

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

840-7000 loc 65817

Company Telephone Number

0 3

Month

3 1

Day

Fiscal Year

SEC FORM 17-Q

FORM TYPE

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

Annual Meeting

n/a

Secondary License Type, If Applicable

C F D

Dept. Requiring this Doc

Amended Articles Number / Sec.

1,137

Total No. of Stockholders

Total Amount of Borrowings

Php29,850,789,660.21

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 March 31, 2017
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)
- 39/F, BDO Corporate Center Ortigas, 12 ADB Ave, Ortigas Center, Mandaluyong City 1550
7. Address of issuer's principal office 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

Title of each Class

Number of shares of common stock outstanding
and amount of debt outstanding

Common Stock, P1.00 par value

2,162,475,312 / P 25,850,789,660.21

11. Are any or all of the securities listed on a Stock Exchange?
Yes [**X**] No []

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

Philippine Stock Exchange, Inc.

Common stock

12. Indicate by check mark whether the registrant:

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

Yes [**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 2016. 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 7 (Amendments), *Statement of Cash Flows* – Disclosure Initiative (effective from January 1, 2017). The amendments are designed to improve the quality of information provided to users of financial statements about changes in an entity's debt and related cash flows (and non-cash changes). They require an entity to provide disclosures that enable users to evaluate changes in liabilities arising

from financing activities. An entity applies its judgment when determining the exact form and content of the disclosures needed to satisfy this requirement. Moreover, they suggest a number of specific disclosures that may be necessary in order to satisfy the above requirement, including: (a) changes in liabilities arising from financing activities caused by changes in financing cash flows, foreign exchange rates or fair values, or obtaining or losing control of subsidiaries or other businesses; and, (b) a reconciliation of the opening and closing balances of liabilities arising from financing activities in the statement of financial position including those changes identified immediately above.

PAS 12 (Amendments), Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (effective from January 1, 2017). The focus of the amendments is to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost. The amendments provide guidance in the following areas where diversity in practice previously existed: (a) existence of a deductible temporary difference; (b) recovering an asset for more than its carrying amount; (c) probable future taxable profit against which deductible temporary differences are assessed for utilization; and, (d) combined versus separate assessment of deferred tax asset recognition for each deductible temporary difference.

PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, Leases.

For lessees, it requires to account for leases “on-balance sheet” by recognizing a “right of use” asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the “right-of-use” asset is accounted for similarly to a purchased asset and depreciated or amortized. The lease liability is accounted for similarly to as financial liability using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee’s benefit).

For lessors, lease accounting is similar to PAS 17’s. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17’s. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

The Group is currently assessing the impact of this new standard in its financial statements.

PFRS 10 (Amendments), Consolidated Financial Statements, and PAS 28 (Amendments), 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 amendments to PFRS 10 require 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, Business Combinations, 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 or contribution of assets that do not constitute a business. Corresponding amendments have 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.

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

	March 31, 2017	(Audited) December 31, 2016	March 31, 2016
ASSETS			
Cash and Cash Equivalents	375.9	370.5	498.4
Available-for-Sale Investments	4,814.8	3,521.6	3,442.1
Loans & Other Receivables - net			
Finance Lease Receivables			
Finance lease receivables	12,844.3	12,997.9	12,063.0
Residual value of leased assets	5,725.4	5,574.9	5,089.2
Unearned lease income	(1,191.4)	(1,224.7)	(1,164.6)
	17,378.3	17,348.1	15,987.6
Loans and Receivables Financed			
Loans and receivables financed	15,438.4	14,535.3	12,504.5
Unearned finance income	(33.7)	(39.8)	(67.3)
Clients' Equity	(34.2)	(37.3)	(27.4)
	15,370.5	14,458.3	12,409.7
	32,748.8	31,806.4	28,397.4
Other Receivables			
Accounts Receivable	50.7	23.0	32.5
Sales Contract Receivable	19.6	22.1	22.5
Dividends Receivable	41.9	50.0	36.4
Accrued Interest Receivable	65.4	91.1	66.4
Accrued Rental Receivable	-	9.0	-
	177.6	195.3	158.0
Allowance for loan losses	(632.8)	(620.3)	(593.6)
	(632.8)	(620.3)	(593.6)
	32,293.6	31,381.3	27,961.6
Property, Plant and Equipment - net	2,288.0	2,381.2	2,191.5
Investment Properties - net	426.5	426.5	432.9
Other Assets - net	835.7	819.3	847.9
	41,034.5	38,900.4	35,374.4
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bills Payable	29,867.2	27,268.1	24,951.5
Accounts Payable, Accrued Interest and Other Liabilities	470.2	702.0	476.1
Lease Deposits	5,742.2	5,580.8	5,097.3
	36,079.6	33,550.9	30,524.9
Stockholders' Equity			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Retained Earnings	2,192.0	2,480.5	2,054.2
Unrealized gain/(loss) on available-for-sale invest	91.2	197.3	117.0
OCI - Actuarial Gain/(Loss)	(42.8)	(42.8)	(36.2)
Treasury Stock	(81.8)	(81.8)	(81.8)
	4,954.9	5,349.5	4,849.5
	41,034.5	38,900.4	35,374.4

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

For the three months ended	March 31, 2017	March 31, 2016
INCOME		
Interest and discounts	469.9	430.1
Rent	237.0	222.7
Service fees & other income	47.1	48.9
	<u>754.0</u>	<u>701.7</u>
EXPENSES		
Interest and financing charges	191.0	161.8
Occupancy and equipment-related expenses	12.9	14.7
Depreciation Expense - Operating Lease	198.5	172.8
Compensation and fringe benefits	51.9	50.0
Taxes and licenses	63.7	62.0
Provision for impairment and credit losses	12.5	17.5
Litigation/assets acquired expenses	2.5	1.5
Miscellaneous Expense	23.4	25.3
	<u>556.4</u>	<u>505.6</u>
INCOME BEFORE INCOME TAX	197.6	196.1
PROVISION FOR INCOME TAX	53.6	52.4
NET INCOME	<u>144.0</u>	<u>143.7</u>
OTHER COMPREHENSIVE INCOME	(106.1)	(84.4)
TOTAL COMPREHENSIVE INCOME/(LOSS)	<u>37.9</u>	<u>59.3</u>
BASIC EARNINGS PER SHARE**	0.07	0.07
DILUTED EARNINGS PER SHARE**	0.07	0.07

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

NET INCOME	144.0	143.7
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.07	0.07

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>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2016</u>
NET INCOME	144.0	143.7
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain/(Loss) on AFS-n	(106.1)	(84.4)
TOTAL COMPREHENSIVE INCOME/(LOSS)	37.9	59.3

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

	Capital Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/ (Loss)	Net Equity
Preferred - P100 par value			62,693,718 shares				
Authorized and unissued - 200,000 shares							
Common - P1 par value							
Authorized - 3,400,000,000 shares							
Issued - 2,225,169,030 shares							
Balance as of Jan 1, 2017	2,225.2	571.1	(81.8)	2,480.5	197.3	(42.8)	5,349.5
Total Comprehensive Income (loss)				144.0	(106.1)	-	37.9
Cash Dividends				(432.5)			(432.5)
Balance as of March 31, 2017	2,225.2	571.1	(81.8)	2,192.0	91.2	(42.8)	4,954.9
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)				143.7	(84.4)		59.3
Cash Dividends				(432.5)			(432.5)
Balance as of March 31, 2016	2,225.2	571.1	(81.8)	2,054.2	117.0	(36.2)	4,849.5

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

	March 31, 2017	March 31, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	197,674,830	196,096,725
Adjustments to reconcile income before income tax		
Interest received	494,608,498	455,857,061
Interest income	(469,901,577)	(430,118,007)
Interest and financing charges paid	(192,600,255)	(177,181,583)
Interest and financing charges	194,193,568	169,028,947
Depreciation and amortization	203,734,591	178,184,106
Impairment and credit losses	50,000,000	17,500,000
Gain on sale of property and equipment and investment properties	(1,748,935)	(5,107,950)
Day one loss (gain)	2,220,898	874,451
Operating profit before changes in operating assets and liabilities	478,181,618	405,133,750
Increase in loans and other receivables	(991,915,920)	(542,381,224)
Increase in other assets	(18,351,201)	(345,860,207)
Increase (decrease) in accounts payable and other liabilities	(248,290,327)	44,952,756
Increase in lease deposits	160,690,917	107,710,794
Net cash provided by (used in) operations	(619,684,913)	(330,444,132)
Income taxes paid	(37,743,881)	(27,664,896)
Net cash provided by (used in) operating activities	(657,428,793)	(358,109,028)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net disposal (acquisition) of investment properties	-	6,954,170
Proceeds from disposal of property and equipment	20,131,402	16,626,151
Net disposal (acquisition) of available for sale investment	(1,400,000,000)	13,929,750
Net acquisitions of property and equipment	(125,503,513)	(158,040,644)
Net cash used in investing activities	(1,505,372,111)	(120,530,572)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments of bills payable	2,600,750,102	1,077,249,339
Cash dividends paid	(432,495,062)	(432,495,062)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	2,168,255,039	644,754,277
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,454,135	166,114,676
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	370,475,033	332,326,857
CASH AND CASH EQUIVALENTS AT END OF THE QUARTER	375,929,167	498,441,533

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

March 2017 Compared to March 2016

The company registered P144 million in net income for the quarter ending March 2017.

Gross revenues amounted to P754.0 million, an increase of 7% from P701.7 million last year. This was due the hike in volumes from loans and receivables finance. Overall, Loans & Other Receivables grew by 15% year on year to P32.7 billion from last year.

The portfolio growth was primarily funded by a 19% year-on-year increase in Bills Payable. Consequently, interest and financing charges rose 18% to P191 million.

The company set aside P13 million as provision for credit and impairment losses bringing its NPL cover to 95%.

Occupancy and equipment related expenses decreased 12% to P13 million. Depreciation Expense-Operating Lease went up 15% to P199 million due to an increase in Operating Lease bookings.

Litigation/assets acquired expenses increased 67% to P3 million owing to maintenance expenses on acquired assets.

Total assets expanded 16% year-on-year to P41.0 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed 9% or P1.4 billion while net non-lease portfolio went up by 24% or P3.0 billion. Property, Plant and Equipment-net increased 4% or P97 million.

Cash & cash equivalents went down by 25% or P123 million as the Company's free funds were invested in higher-yielding earning assets. Available for Sale investments likewise went up 40% to P4.8 billion.

Net investment properties declined to P427 million from P432 million. Other Assets decreased year-on-year to P836 million from P848 million mainly due to the share in net loss from Equity Investment with MMPC Auto Financial Services Corp.

Bills Payable increased to P29.9 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities increased P6.0 million year-on-year due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.1 billion in March 2016 to P5.7 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.0 billion.

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

	March 2017	March 2016
Current Ratio	0.38:1	0.43:1
Quick asset ratio	0.37:1	0.42:1
Debt to Equity Ratio	7.28:1	6.29:1
Net Profit Margin	19.10%	20.47%
Return on Equity	11.75%	11.91%

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 March 31, 2017, December 31, 2016 and March 31, 2016 are as follows:

BDO Leasing & Finance Inc
Related Party Transaction
March 31, 2017, Dec 31, 2016 and March 31, 2016

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		March 31, 2017	December 31, 2016	March 31, 2016
Ultimate Parent Company (BDO Unibank)				
Interest Income on savings and demand deposits	(a)	P 0.2	P 0.7	P 0.2
Interest expense on Bills Payable	(b)	23.9	38.0	12.2
Rent Expense	(c)	3.1	10.5	2.5
Management fees	(d)	1.7	2.4	0.6
Employee stock option plan		0.7	16.9	
Subsidiary (BDO Rental)				
Rent Income	(c)		0.4	0.1
Management fees	(d)	0.1	0.4	0.1
Dividend Income	(i)	120.0	60.0	
Related Party under Common Ownership (BDO Capital and BDO Insurance)				
Service and charges fees	(e)	0.8	5.5	1.9

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		March 31, 2016
		March 31, 2017	December 31, 2016	
Parent Company (BDO Unibank)				
Savings and demand deposits	(a)	P 370.6	P 365.2	P 489.6
Bills Payable	(b)	8,756.5	2,575.8	1,737.3
Employee stock option		0.7	16.9	
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(h)			46.9
Accounts Receivable	(g)	109.4	109.4	
Dividend receivable	(i)	120.0	60.0	
Related Party under Common Ownership (BDO Insurance)				
Accounts Receivable	(j)	0.7	0.7	
Key Management Personnel				
Loans to Officers	(f)	10.3	10.0	4.4
Retirement Fund				
Shares of stock	(g)		1.0	

- (a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of 31 March 31, 2017, December 31, 2016 and March, 2016, 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 these deposits in March 31, 2017 and March 31, 2016 is included as part of Interest and Discounts under the Revenues account in the statements of income.
- (b) The Group obtains short-term bills payable from BDO Unibank. The amount outstanding from borrowings as of March 31, 2017, December 31, 2016 and March 31, 2016 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable March 31, 2017 and March 31, 2016 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of income.
- (c) 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 March 31, 2017 and March 31, 2016 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 March 31, 2017 and March 31, 2016 is presented as part of Other Income in the statements of income. There is no outstanding receivable and payable on these transactions as of the end of March 31, 2017, December 31, 2016 and March, 2016.
- (d) 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 Parent Company's statements of income. There are no outstanding receivable and payable on these transactions as of the end of March 31, 2017, December 31, 2016 and March, 2016.
- (e) 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 short term commercial papers. Service and charges fees paid by the Parent Company to BDO Capital both for March 31, 2017 and March 31, 2016 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 March 31, 2017, December 31, 2016 and March, 2016.
- (f) 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 granted loans to officers which are secured by mortgage on the property, bear interest at 9.0% per annum and have terms ranging from 3 to 4 years.
- (g) The retirement fund holds, as an investment, 519,915 shares and 442,750 shares of stock of the Parent Company in 2016 and 2015, respectively, which has a market value of P1.90

and P2.00 per share as of March 31, 2017 and 2016, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.

- (h) In 2015, BDO Rental received cash from the Parent Company as subscription payments for the increase in authorized capital stock, representing 25% of the total subscribed capital stock. BDO Rental cancelled its application for the increase in authorized capital stock with the SEC on December 20, 2016. This resulted in the recognition of outstanding receivable by the Parent Company from BDO Rental in 2016.
- (i) In 2017, BDO Rental declared Cash Dividends which is presented as part of other income in the Parent company's statement of income. This resulted from outstanding receivables of the Parent Company from BDO Rental in 2017 which is recorded as part of Dividends receivable under Loans and Other Receivables account in the statements of financial position.
- (j) In 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred. This resulted for outstanding receivable of the Parent Company from BDO Insurance in 2016 which is recorded as part of Accounts receivable under Loans and Other Receivables account in the statements of financial position.

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 clientèle 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.
- Our 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 first quarter of 2017, the Company has issued bills payable amounting to P23,806.9M and made total payments on its bills payable amounting to P28,529.5M.

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

On February 22, 2017, 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 10, 2017 and said dividends were paid subsequently on March 29, 2017.

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 was named MMPC Auto Financial Services Corp. (MAFS) and is 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 March 31, 2017 is shown below.

	March 31, 2016	March 31, 2017
Current Assets	NIL	471.0
Non Current Assets		289.6
Total Assets		<u>760.6</u>
Current Liabilities		63.3
Non Current Liabilities		
Total Liabilities		<u>63.3</u>
Net Loss		19.3

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

	March 31, 2016	March 31, 2017
Net Assets of MAFS	NIL	697.3
Proportion of ownership interest of BDOLF		40%
Carrying Amount of Investment		<u>278.9</u>

MAFS has started its commercial operation in September 30, 2016. It has incurred pre-operating expenses amounting to P19.3 million in March 31, 2017. The Company's share in MAFS' net loss amounted to P7.7 million which is presented as part of Service fee & other income in the March 31, 2017 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 three months ended March 31, 2017

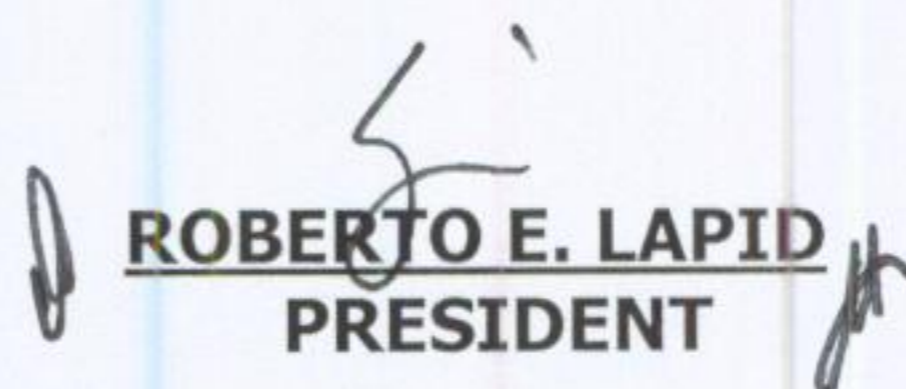
(in millions)

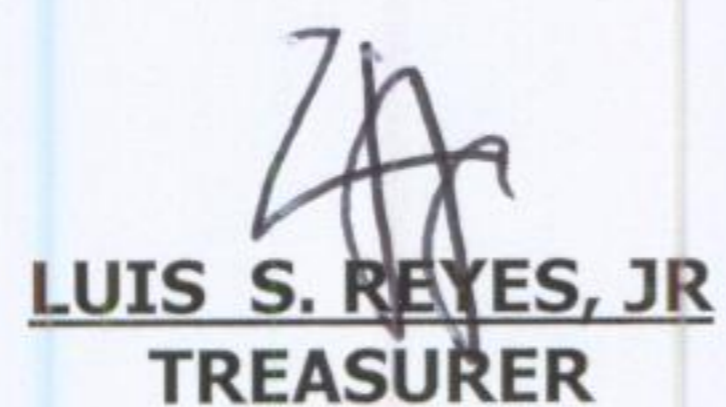
	Leasing	Financing	Others	Total
Gross income	446.8	256.9	50.4	754.0
Segment revenues	446.8	256.9	50.4	754.0
Segment expenses	329.7	189.5	37.2	556.3
Segment results	117.1	67.3	13.2	197.7
Income tax expense				53.6
Net Income				144.1
Segment assets - net	19,373.5	15,025.1	-	34,398.6
Unallocated assets				6,635.9
Total Assets				41,034.5
Segment liabilities	18,594.5	17,014.8	-	35,609.4
Unallocated liabilities				470.2
Total Liabilities				36,079.6

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (March 2017 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


LUIS S. REYES, JR
TREASURER

April 27, 2017
Date

BDO LEASING AND FINANCE INC.
AGING OF RECEIVABLES
As of March 31, 2017

Account	Total	1 Month	Over 1 Mos to 3 Mos.	Over 3 Mos. to 6 Mos.	Over 6 Mos. to 1 Yr.	Over 1 Yr. to 3 Yrs.	3 to 5 yrs.	Over 5 Yrs.	Non- Performing Loans
Factored Receivable	183,139,170.30	-	163,453,168.25	-	-	-	-	-	19,686,002.05
Receivables Purchased	56.00	-	-	-	-	-	-	-	56.00
Floor Stock Financing	330,865,737.04	144,034,566.41	145,876,019.95	40,955,150.67	-	-	-	-	-
Installment Paper Purchase	856,267,149.25	69,270,388.63	167,213,026.73	170,063,498.03	262,092,164.29	173,974,548.03	1,329,567.44	309,005.98	12,014,950.12
Amortized Commercial Loan	14,068,091,922.15	737,516,273.94	887,838,243.40	854,443,313.02	1,480,466,584.18	5,283,078,266.06	2,603,886,834.87	2,038,989,993.54	181,872,413.13
Lease Contract Receivables	18,569,681,790.55	884,527,438.00	1,257,689,737.29	1,823,121,858.03	3,192,390,307.34	8,627,329,749.62	2,240,354,520.34	24,233,279.18	520,034,900.74
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
Discounting Line	-	-	-	-	-	-	-	-	-
TOTAL LOAN PORTFOLIO	34,008,046,973.29	1,835,348,666.99	2,622,070,195.63	2,888,583,819.75	4,934,949,055.81	14,084,382,563.71	4,845,570,922.65	2,063,532,278.70	733,609,470.04

Less: Allowance For Credit losses 632,755,590.01

Finance Receivables - Net
33,375,291,383.28
0.00

BDO Leasing and Finance, Inc. and Subsidiary
Financial Ratios
March 31, 2017 and 2016
(Amounts in Millions of Philippine Pesos)

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
I. Current/liquidity ratios				
Current ratio				
Total current assets	11,875.4	11,270.4	0.38	0.43
Total current liabilities	31,109.4	26,055.3		
Quick ratio				
Quick assets	11,630.9	11,077.7	0.37	0.42
Total current liabilities	31,109.4	26,055.3		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
(After tax net profit + Depreciation)	343.5	317.5	0.01	0.01
Total liabilities	36,079.6	30,524.9		

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Debt-to-equity ratio				
<u>Total liabilities</u>	<u>36,079.6</u>	<u>30,524.9</u>	7.28	6.29
<u>Total equity</u>	<u>4,954.9</u>	<u>4,849.5</u>		
III. Asset-to-equity ratio				
Asset-to-equity ratio				
<u>Total assets</u>	<u>41,034.5</u>	<u>35,374.4</u>	8.28	7.29
<u>Total equity</u>	<u>4,954.9</u>	<u>4,849.5</u>		
IV. Interest coverage ratio				
Interest coverage ratio				
<u>Earnings before interest and taxes</u>	<u>388.6</u>	<u>357.9</u>	2.04	2.21
<u>Interest expense</u>	<u>190.9</u>	<u>161.8</u>		
V. Profitability ratios				
Net profit margin				
<u>Net Profit</u>	<u>144.0</u>	<u>143.7</u>	19.10%	20.47%
Interest income + Other operating income	<u>754.0</u>	<u>701.6</u>		

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Return on equity				
<u>Net profit</u>	<u>144.0</u>	<u>143.7</u>		11.91%
Average equity	4,902.2	4,823.3	11.75%	
Return on assets				
<u>Net profit</u>	<u>144.0</u>	<u>143.7</u>	1.51%	1.75%
Average assets	38,204.5	32,829.2		
VI. Others				
Total real estate investments to Assets				
<u>Total investment properties</u>	<u>426.5</u>	<u>432.9</u>	1.04%	1.22%
Total assets	41,034.5	35,374.4		
Loans to Assets				
<u>Total loans and other receivables</u>	<u>32,293.6</u>	<u>27,961.6</u>	78.70%	79.04%
Total assets	41,034.5	35,374.4		

DOSRI to Net worth

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

<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>12.9</u>	<u>110.4</u>		
4,954.9	4,849.5	0.26%	2.28%

Amount of receivable from a single corporation to
 Total receivables

Loan to a single corporation
 Total loans and other receivables

<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>1,293.5</u>	<u>1,300.0</u>		
32,293.6	27,961.6	4.01%	4.65%