

COVER SHEET

S.E.C. Registration Number

[illegible]

(Company's Full Name)

[illegible]

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

ROBERTO E. LAPID

Contact Person

840-7000 loc 45422

Company Telephone Number

09 30
Month 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.

1,103
Total No. of Stockholders

Total Amount of Borrowings

Php6,998,455,000.00

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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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, 2020
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

<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 6,998,455,000.00</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 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, 2019 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 became effective in 2020. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise state, none of these are expected to have significant impact on the Company's financial statement. These include:

PAS 1 (Amendments), Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

Revised Conceptual Framework for Financial Reporting (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

PFRS 10 (Amendments), Consolidated Financial Statements, and PAS 28 (Amendments), 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, 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.

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

	September 30, 2020	(Audited) December 31, 2019	September 30, 2019
ASSETS			
Cash and Cash Equivalents	662.2	130.0	263.7
Financial Assets at Fair Value through Other Comprehensive Income (OCI)	617.5	3,190.9	3,170.8
Loans & Other Receivables - net			
Finance Lease Receivables			
Finance lease receivables	2,144.3	10,375.9	10,833.8
Residual value of leased assets	802.1	4,648.6	4,827.7
Unearned lease income	(221.9)	(1,253.3)	(1,308.1)
	2,724.5	13,771.2	14,353.4
Loans and Receivables Financed			
Loans and receivables financed	8,178.0	11,485.3	12,181.5
Unearned finance income	(4.6)	(19.6)	(24.0)
Clients' Equity	(32.0)	(37.7)	(28.1)
	8,141.4	11,428.0	12,129.4
	10,865.9	25,199.2	26,482.8
Other Receivables			
Accounts Receivable	259.3	264.3	257.2
Sales Contract Receivable	15.2	18.6	22.5
Dividends Receivable	11.3	16.5	28.5
Accrued Interest Receivable	104.1	56.4	44.1
Accrued Rental Receivable	-	17.4	-
	389.8	373.2	352.3
Allowance for probable losses	(427.1)	(594.7)	(540.0)
	(427.1)	(594.7)	(540.0)
	10,828.7	24,977.7	26,295.1
Property, Plant and Equipment - net	1,503.1	1,873.6	1,933.8
Investment Properties - net	432.9	393.8	381.9
Other Assets - net	248.1	381.9	418.8
	14,292.5	30,947.9	32,464.1
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bills Payable	7,002.8	20,137.8	21,494.1
Accounts Payable, and Other Liabilities	600.5	459.6	552.8
Lease Deposits	894.4	4,736.2	4,897.2
	8,497.7	25,333.6	26,944.1
Stockholders' Equity			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Treasury Stock	(81.8)	(81.8)	(81.8)
OCI - Actuarial Gain/(Loss)	(72.0)	(72.0)	(60.8)
Net Unrealized Fair Value Gains/(Losses on Financial Asset at Fair Value through OCI)	15.5	41.1	20.9
Accum Share in Other Comprehensive Income of Associate	-	-	-
Retained Earnings	3,136.8	2,930.7	2,845.4
	5,794.8	5,614.3	5,520.0
	14,292.5	30,947.9	32,464.1

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

For the year ended	September 30, September 30,	
	2020	2019
REVENUES		
Interest and discounts	1,083.7	1,513.6
Rent	577.3	625.1
Service fees & other income	486.8	126.5
	<u>2,147.8</u>	<u>2,265.2</u>
OPERATING COSTS AND EXPENSES		
Interest and financing charges	520.3	1,163.7
Occupancy and equipment-related expenses	30.3	40.5
Depreciation Expense - Operating Lease	502.1	575.3
Compensation and fringe benefits	155.9	179.9
Taxes and licenses	158.5	231.0
Provision for impairment and credit losses	449.7	8.8
Litigation/assets acquired expenses	7.0	5.9
Miscellaneous Expense	56.6	80.6
	<u>1,880.4</u>	<u>2,285.7</u>
INCOME BEFORE INCOME TAX	267.4	(20.5)
PROVISION FOR INCOME TAX	132.8	18.0
NET INCOME/ (LOSS)	<u>134.6</u>	<u>(38.5)</u>
BASIC EARNINGS PER SHARE**	<u>0.06</u>	<u>(0.02)</u>
DILUTED EARNINGS PER SHARE**	<u>0.06</u>	<u>(0.02)</u>

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

NET INCOME	134.6	(38.5)
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.06	(0.02)

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

For the three months ended	September 30, September 30,	
	2020	2019
INCOME		
Interest and discounts	285.6	501.7
Rent	178.4	186.8
Service fees & other income	345.9	32.4
	809.9	720.9
EXPENSES		
Interest and financing charges	123.6	328.6
Occupancy and equipment-related expenses	10.4	13.7
Depreciation Expense - Operating Lease	156.5	187.4
Compensation and fringe benefits	46.5	61.4
Taxes and licenses	41.1	76.4
Provision for impairment and credit losses	305.5	25.0
Litigation/assets acquired expenses	0.8	2.7
Miscellaneous Expense	23.4	28.9
	707.8	724.1
INCOME BEFORE INCOME TAX	102.1	(3.2)
PROVISION FOR INCOME TAX	48.3	6.5
NET INCOME	53.8	(9.7)
BASIC EARNINGS PER SHARE**	0.02	(0.00)
DILUTED EARNINGS PER SHARE**	0.02	(0.00)

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

NET INCOME	53.8	(9.7)
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.02	(0.00)

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

STATEMENTS OF COMPREHENSIVE INCOME

In Millions

For the year ended	September 30, September 30,	
	2020	2019
NET INCOME	134.6	(38.5)
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain on FA at FVOCI	56.9	215.9
Realized Fair Value Gain on FA at FVOCI	(82.5)	
Share in other comprehensive income of an associate accounted for under equity method	-	(0.4)
	(25.6)	215.5
TOTAL COMPREHENSIVE INCOME/(LOSS)	109.0	177.0

(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF COMPREHENSIVE INCOME
In Millions

For the three months ended	September 30, September 30,	
	2020	2019
NET INCOME	53.8	(9.7)
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain on FA at FVOCI	(1.4)	75.4
Realized Fair Value Gain on FA at FVOCI	(82.5)	-
Share in other comprehensive income of an associate accounted for under equity method	-	(0.4)
	(83.9)	75.0
TOTAL COMPREHENSIVE INCOME/(LOSS)	(30.1)	65.3

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

	Capital Stock	Additional Paid- in Capital	Treasury Shares, at Cost	Retained Earnings Reserves	Free	Unrealized Fair Value Gain(loss) on Financial Asset at Other Comprehensive Income	Accumulated Share in Other Comprehensive Income of Associate	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, 2019	2,225.2	571.1	(81.8)	147.0	2,736.9	(195.0)	0.4	(60.8)	5,343.0
Total Comprehensive Income (loss)					(38.5)	215.9	(0.4)		177.0
Transfer from Retained Earnings Appropriated				(15.8)	15.8				-
Cash Dividends					-				-
Balance as of September 30, 2019	2,225.2	571.1	(81.8)	131.2	2,714.2	20.9	-	(60.8)	5,520.0
Balance as of Jan 1, 2018	2,225.2	571.1	(81.8)		2,618.5	169.0		(59.7)	5,442.3
Total Comprehensive Income (loss)					247.6	(144.2)			103.4
Cash Dividends					(216.3)				(216.3)
Balance as of September 30, 2018	2,225.2	571.1	(81.8)	-	2,649.8	24.8	-	(59.7)	5,329.4

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

				Retained Earnings Reserves	Free	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	Accumulated Share in Other Comprehensive Income of Associate	OCI - Actuarial Gain/(Loss)	Net Equity
	Capital Stock	Additional Paid- in Capital	Treasury Stock, at Cost						
	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)	99.7	2,911.8	99.4	0.0	(72.0)	5,753.4
Total Comprehensive Income (loss)				0.0	53.8	(83.9)	0.0	0.0	(30.1)
Transfer from Retained Earnings Appropriated				(59.3)	59.3				-
Realized Gain on sale of FVOCI					71.5				71.5
Balance September 30, 2020	2,225.2	571.1	(81.8)	40.4	3,096.4	15.5	0.0	(72.0)	5,794.8
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	130.50	2,724.6	(54.5)	0.40	(60.80)	5,454.7
Total Comprehensive Income (loss)					(9.7)	75.4	(0.4)		65.3
Cash Dividends				(16.50)	16.5				-
Balance September 30, 2019	2,225.2	571.1	(81.8)	114.0	2,731.4	20.9	-	(60.8)	5,520.0

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

	<u>September 2020</u>	<u>September 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 267,318,954	(P 20,330,418)
Adjustments for:		
Interest and discounts	(1,083,689,437)	(1,513,804,008)
Interest received	1,035,283,386	1,517,479,802
Interest and financing charges paid	(584,292,021)	(1,169,132,278)
Interest and financing charges	520,340,444	1,163,650,005
Depreciation and amortization	522,121,074	601,844,819
Impairment and credit losses	449,701,306	8,819,667
Dividend income	(80,063,123)	(127,648,108)
Gain on sale of property and equipment and investment properties	(34,617,689)	(3,330,815)
Gain on sale of financial assets at fair value through other comprehensive income (FVOCI)	(8,862,126)	-
Day-one gain - net	(1,152,218)	(1,063,980)
Equity share in net earnings of a subsidiary and an associate	-	78,355,930
Operating profit before changes in operating assets and liabilities	1,002,088,550	534,840,616
Decrease in loans and other receivables	13,712,945,730	8,041,894,965
Decrease in other assets	46,471,665	12,900,756
Increase (decrease) in accounts payable and other liabilities	193,197,271	(75,587,145)
Decrease in lease deposits	(3,841,287,906)	(1,725,791,357)
Cash generated from operations	11,113,415,310	6,788,257,835
Cash paid for income taxes	(56,266,090)	(15,087,109)
Net Cash From Operating Activities	<u>11,057,149,220</u>	<u>6,773,170,726</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVOCI	2,627,982,533	634,620,000
Acquisition of property and equipment	(215,967,435)	(267,955,967)
Proceeds from disposal of investment in an associate	-	193,266,973
Proceeds from disposal of property and equipment and investment properties	104,777,882	12,001,816
Receipt of cash dividends	85,316,203	127,648,108
Addition in investment properties	(46,021,902)	-
Acquisition of other assets	(5,258,274)	-
Net Cash From (Used in) Investing Activities	<u>2,550,829,007</u>	<u>699,580,930</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bills payable	(120,522,234,957)	(129,889,832,231)
Availments of bills payable	107,453,675,879	122,406,153,169
Payments on lease liabilities	(7,187,920)	-
Net Cash Used in Financing Activities	(13,075,746,998)	(7,483,679,062)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	532,231,229	(10,927,406)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>129,990,275</u>	<u>274,628,385</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>P 662,221,504</u>	<u>P 263,700,978</u>

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED

	<u>September 2020</u>	<u>September 2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 101,975,809	(P 3,169,592)
Adjustments for:		
Impairment and credit losses	307,243,633	8,819,667
Interest and discounts	(285,582,547)	(501,860,784)
Interest received	250,515,913	501,860,784
Interest and financing charges paid	(184,452,882)	(330,305,332)
Depreciation and amortization	163,352,129	196,483,136
Interest and financing charges	123,647,802	328,522,420
Dividend income	(16,765,223)	(40,155,321)
Gain on sale of property and equipment and investment properties	(10,682,258)	(194,447)
Day-one gain - net	(1,117,477)	(124,816)
Equity share in net earnings of a subsidiary and an associate	-	31,385,052
Reversal of impairment losses	-	16,198,656
Operating profit before changes in operating assets and liabilities	448,134,899	207,459,423
Decrease in loans and other receivables	11,101,186,864	2,404,894,039
Decrease (increase) in other assets	25,113,302	(4,785,715)
Increase in accounts payable and other liabilities	188,594,642	31,208,481
Increase in lease deposits	(3,661,433,411)	(524,452,279)
Cash generated from operations	8,101,596,296	2,114,323,949
Cash paid for income taxes	(33,988,519)	(7,873,940)
Net Cash From Operating Activities	<u>8,067,607,777</u>	<u>2,106,450,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of financial assets at FVOCI	1,471,656,187	634,620,000
Acquisition of property and equipment	(102,146,840)	(60,199,031)
Proceeds from disposal of investment in an associate	-	193,266,973
Proceeds from disposal of property and equipment and investment properties	25,141,315	(13,836,349)
Receipt of cash dividends	22,018,303	40,155,321
Addition in investment properties	(26,909,207)	-
Acquisition of other assets	(2,327,409)	-
Net Cash From (Used) in Investing Activities	<u>1,387,432,349</u>	<u>794,006,914</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of bills payable	(50,136,155,250)	(49,263,634,094)
Availments of bills payable	41,144,350,000	46,482,890,374
Payments on lease liabilities	(3,171,751)	-
Net Cash Used in Financing Activities	(8,994,977,001)	(2,780,743,720)
NET DECREASE IN CASH AND CASH EQUIVALENTS	460,063,125	119,713,203
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>202,158,379</u>	<u>143,987,775</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>P 662,221,504</u>	<u>P 263,700,978</u>

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

September 2020 Compared to September 2019

The Company registered P134.6 million net income for the 9-month period ending September 30, 2020.

Gross revenues amounted to P2,147.8 million, a decrease of 5% from P2,265.2 million last year. This was due to lower interest income compared to last year as a result of the sale of BDOLF's assets as part of the restructuring of the BDO Unibank Group's leasing business. As disclosed last January 24, 2020, BDO Unibank Inc. entered into an agreement with third parties to sell its controlling stake in BDOLF. BDO Unibank however, will continue conducting its leasing business through a wholly-owned, privately-held subsidiary, BDO Finance Corp. (BFC). BFC will assume the current lease transactions of BDOLF to provide continuity to existing clients.

Meanwhile, service fees and other income rose to P486.8 from gain on sale of receivables.

Interest and financing charges went down 55%% to P520.3 million due primarily to the reduced level of bills payable as well as the decrease in funding costs under the current interest rate environment.

The company set aside P449.7 million as provisions for credit and impairment losses due to expected delinquencies as a result of the pandemic.

Occupancy and equipment related expenses decreased 25% to P30.3 million. Depreciation Expense-Operating Lease went down 13% to P502.1 million due to the maturity of various Operating Leases.

Litigation/assets acquired expenses increased 19% to P7.0 million due to new ROPA.

Total assets declined 56% year-on-year to P14.3 billion, mainly due to the sale of assets to BDO Life and BDO. Loans and other receivables decreased by 59% to P10.8B, while Financial Assets at Fair Value thru OCI went down to P617.5 million due to investment maturities. Property, Plant and Equipment-net also decreased 22% or P430.7 million.

Cash & cash equivalents went up by 151% to P662.2 million from proceeds on sale of receivables.

Other Assets-net decreased year-on-year to P170.8 million from P418.8 million.

Bills Payable decreased to P7.0 billion consistent with the decline in volumes of Loans & Other Receivables.

Accounts Payable, accrued expenses and other liabilities increased to P47.6 million year-on-year mainly due to increase in outstanding check payments to supplier/dealers.

Lease deposits went down from P4.9 billion in September 2019 to P894.4 million, consistent with the decline in volumes.

Stockholders' equity stood at P5.8 billion.

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

	September 2020	September 2019
Current Ratio	0.36:1	0.37:1
Quick asset ratio	0.35:1	0.36:1
Debt to Equity Ratio	1.47:1	4.88:1
Net Profit Margin	6.26%	-1.69%
Return on Equity	3.17%	-0.94%

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 Company enters into transactions with BDO Unibank and other affiliates. Under the Company'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 Company's significant transactions with its related parties in September 30, 2020, December 31, 2019 and September 30, 2019 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		September 30, 2019
		September 30, 2020	December 31, 2019	
Ultimate Parent Company (BDO Unibank)				
Interest Income on savings and demand deposits	(a) P	0.5 P	0.4 P	0.3
Interest expense on Bills Payable	(b)	33.5	58.0	52.0
Interest Expense-Lease Liability	(c)	1.2	2.2	1.7
Depreciation Expense-Right of Use	(c)	9.6	13.0	9.8
Management fees	(d)	12.0	16.0	12.0
Sale of receivable	(e)	7.5	5,801.3	
Service Charges and fees	(e)	310.5	13.4	10.9
Service Fees	(f)	0.1	0.1	0.1
Employee stock option plan		3.5	14.8	10.9
Subsidiary (BDO Rental)				
Rent Income	(c)		0.1	
Management fees	(d)	0.2	0.4	0.2
Under Common Ownership				
Service and charges fees	(k)	1.4	3.7	1.9
Interest expense on Bills Payable	(l)	2.9	203.3	177.3
Insurance Expense	(m)	0.2	0.8	0.3
Operating Lease Income	(n)	40.6	54.6	41.0
Sale of receivable	(o)	1,270.1	232.2	
Income from sale of receivable	(o)	38.6	2.7	

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		September 30, 2019
		September 30, 2020	December 31, 2019	
Parent Company (BDO Unibank)				
Savings and demand deposits	(a)	P 201.8	P 125.7	P 259.4
Bills Payable	(b)	1,620.0	229.0	7.0
Right of Use, net	(c)	22.8	27.0	30.1
Lease Liability	(c)	23.8	27.8	30.9
Employee stock option		3.4		10.9
Related Party under Common Ownership (BDO Insurance, BDO strategic and BDO Nomura)				
Accounts Receivable	(l)		0.9	-
Bills Payable	(k)	-	997.1	3,991.9
Key Management Personnel				
Loans to Officers	(h)	5.7	5.9	6.7
Retirement Fund				
Shares of stock	(i)	1.6	1.1	1.0

- (a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2020, December 31, 2019 and September 30, 2019, 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, 2020 and September 30, 2019 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, 2020, December 31, 2019 and September 30, 2019 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2020 and September 30, 2019 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. In 2019, due to implementation of PFRS 16, the Parent Company recognizes Right of Use and Accumulated Depreciation-Right of Use which are included as part of Property, Plant and Equipment-net and Lease Liability which is included as part of Accounts Payable, and Other Liabilities accounts in the Statement of Financial Position. Related Interest Expense on Lease

Liability is included as part of Interest and Financing Charges and Depreciation expense-right of use is included as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of income.

- (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, 2020, December 31, 2019 and September 30, 2019.
- (e) The Parent Company sold its portion of its receivables to BDO Unibank. The Parent Company charged BDO for service charges and fees which are presented as part of Service Fees and other Income in the statements of income. There are no outstanding payable related on this transaction as of the end of September 30, 2020, December 31, 2019 and September 30, 2019.
- (f) In 2018, the Parent Company entered into an agreement with BDO Unibank on stock transfer where BDO Unibank will charge the Parent Company for stock transfer services. Service fees paid by the Parent Company to BDO Unibank are shown as part of Other Expenses account under 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, 2020, December 31, 2019 and September 30, 2019.
- (g) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank as selling agent related to the Parent Company's issuance of short term commercial papers up to 2019 and issuance of short term Promissory Notes starting 2020. Service and charges fees paid by the Parent Company to BDO Capital both for September 30, 2020 and September 30, 2019 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, 2020, December 31, 2019 and September 30, 2019.
- (h) 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 with a range of 7.0% to 9.0% per annum and have terms ranging from 3 to 4 years. Outstanding loans to officers are presented as part of Finance Lease Receivable under Loans and Other Receivables account. The Group assessed that these loans are not impaired as of September 30, 2020, December 31, 2019 and September 30, 2019.
- (i) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company in 2020 and 2019, respectively, which has a market value of P3.16 and P2.00 per share as of September 30, 2020 and 2019, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.
- (j) In July 30, 2020, BDO Rental declared cash dividends amounting P36.8 million paid August 5, 2020. There are no outstanding receivable related on this transaction as of the end of September 30, 2020.

- (k) The Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred and are included as part of Service Fees and other Income. There are no outstanding receivable related on this transaction as of the end of September 30, 2020, December 31, 2019 and September 30, 2019.
- (l) In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. and SM Prime Holdings, Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statement of financial position in December 2019 and June 2019. Interest expense incurred on these bills payable is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the September 30, 2020 and 2019.
- (m) The Parent Company paid BDO Life Assurance Company, Inc for Group Life Insurance of the Parent Company's employees. Insurance paid by Parent Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in September 30, 2020 and 2019 statement of income.
- (n) BDO Rental, entered into Operating Lease Agreement with BDO Nomura Securities, Inc. (BDO Nomura), SM Prime Holdings, Inc. and Alfamart Trading Philippines, Inc. Operating lease income earned from these transactions is presented as part of Rent account in the Group's statement of income. No outstanding receivable on this transaction as of the end of September 30, 2020, December 31, 2019 and September 30, 2019.
- (o) In 2019, the Parent Company sold portion of its receivable to BDO Life. The related gain on sale of receivables is included as part of Other Income-net account under Revenues in the statement of income. There are no outstanding payable related on this transaction as of the end of September 30, 2020, December 31, 2019 and September 30, 2019.

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. 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.
- 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.

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.

The reduction in the Company's balance sheet is in line with the restructuring of the Group's leasing business, as explained in Item 2, MD&A.

- 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;

The Company has reduced its borrowings from P21.5 billion last year to P7.0 billion, consistent with the sale of assets to BDO Life and BDO.

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

None.

- 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.

As part of the closing conditions for the share sale transaction between BDO and the third party buyers, BDOLF is expected to have a residual balance sheet composed of Cash or Cash Equivalents and Capital by October 31, 2020. Such balance sheet is after the sale of substantially all of BDOLF assets to BDO Unibank Group as previously disclosed.

- 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.

None.

- 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.*

The Company is still assessing the potential impact of the Enhanced Community Quarantine (ECQ) on business volumes for the coming quarters.

- 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, 2020

(in millions)

	Leasing	Financing	Others	Eliminations	Total
Gross income	1,093.0	566.5	488.2		2,147.7
Segment revenues					
External	1,093.0	566.5	488.2		2,147.7
Inter-segment			(21.6)	21.6	-
	1,093.0	566.5	466.6	21.6	2,147.7
Segment expenses					
External	957.0	496.0	427.4		1,880.4
Inter-segment			(0.3)	0.3	-
	957.0	496.0	427.1	0.3	1,880.4
Segment results	136.0	70.5	39.5	21.3	267.3
Income tax expense					132.8
Net Income					134.5
Segment assets - net	4,154.3	7,796.0	-		11,950.3
Unallocated assets					2,342.2
Total Assets					14,292.5
Segment liabilities	2,175.5	5,721.7	-		7,897.2
Unallocated liabilities					600.5
Total Liabilities					8,497.7

Segment expenses are allocated on the basis of gross income.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (September 2020 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

October 22, 2020
Date

BDO Leasing and Finance, Inc. and Subsidiary
Financial Ratios
September 30, 2020 and 2019
(Amounts in Millions of Philippine Pesos)

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
I. Current/liquidity ratios				
Current ratio				
Total current assets	<u>2,842.2</u>	<u>8,571.9</u>	0.36	
Total current liabilities	7,858.4	23,363.7		0.37
Acid Test Ratio				
Quick assets	<u>2,752.3</u>	<u>8,447.8</u>	0.35	
Total current liabilities	7,858.4	23,363.7		0.36
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
(After tax net profit + Depreciation)	<u>656.3</u>	<u>(28.0)</u>	0.08	
Total liabilities	8,497.7	26,944.1		(0.00)

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Debt-to-equity ratio				
	<u>Total liabilities</u>	<u>8,497.7</u>	<u>26,944.1</u>	<u>1.47</u>
	Total equity	5,794.8	5,520.0	4.88
III. Asset-to-equity ratio				
Asset-to-equity ratio				
	<u>Total assets</u>	<u>14,292.5</u>	<u>32,464.1</u>	<u>2.47</u>
	Total equity	5,794.8	5,520.0	5.88
IV. Interest coverage ratio				
Interest coverage ratio				
	<u>Earnings before interest and taxes</u>	<u>787.7</u>	<u>1,141.6</u>	<u>1.51</u>
	Interest expense	520.3	1,161.9	0.98
V. Profitability ratios				
Net profit margin				
	<u>Net Profit</u>	<u>134.6</u>	<u>(38.5)</u>	<u>6.27%</u>
	Interest income + Other operating income	2,147.8	2,265.2	-1.70%

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Return on equity				
<u>Net profit</u>	<u>134.6</u>	<u>(38.5)</u>		
Average equity	5,657.5	5,424.7	3.17%	-0.95%
Return on assets				
<u>Net profit</u>	<u>134.6</u>	<u>(38.5)</u>		
Average assets	23,378.5	37,243.6	0.77%	-0.14%
VI. Others				
Total real estate investments to Assets				
<u>Total investment properties</u>	<u>423.9</u>	<u>381.9</u>		
Total assets	14,292.5	32,464.1	2.97%	1.18%
Loans to Assets				
<u>Total loans and other receivables</u>	<u>10,828.7</u>	<u>26,295.1</u>		
Total assets	14,292.5	32,464.1	75.76%	81.00%

DOSRI to Net worth

Receivables from Directors, Officers,
Stakeholders and Related Interests

Total equity

Amount of receivable from a single corporation to
Total receivables

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>5.7</u>	<u>6.7</u>		
	5,794.8	5,520.0	0.10%	0.12%
	<u>366.4</u>	<u>551.7</u>	3.38%	2.10%
	10,828.7	26,295.1		

BDO LEASING AND FINANCE INC.
AGING OF RECEIVABLES
As of September 30, 2020

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.	Past Due / Litigation
Factored Receivable	160,637,219.00	-	160,637,219.00	-	-	-	-	-	-
Receivables Purchased	-	-	-	-	-	-	-	-	-
Floor Stock Financing	71,805,012.85	19,664,238.13	39,328,476.27	12,812,298.45	-	-	-	-	-
Installment Paper Purchase	221,736,560.54	20,777,688.18	30,687,653.73	39,324,727.35	19,184,998.34	4,859,650.18	-	-	106,901,842.76
Amortized Commercial Loan	7,723,852,812.03	101,330,253.34	192,377,189.96	257,421,252.08	461,428,569.63	1,341,153,159.00	523,177,418.60	1,504,328,848.59	3,342,636,120.83
Lease Contract Receivables	2,946,352,258.80	89,371,177.83	147,088,463.28	226,771,506.15	416,198,518.11	1,089,795,161.34	177,420,870.34	3,482,045.44	796,224,516.30
Personal Loans Programs	-	-	-	-	-	-	-	-	-
Discounting Line	-	-	-	-	-	-	-	-	-
TOTAL LOAN PORTFOLIO	11,124,383,863.22	231,143,357.48	570,119,002.24	536,329,784.03	896,812,086.08	2,435,807,970.52	700,598,288.95	1,507,810,894.03	4,245,762,479.89

Less: Allowance For Credit losses

395,444,335.24

Finance Receivables - Net

10,728,939,527.98

0.00