



111092016001616



## SECURITIES AND EXCHANGE COMMISSION

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### Company Information

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

### Document Information

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**Document ID** 111092016001616  
**Document Type** 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)  
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# COVER SHEET

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S.E.C. Registration Number

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

( Company's Full Name )

1 2 A D B A V E N U E , O R T I G A S C E N T E R ,  
M A N D A L U Y O N G C I T Y

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

ROBERTO E. LAPID

Contact Person

635-64-16 / 840-7000

Company Telephone Number

0 9 3 0  
Month Day  
Fiscal Year

SEC FORM 17Q  
FORM TYPE

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

n/a

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc

Amended Articles Number / Sec.

1,142

Total No. of Stockholders

Total Amount of Borrowings

25,894,264,119.01

Domestic

-

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2016
2. Commission identification number 097869
3. BIR Tax Identification No. 000-486-050-000
4. Exact name of issuer as specified in its charter BDO LEASING & FINANCE, INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office 39/F, BDO Corporate Center Ortigas, 12 ADB Ave, Ortigas Center, Mandaluyong City 1550  
Postal Code
8. Issuer's telephone number, including area code 632/ 635-6416, 635-5817, 840-7000
9. Former name, former address and former fiscal year, if changed since last report N/A
10. Securities registered pursuant to Sections 8 and 12 of the Code,  
or Sections 4 and 8 of the RSA N/A

<u>Title of each Class</u>	<u>Number of shares of common stock outstanding and amount of debt outstanding</u>
<u>Common Stock, P1.00 par value</u>	<u>2,162,475,312 / P 25,894,264,119.01</u>

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

Yes [  ] No [  ]

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

Philippine Stock Exchange, Inc.

Common stock .



12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SPC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a) - 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [ X ] No [ ]

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

Yes [ X ] No [ ]

## PART I--FINANCIAL INFORMATION

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

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

The accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2015 were consistently applied in the interim financial reports.

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

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

**PFRS 9, *Financial Instruments*** (effective from January 1, 2018). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

Phase 1: Classification and Measurement

Phase 2: Impairment Methodology

Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2018. Other chapters dealing with impairment methodology and hedge accounting are still being developed. The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Group and its plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

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

This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial



statements have been transferred and included in PFRS 10. The Group has evaluated the various facts and circumstances related to its interest in other entities and have determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the financial statements.

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

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

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

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

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

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

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

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

**PFRS 13, *Fair Value Measurement* – applicable**

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.



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

	September 30, 2016	(Audited) December 31, 2015	September 30, 2015
<b>ASSETS</b>			
Cash and Cash Equivalents	397.1	332.3	261.3
Available-for-Sale Investments	3,483.0	3,540.2	3,333.2
<b>Loans &amp; Other Receivables - net</b>			
<b>Finance Lease Receivables</b>			
Finance lease receivables	12,787.7	12,144.5	12,035.2
Residual value of leased assets	5,491.9	4,974.0	5,208.4
Unearned lease income	(1,226.6)	(1,181.4)	(1,204.4)
	<u>17,053.0</u>	<u>15,937.1</u>	<u>16,039.2</u>
<b>Loans and Receivables Financed</b>			
Loans and receivables financed	13,258.9	12,027.9	11,054.9
Unearned finance income	(51.4)	(67.9)	(70.0)
Clients' Equity	(40.7)	(38.1)	(34.6)
	<u>13,166.8</u>	<u>11,921.9</u>	<u>10,950.3</u>
	<u>30,219.8</u>	<u>27,859.0</u>	<u>26,989.5</u>
<b>Other Receivables</b>			
Accounts Receivable	42.5	35.6	43.8
Sales Contract Receivable	18.6	25.5	28.7
Dividends Receivable	36.4	26.3	37.3
Accrued Interest Receivable	65.2	93.5	80.6
Accrued Rental Receivable	-	3.5	-
	<u>162.7</u>	<u>184.4</u>	<u>190.2</u>
Allowance for loan losses	(617.5)	(580.1)	(559.5)
	<u>(617.5)</u>	<u>(580.1)</u>	<u>(559.5)</u>
	29,765.0	27,463.3	26,620.4
Property, Plant and Equipment - net	2,165.0	2,221.7	2,243.1
Investment Properties - net	431.9	438.1	227.5
Other Assets - net	786.2	522.0	492.3
	<u>37,028.2</u>	<u>34,517.6</u>	<u>33,177.8</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Bills Payable	25,857.7	23,889.6	22,564.9
Accounts Payable, Accrued Interest and Other Liabilities	498.6	422.7	390.2
Lease Deposits	5,499.7	4,982.6	5,212.6
	<u>31,856.0</u>	<u>29,294.9</u>	<u>28,167.7</u>
<b>Stockholders' Equity</b>			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Retained Earnings	2,335.0	2,343.0	2,174.7
Unrealized gain/(loss) on available-for-sale investm	159.0	201.4	156.1
OCI - Actuarial Gain/(Loss)	(36.2)	(36.2)	(35.1)
Treasury Stock	(81.8)	(81.8)	(81.8)
	<u>5,172.2</u>	<u>5,222.7</u>	<u>5,010.2</u>
	<u>37,028.2</u>	<u>34,517.6</u>	<u>33,177.8</u>



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

<b>For the nine months ended</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2015</b>
<b>INCOME</b>		
Interest and discounts	1,306.2	1,146.9
Rent	668.8	590.9
Service fees & other income	148.1	153.0
	<u>2,123.1</u>	<u>1,890.8</u>
<b>EXPENSES</b>		
Interest and financing charges	501.6	417.1
Occupancy and equipment-related expenses	46.8	40.9
Depreciation Expense - Operating Lease	527.0	473.0
Compensation and fringe benefits	162.4	140.1
Taxes and licenses	180.3	143.3
Provision for impairment and credit losses	42.5	66.7
Litigation/assets acquired expenses	3.1	6.0
Miscellaneous Expense	79.0	69.9
	<u>1,542.7</u>	<u>1,357.0</u>
<b>INCOME BEFORE INCOME TAX</b>	580.4	533.8
<b>PROVISION FOR INCOME TAX</b>	155.9	146.5
<b>NET INCOME</b>	<u>424.5</u>	<u>387.3</u>
<b>BASIC EARNINGS PER SHARE**</b>	<u>0.20</u>	<u>0.18</u>
<b>DILUTED EARNINGS PER SHARE**</b>	<u>0.20</u>	<u>0.18</u>

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

NET INCOME	424.5	387.3
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.20	0.18

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

<b>For the three months ended</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2015</b>
<b>INCOME</b>		
Interest and discounts	443.0	397.1
Rent	223.2	211.1
Service fees & other income	49.9	48.8
	<u>716.1</u>	<u>657.0</u>
<b>EXPENSES</b>		
Interest and financing charges	171.6	147.1
Occupancy and equipment-related expenses	14.8	14.2
Depreciation Expense - Operating Lease	179.4	169.3
Compensation and fringe benefits	56.6	47.6
Taxes and licenses	59.9	50.2
Provision for impairment and credit losses	12.5	16.7
Litigation/assets acquired expenses	0.8	0.9
Miscellaneous Expense	23.1	25.0
	<u>518.7</u>	<u>471.0</u>
<b>INCOME BEFORE INCOME TAX</b>	197.4	186.0
<b>PROVISION FOR INCOME TAX</b>	54.5	49.4
<b>NET INCOME</b>	<u>142.9</u>	<u>136.6</u>
<b>BASIC EARNINGS PER SHARE**</b>	<u>0.07</u>	<u>0.06</u>
<b>DILUTED EARNINGS PER SHARE**</b>	<u>0.07</u>	<u>0.06</u>

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

NET INCOME	142.9	136.6
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.07	0.06



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

<b>For the nine months ended</b>	<b>September 30,</b>	<b>September 30,</b>
	<b>2016</b>	<b>2015</b>
<b>NET INCOME</b>	424.5	387.3
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Unrealized Fair Value Gain/(Loss) on AFS-net</b>	(42.4)	15.5
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	382.1	402.8



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

<u>For the three months ended</u>	<u>September 30, 2016</u>	<u>September 30, 2015</u>
<b>NET INCOME</b>	142.9	136.6
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Unrealized Fair Value Gain/(Loss) on AFS-ne</b>	(79.4)	(108.1)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	63.5	28.5



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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

In Millions

	Capital Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
			62,693,718 shares				
Balance as of Jan 1, 2016	2,225.2	571.1	(81.8)	2,343.0	201.4	(36.2)	5,222.7
Total Comprehensive Income (loss)				424.5	(42.4)	-	382.1
Cash Dividends				(432.5)			(432.5)
<b>Balance as of September 30, 2016</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,335.0</b>	<b>159.0</b>	<b>(36.2)</b>	<b>5,172.2</b>
Balance as of Jan 1, 2015	2,225.2	571.1	(81.8)	2,165.8	140.6	(35.1)	4,985.8
Total Comprehensive Income (loss)				387.3	15.5		402.8
Cash Dividends				(378.4)			(378.4)
<b>Balance as of September 30, 2015</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,174.7</b>	<b>156.1</b>	<b>(35.1)</b>	<b>5,010.2</b>



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

For the three months ended

	Capital Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 par value Authorized and unissued - 200,000 shares			62,693,718 shares				
Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares							
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	2,192.1	238.4	(36.2)	5,108.8
Total Comprehensive Income (loss)				142.5	(79.4)		63.5
Cash Dividends							
<b>Balance September 30, 2016</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,335.0</b>	<b>159.0</b>	<b>(36.2)</b>	<b>5,172.3</b>
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	2,038.1	264.2	(35.1)	4,981.7
Total Comprehensive Income (loss)				136.6	(108.1)		28.5
Cash Dividends							
<b>Balance September 30, 2015</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,174.7</b>	<b>156.1</b>	<b>(35.1)</b>	<b>5,010.2</b>

**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED**

	<u>September 30, 2016</u>	<u>September 30, 2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	580,394,259	533,728,850
Adjustments to reconcile income before income tax		
Interest received	1,329,736,489	1,178,014,068
Interest income	(1,306,151,235)	(1,146,931,299)
Interest and financing charges paid	(503,708,057)	(394,956,129)
Interest and financing charges	502,199,139	420,337,384
Depreciation and amortization	544,525,892	489,811,525
Impairment and credit losses	42,500,000	66,666,667
Gain on sale of property and equipment and investment properties	(15,416,956)	(6,634,659)
Day one loss (gain)	2,049,460	(55,690)
Operating profit before changes in operating assets and liabilities	1,176,128,989	1,139,980,715
Increase in loans and other receivables	(2,371,117,309)	(3,072,884,574)
Increase in other assets	(55,558,681)	(65,767,064)
Increase (decrease) in accounts payable and other liabilities	73,475,346	(45,024,816)
Increase in lease deposits	515,755,780	1,019,432,359
Net cash provided by (used in) operations	(661,315,875)	(1,024,263,381)
Income taxes paid	(97,309,420)	(106,200,249)
Net cash provided by (used in) operating activities	(758,625,294)	(1,130,463,630)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties & equity investment	(271,200,377)	92,643,972
Proceeds from disposal of property and equipment	48,880,927	46,546,647
Net disposal (acquisition) of available for sale investment	13,929,750	(926,372,000)
Net acquisitions of property and equipment	(507,909,867)	(750,158,930)
Net cash used in investing activities	(716,299,567)	(1,537,340,311)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	1,972,159,553	2,889,813,477
Cash dividends paid	(432,495,062)	(378,433,178)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	1,539,664,491	2,511,380,299
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	64,739,630	(156,423,642)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	332,326,857	417,703,875
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	397,066,487	261,280,233



**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTH PERIOD**

	<b>September 30, 2016</b>	<b>September 30, 2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	197,314,087	185,854,434
Adjustments to reconcile income before income tax		
Interest received	466,746,424	408,479,979
Interest income	(442,933,312)	(397,131,048)
Interest and financing charges paid	(187,769,352)	(130,971,005)
Interest and financing charges	172,836,310	147,122,492
Depreciation and amortization	185,623,272	174,803,391
Impairment and credit losses	12,500,000	16,666,667
Gain on sale of property and equipment and investment properties	(8,459,790)	(2,471,101)
Day one loss (gain)	442,536	1,233,271
Operating profit before changes in operating assets and liabilities	396,300,176	403,587,079
Increase in loans and other receivables	(1,403,139,107)	(1,431,700,770)
Increase in other assets	264,276,482	(1,090,095)
Increase (decrease) in accounts payable and other liabilities	25,917,635	(18,760,876)
Increase in lease deposits	204,761,902	424,603,436
Net cash provided by (used in) operations	(511,882,912)	(623,361,225)
Income taxes paid	(14,009,643)	(50,153,143)
Net cash provided by (used in) operating activities	(525,892,555)	(673,514,368)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties & equity investment	(277,440,459)	15,873,657
Proceeds from disposal of property and equipment	33,108,432	(59,110,292)
Net acquisition of available for sale investment	-	(926,372,000)
Net acquisitions of property and equipment	(190,797,095)	(117,665,361)
Net cash used in investing activities	(435,129,122)	(1,087,273,996)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	910,819,561	1,819,861,589
Cash dividends paid	-	-
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	910,819,561	1,819,861,589
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(50,202,115)</b>	<b>59,073,225</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER</b>	<b>447,268,602</b>	<b>202,207,008</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	<b>397,066,487</b>	<b>261,280,233</b>



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

### **September 2016 Compared to September 2015**

The company registered P425 million in net income for the three quarters ending September 2016.

Gross revenues amounted to P2.1 billion, an increase of 12% from P1.9 billion last year. This was due to income from Investment Property - Land under Operating Lease, as well as a hike in volumes from financial leases. Overall, Loans & Other Receivables grew by 12% year on year to P29.8 billion from last year.

The portfolio growth was primarily funded by a 15% year-on-year increase in Bills Payable. Consequently, interest and financing charges rose 20% to P502 million.

The company set aside P43 million as provision for credit and impairment losses bringing its NPL cover to 101%.

Occupancy and equipment related expenses increased 14% to P47 million. Depreciation Expense-Operating Lease went up 11% to P527 million due to an increase in Operating Lease bookings in the latter part of 2015.

Litigation/assets acquired expenses decreased 48% to P3 million owing to lower maintenance expenses on acquired assets.

Total assets expanded 12% year-on-year to P37.0 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed 6% or P1.0 billion while net non-lease portfolio went up by 20% or P2.2 billion. Property, Plant and Equipment-net decreased 3% or P78 million.

Cash & cash equivalents went up by 52% or P136 million as the Company increased liquidity to service anticipated loan releases. Available for Sale investments likewise went up 4% to P3.5 billion.

Net investment properties rose to P432 million from P228 million, due to purchase of land for an Operating Lease. Other Assets increased year-on-year to P786 million from P492 million mainly due to the Joint Venture Agreement with Mitsubishi entered into by BDOLF. The joint venture is named MMPC Auto Financial Services Corp.

Bills Payable increased to P25.9 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities increased P108 million year-on-year due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.2 billion in September 2015 to P5.5 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.2 billion.



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

	<u>September 2016</u>	<u>September 2015</u>
Current Ratio	0.42:1	0.49:1
Quick asset ratio	0.41:1	0.46:1
Debt to Equity Ratio	6.16:1	5.62:1
Net Profit Margin	19.99%	20.48%
Return on Equity	11.12%	10.53%

Formulas used:

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

**Related Party Transactions**

*(Amounts in Millions of Philippine Pesos)*

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

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

The summary of the Group's significant transactions with its related parties in September 30, 2016, December 31, 2015 and September 30, 2015 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2016	December 31, 2015	September 30, 2015
<b>Ultimate Parent Company (BDO Unibank)</b>				
Interest expense on Bills Payable	(b)	31.6	99.7	76.5
Rent Expense	(d)	7.4	9.8	7.4
Management fees	(e)	1.8	2.4	1.8
<b>Subsidiary (BDO Rental)</b>				
Service fees	(c)	-	6.9	3.4
Rent Income	(d)	0.3	0.4	0.3
Management fees	(e)	0.3	0.4	0.3
<b>Affiliate (BDO Capital)</b>				
Service and charges fees	(f)	3.3	4.0	3.3



<u>Related Party Category</u>	Note	<u>Outstanding Balance</u>		
		September 30, 2016	December 31, 2015	September 30, 2015
<b>Parent Company (BDO Unibank)</b>				
Bills Payable	(b)	1,278.5	3,250.2	3,470.2
<b>Subsidiary (BDO Rental)</b>				
Deposit for future stock subscription	(i)	46.9	46.9	-
<b>Key Management Personnel</b>				
Loans to Officers	(h)	9.1	5.0	3.6

A) The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2016, December 31, 2015 and September 30, 2015, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on deposits in September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and Discounts as part of Revenues in the statements of comprehensive income.

B) The Group obtains short-term borrowings from BDO Unibank. The amount outstanding from borrowings as September 30, 2016, December 31, 2015 and September 30, 2015 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and financing charges account as part of Operating Costs and Expenses account in the statements of comprehensive income.

C) On January 4, 2010, the Parent Company and BDO Rental entered into a Service Agreement whereby BDO Rental will handle the collection of certain factored receivables of the Parent Company, for a fee as agreed by the Parent Company and the sellers of the factored receivables. Under the Service Agreement, BDO Rental shall perform the monitoring of the payment due dates of the factored receivables, remit to the Parent Company all collections made and send monthly statement of accounts to customers. The related expense charged to the Parent Company based on the Service Agreement is included under Other Operating Costs and Expenses in the Parent Company's statements of comprehensive income. There is no outstanding intercompany payable or receivable from this transaction as of September 30, 2016, December 31, 2015 and September 30, 2015.

D) The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon between the Parent Company and BDO Unibank. Related rent expense incurred in September 30, 2016, December 31, 2015 and September 30, 2015, is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of comprehensive income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2016 and 2015 is presented as part of Other Income in the statements of comprehensive income. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.



*E)* In 2012, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the 2016 statement of comprehensive income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the 2015 statement of comprehensive income of the Parent Company. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

*F)* The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Parent Company's issuance of bills payable in 2013. Professional fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the September 2016 and 2015 statement of comprehensive income. There is no outstanding payable related on this transaction as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

*G)* The Group also granted loans to officers in 2016 and 2015.

*H)* 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

### **Commitments and Contingencies**

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

### **Economic Events**

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

### **Risk Factors**

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

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



### Plans for the Next Quarter

- We will continue to extensively market our products thru BDO Leasing & Finance's branches. Additionally, we will use the extensive branch network of BDO Unibank, Inc. to boost referrals and ultimately our business volumes.
- We will aggressively tap the existing corporate accounts of the BDO Institutional Banking Group for possible lease requirements.
- We will continue to develop equipment vendor/supplier tie-ups to expand our market presence and clientele base.
- We will continue to expand and optimize our sources of funds to match our asset growth and help manage our funding costs by effectively utilizing the authority granted by the Securities and Exchange Commission for BDO Leasing to issue P25 Billion Short Term Commercial papers.
- We will continue to control operating expenses to ensure that these remain at a level, which is attuned with our business volumes.
- We will continue to pursue process improvements to improve our services to our various stakeholders.
- Marketing plantilla will increase, both in Metro Manila and in our provincial branches to sustain double-digit growth in Total Assets, particularly Lease/Loan Portfolio.

### PART II--OTHER INFORMATION

Nothing to report.

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

#### ITEM 1-7

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

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

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

***None.***



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

*None.*

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

***For the third quarter of 2016, the Company has issued bills payable amounting to P23,939.0M and made total payments on its bills payable amounting to P24,389.3M.***

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

***On February 24, 2016, the BOD approved the declaration of cash dividends at P0.20 per share, amounting to P432.5 million. The dividends were declared in favor of stockholders of record as of March 11, 2016 and said dividends were paid subsequently on March 30, 2016.***

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

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

***Please see attached.***

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

*None.*

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

***On January 28, 2016, the Company entered into a joint venture agreement with Sojitz Corporation, JACCS Co., Ltd and Mitsubishi Motors Philippines Corporation (MMPC). The joint venture is to be named MMPC Auto Financial Services Corp. (MAFS) and is to be 40% owned by the Company for a capital contribution of P300.0 million. MMPC Auto Financial Services Corp was incorporated and registered with the Securities and Exchange Commission on May 31, 2016. Its primary purpose is to provide financing services to individual and corporate buyers of Mitsubishi vehicles. The investment in MAFS is accounted for using the equity method in the interim financial statement.***



*The summarized financial information for MAFS as of September 30, 2016 is shown below.*

Current Assets	708.4
Non Current Assets	30.5
Total Assets	<u>738.9</u>
Current Liabilities	9.3
Non Current Liabilities	-
Total Liabilities	<u>9.3</u>
Net Loss	20.5

*A reconciliation of the above summarized financial information to the carrying amount of investment in MAFS is shown below:*

Net Assets of MAFS	729.6
Proportion of ownership interest of BDOLF	40%
Carrying Amount of Investment	<u>291.8</u>

*MAFS has started its commercial operation in September 30, 2016 and has incurred pre-operating expenses amounting to P20.5 million. The Company's share in MAFS' net loss amounted to P8.2 million which is presented as part of Service fee & other income in the 2016 statement of income. MAFS is a private company and there are no quoted prices available for its shares of stock.*

J. Changes in contingent liabilities or contingent assets.

*None*

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

*None*

## ITEM 2

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

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



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

**None**

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

**None**

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

**None**

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

**None**

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

**None**

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

**None**

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

**None**



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

For the nine months ended September 30, 2016

(in millions)

	Leasing	Financing	Others	Total
<u>Gross income</u>	1,285.2	611.9	225.9	2,123.1
Segment revenues	1,285.2	611.9	225.9	2,123.1
Segment expenses	933.9	444.6	164.2	1,542.7
<u>Segment results</u>	351.3	167.3	61.8	580.4
Income tax expense				155.9
Net Income				424.5
Segment assets - net	18,907.8	12,852.4	-	31,760.2
Unallocated assets				5,268.0
Total Assets				37,028.2
Segment liabilities	17,564.8	13,792.6	-	31,357.4
Unallocated liabilities				493.6
Total Liabilities				31,856.0



**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (September 2016 SEC Form 17-Q Report) to be signed on its behalf by the undersigned thereunto duly authorized.

**BDO LEASING & FINANCE, INC.**



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



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

**October 17, 2016**

**Date**







**BDO Leasing and Finance, Inc. and Subsidiary**  
**Financial Ratios**  
**September 30, 2016 and 2015**  
*(Amounts in Millions of Philippine Pesos)*

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>I. Current/liquidity ratios</b>				
Current ratio				
	11,626.2	11,311.6	0.42	0.49
<u>Total current assets</u>				
Total current liabilities	27,775.4	23,308.8		
Quick ratio				
	11,407.8	10,818.9	0.41	0.46
<u>Quick assets</u>				
Total current liabilities	27,775.4	23,308.8		
<b>II. Solvency ratios; debt-to-equity ratios</b>				
Solvency ratio				
	954.8	863.5	0.03	0.03
<u>(After tax net profit + Depreciation)</u>				
Total liabilities	31,856.0	28,167.7		

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Debt-to-equity ratio				
	<u>31,856.0</u>	<u>28,167.7</u>	6.16	5.62
	5,172.2	5,010.2		
<b>III. Asset-to-equity ratio</b>				
Asset-to-equity ratio				
	<u>37,028.2</u>	<u>33,177.8</u>	7.16	6.62
	5,172.2	5,010.2		
<b>IV. Interest coverage ratio</b>				
Interest coverage ratio				
	<u>1,080.1</u>	<u>957.4</u>	2.16	2.26
	499.7	423.7		
<b>V. Profitability ratios</b>				
Net profit margin				
	<u>424.5</u>	<u>387.2</u>	19.99%	20.48%
	2,123.1	1,890.9		
Interest income + Other operating income				



	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Return on equity				
<u>Net profit</u>	<u>424.5</u>	<u>387.2</u>		
Average equity	5,091.2	4,901.9	11.12%	10.53%
Return on assets				
<u>Net profit</u>	<u>424.5</u>	<u>387.2</u>		
Average assets	35,133.0	30,762.4	1.61%	1.68%
VI. Others				
Total real estate investments to Assets				
<u>Total investment properties</u>	<u>431.9</u>	<u>227.5</u>		
Total assets	37,028.2	33,177.8	1.17%	0.69%
Loans to Assets				
<u>Total loans and other receivables</u>	<u>29,765.0</u>	<u>26,620.4</u>		
Total assets	37,028.2	33,177.8	80.38%	80.24%

DOSRI to Net worth

Receivables from Directors, Officers,  
Stakeholders and Related Interests  
Total equity

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>13.4</u>	<u>76.5</u>		
	<u>5,172.2</u>	<u>5,010.2</u>	0.26%	1.53%

Amount of receivable from a single corporation to  
Total receivables

Loan to a single corporation  
Total loans and other receivables

	<u>1,300.0</u>	<u>1,300.0</u>	4.37%	4.88%
	<u>29,765.0</u>	<u>26,620.4</u>		