BDO Capital & Investment Corporation Banco De Oro Savings Bank, Inc. (formerly City Savings Bank)	Independent Independent Independent
Walter C. Wassmer	BDO Elite Savings Bank, Inc.	Executive/Chairman/Officer-In-Charge

(ii) Directorship in Other Listed Companies

Identify, as and if applicable, the members of the company's Board of Directors who are also directors of publicly-listed companies outside of its Group:

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Walter C. Wassmer	Mabuhay Vinyl Corporation	Non-Executive

(iii) Relationship within the Company and its Group

Provide details, as and if applicable, of any relation among the members of the Board of Directors, which links them to significant shareholders in the company and/or in its group:

Director's Name	Name of the Significant Shareholder	Description of the relationship
Teresita T. Sy	BDO Unibank, Inc.	All are executive officers of BDO Unibank, Inc.
Nestor V. Tan	BDO Unibank, Inc.	
Antonio N. Cotoco	BDO Unibank, Inc.	
Luis S. Reyes, Jr.	BDO Unibank, Inc.	
Walter C. Wassmer	BDO Unibank, Inc.	

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

(Reference : Corgov Manual)

Multiple Board Seats. Independent Directors may concurrently serve in Boards of other corporations provided the provisions of SEC Memorandum Circular No. 9 series of 2011 (Term Limits for Independent Directors) are strictly observed i.e. no limit if covered companies do not belong to a conglomerate and maximum of 5 companies of a conglomerate (parent company, subsidiary and affiliate). This limit on board seats applies to the independent directorship in the Company. Provided further, that the capacity of a director to devote quality time and attention in performing his duties and responsibilities is not compromised. (updated)

	Guidelines	Maximum Number of Directorships in other companies
Executive Director	applicable	same
Non-Executive Director	applicable	same
CEO	applicable	same

- Shareholding in the Company

Complete the following table on the members of the company's Board of Directors who directly and indirectly own shares in the company:

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Teresita T. Sy	100 (R)	none	0.0000046%
Roberto E. Lapid	100 (R)	none	0.0000046%
Jesse H.T. Andres	100 (R)	none	0.0000046%
Antonio N. Cotoco	115 (R)	none	0.0000053%
Ma.Leonora V. De Jesus	100 (R)	none	0.0000046%
Luis S. Reyes Jr.	100 (R)	none	0.0000046%
Nestor V. Tan	100 (R)	none	0.0000046%
Jesus G. Tirona	100 (R)	none	0.0000046%
Exequiel P. Villacorta Jr.	100 (R)	none	0.0000046%
Walter C. Wassmer	100 (R)	none	0.0000046%
Jeci A. Lapus	100 (R)	none	0.0000046%
TOTAL	**1,115**		**0.0000516%**

2. Chairman and CEO

a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [✓] No [ ]

Identify the Chair and CEO:

Chairman of the Board	Teresita T. Sy
President/CEO	Roberto E. Lapid

b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and President.

	Chairman	President
Role	(*Reference: Corgov Manual*) 1. Provide leadership in the board of directors by ensuring effective functioning of the Board, including maintaining a relationship of trust with board members. 2. Ensure that the board takes an informed decision thru a sound decision making process, encourage and promote critical discussions, ensure dissenting views are	(*Reference: Corgov Manual*) The President acts within the delegated authority vested to him by the Board among others the following: 1. Lead the senior management team in the day-to-day running of the Company's businesses. 2. Develop and present to the Board the strategy of the Group, medium and long- term plans and recommend annual

	expressed and fully considered. 3. Ensure that the meetings of the Board of Directors are held in accordance with the Bylaws of the Company. 4. Oversee the preparation of the agenda of the meeting of the Board of Directors in coordination with the Corporate Secretary, taking into account the suggestions of the Directors, the Company President, and other members of the Senior Management. 5. Maintain effective lines of communication and information between the Board of Directors and Senior Management of the Company. 6. Listen to and address satisfactorily any governance related issues. 7. Ensure that the Board of Directors exercises strong oversight over the Company's business and performance of senior management to minimize if not eliminate issues that may affect its reputation in the market place.	operating and capital expenditure budgets. 3. Recommend and/ or approve acquisitions, investments, divestments and major contracts in accordance with the authority levels approved by the Board. 4. Report to the Board the monthly actual operating performance of the Group versus approved plans and directions and to the stockholders the state of affairs of the Company for the preceding year at the annual stockholders' meeting. 5. In conjunction with the Board Chair, represent the Company to customers, regulators, shareholders, financial industry and the general public. 6. Receive instructions from the Board and ensure full compliance. 7. Accountable for the performance of the management team. (*Reference: Amended By-Laws*) SECTION 4. The President shall be the chief executive officer of the Company. In the absence of the Chairman of the Board, he shall preside at all meetings of the stockholders and the Board of Directors. He shall have general charge, directions and supervision of the business and affairs of the Company. He shall from time to time make such reports of the affairs of the Company as the Board of Directors may require and shall annually present a report of the preceding year's business at the stockholders' meeting. He shall sign all certificates of stock and all instruments to be executed on the part of the Company, except otherwise provided by the By-

<table>
<tr><td></td><td></td><td>Laws or by the Board of Directors or the Executive Committee. He shall do and perform such other duties as may be from time to time assigned to him by the Board of Directo</td></tr>
<tr><td>Accountabilities</td><td>Shareholder Meetings
Chair all shareholder meetings
Review and approve minutes of all shareholder meetings
Manage the Board
Chair all Board meetings
Provide leadership to the Board
In conjunction with the Corporate Governance Committee, ensure that processes to govern the Board's work are effective to enable the Board to exercise oversight and due diligence in the fulfillment of its mandate.
Manage Director and Board performance.
With the assistance of the Corporate Secretary, oversee the management of Board administrative activities (meeting schedules, agendas, information flow and documentation)
Facilitate communication among Directors.
Review and approve minutes of all Board meetings prior to presentation to the Board for approval.
Develop a more effective Board
Working with the Nominations Committee, plan Board and Committee composition, recruit Directors and plan for succession.
Working with the</td><td>Strategic Planning
Develop a well defined strategy
Establish management process and specific performance measures that clearly support the Company's long-term strategy
Assess performance and make timely changes in strategy, structure and resource allocations.
Financial Results
Define appropriate long-term financial objectives and set annual goals consistent with the Company's business strategy.
Establish, monitor and maintain appropriate management systems to provide effective control of operations.
Demonstrate diligence in making the appropriate certifications required under any governing securities, corporate legislation and regulatory requirements.
Leadership
Lead the Company with a clearly defined sense of business direction and purpose.
Effectively communicate BDOLF's vision and values to all employees. Serve as a role model for this vision and values and create and foster a culture of integrity throughout the organization.
Ensure that there is in operation an effective framework of governance which provides the direction and parameters within which business is to be</td></tr>
</table>

	Corporate Governance Committee, participate in the Board effectiveness evaluation process and provide constructive feedback and advice. • Review and approve requests for continuing education of the Board to improve their skills and competencies **Work with management** • Support and influence strategy. • With the assistance of the Corporate Governance Committee, lead the Board in evaluating the performance of the President • Provide advice and counsel to the President	conducted, align accountabilities and authorities and define any required policies, standards and guidelines. • Recruit senior Management and plan for succession. • Ensure programs are in place that will aid in retaining and motivating the senior Management team and attracting new executives as needed. • Promote the development of effective recruiting, training, retention and management development programs for all employees. • Effectively serve as liaison with the industry and the investor communities. **Board Relationship** • Establish effective working relationships collectively and individually with the Board. • Keep the Board fully informed on all important issues facing the Company (internal and external) • Recommend appropriate policies for Board consideration.
Deliverables	Efficient and effective Board	Profitable and well managed Company

3. Explain how the board of directors plan for the succession of the CEO/Managing Director/President and the top key management positions?

(*Reference: Corgov Manual*)

Management Succession Planning. The Board, in coordination with the Corporate Governance Committee, shall ensure that the Company has in place an appropriate and updated succession planning for key executives to address emergency in the event of extraordinary circumstances and ensure continuity of operations.

The Corporate Governance Committee has direct oversight of the succession planning. The President updated the Committee of this framework on May 23, 2013.

4. Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain. Yes

(*Reference: Corgov Manual*) **(updated)**

Selection of Board members. The Nominations Committee is tasked to undertake the process of identifying the qualifications of directors aligned with the company's strategic directions. In evaluating the suitability of individual board member and promoting diversity in the composition of the Board , the Nominations Committee should take into account the relevant qualifications of every candidate nominated for election such as among others, physical/mental fitness, relevant educational and professional background, personal track record, diversity of related experience/training, commitment to contribute, willingness to serve and interest to remain engaged and involved without undue prejudice to race, gender ethnic origin, religion, age and sexual orientation. At least one of the non-executive directors should have prior working experience in the financial industry or a relevant business group. For the reelection of incumbent directors,The Nominations Committee also considers the results of the most recent self-assessment of the Board and peer evaluation, director's attendance record in meetings, participation in Board activities and overall contribution to the functioning of the Board. A former partner or employee of the Company' s current external auditing firm will not be qualified for nomination as member of the Board. The Nominations Committee will use to the extent possible, external search firm or external bases in selecting the pool of candidates for the members of the Board.

In the revised Terms of Reference of the Nominations Committee, its primary duty is to lead the process for identifying and make recommendations to the Board on candidates for appointment as Directors of the Company as well as those other positions requiring appointment by the Board of Directors, giving full consideration to succession planning and leadership needs of the Group. It shall make use of external database, e.g. Institute of Corporate Directors or professional search. It shall recommend to the Board of Directors, the slate of nominees for election to the Board of Directors during the Company's annual stockholders' meeting. It also makes recommendations to the Board on the composition and chairmanship of the various committees. It keeps under review the structure, size and composition of the Board, including the balance of skills, knowledge and experience and the independence of the non-executive Directors, and makes recommendations to the Board with regard to any changes.

8 directors out of 11 have over 120 years' combined experience from local banking institutions. 2 directors out of 11 are businessmen who have made their mark in the field of realty and trading businesses. 3 directors out of 11 have held key government positions. 1 out of 11 is a practicing attorney and a managing partner of a law firm.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

Yes. In the existing Board of Directors, one non-executive director and one independent director have actual experiences in the financial services industry.

1. Director Exequiel P. Villacorta, Jr. 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.

2. Independent Director Jesus G. Tirona was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP and 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.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors

	Executive	Non-Executive	Independent Director
Role	**As an executive of the Company:** • responsible of the conduct of the general operations of the Company and management of its various businesses • exercise all the powers delegated to them by the Board **As member of the Board:** - performs oversight, control and approval functions as delegated to them thru the various committees	- Bring specialist knowledge to the Board; - Provide a fresh and external perspective to the Board discussions and decision making - Provide independent monitoring and constructive criticism of the Company's strategy, performance, risk and personnel. - Perform oversight, control and approval functions as delegated to them thru the various committees either as Chairman or as member	Same as the Non-Executive Directors
Accountabilities	**Knowledge, Skills & Expertise** • Each Director should be familiar with the Board Terms of Reference, the mandate of the Committees on which he/she serves, the Board's policies and other key documents that form part of the Board's corporate governance system. • Each director should be well informed on the major affairs and operations of the Company and the economic	Same	Same

	and political environment in which it operates and the regulatory requirements that fall within the mandate of any Committee of which he/she is a member. **Personal Qualities** • Each director should foster and promote integrity of the Board and a culture where the Board works for the long-term benefit of the Company and its shareholders. • Directors are selected for their integrity and character, sound and independent judgment, breadth of experience, insight and knowledge and business acumen. Directors are expected to bring these personal qualities to their role as a Director, and apply sound business judgment to help the Board make wise decisions and provide thoughtful and informed counsel to senior Management. **Integrity**		

	- Directors are expected to possess and demonstrate the highest personal and professional integrity at all times, to adhere, in letter and spirit, to the Company's Code of Conduct. **Participation in Board and Committee Meetings** - Directors are expected to demonstrate their commitment to the Board through preparation for and participation in Board and Committee meetings. - Directors are expected to make every reasonable effort to attend all meetings of the Board and its Committees, if not in person then by telephone. - Directors are expected to have reviewed the meeting materials prior to attendance at Board and Committee meetings and are expected to be prepared to engage in meaningful discussion and		

	provide constructive and thoughtful feedback and commentary at such meetings, expressing opinions and asking questions to enable the Board to exercise its best business judgment in decision making and advising Management. • Each director should ensure that he or she is able to devote sufficient time and energy to carry out their duties effectively. • Directors are expected to actively, thoughtfully and frankly participate in the Board performance self-assessment to promote continuous improvement of the governance process and the effectiveness of the Directors in fulfilling their roles.		
Deliverables	• Actual financial performance vs targets • Share price and dividends • Long-term shareholder value • Effective risk management	Same	Same

	system to manage the risk exposures of the Company.		

Provide the company's definition of "independence" and describe the company's compliance to the definition.

(*Reference: Corgov Manual*)

In accordance with regulations, the Company shall appoint or elect independent directors who are free of material relations with the management, controllers, or others that might reasonably be expected to interfere with the independent exercise of his/her best judgment for the exclusive interest of the Company. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws. An independent director of the Company may only serve as such for a total of five (5) consecutive years with a "cooling off" period of 2 years after which, he/she could be elected for another final 4-year term. Selection, nomination and election of independent directors shall be done in accordance with the standard election procedures of the Company's By-Laws.

By definition, an independent director shall be any person who:

- is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election;
- is not a director or officer of the related companies of the institution's majority stockholder;
- is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies;
- is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and
- is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.

  An independent director who is a member of any committee that exercises executive or management functions that can potentially impair such director's independence cannot accept membership in committees that perform independent oversight/control functions such as the Audit, Risk Management and Corporate Governance Committee, without prior approval of the Monetary Board.

Compliance to the Definition

1. An independent director shall submit to the Corporate Secretary a certification that he/she possesses all the qualifications and none of the disqualifications to serve as independent director and that he holds no interests affiliated with BDO.

2. A regular director who resigns or whose term ends on the day of the election shall only qualify for nomination and election as an independent director after a two (2) year “cooling off period”.

3. If the beneficial security ownership of an independent director in BDOLF or in its related companies shall exceed the limit of 2%, the Company will not consider him anymore as an independent director.

4. Executives of BDOLF may be elected as directors but cannot and shall not be considered as independent directors.

5. Person appointed as Adviser to the Board shall be subject to a one (1) year “cooling off period” prior to his/her nomination and election as an Independent Director.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Yes, an independent director may serve as such for a total of nine (9) years. First term is up to 5 years subject to annual election, after which there is a “cooling off” period of 2 consecutive years. The second and last term will be up to 4 years only subject to annual election. This was approved by the Board of Directors on December 10, 2014.

(*Reference: Corgov Manual*))

5. Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal **(updated)**

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
None	None	None	None

a. Selection/Appointment, Re-election, Disqualification, Removal, Reinstatement and Suspension **(updated)**

Name	Position	Date of Appointment	Reason
None	None	None	None

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors Nomination Procedures: 1. All nominations for directors	**Search Process**: The selection of the new members of the Board is conducted by	(*Reference: Corgov Manual*) Persons nominated to be a member of the Board should have all the qualifications and none of

shall be submitted in writing to the Corporate Secretary of BDOLF not earlier than 40 business days nor later than 30 business days prior to the date of the regular or special meeting of stockholders for the election of directors. 2. Nominations that are not submitted within such nomination period shall not be valid. Only a stockholder of record entitled to notice of and to vote at the regular or special meeting of the stockholders for the election of directors shall be qualified to be nominated and elected a director of BDO. (Section 8, By-Laws) 3. All nominations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees. (SRC Rule 38) 4. The nominations received shall be submitted to the Nominations Committee, which shall determine the qualifications of the nominees for Directors and Independent Directors. 5. The Nominations Committee meets at least twice a year to (a) open the nomination period for the submission of nominations for directors, (b) pre-screen and check the qualifications of all persons nominated to be elected to the Board of Directors of BDOLF from the pool of candidates submitted by the nominating stockholders, and (c) approve the final list of nominees for presentation and approval by the shareholders of BDOLF. 6. The Nominations Committee shall pre-screen the nominees based on their qualifications as provided in BDOLF's Manual of Good Corporate Governance and (SRC Rule 38). 7. The decision of the Nominations Committee concurred in by a vote	the Nominations Committee. The selection process consists of several steps: 1.The Nominations Committee develops the list of skills, experiences, qualifications, industry, diversity and personal qualities desired in potential new Board members. 2. Develops a list of potential candidates. e.g. Institute of Corporate Directors or professional search giving full consideration to the succession planning and leadership needs of the Group. In particular, the process includes the profiling of the skills and competencies of the currently serving directors, the gap in skills and competencies identified and the search for candidates who are aligned with the Company's directions to fill the gaps. **(updated)** 3. Reviews the complete list of potential candidates. They then identify a short list of potential candidates that they wish to pursue, make reference checks and consider whether the candidates can devote sufficient time and resources to his or her duties as a Board member .	the disqualifications as prescribed in the Corporate Governance Manual: He/She must possess the following minimum qualification as prescribed by the Monetary Board: 1. He shall be at least twenty-five (25) years of age at the time of his election or appointment. 2. He shall be at least a college graduate or have at least five (5) years experience in business. 3. He must have attended a special seminar on corporate governance for board directors. 4. He must be fit and proper for the position, and in this regard, the following shall be considered:integrity / probity, physical/mental fitness, competence, relevant education/financial literacy training, diligence and knowledge/experience. 5. He must have a practical understanding of the business of the Company. 6. He must be a member of good standing in the relevant industry, business or professional organizations.

of a majority of its members shall be final and binding on the stockholders and may no longer be raised during the annual meeting. (Section 8, By-Laws) 8. The Nominations Committee shall be composed of at least 3 members, one of whom is an independent director: Voting Procedures: 1.In the election of directors, the shareholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement. 2. There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done *viva voce*, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder 3. The Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors 4.Candidates receiving the highest number of votes shall be declared elected. 5. Those elected to the Board as independent directors shall submit to the SEC Certification on the Qualifications and Disqualifications of Independent Directors	4. Recommends the final potential candidates for election by the stockholders.	
(ii) Non-Executive Directors Same as above	Same as above	Same as above
(iii) Independent Directors Same as above	Same as above	Same as above and (*Reference: Corgov Manual*) By definition, an independent

		director shall be any person who: a. is not or has not been an officer or employee of the Company, its subsidiaries or affiliates or related interests during the past three (3) years counted from the date of his election; b. is not a director or officer of the related companies of the institution's majority stockholder; c. is not a stockholder with shares of stock sufficient to elect one seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders; d. is not a relative within the fourth degree of consanguinity or affinity, legitimate or common-law of any director, officer or a stockholder holding shares of stock sufficient to elect one seat in the board of the Company or any of its related companies; e. is not acting as a nominee or representative of any director or substantial shareholder of the Company, any of its related companies or any of its substantial shareholders; and f. is not retained as professional adviser, consultant, agent or counsel of the institution, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm; is independent of management and free from any business or other relationship, has not engaged and does not engage in any transaction with the institution or with any of its related companies or with any of its substantial shareholders, whether by himself

		or with other persons or through a firm of which he is a partner or a company of which he is a director or substantial shareholder, other than transactions which are conducted at arms length and could not materially interfere with or influence the exercise of his judgment.
b. Re-appointment		
(i) Executive Directors Same as above		Same as above
(ii) Non-Executive Directors Same as above		Same as above
(iii) Independent Directors Same as above		Same as above
c. Permanent Disqualification		
(i) Executive Directors **Disqualification Procedures:** 1. The Board of Directors and management are responsible for determining the existence of the ground for disqualification of the director and for reporting the same to BSP- SES within 72 hours from knowledge thereof. 2.On the basis of knowledge and evidence of existence of any of the grounds for disqualification, the director concerned shall be notified in writing either by personal service or through registered mail with registry return card at his/her last known address by the appropriate department of SES of the existence of the ground for his/her disqualification and shall be allowed to submit within 15 calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. 3.Upon receipt of the reply explanation of the director concerned, the appropriate department of the SES shall		(*Reference: Corgov Manual*) a. Any person who has been convicted by final judgment by a court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft. b. Any person who has been convicted by final judgment by a court for violation of banking laws. c. Any person who has been judicially declared insolvent, spendthrift or incapacitated to contract. d. A Director, Officer, or employee of a closed bank who was responsible for such Company's closure as determined by the Monetary Board. e. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that [a] involves the purchase or sale of securities as defined in the Securities Regulation Code (SRC), [b] arises out of the person's conduct as underwriter, broker, dealer, investment

proceed to evaluate the case. The director concerned shall be afforded the opportunity to defend/clear himself/herself. 4. If no reply has been received from the director concerned upon the expiration of the period prescribed under item 2 above, said failure to reply shall be deemed a waiver and the appropriate department of the SES shall proceed to evaluate the case based on available records/evidence. 5. If the ground for disqualification is delinquency in the payment of obligation, the concerned director shall be given a period of 30 days to within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation of his disqualification and watchlisting is elevated to the Monetary Board. 6. Recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/ officer concerned does not warrant disqualification. 7. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items *"a","b","c"* and *"d"* above. 8. Upon approval by the Monetary Board, the concerned director/officer shall be informed by the appropriate department of the SES in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification from being elected/appointed as director/ officer in any FI under the supervision of BSP and/or of		adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker, or [c] arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them. f. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Securities and Exchange Commission (SEC) or any court or administrative body of competent jurisdiction from [a] acting as underwriter, broker, dealer, investment adviser, principal, distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; [b] acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; [c] engaging in or continuing any conduct or practice in any of the above capacities mentioned in [a] and [b] above, or willfully violating the laws that govern securities and banking activities. g. Any person who has been adjudged by final judgment or order of the SEC, court or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the SEC or the Bangko Sentral ng Pilipinas (BSP), or any of its implementing rules, regulations or orders. h. Any person earlier elected as independent director who becomes an officer, employee, or consultant of the Company.

his/her inclusion in the masterlist of watchlisted persons so disqualified. 9. The board of directors of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate department of the SES the action taken by the board on the director/ officer involved. 10. Persons who are elected or appointed as director or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification provided for under Subsecs. X143.1 and X143.2, shall be afforded the procedural due process prescribed above.		i. Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated above. j. Any person convicted by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of his election.
(ii) Non-Executive Directors Same as above		Same as above
(iii) Independent Directors Same as above		Same as above
d. Temporary Disqualification		
(i) Executive Directors Same disqualification procedures		(*Reference: Corgov Manual*) a. Any person who refuses to fully disclose the extent of his business interest to the appropriate supervising and examination department of the BSP when required pursuant to a provision of law or of a BSP regulatory issuance. The disqualification shall be in effect as long as the refusal persists. b. Any person who refuses to comply with the disclosure requirements of the SRC and its implementing rules and

		regulations. The disqualification shall be in effect as long as the refusal persists. c. Any Director who has been absent or have not participated in more than fifty percent (50%) of all regular and special meetings of the Board of Directors during his incumbency or any twelve (12) month period during said incumbency, and any director who failed to physically attend at least twenty-five percent (25%) of all board meetings in any year. This disqualification shall apply for purposes of the succeeding election. d. Any person who is delinquent in the payment of his financial obligations and those of his related interests. The disqualification shall be in effect as long as the deficiency persists. e. Any person convicted for offenses involving dishonesty or breach of trust or violation of banking laws but whose conviction has not yet become final and executory. f. Any director and officer of closed banks pending their clearance by the Monetary Board. g. Any Director disqualified for failure to observe/discharge his duties and responsibilities prescribed under existing regulations. The disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board. h. Any person dismissed/terminated from employment for cause. The

		disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity. i. Any person under preventive suspension. j. Any person with derogatory records with law enforcement agencies. The disqualification shall be in effect until the person concerned has cleared himself of involvement in the alleged irregularity. k. If the beneficial equity ownership of an independent director in the Company or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with. The temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate actions to remedy or correct the disqualification. l. Any director who failed to attend special seminar for Board of Directors required under item "c" of Subsection X141.2 of the Manual of Regulations of Banks. m. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of removal from office is imposed, and which finding of the Monetary Board is pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.

		n. Any director found by the Monetary Board to be unfit for the position of directors or officers because he/she was found administratively liable by another government agency for violation of banking laws, rules and regulations or any offense/violation involving dishonesty or breach of trust, and which finding of said government agency is pending appeal before the appellate court, unless execution or enforcement thereof is a restrained by the court. o. Any director found by the Monetary Board as administratively liable for violation of banking laws, rules and regulations where a penalty of suspension from office or fine is imposed, regardless whether the finding of the Monetary Board is final and executory or pending appeal before the appellate court, unless execution or enforcement thereof is restrained by the court.
(ii) Non-Executive Directors Same disqualification procedures		Same as above
(iii) Independent Directors Same disqualification procedures		Same as above
e. Removal		
(i) Executive Directors **Removal Procedures** Only the stockholders have the power to remove the directors elected by them before his/her term is over. Removal may be with or without cause. The procedures to be followed are as follows:		

1. Any director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock. Provided, that such removal shall take place either at a regular meeting or at a special meeting called for the purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting. 2. A special meeting of the stockholders for the purpose of removal of directors must be called by the Corporate Secretary on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock. 3. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given by publication or by written notice as prescribed in the Corporation Code.		
(ii) Non-Executive Directors Same as above		
(iii) Independent Directors Same as above		
f. Re-instatement		
(i) Executive Directors **Reinstatement Procedures** Whenever a director is cleared in the procedural due process, or when the ground for disqualification ceases to exist, he/she would be eligible to become director again only upon prior approval by the Monetary Board. 2. It shall be the responsibility of the appropriate department of the SES to elevate to the Monetary Board the lifting of the disqualification of the concerned director and his/her delisting from the masterlist of watchlisted persons.		
(ii) Non-Executive Directors		

Same as above		
(iii) Independent Directors Same as above		
g. Suspension		
(i) Executive Directors Same as disqualification procedures		Same as disqualification criteria
(ii) Non-Executive Directors Same as disqualification procedures		Same as disqualification criteria
(iii) Independent Directors Same as disqualification procedures		Same as disqualification criteria

Voting Result of the last Annual General Meeting (April 22, 2015) **updated**

Name of Director	% Votes Received (Based on outstanding shares present)
Teresita T. Sy	85.26%
Roberto E. Lapid	85.26%
Jesse H. T. Andres	85.26%
Antonio N. Cotoco	85.26%
Ma. Leonora V. De Jesus	85.26%
Jeci A. Lapus	85.26%
Luis S. Reyes Jr.	85.26%
Nestor V. Tan	85.26%
Jesus G. Tirona	85.26%
Exequiel P. Villacorta Jr.	85.26%
Walter C. Wassmer	85.26%

6. Orientation and Education Program

A. Disclose details of the company's orientation program for new directors, if any.

All new directors who joined the Board undergo an orientation program to familiarize them on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Company's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual. As required by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission, the new directors also need to complete the

Corporate Governance Course. All directors were also encouraged to participate in the continuing education programs conducted by the Company to promote efficiency.

DIRECTOR ORIENTATION & CONTINUING EDUCATION POLICY

1. Philosophy

The Company believes that in order to maintain a current and effective Board, proper orientation and ongoing education are critical to ensure that members of the Board are well equipped in their role as stewards of the Company.

2. Purpose

The purpose of this policy is to formalize the orientation process of newly appointed directors to familiarize them with the role of the Company's Board of Directors, its committees and charters, the Company's business activities, the industry and regulatory environment. On continuing education, the policy also specifies the elements of the program that will be made available for the continued development of the Board.

3. Responsibility

The Corporate Governance Committee, in coordination with the Corporate Governance Office, is responsible for the implementation of the orientation program of new directors and continuing education of the Board.

4. Coverage

Orientation Program for New Directors

The formal program consists of meetings with the President and Corporate Secretary to discuss the roles and responsibilities of the Board of Directors and the corporate governance framework of the Company. A series of orientation sessions with key senior management executives will also be provided to discuss the core business activities and operations of the Company including industry and regulatory briefings. The Corporate Secretary will welcome the new directors initially thru a phone call and a letter will follow containing an information kit that includes the following:

- Corporate powers and limitations
- Board Structure and Composition, Board mandate, Board Committees and Charters
- Code of Conduct and other relevant policies adopted by the Board
- Directors' and Officers' Liability Insurance Coverage
- Schedule of Upcoming Board and Committee Meetings
- Annual Calendar of the Board
- Annual Reports
- Regulatory Disclosures
- Overview of the Company's business and local banking industry

B. State any in-house training and external courses attended by Directors and Senior Management[3] for the past three (3) years**. (updated)**

Anti-Money Laundering Briefing(Ernst & Young)	2011
Risk Governance Training (Ernst & Young)	2012
Corporate Governance Orientation Program (ICD)	2010, 2011, 2012
Professional Directors Program (ICD)	2011, 2012
Risk Governance and Board of Directors (IFC)	2011

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Update on Anti-Money Laundering Laws and Regulations (AMLC-BSP)	2013
Semi-Annual Economic Briefing	2012, 2013
Exclusive Corporate Governance Seminar (ICD)	May 28, 2014
Exclusive Corporate Governance Seminar (Risk Opportunities Assessment and Management, Inc.)	November 27, 2014

C. Continuing education programs for directors: programs and seminars and roundtables attended during the year. **(updated)**

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Teresita T. Sy	January 4, 2014	ICAAP Update	BDO Unibank
	January 25, 2014	Bank Cash dividends compared with peers	BDO Unibank
	January 25, 2014	Economic Briefing for 2014 Outlook	BDO Unibank
	February 18, 2014	Philippine Investment Forum	Euromoney
	March 29, 2014	Peer Comparison of investment securities portfolio	BDO Unibank
	March 29, 2014	Global Operations	BDO Unibank
	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Institute of Corporate Directors
	May 31, 2014	Bank's growth strategy	BDO Unibank
	June 28, 2014	Research on agricultural industry particularly coconut abaca, and cocoa industries	BDO Unibank
	June 28, 2014	Investor Relations Update	BDO Unibank
	July 26, 2014	BSP Circular No. 839 -Real Estate Stress Test Limit for real estate exposure	BDO Unibank
	August 30, 2014	IT projects	BDO Unibank
	September 22, 2014	Investment Review Outlook and strategy – Third Quarter 2014	BDO Unibank
	September 26, 2014	Energy Forum	Hon. Raul B. Aguilos (Undersecretary, Department of Energy)
	October 25, 2014	Recent BSP Banking Regulations (Real Estate Stress Test, Regulation on Credit Risk Management, Domestic Systematically Important banks, and increase in Minimum Capital Requirements.	BDO Unibank
	December 6, 2014	Update on Agricultural Industry particularly coconut, abaca and cocoa	BDO Unibank

	November 25, 2015	AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Nestor V. Tan	January 4, 2014	ICAAP Update	BDO Unibank
	January 25, 2014	Investment Review, Outlook and Strategy for 2014	BDO Unibank
	January 25, 2014	Bank's Cash Dividends compared with peers	BDO Unibank
	January 25, 2014	Economic Briefing for 2014 outlook	BDO Unibank
	February 18, 2014	Philippine Investment Forum	Euromoney
	March 29, 2014	Peer comparison of investment securities portfolio	BDO Unibank
	March 29, 2014	Global Operations	BDO Unibank
	April 21, 2014	Trust Rating System	BDO Unibank
	May 28, 2014	Exclusive Orientation Course on Corporate Governance	Institute of Corporate Directors
	May 31, 2014	Bank's Growth strategy	BDO Unibank
	June 28, 2014	Research on agricultural industry particularly coconut, abaca, and cocoa industries	BDO Unibank
	June 28, 2014	Investor Relations update	BDO Unibank
	July 26, 2014	BSP Circular 839 – Real Estate Stress Test Limit for real estate exposure	BDO Unibank
	August 30, 2014	IT Projects	BDO Unibank
	September 22, 2014	Investment Review Outlook and Strategy- Third Quarter 2014	BDO Unibank
	September 26, 2014	Energy Forum	Hon Raul Aguilos (Undersecretary DOE)
	October 25, 2014	Recent BSP Banking Regulations (Real Estate Stress Test, Regulation on Credit Risk Management, Domestic Systematically Important Banks, and Increase in Minimum Capital Requirements	BDO Unibank
	December 6, 2014	Update on Agricultural Industry particularly coconut, abaca and cocoa	BDO Unibank
	November 25, 2015	AML Training on "Mitigating Risk on	Atty. Julia C. Bacay-

		Current Trends in Money Laundering"	Abad (BSP) Atty. Vivian F. Magno (BSP)
Roberto E. Lapid	December 4, 2013 May 28, 2014 March 11, 2015 March 12, 2015 November 25, 2015	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar Banker's Institute of the Philippines (What's in store in real estate industry) Banker's Institute of the Philippines (Credit Information System) AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Atty.Julia Bacay-Abad (BSP) Institute of Corporate Directors Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Antonio C. Cotoco	December 4, 2013 November 2014 November 25, 2015	Briefing on the New Anti-Money Laundering Act Corporate Governance Seminar AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Atty.Julia Bacay-Abad (BSP) Dr. Benjamin Espiritu (ROAM, Inc.) Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Luis. Reyes Jr.	December 4, 2013 May 28, 2014	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar	Atty.Julia Bacay-Abad (BSP) Institute of Corporate Directors
Exequiel P. Villacorta Jr.	December 4, 2013 November 25, 2015	Briefing on the New Anti-Money Laundering Act AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Atty.Julia Bacay-Abad (BSP) Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Walter C. Wassmer	December 4, 2013 May 28, 2014 November 25, 2015	Briefing on the New Anti-Money Laundering Act Exclusive Orientation Corporate Governance Seminar AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Atty.Julia Bacay-Abad (BSP) Institute of Corporate Directors Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Atty. Jesse H.T. Andres	October 21-25, 2013 December 4, 2013	Credit Training for BDO Leasing and Finance Briefing on the New Anti-Money Laundering Act	Benjamin Sta. Catalina Atty.Julia Bacay-Abad (BSP)

	May 28, 2014 November 25, 2015	Exclusive Orientation Corporate Governance Seminar AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Institute of Corporate Directors Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Ma.Leonora V. De Jesus	October 21-25, 2013 December 4, 2013 November 25, 2015	Credit Training for BDO Leasing and Finance Briefing on the New Anti-Money Laundering Act AML Training on "Mitigating Risk on Current Trends in Money Laundering"	Benjamin Sta. Catalina Atty.Julia Bacay-Abad (BSP) Atty. Julia C. Bacay-Abad (BSP) Atty. Vivian F. Magno (BSP)
Jesus G. Tirona	October 7-8, 10-12, 2013 December 4, 2013	 Briefing on the New Anti-Money Laundering Act	 Atty.Julia Bacay-Abad (BSP)

Senior Management refers to the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

B. CODE OF BUSINESS CONDUCT & ETHICS

1) Discuss briefly the company's policies on the following business conduct or ethics affecting directors, senior management and employees:

(*Reference: Revised Code of Business Conduct and Ethics*)

BDOLF CODE OF CONDUCT AND BUSINESS ETHICS

As a financial institution, BDO Leasing & Finance Inc. (BDOLF) believes that practicing right conduct and ethical behavior inspires and strengthens the confidence of all our stakeholders. Being a subsidiary of BDO Unibank, it adopts/subscribes the BDOUB Code of Conduct and Business Ethics (the Code) as indicated below as the ethical standards of the Company's officers and employees in all their activities.

INTRODUCTION
The BDOUB Code of Conduct and Business Ethics (the Code) outlines the principles and policies that govern the activities of the institution and sets forth the rules of conduct in our work place and the standards of behavior of its directors, officers and employees in their activities and relationship with external stakeholders. These reflect the core values the institution subscribes to and promotes.

APPLICABILITY OF THE CODE
This Code applies at all times to all members of the Board of Directors and BDO Unibank Group (the Bank and its subsidiaries and affiliates) employees in their dealings with clients, suppliers, business partners and service providers.

COMMITMENT TO THE CODE
All directors and employees are required to acknowledge that they have read and understood the Code stipulating their compliance with the standards and policies set forth herein.

RESPONSIBILITIES FOR THE WORK PLACE

a. **Employment Practices**
BDO is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion, age, or sexual orientation. Employees are treated fairly and accorded with respect and dignity.

It ensures that employment practices and policies are in compliance with labor laws, regulations and standards in the countries where it operates. Employees are selected, engaged, compensated and promoted, as the case may be, based on the merits of qualification and performance.

b. **Employees' Welfare**
BDO is committed to promote the physical, social and mental well-being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and psychological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of the employees and related external parties.

CONDUCT RELATING TO CUSTOMERS AND EXTERNAL CONSTITUENCIES

Customers, suppliers, service providers, business competitors or other external parties with business dealings with BDO must be treated fairly and professionally.

The institution strictly prohibits the solicitation and acceptance, directly or indirectly, of any gift (including entertainment services or activities), gratuity, commission or any form of payment from clients, business partners, suppliers and third party service providers in connection to a service that may, in any way, influence the Director's, Officer's or employee's decision-making in exchange for any unnecessary favorable treatment.

Likewise, the institution commits to comply with anti-corruption and bribery laws in all jurisdictions it operates.

BDO will not make political donations that may be interpreted as an attempt to encourage favorable treatment of BDO and/or its directors and employees.

Participation in publications, speaking engagements, media interviews and advertisements need appropriate internal clearance.

Due respect to privacy and confidentiality of dealings with customers shall be strictly observed.

Certain transactions or information shall not be made available to groups or individuals within BDO where there may exist potential conflict of interest, more particularly between credit and investment operations.

All complaints from customers shall be handled with expediency in accordance with internal rules and regulatory requirements on consumer protection.

CONDUCT RELATING TO INVESTMENT AND OUTSIDE ACTIVITIES

Trading in the securities of BDO Unibank and/or any member of the BDO Group, whether listed or not while in possession of material non-public, price sensitive information is not permitted and is considered illegal. All directors and employees of the Bank must adhere to the Personal Trading Policy in their trading activities to prevent violations of security laws and regulations and to preserve the good reputation of BDO in the market place.

Real and potential conflict of interest shall be avoided when investing in outside business activities or accepting directorships in other institutions.

Queries or complaints from stockholders shall be immediately referred to the designated office or officials and resolved speedily in accordance with their rights.

OBSERVANCE OF STANDARDS OF CONDUCT FOR INDIVIDUALS

Employees have the primary duty to comply with the following basic standards of conduct in addition to office policies and work regulations.

1. **Attendance**

   Attendance and punctuality are expected from all concerned in order to make effective use of time and as a professional courtesy to others.

2. **Integrity**

   Integrity, honesty and professional behavior are expected to be observed in all dealings with customers, regulators, co-employees, and the public in general. Engaging in fraud (directly or indirectly), or connivance and facilitation in committing fraud are totally prohibited.

3. **Office Decorum**

   Decorum must be observed to promote harmony and respect within the organization and in dealing with external constituencies. Compliance to the prescribed uniform wear or corporate attire, as applicable, shall be followed for clear identification and to promote BDO's image and values.

4. **Responsible Behavior**

   Responsible behavior and courtesy both within the organization and in public must be observed at all times. The way we deal with customers and our demeanor in public significantly contribute to the public perception of BDO as a reputable and professional institution.

5. **Disclosure of Information**

   Building and maintaining trust is a basic part of our relationship with customers and shareholders. Unauthorized disclosure, use and passing on of sensitive/confidential information are strictly prohibited. This applies to verbal, inferred or written disclosures.

   All sensitive/confidential information obtained in the course of employment, directorship, engagement of services or other work or business-related relationship with BDO must not be divulged unless authorized in accordance with internal and regulatory requirements and must not be used for any personal or financial gain. Compliance with the applicable Information Security Risk policies of BDO and Data Privacy & Protection Laws is enjoined.

   The Law on Secrecy of Bank Deposits under R.A. 1405, as amended, which generally prohibits the disclosure of any information pertaining to deposits of whatever nature with banks and banking institutions in the Philippines, including investments in bonds issued by the Philippine government, the confidentiality provisions under the General Banking Law of 2000, and other related laws, rules and regulations, must be strictly observed.

   Customer relationships with BDO should be handled in strict confidence and propriety. This likewise applies to bank manuals, reports and memoranda.

   All business deals and transactions shall adhere to regulatory requirements and all applicable laws in the countries, cities, and in the communities in which BDO, its branches, subsidiaries and representative offices operate.

6. **Acceptance/Solicitation of Gifts, Bribery and Corruption**

   Employees, suppliers, partners and other 3rd parties must avoid giving or receiving gifts or entertainment if these might improperly influence the recipient's decision making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment.

7. Conflict of Interest

Directors and employees should act in a manner that will serve the best interest of BDO and its shareholders. This requires that all business decisions and actions must be aligned to the principles and values of BDO, and should not be driven by personal motivations or influenced by personal relationships which may interfere in the exercise of objective and independent judgment.

Any financial and personal interest or benefit in any transaction involving BDO must be disclosed. When presented with a situation involving a potential conflict of interest, it is necessary to disclose the possible conflict in writing to the Supervising Officer, in case of officer or employee, or to the Board of Directors, in case of Director.

Disclosures against possible or perceived conflict of interest, may include, but need not be limited to the following:

A. Interest in businesses

Any financial interest or management participation of an immediate family member in the business of a supplier, competitor, or customers, whether publicly- listed or privately held, should be disclosed.

B. Employment or engagement of services

Engagement by a supplier, contractor, or customer's business as a director, adviser, officer, employee or consultant needs to be disclosed and requires approval of BDO. Similar engagement of an immediate family member (parent, brother, sister, spouse, child) shall likewise need to be disclosed.

C. Employment in another entity or in political office

This includes disclosure on engagement in another occupation or holding concurrent position in a government, or political office or agency.

D. Political Activity

Active involvement in any political party or participating/engaging in a political campaign should be disclosed and requires permission from BDO.

E. Relatives/Next of Kin

Disclosure should be made when a director or employee has a relative employed in BDO. Management discretion shall be exercised to ensure that there will be no superior-subordinate relationship between employed relatives or in a control function exercised over the business unit of a relative.

Next-of-kin relationship should also be disclosed when it begins to exist with another employee where one exercises superior-subordinate relationship or control relationship with the employee.

Directors and employees are responsible for identifying, assessing and managing conflicts of interest whether actual or potential that arises in their day to day work. Full disclosure of any conflict of interest should be made on an annual basis or as necessary, through the annual submission of the Conflict of Interest Disclosure Form (Annex A) to BDO Unibank- Human Resources Group. Any disclosed potential conflict of interest shall be forwarded by BDO Unibank- Human Resources Group to BDO Unibank Compliance Office for evaluation. In case of doubt about the propriety of any course of action or find that their own interests are or may be in conflict with those of the institution, they must disclose and seek advice from the BDO Unibank- Human Resources Group.

8. Outside Employment or Directorship

Full time employees should not take up any outside employment or directorship. Written approval of the Group Head and the Human Resources Group is required prior to acceptance of outside employment or directorship. The following scenarios are covered:

Part-time jobs:

- Teaching or tutoring
- Consultancy
- Private practice of a profession
- Other similar activities that affect the availability of employees

Approval, which must be in writing, may be given to take up part-time directorship, employment and other similar engagements only in circumstances where the interests of BDO will not be prejudiced.

Directors or officers who intend to run for government office are required to tender resignation from BDO or the Board of Directors, as the case may be, prior to formalizing or filing of candidacy. As soon as it comes to the knowledge of BDO that they ran for public office, they shall be deemed resigned from BDO or the Board of Directors, as the case may be.

9. Reporting Internal Fraud, Breach of the Code, or Other Unethical/Illegal Activities

BDO believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the industry. Any director or employee who becomes aware of any violations of law, regulations or policies should report the same to appropriate authorities, with protection from reprisal and discrimination. Reporting of violations should be done in good faith and without malice. This is embodied in the BDO Policy on Disclosure of Sensitive/Confidential Matters to Management that governs the policies and procedures in handling of whistle blower cases.

This helps to promote and maintain a culture of strong ethics, integrity, honesty, accountability and transparency.

10. Media Contact

Only authorized individuals or parties shall be allowed to contact or talk to any representative of the media (print, broadcast, wires, and online) on BDO matters. All inquiries or contacts made by the media should be referred to BDO Marketing Communications Group.

Similarly, the unauthorized creation of unofficial social media account bearing the BDO brand or corporate name is not allowed.

11. Treatment of BDO's Assets

BDO's assets (physical, financial or intellectual) may be used only for authorized purposes. Directors and employees are also responsible for safeguarding BDO's assets to prevent loss, theft, destruction or unauthorized use.

Any unauthorized use, or unnecessary access, or destruction of BDO's assets such as funds, property, confidential data, information, equipment and/or systems, for personal gain or for purposes of maligning or harming BDO, its directors, employees, shareholders and/or its customers, or for any ill motive, including attempts thereto, shall be considered as a violation of this Code and shall be dealt with accordingly.

The Bank is the owner of all information assets which include any bank data, information processes, computer and communications equipment, application and system software, and tools and utilities that store, process and transmit information. Any personal information or data stored by the employee in any of the Bank's information resources shall be considered as Bank's assets which may be inspected, reviewed, or used as legal evidence when necessary.

Integral to information security and data protection, the Bank has the inherent right to inspect and review information in the possession of directors or employees in instances where there is doubt on unauthorized access, use, disclosure, disruption, modification, inspection, recording or destruction of the Bank's information assets.

The bank shall ensure that proper custodianship of information assets shall include compliance to all applicable laws and regulations in providing access, storage and disposal of bank information.

12. Personal Finance Standards

As a financial institution, public confidence in BDO's ability to manage the financial affairs of others is key. While personal finances are private, employees are expected to handle their financial affairs prudently. Specifically, the following are prohibited and are grounds for disciplinary action:

(a) mismanaged checking accounts, credit cards, loan and other forms of indebtedness which includes failure to pay just debts or being habitually delinquent in the payment of debts;
(b) borrowing money or obtaining loans/favors in any form from customers and/or suppliers; and
(c) borrowing/lending money from/to co-employees.

13. Gambling, Drinking Alcoholic Beverages, Use of Prohibited Drugs

Gambling, drinking alcoholic beverages, use or sale of prohibited drugs, and other similar vices, done during working hours and within BDO premises are strictly prohibited.

The Drug Free Workplace Policy of BDO shall apply.

14. Compliance with Laws, Regulations and Internal Standards, Policies and Procedures

Directors and employees are expected to comply fully with appropriate laws and regulations, as well as with the internal standards or policies and procedures of BDO. They are individually responsible for complying with the spirit, not just the letter, of the laws, regulations, and internal policies and procedures.

15. Fair Treatment of Customers

BDO's business is its customers. Therefore, directors and employees are responsible in ensuring that customers are treated fairly in all dealings with them.

The minimum standards to ensure that customers are treated fairly are the following:

1. Communications are fair and not misleading.
2. Ensure that customers are given clear and concise information, including the risks involved, before they enter into financial products and services.
3. Employees should only market and sell products and services, which have been approved for sale.
4. Products and services are suitable and appropriate, taking into account the needs of the customers, their financial and risk profile and objectives.
5. Complaints should be handled in a prompt, friendly, fair and effective manner.

16. Relationship with Colleagues

Directors and employees are expected to treat others with dignity and with utmost professional respect and courtesy regardless of differences, positions, ranks, ages, or other types of distinctions.

17. Respect for Community and Environment

Directors and employees should promote actively the Bank's corporate social responsibility and care for the environment through the initiatives and partnerships with civil society, governments and other stakeholders.

They also have to recognize their role to be involved in community-related issues and activities as a way of giving back to the communities in which they operate.

RELATED PARTY TRANSACTIONS

BDO, in compliance with legal and regulatory requirements, maintains transparency of related party transactions between and among BDO and its subsidiaries, affiliated companies, directors, officers, stockholders, related interests (DOSRI), and joint ventures. These should be conducted at arm's length and in the normal commercial terms granted to either individuals or businesses of comparable risks.

SPECIFIC REQUIREMENTS OF THE LAW

From time to time, specific laws or regulations are implemented which require the special attention and strict observance by all concerned. All concerned, who shall be advised of such requirements, shall ensure their individual responsibilities are complied with. These laws include the Bank Secrecy Act, Anti-Money Laundering Act, Customers Protection Act and the Data Protection Act.

SANCTIONS AND PENALTIES

Failure to comply with the requirements of the Code may lead to disciplinary measures commensurate to the violations.

The Bank will use principles of fair accountability and due process in investigating and making decisions on all matters pertaining to failure to abide by the Code.

BDO reserves the right to impose corresponding sanctions and/or penalties for violation of the Code, which includes dismissal from service or from the Board of Directors, as the case may be, without prejudice to further legal, administrative or criminal charges depending on the offense.

RESPONSIBILITY FOR IMPLEMENTATION

The Office of the Human Resources shall be responsible for overseeing the implementation of this Code across the BDO Unibank Group. It shall receive reports of violation and ensure that a confidential investigation is undertaken. As necessary, it may endorse the handling of the investigation to the Cases Review Secretariat for the necessary action and appropriate recommendation. The Audit Committee, at its discretion, may periodically report the Code of Ethics cases to the Board of Directors.

The Compliance Office will address lapses in compliance with regulatory requirements arising from the administrative cases due to the violation of this Code.

APPROVAL AND DISCLOSURE

The Board of Directors has the authority to approve the Code of Conduct and Business Ethics. The Office of the Human Resources and the Office of the Corporate Governance shall be responsible to disseminate the Code to all directors, officers and staff for their information and proper guidance. It should be posted in the Bank's website and intranet to be accessible to all covered individuals and shall form part of the HR and Compliance policies of the Bank

Annex A

Conflict of Interest Disclosure Form

In accordance with the BDO Unibank Group's Code of Conduct and Business Ethics, all employees are required to read, acknowledge and provide the required information pertinent to possible areas of conflict of interest as stated below.

I understand that I should act in a manner that will serve the best interests of the Bank and value to its shareholders. All business decisions and actions must be aligned to the principles and values of the Bank, and should not be driven by personal motivations or influenced by personal relationships which may interfere in the exercise of objective and independent judgment.

As such, I understand that I must disclose any financial and personal interest or benefit in any transaction involving BDO or any potential area of conflict to my Supervising Officer.

Disclosures on possible conflict of interest

Please tick and describe as applicable or indicate "N/A" if not applicable.

Please tick as appropriate	**Areas of possible conflict of interest**	**Description**
	A. Interest in businesses	
	B. Employment or engagement of services	
	C. Employment in another entity or in political office	
	D. Political Activity	
	E. Relatives/ Next of Kin	
	F. Others	

I hereby declare that the information I have provided above is true to the best of my knowledge and I understand that any misrepresentation of information on this form may be grounds for disciplinary action.

Submitted by: Signature Over Printed Name of Employee Date Signed: ____________	Noted by: Signature Over Printed Name of Immediate Supervising Officer Date Signed: ____________

Reviewed by:

Human Resources Group	Compliance Office

Business Conduct & Ethics	Directors	Senior Management	Employees
(a) Conflict of Interest	applicable	applicable	applicable
(b) Conduct of Business and Fair Dealings	applicable	applicable	applicable
(c) Receipt of gifts from third parties	applicable	applicable	applicable
(d) Compliance with Laws & Regulations	applicable	applicable	applicable
(e) Respect for Trade Secrets/Use of Non-public Information	applicable	applicable	applicable
(f) Use of Company Funds, Assets and Information	applicable	applicable	applicable
(g) Employment & Labor Laws & Policies	applicable	applicable	applicable
(h) Disciplinary action	applicable	applicable	applicable
(i) Whistle Blower	applicable	applicable	applicable
(j) Conflict Resolution	applicable	applicable	applicable

2) Has the code of ethics or conduct been disseminated to all directors, senior management and employees? Yes. The Code of Conduct and Business Ethics is posted in BDOLF's Website www.bdo.com.ph/business/leasing-financing/corporate governance

3) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

IMPLEMENTATION (updated)

The Office of the Human Resources shall be responsible for overseeing the implementation of the Code across BDO Unibank Group. All directors and employees will be required to acknowledge receipt of the Code and commit to its compliance.

MONITORING OF COMPLIANCE

This is being done thru independent checks by the following units:

Internal Audit
Under the direct supervision of the Board Audit Committee, the Internal Audit Division conducts independent assessment of adequacy and effectiveness of internal controls, risk management and governance processes of all units of the Company including its subsidiaries . It investigates cases among others, those committed in violation of the Code of Conduct and renders a report to the Audit Committee and also to the Cases

Review Committee. It monitors also the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening of the control environment. Its closing report for 2012 highlighted that existing controls, risk management and governance processes across the Company are generally adequate.

Compliance Office (updated)

The Company has a robust compliance program focused on the enforcement of the Corporate Governance Manual, Code of Conduct, Personal Trading Policy and other regulatory requirements. Reporting directly to the Board Audit Committee, the Compliance Office ensures timely submission of reports, issues advisories on new regulations and amendments, initiates policy pronouncements and implementation, provides training to employees and reports on significant compliance issues to the management and the Board. The Compliance Office is responsible in issuing Trading Blackout Notices to take effect before and after disclosures of financial results to prevent insider trading. They are also handling the reporting and disclosure of BDOLF stock transactions of directors and officers of the Company. Every month, the Compliance Officer reports to the Board Audit Committee the status of compliance of regulations by the Company.

4) Related Party Transactions (updated)

1. Policies and Procedures

Describe the company's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

BDOLF, in compliance with legal and regulatory requirements, must ensure that Related Party Transactions are conducted in a manner that is fair and at arm's length consistent with with the best interests of the Company and its stakeholders. The policy below sets forth the initiation, processing, review approval, reporting and disclosure of transactions entered into by the Company with Related Parties.

REVISED RELATED PARTY TRANSACTIONS POLICY (updated)

OBJECTIVES

The policy is intended to:

· Ensure that every Related Party Transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties; and

· Ensure proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.

EXPANDED DEFINITION OF RELATED PARTIES

For purposes of this policy, a Related Party means -

1. DOSRI

a. Directors shall refer to the company directors which shall include (1) directors who are named as such in the Articles of Incorporation; (2) directors duly elected in the subsequent meetings of the stockholders; and (3) those elected to fill vacancies in the Board of Directors

b. Officers shall refer to the company officers which shall include the President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Secretary, Chief Compliance Officer, Chief Risk Officer and other mentioned as officers of the Company, or those duties as such are defined in the By-Laws, or are genarally known to be the officers of the Company (or any of its branches and offices other than head office) either through announcement, representation, or publication or any kind of communication made by the Company: Provided, that the person holding the position of Chairman or Vice Chairman of the Board or another position in the Board shall not be considered as an officer unless the duties of his position in the board include functions of management such as those ordinarily performed by regular officers: Provided, further that members of a group or committee, including sub-groups or sub-committees whose duties include functions of management such as those ordinarily performed by regular officers, and not purely recommendatory or advisory, shall likewise be considered officers.

c. Stockholder shall refer to any stockholder of record in the books of the company, acting personally, or through an attorney-in-fact; or any other person duly authorized by him or through a trustee designated pursuant to a proxy or voting trust or other similar contracts, whose stockholdings in the company, individual and/or collectively with the stockholdings of: 1) Spouse relatives within the first degree of consaguinity or affinity, or relatives by legal adoption, of the stockholder of the company 2) a partnership in which the stockholder and/or the spouse and/or any aforementioned relatives is a general partner; 3) corporation, association or firm of which the stockholder and/or his spouse and/or the aforementioned relatives own more than fifty percent (50%) of the total subscribed capital stock of such corporation, association or firm, amount to one percent (1%) or more of the total subscribed capital stock of the Company.

d. Related Interest shall refer to any of the following:

(1) Spouse or relative within the first degree of consaguinity or affinity, or relative by legal adoption of a director, officer or stockholder of the Company.

(2) Partnership of which a director, officer or stockholder of a Company or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, is a general partner.

(3) Co-owner with the director, officer, stockholder or his spouse or relative within the first degree of consanguinity or affinity, or relative by legal adoption, of the property or interest or right mortgaged, pledged or assigned to secure the loans or other credit accommodations, except when the mortgage, pledge or assignment covers only said co-owner's undivided interest;

(4) Corporation, association, or firm of which a director or officer of the Company, or his spouse is also a director or officer of such corporation, association or firm, except (a) where the securities of such corporation, association or firm are listed and traded in the big board or commercial and industrial board of domestic stock exchanges and less than fifty percent (50%) of the voting stock thereof is owned by any one (1) person or by persons related to each other within the first degree of consaguinity or affinity; or (b) where the director, officer or stockholder of the Company sits as a representative of the Company in the board of directors of such corporation: Provided, That the Company representative shall not have any equity interest in the borrower corporation except for the minimum shares required by law, rules and regulations, or by the by-laws of the corporation, or where the corporation is at least ninety-nine percent (99%)-owned by a non-stock corporation as defined in Section 87 of the Corporation Code of the Philippines: Provided, that the purpose of the loan is to finance hospitals and other medical services: Provided, further, that the loan is fully secured: Provided furthermore, That in case of Items (a) (b) and (c) above, the borrowing corporation is not among those mentioned in items e(5), e (6), e(7) and e(8) of this Section.

(5) Corporation, association or firm of which any or group of directors, officers, stockholders of the Company and/or their spouses or relatives within the first degree of consanguinity or affinity, or relative by legal adoption, hold or own at least twenty percent (20%) of the subscribed capital of such corporation, or of the equity of such association and firm;

(6) Corporation, association or firm wholly or majority owned or controlled by any related entity or a group of related entities mentioned in Items e(2), e(4) and e(5) of this Section;

(7) Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least twenty percent (20%) of the subscribed capital of a substantial stockholder of the Company or which controls majority interest of the Company;

(8) Corporation, association or firm which has an existing management contract or any similar arrangement with the parent of the Company.

(9) Non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations which are incorporated by any of the stockholders and/or directors and/or officers or related companies.

2. SUBSIDIARIES AND AFFILIATES

Corporation, association or firm in which the company and/or its parent/subsidiary holds or owns at least twenty percent (20%) of the subscribed capital of such corporation, or in equity of such association or firm.

3. OTHER RELATED PARTIES

a. Second degree relatives by consaguinity (grandparents, grandchildren, brothers and sisters) or affinity (grandparents-in-law, brothers-in-law and sisters-in-law) of Directors, officers with a rank of AVP or higher and Stockholders owning at least 1% on the Company's total subscribed capital stock:

b. Corporations, associations or firms of which any or a group of Directors, Officers, Stockholders of the lending Company and/or their spouses or relatives within the first degree of consaguinity or affinity, or relative by legal adoption, hold or own at least ten percent (10%) of the subscribed capital of such Company, or of the equity of such association or firm; and

c. Corporation, association or firm which owns or controls directly or indirectly whether singly or as part of a group of related interest at least ten percent (10%) of the subscribed capital of a substantial stockholder of the Company or which controls majority interest of the Company.

d. Corporation, association or firm in the lending Company and/or its parent/subsidiary holds or owns at least ten percent (10%) of the subscribed capital of such company, or in the equity of such association or firm.

<u>COVERAGE OF RELATED PARTY TRANSACTIONS</u>

In the context of this policy, the following criteria apply to a Related Party Transaction:

- NATURE

Any of the following transactions entered into by the Related Parties of the Company listed above:

1. Credit Transaction

a. Leasing and Financing

2. Non-Leasing and Financing Transactions

a. Purchases, sales or supply of goods or materials
b. Rendering or receiving services;
c. Agency agreements;

d. Outsourcing arrangements
e. Leasing of property of any kind
f. License Agreements
g. Selling or disposing of, or buying, property of any kind;
I. Guarantees and sureties; and
j. Management contracts

- AMOUNT

Any single transaction, agreement or contract with an amount of Php5 million and above is considered significant.

- CIRCUMSTANCES

The counter party who is transacting with the Company must be a 'related Party" to the Officer (s) with the rank of AVP or higher

- HANDLING OF RELATED PARTY TRANSACTIONS

A. Documentation

To ensure the propriety of Related Party Transactions, the proposal shall include among others, the following information:

1. Identity of the related parties in the transaction to be entered into by the Company;
2. Terms and conditions of the related party transaction which are not more favorable or preferential than terms generally available to non-related parties similarly placed, situated and rated.

B. Review and approval

1. Transaction of DOSRI shall be processed in accordance with existing policies and procedures:

Transaction	Approval
Credit Transaction	ExCom approves/endorses Board approves
Outsourcing Arrangements	Generally : BU Head recommends President approves Board confirms Select Services ; BU Head recommends President approves/endorses Board approves
Leasing/Selling/Buying of Property	ExCom approves/endorses Board approves

2. Transactions of Other Related Parties shall be processed as follows:

Transaction	Approval
Credit Transaction	BU endorses to RPT committee for review
Outsourcing Arrangements	Generally : BU Head recommends

	President approves Board confirms Select Services ; BU Head recommends President approves/endorses Board approves
Leasing/Selling/Buying of Property	ExCom approves/endorses Board confirms
Purchases of goods and services, Agency Agreement; Licensing Agreements and Management contracts (5M & up)	BU Head approves per delegated authority RPT endorses (5M above) Board approves

3. Any member of the Board or the Related Party Transactions Committee who has interest in a Transaction, agreement or contract must abstain from participation in the review and approval of such Related Party Transaction.

DISCLOSURE OF RELATED PARTY TRANSACTIONS

- The Company shall disclose in its website the policy in Related Party Transactions and also in the Annual Corporate Governance Report to SEC.

- Material Related Party Transactions shall be reported to regulatory agencies as required and shall be ratified and approved by the stockholders in the Annual Stockholder's Meeting.

Necessary disclosures shall be made also in the Notes to the Financial Statements of the Annual Report.

RULES FOR DOSRI CREDIT ACCOMMODATIONS

All loans, other credit accommodations and guarantee to clients classified under DOSRI shall be subject to the provisions of Section 9 (c) of the Implementing Rules and Regulations of the Financing Company Act (RA No.8556) of Securities and Exchange Commission

Aggregate Ceiling of DOSRI Transactions, such must not exceed 15% of BDO Leasing's networth.

Related Party Transactions	Policies and Procedures
(1)Parent Company	Cited policies and procedures on DOSRI and RPT are applicable.
(2)Joint Ventures	same
(3)Subsidiaries	same
(4)Entities Under Common Control	same
(5)Substantial Stockholders	same
(6)Officers including spouse / children / siblings / parents	same
(7)Directors including spouse / children / siblings / parents	same
(8)Interlocking director relationship of Board of Directors	same

2. Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	**none**
Name of Officer/s	**none**
Name of Significant Shareholders	**none**

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	Same with the DOSRI/RPT rules and guidelines in handling intra-group outsourcing
Group	- same -

5) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[4] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
none		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
BDO Unibank, Inc.	BDOLF is 85.09% owned by BDO Unibank	BDOLF extends credit to BDO Unibank suppliers versus assignment of receivables of BDO Unibank
SM Group	The Chairperson is Board Director and Key Officer of SM Group	BDOLF extends credit to SM Group suppliers versus assignment of receivables of SM Group

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the

[4] Family relationship up to the fourth civil degree either by consanguinity or affinity.

company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
none	none	none

6) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

COVERAGE

The BDOLF Alternative Dispute Resolution (ADR) System shall cover disputes between BDOLF and its stockholders, and BDOLF and third parties, including the regulatory authorities, as herein provided. A dispute shall mean a conflict of claims or rights, or an assertion of claim or demand by a stockholder or a third party including regulatory authorities, met by contrary claims or assertions on the part of BDOLF and vice versa (hereinafter, “Dispute”)

The ADR System shall not cover mere complaints. A complaint shall mean a statement of some grievance or dissatisfaction by a stockholder or a third party.

PROCEDURE

1. Referral to ADR System

The Head of the BDOLF Unit (BDOLF Unit Head) involved in the Dispute shall, in consultation with the Legal Service Group (LSG) and taking into account all relevant factors, assess and evaluate a Dispute and determine whether the same is proper for ADR process.

2. Negotiation

Upon determination by the concerned BDOLF Unit Head that the Dispute is proper for ADR process, the BDOLF Unit concerned or any other unit or officer assigned (hereinafter, “Assigned Unit/Officer) shall, in consultation with LSG, promptly commence negotiations with the opposing party for possible settlement. As a matter of policy, BDOLF shall adopt negotiation as the initial mode of amicably settling a dispute.

During the negotiations, the disputing parties shall identify the issues, explore ways of settling those issues, and strive for a mutually acceptable resolutions.

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the negotiations.

3. Mediation

In the event that no settlement is reached after negotiations, the BDOLF Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for mediation. Mediation is “ a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement regarding a dispute.”

The Assigned Unit/Officer shall submit to Management a report on the conduct and outcome of the mediation.

4. Arbitration

In the event that no settlement is reached after negotiations, the BDOLF Unit Head shall, in consultation with LSG and taking into account all relevant factors, determine whether the Dispute is proper for arbitration.

In the event the BDOLF Unit Head shall determine that arbitration is proper, the Assigned Unit/Officer shall promptly propose to the opposing party resort to arbitration as a mode of setting the Dispute under applicable laws and rules.

MONITORING AND REPORTING

All Disputes referred to the ADR process shall be monitored.

Disputes between BDOLF and its stockholders shall be monitored by the Office of the Corporate Secretary; disputes between BDOLF and third parties not involving regulatory authorities shall be monitored by LSG; and disputes between BDOLF and regulatory authorities shall be monitored by the Compliance Office.

All Disputes referred to the ADR process shall be reported to the Corporate Governance Committee.

SETTLEMENT

Any settlement during negotiation or mediation shall be submitted by Management to the Corporate Governance, Nomination and Compensation & Remuneration Committee which shall in turn endorse it to the Board of Directors for approval or other appropriate action.

	Alternative Dispute Resolution System
Corporation & Stockholders	applicable
Corporation & Third Parties	applicable
Corporation & Regulatory Authorities	applicable

C. BOARD MEETINGS & ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

Yes. Board meetings are scheduled for the coming year are set in advance before the start of the new calendar year.

(Source: Corporate Governance Manual – Board Operations)

2) Attendance of Directors (**updated for 2014**)

Board	Name	Date of Election	No. of Meetings Held in 2014	No. of Meetings Attended	%
Chairman	Teresita T.Sy	April 23, 2014	13	11	85%
Member	Roberto E. Lapid	April 23, 2014	13	13	100%
Member	Antonio N. Cotoco	April 23, 2014	13	11	85%
Member	Luis S. Reyes Jr.	April 23, 2014	13	10	77%
Member	Nestor V. Tan	April 23, 2014	13	11	85%
Member	Exequiel P. Villacorta Jr.	April 23, 2014	13	13	100%
Member	Walter C. Wassmer	April 23, 2014	13	12	92%
Independent	Jesse H.T. Andres	April 23, 2014	13	13	100%
Independent	Ma. Leonora V. De Jesus	April 23, 2014	13	13	100%
Independent	Jesus G. Tirona	April 23, 2014	13	11	85%
Member	Georgiana A. Gamboa*	April 23, 2014	2	2	100%
Member	Jeci A. Lapus**	April 23, 2014	8	8	100%

* **Resigned effective January 31, 2014*
***Elected on April 23, 2014*

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? (updated)

None

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

The Company's Amended By-Laws Article III, Section 4 the directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for transaction of business, and every decision of a majority of the quorum duly assembled as a Board shall be valid as a corporate act; but not one or more directors present at the time and place for which a meeting shall have been called may adjourn any meeting from time to time until a quorum shall be present.

The quorum requirement observed by BDOLF is majority of the members of the Board. However, based on the records of attendance for the past several years, more than 2/3 of the directors were present during Board meetings and all decisions reached had been unanimous.

5) Access to Information

(a) How many days in advance are board papers[5] for board of directors meetings provided to the board?

(Reference: Corgov Manual)

The agenda and information package of each board and committee should be sent to each director in writing or electronically at least 5 business days in advance of the board meetings, whenever possible and appropriate.

(b) Do board members have independent access to Management and the Corporate Secretary?

YES

(Reference: Corgov Manual)

Directors' access to Senior Officers and Advisers. Unit Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

To enable the members of the Company's Board of Directors to properly fulfill their duties and responsibilities, they shall be provided as follows:

1. Management shall provide the Board members with complete, adequate and timely information about matters to be taken up during their meetings.
2. The Board members shall have independent access to Management and the Corporate Secretary for all information to enable them to properly perform their duties and responsibilities.
3. The information to be provided to the Board members may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents.

[5] Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

4. The Board members, either individually or as a body, shall have access to independent professional advice at the Company's expense.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

(Reference: By-Laws)

According to Article IV, Section 7 of the Amended By-Laws, The Secretary, who must be a citizen and resident of the Philippines, shall keep the minutes of all meetings of the Board of Directors, and the minutes of all meetings of the stockholder. He shall attend to the giving and serving of all notices of the Company. He shall have charge of such books and papers as the Board of Directors or the Executive Committee may direct, and shall perform all of the duties incident to the office of Secretary and such other duties as may be assigned to him by the Board of Directors or by the Executive Committee.

(*Reference: Revised Corporate Governance Manual)*

Role of Corporate Secretary

The Corporate Secretary is an officer of the Company and shall be a Filipino citizen. He shall work and deal fairly and objectively with all the constituencies of the Company, namely, the Board, management, stockholders and other stakeholders. He must have the legal skills of a chief legal officer, if he is not the general counsel. He should also have adequate administrative skills and the interpersonal skills of a human resources officer. The duties and responsibilities of the Corporate Secretary shall be the following:

1. Issue advance notice of meetings and agenda, as well as to keep the minutes of all meetings of the stockholders of the Company and of the Board of Directors.

2. Provide to all directors the available materials related to the agenda items at least five (5) business days in advance of the scheduled board or committee meeting. Provide ready and reasonable access to information that directors may need for the deliberation of issues related to the meeting agenda. **(updated)**

3. Keep custody of the Stock Certificate Book, Stock and Transfer Book, the Corporate Seal, and other records, papers and documents of the Company.

4. Prepare ballots for the annual election of directors, and keep a complete and up-to-date roll of the stockholders and their addresses.

5. Submit to the Securities and Exchange Commission an advisement letter certifying the annual attendance of Directors.

6. Ensure that Board procedures are being followed and the applicable rules and regulations are complied with.

7. Attend all Board meetings.

8. Work fairly and objectively with the Board, Management, stockholders and other stakeholders.

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

Yes, he is a lawyer.

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes ✓ No

Committee	Details of the procedures
Executive	*(Reference: Corgov Manual)* **Board Meetings – Agenda and Materials.** The agenda and information package for each Board and committee meeting should be sent to each director in writing or electronically at least 5 business days in advance, whenever possible and appropriate.
Audit	Same as above
Nomination	Same as above
Risk Management	Same as above
Corporate Governance	Same as above
Related Party Transactions	Same as above

- External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Reference (Revised Corporate Governance Manual)

Directors' access to Senior Officers and Advisers. Department Heads will be invited to attend the regular meetings of the Board. Other senior officers will be invited to Board meetings to provide inputs on specific board agenda items, as the need arises. The Directors have free and unrestricted access to senior management and the Corporate Secretary's Office may arrange meetings with senior officers of the Company, at the request of any director. The Company will continue to engage advisers to the Board and its sub-Committees to provide independent counsel and resources as necessary.

Procedures	Details
External Consultant	Director to channel request thru the Corporate Secretary or Corporate Governance Officer. Approval of the President will be sought for the proposed engagement.

- Change/s in existing policies

Existing Policies	Changes	Reason
none	**none**	**none**

D. REMUNERATION MATTERS

1) Remuneration Process

Disclose the process used for determining the remuneration of the CEO and the four (4) most highly compensated management officers:

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	See below	See below
(2) Variable remuneration	Not applicable	Not applicable
(3) Per diem allowance	Not applicable	Not applicable
(4) Bonus	See below	See below
(5) Stock Options and other financial instruments	See below	See below
(6) Others (specify)	Not applicable	Not applicable

> Fixed Remuneration – existing salaries based on past performance including the general profitability of the company and the specific performance of the individual.
> Bonus - based on latest compensation figure
> Stock Options -As part the BDO Unibank Group, Senior Officers (from Vice Presidents and up) are entitled to the Employee Stock Option Program of the BDO Unibank.

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

Disclose the company's policy on remuneration and the structure of its compensation package. Explain how the compensation of Executive and Non-Executive Directors is calculated.

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Not applicable	Per diem	See below
Non-Executive Directors	Not applicable	Per diem	See below

Each director shall receive a reasonable per diem for attendance in every Board meeting. Each director receives a per diem allowance of PHP10,000 for attending board meetings and PHP 5,000 for Committee meetings. There is no distinction on the fee for a committee chairman and member. In addition, the Company grants directors fees other than per diem in accordance with law.

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

Remuneration Scheme	Date of Stockholders' Approval
Please see below	Please see below

The acts of management and the Board regarding remuneration were approved and ratified by the Stockholders during every stockholders' meeting. The last was on April 23, 2014.

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
A. Fixed Remuneration	Please see below	Please see below	Please see below
B. Variable Remuneration			
C. Per diem Allowance			
D. Bonuses			
E. Stock Options and/or other financial instruments			
F. Others (Specify)			
Total			

Consistent with our policy on non-disclosure of the details of the remuneration due to security risks, below is the table showing the compensation of directors and officers as a group as presented in the Definitive Information Statement: Figures are in million pesos **(update)**

	Year	*Salary*	*Bonuses*
Directors and all other Officers as a group Unnamed	**2015*** **2014** **2013**	**Php83.58M** **75.98M** **77.33M**	**Php 19.35M** **10.05M** **21.24M**

*Estimated only

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
1) Advances	Not applicable	Not applicable	Not applicable
2) Credit granted	Employee Loan Program	If there is, treated as DOSRI loan	-same-
3) Pension Plan/s Contributions	Employee Retirement Plan	Not applicable	Not applicable
(d) Pension Plans, Obligations incurred	Not applicable	Not applicable	Not applicable
(e) Life Insurance Premium	Part of the total Group Life Insurance Plan	Applicable	Applicable

(f) Hospitalization Plan	Part of the Maxicare Group Health Insurance plan paid by the Bank	Applicable	Applicable
(g) Car Plan	Not applicable	Not applicable	Not applicable
(h) Others (Specify)	Not applicable	Not applicable	Not applicable
Total			

4) Stock Rights, Options and Warrants

a) Board of Directors

Complete the following table, on the members of the company's Board of Directors who own or are entitled to stock rights, options or warrants over the company's shares:

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
Please see below				

Except for the Executive Directors who are part of management, the Board of Directors, as a policy, is not covered under the Employee Stock Option Program of the BDO Unibank. For the Non-Executive Directors, other than the per diem allowances, they do not receive any share options, Stock rights or warrants over the company's and company's share as disclosed in the Definitive Information Statement.

We have fully disclosed to and regularly updated the Securities and Exchange Commission on the BDO shares vested to the Executive Directors and qualified members of management on a confidential basis.

b) Amendments of Incentive Programs

Indicate any amendments and discontinuation of any incentive programs introduced, including the criteria used in the creation of the program. Disclose whether these are subject to approval during the Annual Stockholders' Meeting:

Incentive Program	Amendments	Date of Stockholders' Approval
none	none	none

5) Remuneration of Management **(updated)**

Identify the five (5) members of management who are <u>not</u> at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration

Please see below	Please see below

Consistent with our policy on non-disclosure of the details of the executive compensation due to security risk, below is the table showing the compensation of the executive officers as a group as presented in the Definitive Information Statement: Figures are in million pesos:

Name and Principal Position (CEO & Executive Officers)	***Year***	***Salary***	***Bonuses***
The President and four most highly compensated executive officers **<u>2014:</u>** Roberto E. Lapid (President) Gerard M. Aguirre (First Vice President) Agerico Melecio S. Verzola (First Vice President) Rosalisa B. Kapuno (Vice President) Jennifer F. So (Vice President) **<u>2013:</u>** Georgiana A. Gamboa (President) Gerard M. Aguirre (First Vice President) Renato G. Onate (First Vice President) Rosalisa B. Kapuno (Vice President) Jennifer F. So (Vice President) **TOTAL SALARY**	**2015*** **2014** **2013**	**Php17,341,940** **Php15,765,400** **Php17,317,215**	**Php 8,646,311** **Php 7,860,283** **Php 9,141,000**

*Estimated only

E. **BOARD COMMITTEES**

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board:

(Reference: 2014 Annual Report)

Committee	No. of Members			Committee Charter	Functions *	Key Responsibilities *	Power *
	Executive Director (ED)	**Non-executive Director (NED)**	**Independent Director (ID)**				
Executive	Teresita T. Sy Roberto E. Lapid Antonio N. Cotoco Nestor V. Tan Walter C. Wassmer			Please see Annex "A-1"			
Audit			Ma.Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex"A-2"			
Nomination	Antonio N. Cotoco		Ma.Leonora V. De Jesus Atty. Jesse H.T. Andres	Please see Annex "A-3"			
Corporate Governance			Ma.Leonora V. De Jesus Jesus G. Tirona Atty. Jesse H.T. Andres	Please see Annex "A-4"			
Risk Management	Antonio N. Cotoco Nestor V. Tan		Atty. Jesse H.T. Andres	Please see Annex "A-5"			
Related Party Transaction		Jeci A. Lapus	Ma.Leonora V. De Jesus Atty. Jesse H.T. Andres Jesus G. Tirona	Please see Annex "A-6"			

Please refer to the attached Terms of Reference

2) Committee Members

(a) Executive Committee

Office	Name	Date of appointment	No. of Meetings Held in 2014	No. of Meetings Attended in 2014	%	Length of Service in the Committee
Chairperson	Nestor V. Tan*	April 23, 2014	50	35	70%	6
Member (ED)	Roberto E. Lapid	May 24, 2006	50	46	92%	8
Member (NED)	Teresita T. Sy	April 23, 2014	50	41	82%	8
Member (NED)	Antonio N. Cotoco	April 17, 2002	50	49	98%	11
Member (NED)	Walter C. Wassmer	April 17, 2002	50	41	82%	11

** Appointed as Chairperson on April 23, 2014*

(b) Audit Committee

Office	Name	Date of appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Ma. Leonora V. De Jesus	June 1, 2009	12	12	100%	6
Member (ID)	Jesus G. Tirona	July 30, 2007	12	11	92%	8
Member (ID)	Jesse H.T. Andres	May 24, 2006	12	12	100%	9

Disclose the profile or qualifications of the Audit Committee members.

(Reference: 2014 SEC 17-A and Definitive Information Statement) (updated)

Ms. Ma. Leonora V. De Jesus was elected as Independent Director of the Company on May 12, 2008 and is presently the Chairperson of the Company's Board Audit Committee, and a member of the Nomination Committee Corporate Governance Committee and Related Party Transactions Committee. She is also an Independent Director of BDO Capital & Investment Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation*. She also serves as President/Director of ROAM, Inc. and the President of the Pamantasan ng Lungsod ng Maynila She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She was a professorial lecturer at the University of the Philippines - Diliman. 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, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor's, Masteral and Doctoral degrees in Psychology from the University of the Philippines. *(*PLC).*

Atty. Jesse H.T. Andres was elected as Independent Director of the Company on September 20, 2005, and is presently a member of the Company's Board Audit Committee, Corporate Governance Committee and Chairman of the Nomination Committee and the Related Party Transaction Committee. Moreover, he is also serving as Independent Director of Banco de Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.) 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. He was also Chairman Since July 1, 2011, he is the Managing Partner of the Andres Padernal & 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 UP School of Economics and a Bachelor of Laws degree from the U.P. College of Law.

Mr. Jesus G. Tirona has been elected Independent Director to the Board of the Company since July 30, 2007 and is currently the Chairman of the Company's Corporate Governance Committee, a member of its Board Audit Committee and alternate member of Related Party Transactions Committee. He is an Independent Director of BDO Capital & Investment Corp., Banco De oro Savings Bank (formerly Citibank Savings, Inc.) 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.

Describe the Audit Committee's responsibility relative to the external auditor.

(Reference: Terms of Reference)

The Board Audit Committee recommends to the Board the appointment, re-appointment and/or change of external auditor. It discusses with the external auditor the nature, scope and expenses of the audit prior to the commencement of the audit work. It reviews the management letter submitted by the external auditor, as well as management's response to the external auditor's findings and Bangko Sentral ng Pilipinas' Report of Examination and recommendations before endorsing the same to the Board for its approval. It also evaluates non-audit work if any is done by the external auditors and disallow it if it will conflict with their duties as external auditors.

(c) Nominations Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Jesse H.T. Andres	May 24, 2006	2	2	100%	9
Member (ED)	Antonio N. Cotoco	July 30, 2007	2	2	100%	8
Member (ID)	Ma. Leonora V. De Jesus	May 12, 2008	2	2	100%	7

(d) Remuneration Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Not Applicable					
Member (ED)						
Member (ED)						
Member (ED)						
Member (ID)						

(e) Risk Management Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Nestor V. Tan	July 30, 2007	4	4	100%	7
Member (ED)	Jesse H.T. Andres	April 23, 2014	4	4	100%	1.67
Member (ED)	Antonio N. Cotoco	May 24, 2006	4	4	100%	9

Provide the same information on all other committees constituted by the Board of Directors:

(f) Corporate Governance Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Jesus G. Tirona	April 18, 2012	4	4	100%	3
Member (ID)	Jesse H.T. Andres	May 24, 2006	4	4	100%	9
Member (ID)	Ma.Leonora V. De Jesus	May 12, 2008	4	4	100%	7

(f) Related Party Transactions Committee

Office	Name	Date of Appointment	No. of Meetings Held in 2015	No. of Meetings Attended in 2015	%	Length of Service in the Committee
Chairman	Jesse H. T. Andres	January 14, 2015	4	4	100%	
Member (NED)	Jeci A. Lapus	January 14, 2015	4	3	75%	
Member (ID)	Jesus G. Tirona	January 14, 2015	4	4	100%	
Member (ID)	Ma.Leonora V. De Jesus	January 14, 2015	4	4	100%	
Adviser	Antonio C. Cotoco	January 14, 2015	4	4	100%	

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	Nestor V. Tan Teresita T. Sy	Chairman – newly appointed Member – replaced by Mr. Tan as Chairperson
Audit	none	
Nomination	none	
Risk Management	Nestor V. Tan	Replaced by Atty. Jesse H.T. Andres
Corporate Governance	Jesse H.T. Andres Antonio N. Cotoco	Independent member, newly appointed last April 23, 2014 Resignation

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year. (Reference: 2014 Annual Report) (updated)

Name of Committee	Work Done	Issues Addressed
Executive	Approved/confirmed credit proposals, investments, disposal of acquired assets and other projects or initiatives that enhanced the	To ensure proper approval of significant credit exposures, investments and sale of acquired assets.

	Company's operating and service delivery capabilities.	
Audit	Reviewed and discussed with management the quarterly unaudited as well as the annual audited financial statements for the year ended December 31, 2014 including internal controls on the financial processes as well as compliance with accounting standards and tax regulations. Reviewed and discussed with Internal Audit Reports with emphasis on issues and findings relating to operational, financial and compliance controls including risk management systems with impact to financials, reputation and information security. Monitored management's corrective action on internal control and compliance issues and on audit findings considered high risk. . Reviewed and approved the scope and plans of Internal Audit and External Audit, the revised Internal Audit Charter and manual to ensure that internal audit activities are aligned with standards and regulations. Discussed comprehensively the external audit reports with the committee putting emphasis on internal controls, risk management, governance and on matters with financial impact reviewed the management letter as well as Management's response to the external auditor's findings Reviewed and approved the annual plans of Compliance and Anti-Money Laundering units and consistently monitored the timely submission of regulatory requirements. Reviewed the Compliance	To ensure compliance with accounting and reporting standards To ensure adequate coverage of audit examination the business and operating units of the Company To ensure rectification of audit exceptions and prevent recurrence To ensure the effectiveness of their plans in relation to their respective mandate. To ensure that high risk issues are given priority attention and monitor the actions taken by the Management to rectify those findings To comply with regulatory requirements

	Roadmap as well as Compliance Testing Framework including the Information Sharing Framework with Internal Audit and Risk Management Monitored consistently the timely submission of regulatory requirements and compliance to mandatory ratios, reviewed gap analysis on new issuances and results of compliances as well as special examinations/investigations Audit Committee's self-assessment of the performance of Internal Audit, the Compliance and Anti-Money Laundering Unit, External Audit and CRC Reports	To determine the effectiveness of these compliance controls To ensure regulatory compliance To comply with regulatory requirement.
Nomination	Nominations of directors for the 2014 Annual Stockholders' Meeting Review its Terms of Reference specifically the process of identifying candidates for appointment as Directors	To elect members of the Board for 2014
Risk Management	Conducted regular discussions on Company's risk exposures and mitigation of these risks. Approved the renewal of risk management policies and limits newly developed risk management models and reviewed the performance of existing risk management models. Reviewed and updated the Terms of Reference	To ensure that all risks faced by the Company are properly managed. Part of its oversight on risk management To comply with requirements of BSP Circular 749
	Updating of the Company's Corporate Governance Manual Annual performance review of the Board as a whole, its Committees, individual directors and senior management Updating of the Code of Conduct and Business Ethics	To include the comments of BSP and best practices of the ASEAN scorecard To check Board effectiveness and surface issues and areas for improvement To update the Code and align with requirements of foreign jurisdictions. To improve the skills and

Corporate Governance	Continuing Education Program of the Board and Key senior Officers Submission of the ACGR to SEC Executive session of Independent Directors. Adoption of leading governance best practices Implementation of the Related Party Transactions Policy Establishment of the Related Party Transaction Committee Revision of the Term Limit of Independent Directors Adoption of a formal dividend policy Updating of corporate website	competencies of the members of the Board and SVPs up and update them on Corporate Governance to comply with SEC regulations To comply with SEC regulation To meet with the Heads of External/Internal Audit, Risk and Compliance without the presence of senior management. To align with the ASEAN scorecard and OECD principles To establish guidelines in handling related party transactions To assist the Board in overseeing the conduct of Related Party Transactions To align with the requirement of the ASEAN Scorecard To provide guidance to the investing public of the Company's dividend payments To comply with SEC requirements
Related Party Transaction	Constitution of the Committee	To comply with ACGS requirement and BSP

5) Committee Program

Provide a list of programs that each committee plans to undertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

Name of Committee	Planned Programs	Issues to be Addressed
Executive	None	None
Audit	2015 Internal Audit Plans	Compliance with BSP Cir.808
Nomination	None	None
Risk Management	Compliance with BSP Circular 855	Updating of Company's Risk Policies
Corporate Governance	Continuing Education of Directors	To improve skills and competencies of board members
Related Party Transaction **(updated)**	Review significant related party transactions	To ensure that related party transactions are arms length and in normal course of business

F. RISK MANAGEMENT SYSTEM

1) Disclose the following:

(a) Overall risk management philosophy of the company; (updated)

As part of BDO Unibank's Group activities are principally related to the use of financial instruments including derivatives. BDO Unibank Group accepts deposits from customers at fixed and floating rates for various periods, and seeks to earn above average interest margins by investing these funds in high-quality assets. BDO Unibank Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at high rates, while maintaining sufficient liquidity to meet all claims that might fall due. BDO Unibank Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities and bonds and in currency and interest rate prices.

To manage the risk for holding financial resources and liabilities, BDO Unibank Group operates an integrated risk management system to address the risk it faces in its banking activities, including credit, liquidity market (foreign exchange, interest rate and price risks) and operational risks. BDO Unibank's Group's risk management objective is to adequately and consistently evaluate, manage, control and monitor the risk profile of BDO Unibank's Group statements of financial position to optimize the risk-reward balance and maximize return on BDO Unibank Group's capital. BDO Unibank's Group Risk Management Committee (RMC) has overall responsibility for BDO Unibank Group's risk management systems and sets risk management policies across the full range of risks to which BDO Unibank Group exposed. Specifically, BDO Unibank Group's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

(b) A statement that the directors have reviewed the effectiveness of the risk management system and commenting on the adequacy thereof;

The Audit Committee Report to be disclosed in the 2014 Annual Report stated that:

" The Board Audit Committee reports that it has evaluated the effectiveness of the internal controls, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across the BDO Leasing and Finance, Inc. and its subsidiary. The Company's system are assesed as generally adequate and its operational risk deemed moderate."

(c) Period covered by the review; 2014
(d) How often the risk management system is reviewed and the directors' criteria for assessing its effectiveness; and : Once a year
(e) Where no review was conducted during the year, an explanation why not. : Not applicable

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
	Adequately and consistently evaluate, manage, control, and monitor the risk profile of	• Identify, measure, monitor and control the risks inherent in our business

Credit Risk, Market & Liquidity Risks, and Operational Risk	the Company balance sheet to optimize the risk-reward balance and maximize return on the Company's capital	and portfolios. • Communicate risk management philosophy and policies • Assist Risk Takers in understanding and measuring their risk/return profiles • Develop risk control and management structure

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
They could be out voted on major corporate actions.

3) Control System Set Up

(a) Company

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Credit Risk, Market & Liquidity Risks, and Operational Risk	• Establish risk management policies and procedures; • Identify and assess risks; • Analyze and measure risks, including development of new analytical methods; • Analyze exposure and recommend limits to the appropriate committees; • Establish standards to	Risk management and control for each of the risks are found below. The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. The BOD, through the EXCOM,

	monitor and report compliance with limits; • Ensure compliance to approved limits and report all credit limit excesses	reviews and approves credit and investment proposals with the authorities that were granted to it by BOD. EXCOM also approves credit policies and/or manuals and amendments thereto as may be recommended by management.
Credit Risk	• Identification of credit risks both at the pre-approval and post-approval stage of the credit. • The pre-approval credit risk assessment is undertaken during the initial credit engagement and every renewal thereafter. In general, the credit evaluation focuses on the financial condition of the counterparty and the determination of the adequacy of its cash flow for debt service requirements, financial capacity and commitment of its owners to support and sustain the viability of the business, quality and experience of its management team, the industry they operate in and the markets they deal with, and appropriateness of the credit facilities contemplated to be granted including the terms and conditions thereof. At the post-approval stage, a portfolio quality review is performed on a sample of randomly selected Unclassified Accounts and All Classified Accounts. Internal Credit Risk Rating is performed for loan accounts with facilities of more than P20Mn. For accounts with credit facilities below P20M, these are subjected to credit scoring.	The BOD, through the RMC, has responsibility for the development and oversight of the Company's portfolio credit risk management program. Risk Management Group (RMG)/Credit Risk Management (CRM) formulates credit policies and guidelines necessary to maintain a sound portfolio quality, ensures that the highest standards of credit due diligence is conducted on Corporate and Commercial Banking accounts with credit facilities of P50M and above, conducts post-approval random compliance check across lending groups/units to ensure adherence to approved credit and risk policies and guidelines, assesses the quality of the loan portfolio of the Company and recommends establishment of loan loss provisions as may be necessary in order that adequate reserves are maintained at all times. RMG/Risk Analytics Systems and Control Unit (RASCU) ensures the establishment, implementation, and monitoring of a risk management and analytics system, which will assist management in assessing its various businesses and the general risk level, which includes credit scorecards/risk rating models and credit portfolio analytics.
Market Risk	• Identification of all market risks inherent in the	RMG, through Market and Liquidity Risk Management Unit (MLRMU),

	Company's Trading and Company's Book; Quantification of market risks in the Trading Book using the Value-at-Risk (VAR) approach and interest rate risks in the Banking Book using the Earnings-at-Risk (EAR) approach.	recommends policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.
Liquidity Risk	• Identification of the Company's liquidity gap to be in a position to meet all obligations. • Quantification of liquidity risks through the Maximum Cumulative Outflow (MCO) methodology.	RMG, through MLRMU, recommends liquidity risk management policies and limits (in coordination with the Business) for approval by RMC and BOD. MLRMU monitors compliance to approved liquidity policies and limits and reports deviations/limit excess to the relevant business unit for action and to RMC and BOD for disposition/approval.
Operational Risk	• Identification of Critical/Key Business Processes that have greater exposure to substantial losses. • Measurement of operational risks through the Risk Control & Self-Assessment (RCSA) and Key Risk Indicators (KRI).	RMG, through Operational Risk Management Unit (ORMU), recommends operational risk management policies and methodologies for approval by RMC and BOD. ORMU monitors the implementation of the operational risk management framework and policies, through the Operational Risk Management Coordinators (ORMC) of each of the business and operating units of the Company.

(b) Group

Briefly describe the control systems set up to assess, manage and control the main issue/s faced by the company:

Risk Exposure	**Risk Assessment (Monitoring and Measurement Process)**	**Risk Management and Control (Structures, Procedures, Actions Taken)**
Credit Risk	Same as Company	Same as Company
Market Risk	Same as Company	Same as Company
Liquidity Risk	Same as Company	Same as Company
Operational Risk	Same as Company	Same as Company

(c) Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanisms, and give details of its functions:

(Reference: Corgov manual)

Committee/Unit	Control Mechanism	Details of its Functions
Board of Directors (BOD)	For a regular review and approval of the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company.	The Board of Directors (BOD) has the ultimate responsibility for all risks taken by the Company. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Company. It takes the lead in disseminating the institution's risk philosophy and control culture throughout the organization. It approves strategies and implementing policies affecting the management of all types of risks relating to the Company's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Company. It provides an environment that would allow the reporting of operational problems, violations and illegal actions, and non-compliance to regulations or code of conduct. It provides direction to the senior management on the necessary steps to take to control risks. Towards this end, it is regularly updated on developments that could materially affect the Company's liquidity position or the value of its resources. Likewise, it is responsible for overseeing the investment and credit activities of the Company. It formulates and oversees the implementation of the investment and credit strategies of the Company.
Risk Management Committee (RMC)	For a regular review and approval of the Company's risk management program	RMC is responsible for the development and oversight of the Company's risk management program. It shall oversee the system of limits of discretionary authority that the Board delegates to management. It shall ensure that the system of limits of discretionary authority remains effective, that the limits are observed, and that immediate corrective actions are taken whenever limits are breached. It shall assess the probability of each identified risk exposure of the Company becoming a reality and shall estimate its possible effect and cost. Priority areas of concern are those risks that are most likely to occur and are

		costly when they happen. It shall develop a written risk management plan, defining the strategies for managing and controlling the major risks of the Company. It shall identify practical strategies to reduce the chance of harm and failure or minimize losses if risk becomes real. It shall communicate the risk management plan, and loss control procedures to concerned parties. It shall conduct regular discussions with management on the Company's current risk exposure based on regular management reports, and direct concerned units how to reduce these risks. It shall evaluate the risk management plan as needed to ensure its continued relevance, comprehensiveness and effectiveness. It shall revisit risk mitigating strategies, look for emerging or changing risk exposure or stay abreast of developments that affect the likelihood of harm or loss. It shall report regularly to the Board of Directors the Company's overall risk exposure, actions taken to reduce risks, and recommend further actions or plans as necessary.
Related Party Transactions Committee	For a proper review, approval, ratification and disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and regulatory requirements.	The Related Party Transactions Committee (RPTC) is formally established to assist the Board in overseeing the conduct of all Related Party Transactions to protect the interests of the Company and its stakeholders in accordance with regulatory requirements. Prior to the creation of the RPTC, Related Party Transactions of the Company are reviewed and approved by the Executive Committee and the Board of Directors.
Executive Committee (EXCOM) and	For the approval of credit exposure, investment sale of acquired assets and capital expenditures of the Company.	The Executive Committee acts on behalf of the Board as the main approving body for Company exposures particularly approval/confirmation of credit proposals, investments, disposal of acquired assets and other projects or initiatives to enhance the Company's operating and service delivery capabilities.
Management Credit Committee (MCC)	To ensure proper review and approval of accounts with credit facilities within authorized limits **(updated)**	MCC shall approve credit and investment proposals within the authorities that were granted to it by the Board of Directors.
Asset & Liability	To ensure at all times that	The Asset and Liability Committee is

Committee (ALCO)	the Company maintains adequate liquidity, sufficient capital and the appropriate funding to meet all business requirements within regulatory requirements and to establish asset/liability pricing policies consistent with the strategies for the Bank's balance sheet.	tasked with managing the Company's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital, and the appropriate funding to meet all business requirements within regulatory limits. It establishes pricing and other policies consistent with the overall asset-liability management strategy of the Company and supportive of profitability, capital, funding, and liquidity directions. It manages interest rate risks by changing the balance sheet structure to take advantage of change in rates It is also responsible for the Company's liquidity strategies that ensure sound management of liquidity risks by ensuring diversity of funding sources and compliance with regulatory requirements.
Management Committee (MANCOM)	As this Committee comprises of all Heads of Business and Support Units, it allows for more coordinated and integrated resolution and monitoring of business and operational issues.	Management Committee (MANCOM) is the forum for discussing business and operational issues.

G. INTERNAL AUDIT AND CONTROL

1) Internal Control System

Disclose the following information pertaining to the internal control system of the company:

(a) Explain how the internal control system is defined for the company;
-There is a strong Board oversight thru the various board committees(Audit Committee, Risk Management Committee)
-Maker-checker arrangement is always present in all processes.
-There is proper setting of limits.
-Information Security policies are robust.

(b) A statement that the directors have reviewed the effectiveness of the internal control system and whether they consider them effective and adequate;

The Audit Committee Report to be disclosed in the 2014 Annual Report stated that:

"The Board Audit Committee reports that it has evaluated the effectiveness of the internal controls, risk management systems and governance processes of the Company based on information obtained from the External Auditor, the reasonable assurance provided by the Internal Auditor and additional reports and information requested from Senior Management, and found that these are generally adequate across the BDO Leasing and Finance, Inc. and its subsidiaries. The Company's systems are assessed as generally adequate and its operational risks is deemed moderate".

(c) Period covered by the review; 2014

(d) How often internal controls are reviewed and the directors' criteria for assessing the effectiveness of the internal control system; and: Yearly, using the Standard Evaluation Form wherein members of the Board Audit Committee were required to rate the oversight on the Company's system of internal control using the rating scale of 1 to 5 with 5 as the highest.

(e) Where no review was conducted during the year, an explanation why not. Not applicable

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Give a general description of the role, scope of internal audit work and other details of the internal audit function.

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
(Reference Corgov Manual) 1. Develop and implement an effective annual internal audit program to be approved by the Audit Committee that covers the entire operations of the Company including subsidiary.	**For Branches Audit:** Regular Audit - to provide an objective evaluation of the branch's internal control and risk management processes including assessment of operational compliance with the Company's policies and procedures, regulatory policies and AMLA. Spot Audit - to do random check of compliance with the Company's established internal controls as required per policies, procedural guidelines , regulations and laws (particularly AMLA) **For Head Office Units Audit**: Auditable units are major business groups and support groups such	In-house	Estrellita V. Ong	Internal Audit submits the annual audit plan for branches, head office units, subsidiaries and information systems. Board Audit Committee approves the plan.

	Marketing Teams, Treasury & Operations Department, Comptrollership & Operations and, Risk & Compliance Departments. Focus of audit would be on the risks associated with each auditable unit such as Liquidity Risk, Market Risk, Credit Risk, Operational Risk, Compliance Risk and Reputational Risk. **For Information Systems Audit:** Auditable units are the IT Operations Group, IT Development Group and Subsidiaries Business Applications.			
Submit to the Audit Committee an annual report on the performance of Internal Audit activities, responsibilities, and performance relative to the audit plans and strategies as approved by the Committee including significant risk exposures, control issues and such matters as may be needed or requested by Board of Directors and senior management.	Focus of the audit would to assess Operational Risks, Technology Risks and Regulatory Risks associated with these units. Accomplishment for the year vs plans Summary of IAD Peer Evaluation Review and Self-Assessment Results Summary Resolution of Audit Findings			Internal Audit submits its Closure Report for the year Board Audit Committee notes the report.
2. Conduct independent assessment of adequacy and effectiveness of management and IT control frameworks, risk management and governance processes of all units of the Company	BSP Examination Results on BDO Internal Audit Regular and Spot			Internal Audit submits report to the Board Audit Committee BAC notes the report

including subsidiary. 3. Monitor the resolution of internal control weaknesses noted during the examination with the end view of mitigating risks and strengthening the control environment. 4. Examine and analyze the organizational structure, checks and balances, methods of operations and use of human and physical resources to reveal defects in order to prevent fraud or irregularities. 5. Certify that the conduct of auditing activities is in accordance with the International Standards on the Professional Practice of Internal Auditing.	Audits of concerned units Audit Findings resolved by Management for the year Audit Findings to be resolved by Management for the year Regular and Spot Audits of auditable units		Punongbayan & Araullo, CPAs	Internal Audit submits the Status Report on Resolution of Findings for the year BAC notes the report Internal Audit reports its findings to the Board Audit Committee BAC notes the report Internal Audit submits the EQAR and Board Assessment of the Internal Audit BAC notes the reports

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee? YES

(c) Discuss the internal auditor's reporting relationship with the audit committee. Does the internal auditor have direct and unfettered access to the board of directors and the audit committee and to all records, properties and personnel? The Chief Internal Auditor reports directly to the Board Audit Committee. Yes, she has direct and unfettered access to the Board of Directors being independent from the Senior Management of the Company. In the conduct of their examination, Internal Audit has direct and unfettered access to all records, properties and personnel of the Company.

(d) Resignation, Re-assignment and Reasons

Disclose any resignation/s or re-assignment of the internal audit staff (including those employed by the third-party auditing firm) and the reason/s for them.

Name of Audit Staff	Reason
Not applicable	Not applicable

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	100% completed
Issues[6]	Compliance matters reported are included the Monthly Tracking Report. Status of resolution as indicated in the Findings.
Findings[7]	85% resolution rate by BDOLF and Subsidiary for findings for which amount at risk is not available 89% resolution rate by management of BDOLF and subsidiaries for findings with available account balance/transaction value affected.
Examination Trends	Significant audit findings also included in the Monthly Tracking Report.

[The relationship among progress, plans, issues and findings should be viewed as an internal control review cycle which involves the following step-by-step activities:

1) Preparation of an audit plan inclusive of a timeline and milestones;
2) Conduct of examination based on the plan;
3) Evaluation of the progress in the implementation of the plan;
4) Documentation of issues and findings as a result of the examination;
5) Determination of the pervasive issues and findings ("examination trends") based on single year result and/or year-to-year results;
6) Conduct of the foregoing procedures on a regular basis.]

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Audit Manual of Operations	Updated and approved by BAC
Audit Work Program Guides	Continuously updated

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

[6] "Issues" are compliance matters that arise from adopting different interpretations.

[7] "Findings" are those with concrete basis under the company's policies and rules.

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
Direct reporting of Internal Auditor to the Board Audit Committee; Appointment, removal and resignation of Internal Auditor to be approved by the Board Appointment/removal of External Auditor to be approved by the Stockholders Limitation of non-audit services to be provided by the External Auditor	The above parties render independent opinions about the Company and the Company does not in any way dictate the recommendations or decisions made by these parties given the following mechanism and safeguards: Access to info by these parties is the same as the general public, guided by regulatory disclosure requirements; Giving of material gifts and freebies is strictly prohibited by the Company; The Company pays for the necessary expenses for its meetings and visits and does not shoulder any of the expenses of the above parties during their visits here or meetings abroad; Certain drafts are reviewed prior to publication only to give the Company the opportunity to correct factual errors. The financial analysts, investment banks, and credit rating agencies retain ultimate editorial control over the form and content of all its publications and do not accept changes	Same	same

	that would alter the meaning or tone of their opinions or recommendations.		

(g) State the officers (preferably the Chairman and the CEO) who will have to attest to the company's full compliance with the SEC Code of Corporate Governance. Such confirmation must state that all directors, officers and employees of the company have been given proper instruction on their respective duties as mandated by the Code and that internal mechanisms are in place to ensure that compliance. Ms. Teresita T. Sy, Chairperson and Mr. Roberto E. Lapid, President

H. ROLE OF STAKEHOLDERS

1) Disclose the company's policy and activities relative to the following:

	Policy	**Activities**
Customers' welfare	Our clients provide the Company the business for which we are most thankful. BDOLF is committed to meet their needs by providing them with high quality customer service and relevant products and services. BDOLF is also committed to treat clients fairly. The minimum standards to ensure that clients are treated fairly are the following: 1. Communications are fair and not misleading. 2. Ensure that clients are given clear and concise information including the risks involved, before they enter into financial products and services 3. Products and services are suitable and appropriate, taking into account the needs of the clients, their financial and risk profile and objectives. 4. Complaints should be handled in a prompt, friendly, fair and effective manner.	The Company has in place the following on going activities for the welfare of customers: 1. Customer Contact Center – operating 24/7 to handle customer inquiries, complaints and product information. 2. Business Groups – embedded in the structure are the complaints and fraud monitoring units that handle the resolution customer complaints. 3. Client Risk Assessment- branch and marketing units perform daily client risk profiling to ensure that only product and services that fit his/her risk appetite are offered for client's consideration. 4. Social Media – The Company has launched its digital media facility that allows customer to link Facebook for instant communications and access to the Company. It will also use this facility to issue client advisories from time to time. 5. Electronic Channel – the Company is using the corporate website to issue client advisories from time to time on matters related to fraud warnings, service interruptions and on-going promos. 6. International Desks – the Company has put in place business units with support

		facility wherein foreign clients could be serviced by native language speaking Company's officers for their Company's needs.
Customer's Health and Safety	BDOLF is committed to maintain a positive, harmonious and professional work environment with due importance accorded to occupational health and safety of employees and related external constituencies (customer suppliers, vendors, service providers and general public)	The on-going activities to promote customers' health and safety are the following: 1. No Smoking Policy in all head offices and branches are strictly enforced; 2. No firearms allowed in all offices and branch premises 3. Use of CCTV as a deterrent to possible criminal activities such as hold ups and robberies; 4. Fire prevention measures and safety/evacuation drills for fire and earthquake 5. Installation of access ramps or persons with disability in our buildings and branches to make our offices safe and accessible to PWDs 6. Conducted regular safety inspections in corporate offices and branches nationwide and rectified immediately all noted unsafe conditions. 7. Organized Emergency Response Teams to ensure availability of emergency response personnel in times of a disaster.
Supplier/contractor selection practice	This is covered by the Parent Bank's General Procurement Guidelines. These include, among others, the following: A. Sourcing of Vendors/Supplier/Contractors B. Vendor Accreditation C. Competitive Processes (Canvassing / Bidding) The Parent Banks invites a certain number of vendors/suppliers. They have to meet certain criteria before they can bid for work or a supply contract. The Parent Bank awards contracts to the one who offers	**Sourcing of Vendors/Suppliers/Contractors** 1. As a general rule, vendors, suppliers, and contractors shall be sourced through research via trade organizations, publications (including the internet), professional bodies, and other external entities, and through market consultation. 2. The Parent Bank's Procurement unit, the Procurement and Supply Management Division (PSMD), shall accept walk-in vendors/suppliers/contractors and entertain referral from units as possible sources of goods or services. **Vendor Accreditation**

	the most advantageous commercial terms and who can demonstrate cost effectiveness, competence, reliability.	Criteria shall include the following items: a. financial, credit, and technical capability b. track record / reputation in the industry c. availability of capacity / network d. cost competitiveness e. business reciprocity with the Company
Environmentally friendly value-chain	Equally important to the Company is our commitment to enhance sustainability of the environment thru information education and advocacies. The Company has in place a Social and Environmental Management Systems Policy (SEMS Policy) as patterned after the Parent Bank, to ensure that environmental and social consciousness are incorporated in the day-to-day operations of the Company for the benefit of all its stakeholders, employees, and the community in which it operates. It has also a provision that will limit the Company's exposure to certain industries that have an adverse impact on the environment and this is included in the evaluation of credit proposals .The Parent Bank also introduced the "Go Green Program" to raise awareness on environmental issues, promote good environmental practices in the workplace.	Recognizing its role in social development, the Company, with the active involvement of its employees, instituted socio-civic programs thru active participation to various BDO Foundation Inc. initiatives geared towards empowerment of marginalized communities and promoting environmental protection. The Foundation which is 100% owned by BDOLF's Parent Bank has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. Last January 14, 2012, the Company participated in the "BDO Greens NLEX_SCTEX" project by planting 2,012 local trees along NLEX Mexico Interchange.
Community interaction	By adhering to good corporate governance, BDO Group strives to have a sustainable growing and progressive business for the community, which in turn allows us to create employment, support business and be a good role model to the public in general.	Together with the BDO Foundation, BDOLF employees participated in different socio-civic program like Bahay ni Maria (c/o BDO Leasing San Pablo branch, Gawad Kalinga (c/o BDO Leasing Davao branch) and Gulong ng Palad c/o BDO Leasing CDO branch) wherein the Company donated needed furniture and fixtures. BDOLF also participated in the BDO Greens NLEX_SCTEX project by planting 2012 local trees along NLEX Mexico, Pampanga Interchange.
Anti-corruption programs and procedures?	The Company, as an integral part of the BDO Group, institutionalizes the highest ethical standards through the strict implementation of the Code of	In the Revised Code of Conduct and Business Ethics, the company commits to comply with anti-corruption laws in all jurisdictions it operates. Bribery of any form is strictly prohibited.

	Conduct and Business Ethics that outlines the principles and guidelines that govern the activities of the institution, sets forth the rules of conduct in the workplace and the standards of its directors, officers and employees in their activities and relationship with external stakeholders.	Employees suppliers, partners and other 3rd parties must avoid giving or receiving gifts or entertainment if these might improperly influence the Recipient's decision making or might be perceived to do so. They must not also offer or take any form of illegal or improper payment. These rules are strictly enforced across the BDO Group thru the following activities: 1. Requiring the Directors, Officers and staff to submit a yearly certification that they have read and understood stipulating their compliance with the standards and policies set forth herein including the anti-corruption and bribery policies. 2. Publishing the Company's Code of Conduct and Business Ethics in Company's Website so that the public may know that the Company is strictly against bribery and corruption. 3. Accreditation of suppliers, vendors, 3rd party service providers and strict enforcement of the Company's Gift Policy in their dealings with us 4. Inclusion of BDOLF Code of Conduct and Business Ethics in the orientation of new employees and training programs of the Company.
Safeguarding creditors' rights	The Company is committed to meet its contractual obligations with bank creditors, STCP investors, suppliers and 3rd party service providers. In accordance with law, they will be given the priority in payment of the Company's obligations in the normal course of business and in the event of liquidation.	The Company publicly announces interest rates and clearly stipulates the terms and conditions related to its borrowing, investment and fund raising activities.

2) Does the company have a separate corporate responsibility (CR) report/section or sustainability report/section?
Yes

3) Performance-enhancing mechanisms for employee participation.

(a) What are the company's policy for its employees' safety, health, and welfare?

RESPONSIBILITIES FOR THE WORKPLACE

a) Employment Practices

BDOLF is committed to fair employment practices without undue prejudice to race, gender, ethnic origin, religion , age or sexual orientation. Employees are treated fairly and accorded with respect and dignity.

It ensures that employment practices and policies are compliance with labor laws, regulations and standards in the countries where it operates. Employees are selected, engaged, compensated and promoted, as the case may be based on the merits and qualifications and performance.

b) Employees' Welfare

BDOLF is committed to promote the physical, social and mental well being of its employees. It aims to provide a workplace free from discrimination and all forms of physical, sexual and physiological abuse including harassment, bullying and intimidation. It is committed to maintain a positive, harmonious, and professional work environment with due importance accorded to occupational health and safety of the employees and related external constituencies.

As part of employee benefits, the Company as part of BDO Group provides and maintains the following:

1. Retirement Plan – a fully funded, multi-employer and tax-qualified non contributory retirement plan that is being administered by the Company's trust and investment group as trustee covering all regular full time employees. The normal retirement age is 60 with a minimum of 5 years of credited service. The plan also provided for an early retirement at age of 50 with a minimum of 10 years of accredited service and late retirement after age 65, both subject to the approval of BDOLF Board of Directors. Normal retirement benefit is an amount equivalent to a percentage ranging from 50% to 200% of plan salary for every year of credited services.

2. Medical, Dental and Hospitalization – thru HMO (Maxicare Health Corporation) free of charge for all regular employees of the Company.

3. Social Security Coverage- thru the Social Security System which the Company shoulders part of the monthly premium.

4. Employee Loan Programs – could be availed by all regular employees to purchase homes, cars, appliances, etc. subject to the prevailing DOSRI rules and available credit ratios.

5. Health care Facilities – a fitness center and 5 medical clinics manned by occupational health practitioners.

6. Collective Bargaining Agreement – covers all permanent rank and file employees of the Company below the rank of supervisors at its head office and branches except for certain confidential employees. The agreement provides among other, provisions on employment relations and job security, transfer and promotion, performance appraisal and merit increase, grievance machinery/arbitration, wage increase and bonuses, working hours an overtime, paid annual leaves, family medical allowance, hospitalization and death assistance, allowances, loans, gratuity pay and other benefits.

7. Training and Development – various in-house training programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Company allocates every year a training budget to cover internal training programs. E-learning is provided for the training of Head Office and branch personnel.

8. Recreational activities such as sports fest, summer outing and Christmas party.

c). Workplace Safety

BDOLF is committed to a workplace free from prohibited drug use or sale of prohibited drugs, and other similar vices, done during working hours and within Company's premises are strictly prohibited.

Show data relating to health, safety and welfare of its employees.

In 2014, as part of BDO Group, the Human Resources and Central Operations Group has undertaken the following activities to implement the policy relating to health, safety and welfare of Company's employees:

- Maintained 5 medical clinics manned by Occupational Health Practitioners and/or Nurses located at Makati, Ortigas, Greenhills and Binondo. For employees outside Metro Manila, they could go to any medical clinics that are accredited by Maxicare Health Corporation, The Company's HMO provider;
- BDO Fitness Center – use of gym facilities open to employees of the Company; with regular group classes such as zumba, aeroboxing and taebo; total enrollees for the year 2014 -1,246 employees as of November 2014;
- Pre-employment Medical Exam with drug testing for prospective new hires;
- Mandatory Annual Medical checkup up for 9,467 officer and 9,826 staff members;
- Random drug testing for 2,230 employees (754 officers and 1,476 staff members) during medical checkup;
- Blood letting program participated by 275 employees;
- Conducted 18 Corporate Wellness Lectures on various Medical topics aligned with DOH and DOLE-OSHA 2013 Programs;
- First Aid and Basic Life Support Trainings participated by 144 employees;
- Conducted 5 fire and 1 earthquake evacuation drills at Makati offices;
- Preventive Medical Programs – flu vaccination participated by 2,500 employees and their dependents;
- Issued work suspension orders for areas affected by severe typhoons and provided assistance to affected employees and their immediate families;
- Installed purified drinking fountains.
- Conducted regular safety inspections of Corporate office and branches nationwide and rectified unsafe conditions promptly;
- Organized Emergency response Teams in all multi-storey offices to ensure availbility of response personnel in times of disaster; and
- Organized talks on common illness and ways of managing them.

(b) State the company’s training and development programs for its employees. Show the data.

1.Internal Training

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
STAFF	55.89	7
JAM to SM	34.23	4
SENIOR OFFICER	15.15	2

2. External Training

RANK	AVERAGE TRAINING HOURS	EQUIVALENT NO. OF DAYS
STAFF	21.53	3
JAM to SM	53.53	7
SENIOR OFFICER	14.14	2

(c) State the company’s reward/compensation policy that accounts for the performance of the company beyond short-term financial measures

COMPENSATION POLICY

This covers the maintenance of a viable compensation plan for employees that achieves equity in pay for jobs of similar responsibilities and consistency in the pay differential between jobs. It is built on the principles of external competitiveness and pay for performance. This is intended to attract, retain, and motivate our workforce necessary to achieve the Company's short and long term business goals.

Employees' year end performance and significant contributions in the organization are recognized following the Company's Merit Increase/Promotions Program. Employees who exhibit readiness to assume higher responsibilities and consistently perform within the Company's standards could be eligible to participate in the BDO Group's Career Development Program such as Officers' Development Program (ODP) and Management Development Program (MDP).

For senior executives, the Parent Bank has an existing Executive Stock Option Plan (ESOP) that grants stock option for the contribution to the Bank's performance. The stock options could only be exercised after 5 years from date of vesting.

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behavior? Explain how employees are protected from retaliation. **(new amendment)**

This is embodied in the BDOLF Policy on Disclosure of Sensitive/Confidential Matters to Management that governs the policies and procedures in handling of whistle blower cases as follows:

Policy on Disclosure of Sensitive/Confidential matters to Management

Introduction

BDO Leasing and Finance, Inc. (BDOLF) believes that the key to long-term sustainability and success largely depends on having a good name and solid reputation in the market place. To achieve this, BDOLF is committed to the highest standards of ethical values, integrity, honesty, accountability and transparency in the conduct of its business.

Under BSP Circular 749, BDOLF employees should be given the opportunity to communicate, with protection from reprisal, legitimate concerns about illegal, unethical or questionable practices or otherwise known as "whistle blowing".

Scope of the Policy

The policy covers the tipping off of any incident, situation, circumstance or problem involving fraud and/or violation of policies for further investigation which may result to or resulted in monetary loss and/or negative impact to the image of BDOLF.

Obligation to Report

Any person who has knowledge of, or has observed a reportable concern, is required to file a report of such act or event to the designated/appropriate authority.

Reporting Process

Reporting may be done thru any available means such as but not limited to SMS text (e.g. BDO Watch), letter, email or phone call directly to the Office of the BDOLF President or the appropriate Head of the Unit concerned.

Handling of Reported Cases

To facilitate the investigation process and urgent administrative action if necessary, the report must contain the nature of the concern, relevant details of transactions (type, amount/s and date/s), person/s involved and supporting documents, if any including an explanation on why it is a reportable concern. A signed confidential report is encouraged as opposed to an anonymous report because of the need to clarify the contents of the disclosure or request for additional information that may be required before or during the investigation. Pro forma report forms will be available on the BDO Unibank's intranet site used in submitting a report.

Although proving the truth of the report beyond reasonable doubt is not expected, the person who makes the report should at least demonstrate that he/she has reasonable grounds for concern based on verifiable information, is doing it in good faith, and is ready to substantiate his/her views when requested. In making a report, a person must exercise due care to ensure the accuracy of information.

All reports shall be evaluated initially by the Office of the BDOLF President or appropriate Head for disposition and if needed, endorse to concerned Unit for further investigation based on existing guidelines for disposition at Committee level.

Protecting the Whistle Blower

Confidentiality

All reports will be treated with utmost care and confidentiality. BDOLF will make every effort to protect the identity of the whistle blower from disclosure to any third party, unless compelled by law, during the conduct of legal proceedings. BDOLF expects the same level of confidentiality from the whistle blower.

Retaliation and Harassment

BDOLF commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing this policy.

If the report is done in good faith but it is not confirmed by subsequent investigation, no action will be taken against the whistle blower. However, if the report is found done maliciously and intentionally, for personal gain ore bias, or is knowingly based on false or misleading information, the whistle blower losses his protection and BDOLF may decide to impose a disciplinary action against the whistle blower.

Policy Oversight and Ownership

The Compliance Unit of BDOLF is responsible for overseeing the implementation of this policy. The Head of the Cases Review Committee Secretariat will submit a monthly report to the Compliance Officer, Cases Review Committee and the Audit Committee covering the number of reports received, actions taken and its latest status. The Audit Committee, at its discretion, may periodically report the whistle blower cases to the Board of Directors.

Approval and Disclosure

The Board of Directors has the authority to approve this policy. It should be disseminated to all Directors, officers and staff for their information and proper guidance. It should be posted in the Company's website and intranet to be accessible to all employees. It should form part of the HR and compliance policies of the Company.

I. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure (updated)

(d) Holding 5% shareholding or more

A. Common Shares

Shareholder	Number of Shares	Percent	Beneficial Owner

BDO Unibank, Inc.	1,840,116,232	85.09%	BDO Unibank,Inc.
PCD Nominee Corp. (Filipino)	231,284,922	10.69%	Various Stockholders

A. Preferred Shares

Shareholder	Number of Shares	Percent	Beneficial Owner
Not Applicable			

(Note: No Officer owns more than 5% of shares)

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Not applicable	Not applicable	Not applicable	
TOTAL			

2) Does the Annual Report disclose the following:

Key risks	Yes, in the 2014 Notes to the Financial Statements
Corporate objectives	Yes
Financial performance indicators	Yes, in the Financial Highlights of the Annual Report
Non-financial performance indicators	Yes, in the Corporate Website
Dividend policy	Yes, in the Corporate Website
Details of whistle-blowing policy	Yes, in the Corporate Governance Report and Corporate Website
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	Yes in the Annual Report under Director's Profile
Training and/or continuing education program attended by each director/commissioner	Yes, in the Definitive Information Statement / Annual Corporate Governance Report
Number of board of directors/commissioners meetings held during the year	Yes, in the Annual report and ACGR
Attendance details of each director/commissioner in respect of meetings held	Yes in the Annual Report and ACGR
Details of remuneration of the CEO and each member of the board of directors/commissioners	Yes, (in the DIS) on an aggregate basis

Should the Annual Report not disclose any of the above, please indicate the reason for the non-disclosure.

3) External Auditor's fee for 2014

Name of auditor	Audit Fee	Non-audit Fee

Punongbayan & Araullo, CPAs	Php 868,000	**none**

4) Medium of Communication

List down the mode/s of communication that the company is using for disseminating information.

Corporate Website (www. bdo.com.ph/leasing), public disclosures (PSE-www.pse.com.ph/edge) and SEC reports, press releases and investors and analysts briefing.

Date of release of audited financial report: March 24, 2014.

5) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	YES
Financial statements/reports (current and prior years)	YES
Materials provided in briefings to analysts and media	YES
Shareholding structure	YES
Group corporate structure	YES
Downloadable annual report	YES
Notice of AGM and/or EGM	YES
Company's constitution (company's by-laws, memorandum and articles of association)	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

6) Disclosure of RPT (updated as of November 30, 2015)

RPT	Relationship	Nature	Value
Lease / Loan	DOSRI	Secured	Php 959,378

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

BDOLF has implemented a Related Party Transaction Policy and established the Related Party Transactions Committee to ensure the proper review, approval, ratification and disclosure of transactions between BDOLF and any of its Related Party/ies as required in compliance with legal and regulatory requirements and to protect the interest of BDOLF to its stakeholders.

Please refer to the Rules on DOSRI LOANS and Intra-group outsourcing guidelines.

It is the policy of the Company that RPTs are conducted at arm's length and in the normal commercial terms. This is categorically stated on page 10 Related Party Transaction and page 93 Notes to Financial Statements of the 2013 Annual Report.

J. RIGHTS OF STOCKHOLDERS

2) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Give details on the quorum required to convene the Annual/Special Stockholders' Meeting as set forth in its By-laws.

Quorum Required	Section 4. Quorum. The directors shall act only as a Board, and the individual directors shall have no power as such. A majority of the whole number of directors shall constitute a quorum for the transaction of business, and every decision of majority of the quorum duly assembles as Board shall be valid as a corporate act; but one or more directors present at the time and place for which meeting shall been called may adjourn any meeting from time to time until a quorum shall be present.

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	Manual
Description	Voting may be done viva voce, by show of hands, or by balloting. In the election of directors, the election must be by balloting if requested by any voting shareholder.

(c) Stockholders' Rights

List any Stockholders' Rights concerning Annual/Special Stockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights <u>not</u> in The Corporation Code
none	none

Dividends

Declaration Date	Record Date	Payment Date
February 27, 2014	March 13, 2014	March 31, 2014

(d) Stockholders' Participation

1. State, if any, the measures adopted to promote stockholder participation in the Annual/Special Stockholders' Meeting, including the procedure on how stockholders and other parties interested may communicate directly with the Chairman of the Board, individual directors or board committees. Include in the discussion the steps the Board has taken to solicit and understand the views of the stockholders as well as procedures for putting forward proposals at stockholders' meetings.

8. Measures Adopted	9. Communication Procedure
Question and answer during Annual Stockholders' Meeting. Stockholders are accorded the right to comment, make suggestion or put forward their proposals. The President or the Board Chair would give their responses to each question/comment raised by the Stockholders on the floor.	As part of ASM proceedings, the Board Chair would announce the Q&A portion
For the convenience of shareholders to exercise their rights and participation in the ASM, the venue, date, time and agenda of the annual meeting and the rationale for each agenda item were announced in advance.	Disclosure to the PSE/SEC
When shareholders could not attend the meeting, they can assign proxies to vote in their behalf	As part of the Notice of Stockholders' Meeting, proxy forms are included.

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:

a. Amendments to the company's constitution
b. Authorization of additional shares
c. Transfer of all or substantially all assets, which in effect results in the sale of the company

The shareholders are allowed to cast their votes on each agenda item pertaining to a proposed corporate action. Pursuant to Section 81 of the Corporation Code of the Philippines, a shareholder may exercise his appraisal right by dissenting on any of the corporate actions presented to them for approval and demanding payment of the fair value of their shares.

(Reference: DIS)

At each shareholders' meeting, holders of a majority of BDOLF's issued and outstanding voting shares who are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the shareholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the shareholders are entitled to cumulate their votes.

There is no manner of voting prescribed in the By-Laws of BDOLF. Hence, voting may be done viva voce, by show of hands, or by balloting. In the election of directors, the election must be by ballot if requested by any voting shareholder.

BDOLF's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the shareholders, including the election of directors. Securities Transfer Services, Inc., BDOLF's stock transfer agent, an independent party, is tasked to count votes on any matter properly brought to the vote of the shareholders, including the election of directors.

Shareholders holding BDOLF common shares as of record date are entitled to vote on the matters indicated in the Notice and Agenda.

3 .Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? Yes

a. Date of sending out notices: March 2, 2015

b. Date of the Annual/Special Stockholders' Meeting: April 22, 2015

4. State, if any, questions and answers during the Annual/Special Stockholders' Meeting

V. Open Forum (updated)

After the Vice-Chairman and the President's presentation, the Chairman of the meeting opened the floor to give the stockholders the opportunity to ask questions or give comments regarding Mr. Lapid's Report and the Financial Statements of BDOLF, or related matters.

Mr. Philip Turner, stockholder, inquired on the type of assets /properties to which BDOLF was exposed to Century Properties Group. Mr. Lapid replied that these were corporate securities/notes with a term of three (3) years. It was explained that the investment had been evaluated and found acceptable by Management based on the term and return. On the query of Mr. Turner on the decline in the value of club shares owned by BDOLF, Mr. Tan replied that Management would get back to him to provide the details. Mr. Lapid also explained the allowance of impairment to address the question of Mr. Turner. BDOLF has set up specific provisions and general provisions to protect the Corporation's assets from any market or economic shock that could adversely affect its portfolio. Mr. Tan added that the provisions were not made in anticipation of a definite or known crisis or problem but was in compliance with the requirement of the BSP and would be similar to saving or a rainy day.

Another stockholder, Mr. Jose T. Ferrer, reported that he has yet to receive the dividends declared in March 2015. He also requested for the conversion of his PCI Leasing certificate of stock to BDO Leasing. Mr Turner manifested that he also experienced delay in receiving his dividend checks particularly those from his broker. Mangment referred the concern of Mr. Ferrer to the Office of Corporate Secretary and the stock transfer agent to look at the process and determine the cause of delay.

After the discussions were concluded, there being questions from the floor, Mr. Manolo O. Diaz, proxy holder, moved for the notation and approval of the Report on the result of the operations of the corporation for the year ended December 31, 2014 and the audited financial statements for the same period.

Ms. Vanessa C. Benavidez, proxy holder, seconded the motion.

There being no objection, the Stockholders adopted the following resolution:

Stockholders' Resolution No. 2015-02

RESOLVED, That the Stockholders do hereby note and approve the Report on the Result of the Operations of BDO Leasing and Finance, Inc. and the Audited Financial Statements for the year ended December 31, 2014.

The Chairman of the meeting directed the Corporate Secretary to have the minutes reflect the tabulation of votes to include proxies that have cast their vote in favor of the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2014 and the Audited Financial Statements for the same period, and to note the proxies that have chosen to abstain on voting for, or have voted against, the approval of the said Report and the Audited Financial Statements.

Based on P&A's tabulation, the following were the results of the voting by poll, showing the number of votes cast and received on the approval of the Report on the Results of Operations of BDOLF for the fiscal year ended December 31, 2014 and the Audited Financial Statements for the same period were as follows:

Total Outstanding Shares	Total Votes Cast	Votes in favor	Votes Against	Abstention

2,162,475,312	1,843,762,677	1,843,752,677	0	10,000 (0.00054)

5. Result of Annual/Special Stockholders' Meeting's Resolutions (Voting Results)

Resolution/Agenda	Approving	Dissenting	Abstaining
I. Call to Order			
II. Certification of Notice and Quorum			
III. Approval of the Minutes of the Previous Stockholders' Meeting			
IV. Presentation of the Annual Report and Approval of the 2013 Audited Financial Statements			
V. Approval and Ratification of Acts and Proceedings of the Board of Directors, the duly Constituted Committees and Corporate Officers			
V. Election of Directors			
1.Teresita T. Sy	85.26%		
2.Roberto E. Lapid	85.26%		
3.Jesse H. T. Andres	85.26%		
4.Antonio N. Cotoco	85.26%		
5.Ma. Leonora V. De Jesus	85.26%		
6.Jeci A. Lapus	85.26%		
7.Luis S. Reyes Jr.	85.26%		
8.Nestor V. Tan	85.26%		
9.Jesus G. Tirona	85.26%		
10.Exequiel P. Villacorta Jr.	85.26%		
11.Walter C. Wassmer	85.26%		
VI. Appointment of External Auditor	85.26%		
VII. Other Matter/s			
VIII. Adjournment			

6.Date of publishing of the result of the votes taken during the most recent AGM for all resolutions:
April 22, 2015

f. Modifications

State, if any, the modifications made in the Annual/Special Stockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	**Reason for Modification**
None	none

g. Stockholders' Attendance **(updated)**

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held: April 22, 2015

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	Board of Directors: 1. Jesse H. T. Andres 2. Antonio N. Cotoco 3. Ma. Leonora V. De Jesus 4. Roberto E. Lapid 5. Luis S. Reyes, Jr. 6. Teresita T. Sy 7. Nestor V. Tan 8. Jesus G. Tirona 9. Exequiel P. Villacorta, Jr. 10. Walter C. Wassmer 11. Jeci A. Lapus Officers: ➢ Joseph Jason M. Natividad (Corp. Secretary) ➢ Angelita L. Ortega (Asst. Corporate Secretary) ➢ Elmer B. Serrano (CIO) ➢ Luis S. Reyes Jr. (Treasurer) ➢ Peter Blair S. Agustin (VP/ Chief Risk & Compliance Officer	April 22, 2015			85.26%	85.26%
Special	N/A					

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? YES, Punongbayan, Araullo and Associates

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares. YES

Title of Each Class	
Common	One (1) vote per share except in the election of directors where one share is entitled to as many votes as there are directors to be elected.

h. Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies	A proxy which is regular on its face and apparently executed by a shareholder is presumed to be authentic and genuine and shall be accepted.
Notary	Proxy forms need no to be notarized.
Submission and Validation of Proxy	Ten (10) and seven (7) business days before Annual Stockholders' Meeting
Several Proxies	As a rule, a later proxy revokes an earlier one. The date of execution, the postmark date, and the postmark time are usually considered in determining which proxy is the later proxy.
Validity of Proxy	As specified in the proxy form
Proxies executed abroad	A proxy shall not be invalidated on the ground alone that it was executed abroad.
Invalidated Proxy	A proxy invalidated on proper grounds cannot be utilized at the meeting.
Validation of Proxy	A forum for the validation of proxies chaired by the Corporate Secretary or Assistant Corporate Secretary and attended by BDOLF's stock and transfer agent shall be convened. Any questions and issues relating to the validity and sufficiency, both as to form and substance, of proxies shall only be raised during said forum and resolved by the Corporate Secretary. The Corporate Secretary's decision shall be final and binding on the shareholders, and those not settled at such forum shall be deemed waived and may no longer be raised during the meeting.
Violation of Proxy	Any action of a proxy holder in violation of the shareholder's specific instructions written on the proxy shall not be recognized.

i. Sending of Notices

State the company's policies and procedure on the sending of notices of Annual/Special Stockholders' Meeting.

(*Corporate Governance Manual)*

The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meeting:

“4. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration and approval. The Office of the Corporate Secretary will issue the Notice of the Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila” **(updated)**

The Board of Directors

Policies	Procedure
Please see replies above	same

j. Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	1,171
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	March 28, 2014
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	March 28, 2014
State whether CD format or hard copies were distributed	CD format and Hard copies of DIS were distributed
If yes, indicate whether requesting stockholders were provided hard copies	YES

k. Does the Notice of Annual/Special Stockholders’ Meeting include the following:

Each resolution to be taken up deals with only one item.	YES
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	YES
The auditors to be appointed or re-appointed.	YES
An explanation of the dividend policy, if any dividend is to be declared.	YES
The amount payable for final dividends.	YES

Documents required for proxy vote.	YES

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

3) Treatment of Minority Stockholders

(d) State the company's policies with respect to the treatment of minority stockholders.

(Reference: Corgov Manual)

1. Right to Nominate

- Any stockholder, whether majority or minority has the right to nominate candidates for seats in the Board of Directors who possess all the qualifications and none of the disqualifications of Directors as prescribed in the Company's By-Laws and the rules of BSP and SEC.

2. Voting Rights

a) Shareholders shall have the participate and vote in the Annual Stockholders Meeting including the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code such as changes or amendments to the company's By-Laws and Articles of Incorporation, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code , issuance of additional shares and appointment of the external auditor.

b) Each outstanding share is entitled to one vote unless a preferred share is expressly denied voting entitlement.

c) Cumulative voting shall be used in the election of directors.

d) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.

3. Power of Inspection

- All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code, and shall be furnished with annual reports, financial statements, without costs or restrictions.

4. Right to Information (updated)

- The shareholders shall be provided, upon request with information about the Company's directors and officers, their holdings of the Company's shares, and dealings with the Company.

- The shareholders, including minority shareholders shall have access to any information relating to matters for which the management is accountable.

- The shareholders, including minority shareholders shall be granted the right to propose items in the agenda of the meeting, provided the items is for legitimate business purposes.

5. Right to Dividends (updated)

- BDOLF recognizes the importance of providing a stable and sustainable dividend stream consistent with its commitment to shareholders. In March 2015, the Company paid cash dividend of PHP0.175 per share and will endeavor to do so while maintaining financial flexibility.

  The Board of Directors may, at its discretion and depending on the business results for the year and capital needs of the business, declare and approve the distribution of additional special dividends to all shareholders normally announced at the Annual Stockholders' Meeting.

6. Appraisal Right

The shareholders shall have appraisal right or the right to dissent and demand payment for the fair value of their shares in the manner provided for under Section 82 of the Corporation Code.

- In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those of outstanding shares of any class.

- In case of the disposition of all or substantially all of the corporate property and assets as provided for in the Corporation Code.

- In case of sale, lease, exchange, transfer, mortgage, pledge or other merger or consolidation or the extension or shortening the term of corporate existence.

B. The Board of Directors shall be transparent and fair in the conduct of the annual and special stockholders' meetings.

a. The stockholders (both individual and institutional) shall be encouraged to attend personally or by proxy such meetings of the stockholders in a place accessible to all investors. They shall be given the opportunity to ask and receive answers to their questions relating to the Company. A summary of questions asked and answers given will be included in the Minutes of the Annual Stockholders Meeting and posted on the corporate website.

b. The rights of the stockholders shall be promoted and impediments to the exercise of those rights shall be removed. An adequate avenue shall be provided for the stockholders to seek timely redress for breach of such rights.

c. Appropriate steps shall be taken to remove excessive or unnecessary costs and other administrative impediments to the stockholders' participation in meetings whether in person or by proxy.

d. Accurate and timely information shall be made available to the stockholders to enable them to make sound judgment on all matters brought to their attention for consideration or approval. The Office of the Corporate Secretary will issue the Notice of Annual Stockholders Meeting at least 28 business days before the meeting date which includes the time, place and proposed agenda items together with a brief rationale for its inclusion thru mail, facsimile, transmission or electronic mail and publication in newspapers of general circulation published in Metro Manila.

e. The introduction of additional, previously unannounced items into the Notice of Annual Stockholders' Meeting or agenda of the Annual Stockholders' Meeting will not be allowed.

f. The services of an independent body will be engaged to ensure that voting procedures and standards are adhered to. Results of the vote for each agenda item will be posted in the corporate website not later than the next business day after the Annual Stockholders Meeting.

Policies	Implementation
RIGHTS OF SHAREHOLDERS The Company recognizes the need for accurate and updated information of the Company's financial condition and all matters affecting the Company.	By appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or the Investors' Relations through the contact details provided in the website.

(e) Do minority stockholders have a right to nominate candidates for board of directors?
Yes. Explicitly provided in the Corporate Governance Manual under the Rights of Shareholders.

K. INVESTORS RELATIONS PROGRAM

1.) Discuss the company's external and internal communications policies and how frequently they are reviewed. Disclose who reviews and approves major company announcements. Identify the committee with this responsibility, if it has been assigned to a committee.

Investor Relations is responsible form providing and disseminating information and activities of the Company for the benefit of investors, stock analysts, fund managers (both local and foreign) as well as government agencies. In 2014, Investor Relations held two (2) analyst briefings in March and August, participated in the quarterly analyst and media briefings of parent firm SM Investment Corporation and conducted road shows locally and abroad. Investor Relations also handled press release for significant Company events for the information of all concerned.

- BDOLF strictly adheres to regulatory disclosure guidelines on material announcements or developments about the Company which are disclosed to the PSE and SEC within ten (10) minutes following Board meetings during regular business hours on weekdays, or the following trading day should the meeting fall on a weekend. After the submission of regulatory disclosures, these are then forwarded to the press and wire agencies, as well as promptly posted in the Company's website.

- The Company's external and internal communications policies as well as major announcements about the Company are reviewed by the President and/or Board Chairperson.

2.) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

BDOLF has been an unwavering advocate of information transparency and active stakeholder interaction. Investor Relation (IR), as a strategic management function, play a vital role in the Company's adherence to good corporate governance and dynamic shareholder engagement. It laid out a comprehensive engagement plan that will handle investor prospecting, relationship building/maintenance, and data automation. The IR strategy envisions better shareholder interface and information accessibility amongst various stakeholders.

	Details
(1) Objectives	To foster effective communication with the Company's stockholders, other stakeholders, and the public in general, promote stakeholders' rights and interests, and enhance investor and shareholder relation ○ The Company employs a multi-pronged communications strategy handled by

	◦ specific units to promote transparency and actively engage with its various stakeholders, as well as increase awareness and visibility about the Company. ◦ Communication with the core audience is handled by the following: Investor Relations and Corporate Planning (IR and Corplan) for institutional investors and analysts; and the Corporate Secretary's office (CorSec) for retail investors and other shareholders; and both IR and CorSec for the Board members and key management. Also, communications requiring media involvement are done in conjunction with the Company's Corporate Communications Group (MCG).
(2) Principles	The Company adheres to five (5) basic principles: accountability, fairness, integrity, transparency, and performance.
(3) Modes of Communications	<u>Investor Relations (IR)</u> • IR is a key component of the Company's corporate governance framework, promoting transparency and active engagement with investors and analysts, as well as with Board members and key management. • To the investment community, IR articulates the Company's strategic directions as well as updates investors and analysts on the Company's financial performance and other major developments. Investor updates are carried out through one-on-one meetings during conferences and roadshows, supplemented by periodic email broadcasts and posting of disclosures in the Company's website. This ensures continuing access to both strategic and financial information about BDOLF. • To Board members and key management, IR shares reports from analysts and feedback from investors for a better appreciation of external views regarding the Company. IR likewise prepares and presents to the Board quarterly reports on institutional ownership, industry rankings, and comparative financial performance, as well as BDOLF's performance and share price analysis/valuation, among others. • IR also maintains the IR page of the Company's website, and regularly updates its contents that include, among others, the Company's financial statements and reports, credit ratings, investor presentations, company stock valuation indicators, as well as dividend, capital and funding history.

	• In 2014, IR expanded its presence in the global fund management community by increasing the number of participation in global/local non-deal roadshows and conferences. Simultaneously, IR has actively coordinated with the top brokers to organize small investor forums and one-on-one meetings in the Company's premises to discuss relevant developments. The Company as part of BDO Group participated in a virtual investor conference catering to American Depositary Receipts (ADR) investors. CorSec • Corsec informs retail investors on recent developments about the Company (which include, among others, declaration of cash/stock dividends; venue, date, time, and agenda of the Company's annual meetings; explanation of each agenda item requiring shareholders' approval; explanation of the method of voting, and disclosure of voting results; quarterly reports on the Company's financial performance) and other relevant corporate information through timely disclosures posted in the websites of the PSE, SEC, as well as of the Company. • To Board members and key management, CorSec provides minutes of Board and Board Committee meetings (specifically Audit, Corporate Governance, Nominations, and Risk Management). • Corsec maintains a pro-active relationship with the Company's shareholders as it directly addresses their concerns and queries. It directly liaises with the Company's stock transfer agent on matters relating to stockholders' claims for cash dividends, updating of contact information, and requests for documents and/or information regarding their stockholdings. Marketing Communications Group (MCG) • MCG handles the social media facility of the Company such as Facebook, Twitter and Instagram. Investor and clients of the Company could use this channel to communicate with the Investor Relations or the Corporate Secretary's Office for any concerns or queries related to the Company. **(updated)**
(4) Investors Relations Officer	Mr. Luis S. Reyes, Jr. Contact No.: 840-7142

	Fax No.: 878-4151 Email: irandcorplan@bdo.com.ph Richard R. Tan Contact No.: 878-4809 Fax No.: 878-4151 Email: irandcorplan@bdo.com.ph

4) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets?

   Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price.

   The Company's Board of Directors may or may not appoint an independent party, depending on the size and complexity of the transaction. Evaluation of the transaction price is usually taken on a case-to-case basis.

L. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Discuss any initiative undertaken or proposed to be undertaken by the company.

Initiative	Beneficiary
Donated furnitures, fixtures and equipment	Bahay ni Maria (c/o BDO Leasing San Pablo branch)
	Gawad Kalinga (c/o BDO Leasing Davao branch)
	Gulong ng Palad (c/o BDO Leasing CDO branch)

M. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Disclose the process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President.

	Process	Criteria
Board of Directors	Self-Evaluation by all directors and advisers	Please refer to Annex A-7
Board Committees	Self-evaluation by Committee members and advisers	same
Individual Directors	Peer Evaluation by other directors and advisers	same
CEO/President	Self-Evaluation by other directors and advisers	Qualifications, Financial Results, Regulatory Compliance and Integrity

N. INTERNAL BREACHES AND SANCTIONS

Discuss the internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Willful violations or non-compliance of the provisions of the Corporate Governance Manual	Subject to a penalty to be determined by the Board of Directors.

O. CERTIFICATION OF COMPLIANCE

The Company substantially adopted all the provisions of its Manual on Corporate Governance, as prescribed by SEC Memorandum Circular No. 2, Series of 2002.