

# 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  
AND SUBSIDIARY  
AND SUBSIDIARY

( 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  
MANDALUYONG CITY

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

ROBERTO E. LAPID

Contact Person

840-7000 loc 65817

Company Telephone Number

0 9

Month

3 0

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.

1,125

Total No. of Stockholders

Total Amount of Borrowings

Php30,571,052,060.78

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

File Number

LCU

Document I.D.

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, 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)
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

**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 30,478,419,774.03**

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, 2016 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**

	September 30, 2017	(Audited) December 31, 2016	September 30, 2016
<b>ASSETS</b>			
Cash and Cash Equivalents	427.4	370.5	397.1
Available-for-Sale Investments	4,589.3	3,521.6	3,483.0
<b>Loans &amp; Other Receivables - net</b>			
<b>Finance Lease Receivables</b>			
Finance lease receivables	14,039.0	12,997.9	12,787.7
Residual value of leased assets	5,792.6	5,574.9	5,491.9
Unearned lease income	(1,366.7)	(1,224.7)	(1,226.6)
	18,464.9	17,348.1	17,053.0
<b>Loans and Receivables Financed</b>			
Loans and receivables financed	15,684.5	14,535.3	13,258.9
Unearned finance income	(24.3)	(39.8)	(51.4)
Clients' Equity	(32.0)	(37.3)	(40.7)
	15,628.2	14,458.3	13,166.8
<b>Other Receivables</b>			
Accounts Receivable	144.2	23.0	42.5
Sales Contract Receivable	34.1	22.1	18.6
Dividends Receivable	41.9	50.0	36.4
Accrued Interest Receivable	68.4	91.1	65.2
Accrued Rental Receivable	-	9.0	-
	288.6	195.3	162.7
Allowance for loan losses	(656.1)	(620.3)	(617.5)
	(656.1)	(620.3)	(617.5)
	33,725.6	31,381.3	29,765.0
Property, Plant and Equipment - net	2,172.5	2,381.2	2,165.0
Investment Properties - net	416.7	426.5	431.9
Other Assets - net	805.5	819.3	786.3
	42,137.0	38,900.4	37,028.3
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Bills Payable	30,488.5	27,268.1	25,857.7
Accounts Payable, Accrued Interest and Other Liabilities	599.1	702.0	498.6
Lease Deposits	5,807.2	5,580.8	5,499.7
	36,894.8	33,550.9	31,856.0
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	2,453.9	2,480.5	2,335.0
Unrealized gain/(loss) on available-for-sale invest	116.6	197.3	159.0
OCI - Actuarial Gain/(Loss)	(42.8)	(42.8)	(36.2)
Treasury Stock	(81.8)	(81.8)	(81.8)
	5,242.2	5,349.5	5,172.3
	42,137.0	38,900.4	37,028.3



**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, September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>INCOME</b>		
Interest and discounts	1,430.5	1,306.2
Rent	692.2	668.8
Service fees & other income	192.4	148.1
	<u>2,315.1</u>	<u>2,123.1</u>
<b>EXPENSES</b>		
Interest and financing charges	629.4	501.6
Occupancy and equipment-related expenses	36.9	46.8
Depreciation Expense - Operating Lease	602.4	527.0
Compensation and fringe benefits	165.7	162.4
Taxes and licenses	198.8	180.3
Provision for impairment and credit losses	37.5	42.5
Litigation/assets acquired expenses	26.5	3.1
Miscellaneous Expense	88.5	79.0
	<u>1,785.7</u>	<u>1,542.7</u>
<b>INCOME BEFORE INCOME TAX</b>	529.4	580.4
<b>PROVISION FOR INCOME TAX</b>	123.5	155.9
<b>NET INCOME</b>	<u>405.9</u>	<u>424.5</u>
<b>BASIC EARNINGS PER SHARE**</b>	0.19	0.20
<b>DILUTED EARNINGS PER SHARE**</b>	0.19	0.20

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

NET INCOME	405.9	424.5
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.19	0.20

**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, September 30,</b>	
	<b>2017</b>	<b>2016</b>
<b>INCOME</b>		
Interest and discounts	486.9	443.0
Rent	224.6	223.2
Service fees & other income	83.2	49.9
	<u>794.7</u>	<u>716.1</u>
<b>EXPENSES</b>		
Interest and financing charges	221.4	171.6
Occupancy and equipment-related expenses	11.9	14.8
Depreciation Expense - Operating Lease	204.3	179.4
Compensation and fringe benefits	64.1	56.6
Taxes and licenses	76.8	59.9
Provision for impairment and credit losses	12.5	12.5
Litigation/assets acquired expenses	14.3	0.8
Miscellaneous Expense	36.5	23.1
	<u>641.8</u>	<u>518.7</u>
<b>INCOME BEFORE INCOME TAX</b>	152.9	197.4
<b>PROVISION FOR INCOME TAX</b>	28.7	54.5
<b>NET INCOME</b>	<u>124.2</u>	<u>142.9</u>
<b>BASIC EARNINGS PER SHARE**</b>	0.06	0.07
<b>DILUTED EARNINGS PER SHARE**</b>	0.06	0.07

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

NET INCOME	124.2	142.9
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.06	0.07



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

<b><u>For the nine months ended</u></b>	<b><u>September 30, September 30,</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><u>NET INCOME</u></b>	405.9	424.5
<b><u>OTHER COMPREHENSIVE INCOME</u></b>		
<b><u>Unrealized Fair Value Gain/(Loss) on AFS</u></b>	(80.7)	(42.4)
<b><u>TOTAL COMPREHENSIVE INCOME/(LOSS)</u></b>	325.2	382.1

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

<b><u>For the three months ended</u></b>	<b><u>September 30, September 30,</u></b>	
	<b><u>2017</u></b>	<b><u>2016</u></b>
<b><u>NET INCOME</u></b>	<b><u>124.2</u></b>	<b><u>142.9</u></b>
<b><u>OTHER COMPREHENSIVE INCOME</u></b>	<b><u>(37.0)</u></b>	<b><u>(79.4)</u></b>
<b><u>TOTAL COMPREHENSIVE INCOME/(LOSS)</u></b>	<b><u>87.2</u></b>	<b><u>63.5</u></b>

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

	Capital Stock	Additional Paid-in Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
	Preferred - P100 par value Authorized and unissued - 200,000 shares Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares		62,693,718 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)				405.9	(80.7)	-	325.2
Cash Dividends				(432.5)			(432.5)
<b>Balance as of September 30, 2017</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,453.9</b>	<b>116.6</b>	<b>(42.8)</b>	<b>5,242.2</b>
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>5,172.3</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			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 at the beginning of the quarter	2,225.2	571.1	(81.8)	2,329.7	153.6	(42.8)	5,155.0
Total Comprehensive Income (loss)				124.2	(37.0)		87.2
Cash Dividends				0.0			-
<b>Balance September 30, 2017</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,453.9</b>	<b>116.6</b>	<b>(42.8)</b>	<b>5,242.2</b>
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)				142.9	(79.4)		63.5
Cash Dividends				0.0			0.0
<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>

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

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	529,420,192	580,394,259
Adjustments to reconcile income before income tax		
Interest received	1,450,248,946	1,329,736,489
Interest income	(1,430,541,754)	(1,306,151,235)
Interest and financing charges paid	(619,464,588)	(503,708,057)
Interest and financing charges	629,365,090	502,199,139
Depreciation and amortization	618,630,232	544,525,892
Impairment and credit losses	37,500,000	42,500,000
Gain on sale of property and equipment and investment properties	(22,439,269)	(15,416,956)
Day one loss (gain)	2,475,767	2,049,460
Operating profit before changes in operating assets and liabilities	1,195,194,616	1,176,128,989
Increase in loans and other receivables	(2,696,094,643)	(2,371,117,309)
Increase in other assets	298,674,854	(55,558,681)
Increase (decrease) in accounts payable and other liabilities	(104,496,426)	73,475,346
Increase in lease deposits	227,738,492	515,755,780
Net cash provided by (used in) operations	(1,078,983,106)	(661,315,875)
Income taxes paid	(127,632,542)	(97,309,420)
Net cash provided by (used in) operating activities	(1,206,615,648)	(758,625,294)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	-	(271,200,377)
Proceeds from disposal of property and equipment	93,944,882	48,880,927
Net disposal (acquisition) of available for sale investment	(1,150,000,000)	13,929,750
Net acquisitions of property and equipment	(461,137,038)	(507,909,867)
Net cash used in investing activities	(1,517,192,156)	(716,299,567)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	3,213,322,036	1,972,159,553
Cash dividends paid	(432,495,062)	(432,495,062)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	2,780,826,973	1,539,664,491
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>57,019,169</b>	<b>64,739,630</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>370,475,033</b>	<b>332,326,857</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	<b>427,494,202</b>	<b>397,066,487</b>

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

	<b>September 30, 2017</b>	<b>September 30, 2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	152,926,386	197,314,087
Adjustments to reconcile income before income tax		
Interest received	504,982,078	466,746,424
Interest income	(486,940,036)	(442,933,312)
Interest and financing charges paid	(220,107,860)	(187,769,352)
Interest and financing charges	219,622,203	172,836,310
Depreciation and amortization	209,812,345	185,623,272
Impairment and credit losses	12,500,000	12,500,000
Gain on sale of property and equipment and investment properties	(18,997,056)	(8,459,790)
Day one loss (gain)	3,278,015	442,536
Operating profit before changes in operating assets and liabilities	377,076,075	396,300,175.93
Increase in loans and other receivables	(1,051,155,275)	(1,403,139,107)
Increase in other assets	295,328,715	(18,462,251)
Increase (decrease) in accounts payable and other liabilities	79,802,904	25,917,635
Increase in lease deposits	(59,228,466)	204,761,902
Net cash provided by (used in) operations	(358,176,047)	(794,621,645)
Income taxes paid	(36,286,860)	(30,490,204)
Net cash provided by (used in) operating activities	(394,462,907)	(825,111,849)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	-	27,311,632
Proceeds from disposal of property and equipment	48,640,133	23,580,099
Net acquisition of available for sale investment	250,000,000	-
Net acquisitions of property and equipment	(217,854,377)	(186,801,559)
Net cash used in investing activities	80,785,756	(135,909,828)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	300,699,553	910,819,561
Cash dividends paid	-	-
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	300,699,553	910,819,561
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(12,977,598)	(50,202,116)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER</b>	440,471,800	447,268,602
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	427,494,202	397,066,487



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

### **September 2017 Compared to September 2016**

The company registered P405.9 million in net income for the period ending September 2017. These results were lower compared to the same period last year as rising interest rates caused a contraction in margins, and offset the benefits of volume growth.

Gross revenues amounted to P2,315.1 million, an increase of 9% from P2,123.1 million last year. This was due to the hike in volumes from loans and receivables finance. Overall, Loans & Other Receivables grew by P4.0 billion or 13% year on year to P33 billion.

The portfolio growth was primarily funded by a 18% year-on-year increase in Bills Payable. As such, interest and financing charges rose by 25% to P629 million from increased volumes and rising interest rates.

The company set aside P38 million as provisions for credit and impairment losses.

Occupancy and equipment related expenses decreased 21% to P37 million due to savings from the transfer to BDOLF's new offices. Depreciation Expense-Operating Lease went up 14% to P602 million due to an increase in Operating Lease bookings.

Litigation/assets acquired expenses increased to P27 million owing to maintenance expenses on acquired assets.

Total assets expanded 15% year-on-year to P42.1 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed by more than 8% or P1.4 billion while net non-lease portfolio went up by almost 19% or P2.4 billion.

Cash & cash equivalents went up to P427.4 million from last year's level of P397.1 million, while Available for Sale investments went up nearly 32% to P4.6 billion with new acquisitions.

Net investment properties declined slightly to P417 million from P432 million. Other Assets likewise slightly increased year-on-year to P805 million from P786 million.

Bills Payable increased to P30.5 billion to finance the increasing volume of loans and securities.

Accounts Payable, accrued expenses and other liabilities increased P101 million year-on-year due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.5 billion in September 2016 to P5.8 billion, consistent with growth in loan volumes.

Stockholders' equity stood at P5.2 billion.

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

	<u>September 2017</u>	<u>September 2016</u>
Current Ratio	0.38:1	0.42:1
Quick asset ratio	0.37:1	0.41:1
Debt to Equity Ratio	7.04:1	6.16:1
Net Profit Margin	17.53%	19.99%
Return on Equity	10.39%	11.12%

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, 2017, December 31, 2016 and September 30, 2016 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2017	December 31, 2016	September 30, 2016
<b>Ultimate Parent Company (BDO Unibank)</b>				
Interest Income on savings and demand deposits	(a) P	0.6 P	0.7 P	0.5
Interest expense on Bills Payable	(b)	115.7	38.0	31.6
Rent Expense	(c)	9.3	10.5	7.4
Management fees	(d)	9.7	2.4	1.8
Employee stock option plan		2.8	16.9	
<b>Subsidiary (BDO Rental)</b>				
Interest income on loans	(b)			
Rent Income	(c)	0.1	0.4	0.3
Management fees	(d)	0.3	0.4	0.3
Dividend Income	(i)	120.0	60.0	
<b>Related Party under Common Ownership (BDO Capital, BDO Strategic and BDO Insurance)</b>				
Service and charges fees	(e)	2.5	5.5	3.3
Interest expense on Bills Payable	(k)	7.6		

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		September 30, 2017	December 31, 2016	September 30, 2016
<b>Parent Company (BDO Unibank)</b>				
Savings and demand deposits	(a)	P 422.8	P 365.2	P 391.9
Bills Payable	(b)	3,841.2	2,575.8	1,278.6
Employee stock option		2.8	16.9	
<b>Subsidiary (BDO Rental)</b>				
Deposit for future stock subscription	(h)			46.9
Accounts Receivable	(g)		109.4	
Dividend receivable	(i)		60.0	
<b>Related Party under Common Ownership (BDO Insurance, BDO strategic and BDO Nomura )</b>				
Accounts Receivable	(j)		0.7	
Bills Payable	(k)	842.5		
Unearned Rental Income	(l)	1.2		
<b>Key Management Personnel</b>				
Loans to Officers	(f)		10.0	9.1
<b>Retirement Fund</b>				
Shares of stock	(g)		1.0	

- (a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2017, December 31, 2016 and September 30, 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 September 30, 2017 and September 30, 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 September 30, 2017, December 31, 2016 and September 30, 2016 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 and September 30, 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 September 30, 2017 and September 30, 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 September 30, 2017 and September 30, 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 September 30, 2017, December 31, 2016 and September 30, 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 September 30, 2017, December 31, 2016 and September 30, 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 September 30, 2017 and September 30, 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 September 30, 2017, December 31, 2016 and September 30, 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 of the Parent Company, which has a market value of P4.04 per share as of September 30, 2017. 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
- (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.

- (k) In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of income
- (l) In 2017, BDO Rental, subsidiary of the Parent Company, entered into Operating Lease Agreement which will start next year with BDO Nomura. Unearned Rental Income paid by BDO Nomura is included as part of Other Liabilities.

### **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 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 cyclicalality of interim operations;

***The Company is not affected by seasonality or cyclicalality 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 2017, the Company has issued bills payable amounting to P30,451.0M and made total payments on its bills payable amounting to P29,076.3M.***

- 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 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 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 June 30, 2017 is shown below.***

	September 30, 2016	September 30, 2017
Current Assets	708.4	547.0
Non Current Assets	30.5	1,924.1
Total Assets	738.9	2,471.1
Current Liabilities	9.3	1,750.0
Non Current Liabilities		50.7
Total Liabilities	9.3	1,800.7
Net Loss	20.5	46.2

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

	September 30, 2016	September 30, 2017
Net Assets of MAFS	729.6	670.4
Proportion of ownership interest of BDOLF	40%	40%
Carrying Amount of Investment	291.8	268.2

***MAFS has started its commercial operation in September 30, 2016. It has incurred pre-operating expenses amounting to P37.5 million in June 30, 2017. The Company's share in MAFS' net loss amounted to P15.3 million which is presented as part of Service fee & other income in the June 30, 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 nine months ended September 30, 2017

(in millions)

	Leasing	Financing	Others	Total
Gross income	1,326.3	786.5	202.3	2,315.1
Segment revenues	1,326.3	786.5	202.3	2,315.1
Segment expenses	1,023.0	606.7	156.0	1,785.7
Segment results	303.3	179.9	46.3	529.4
Income tax expense				123.5
Net Income				405.9
Segment assets - net	20,318.5	15,282.0	-	35,600.5
Unallocated assets				6,536.5
Total Assets				42,137.0
Segment liabilities	19,435.2	16,860.6	-	36,295.8
Unallocated liabilities				599.1
Total Liabilities				36,894.9

BDO LEASING AND FINANCE INC.  
AGING OF RECEIVABLES  
As of September 30, 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	173,918,782.56	-	161,587,956.27	-	-	-	-	-	12,330,826.29
Receivables Purchased	56.00	-	-	-	-	-	-	-	56.00
Floor Stock Financing	325,816,480.33	154,653,680.19	153,398,310.27	17,764,489.87	-	-	-	-	-
Installment Paper Purchase	752,699,248.70	99,289,200.29	122,427,109.35	171,455,270.82	216,871,624.31	68,691,239.59	887,485.58	142,724.74	72,934,594.02
Amortized Commercial Loan	14,432,037,594.86	338,461,584.61	663,593,561.46	881,875,501.41	2,131,308,718.99	5,359,796,566.89	2,494,874,760.62	2,300,483,606.73	261,643,294.15
Lease Contract Receivables	19,831,603,405.89	985,615,195.30	1,214,980,783.39	1,752,094,989.68	3,662,259,404.23	8,602,080,801.02	3,133,975,688.04	2,494,389.68	478,102,154.55
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
Discounting Line	-	-	-	-	-	-	-	-	-
<b>TOTAL LOAN PORTFOLIO</b>	<b>35,516,076,716.34</b>	<b>1,578,019,660.39</b>	<b>2,315,987,720.74</b>	<b>2,823,190,251.78</b>	<b>6,010,439,747.52</b>	<b>14,030,568,607.50</b>	<b>5,629,737,934.25</b>	<b>2,303,120,721.15</b>	<b>825,012,073.01</b>

Less: Allowance For Credit losses 656,108,564.14

**Finance Receivables - Net**

**34,859,968,152.20**




**SIGNATURES**

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

  
**ROSALISA B. KAPUNO**  
COMPTROLLER

**October 16, 2017**  
**Date**

**BDO Leasing and Finance, Inc. and Subsidiary**  
**Financial Ratios**  
**September 30, 2017 and 2016**  
*(Amounts in Millions of Philippine Pesos)*

**I. Current/liquidity ratios**

Current ratio

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Total current assets</u>	12,390.8	11,626.2	0.38	0.42
Total current liabilities	32,856.4	27,775.4		

Quick ratio

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>Quick assets</u>	12,184.0	11,407.8	0.37	0.41
Total current liabilities	32,856.4	27,775.4		

**II. Solvency ratios; debt-to-equity ratios**

Solvency ratio

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
<u>(After tax net profit + Depreciation)</u>	1,011.8	954.8	0.03	0.03
Total liabilities	36,894.8	31,856.0		

## Debt-to-equity ratio

$$\frac{\text{Total liabilities}}{\text{Total equity}}$$
2017  
 36,894.8  
 5,242.2

2016  
 31,856.0  
 5,172.2

2017  
 7.04

2016  
 6.16

## III. Asset-to-equity ratio

## Asset-to-equity ratio

$$\frac{\text{Total assets}}{\text{Total equity}}$$
2017  
 42,137.0  
 5,242.2

2016  
 37,028.2  
 5,172.2

8.04

7.16

## IV. Interest coverage ratio

## Interest coverage ratio

$$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$$
2017  
 1,156.0  
 626.6

2016  
 1,080.1  
 499.7

1.84

2.16

## V. Profitability ratios

## Net profit margin

$$\frac{\text{Net Profit}}{\text{Interest income} + \text{Other operating income}}$$
2017  
 405.9  
 2,315.1

2016  
 424.5  
 2,123.1

17.53%

19.99%

Return on equity

Net profit  
Average equity

2017

2016

2017

2016

405.9  
5,207.2

424.5  
5,091.2

10.39%

11.12%

Return on assets

Net profit  
Average assets

405.9  
39,582.6

424.5  
35,133.0

1.37%

1.61%

**VI. Others**

Total real estate investments to Assets

Total investment properties  
Total assets

416.7  
42,137.0

431.9  
37,028.2

0.99%

1.17%

Loans to Assets

Total loans and other receivables  
Total assets

33,725.6  
42,137.0

29,765.0  
37,028.2

80.04%

80.38%

DOSRI to Net worth

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Receivables from Directors, Officers, <u>Stakeholders and Related Interests</u>	<u>9.4</u>	<u>13.4</u>	0.18%	0.26%
Total equity	5,242.2	5,172.2		
Amount of receivable from a single corporation to Total receivables				
<u>Loan to a single corporation</u>	<u>1,355.5</u>	<u>1,300.0</u>	4.02%	4.37%
Total loans and other receivables	33,725.6	29,765.0		