

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 .

(Company's Full Name)

B D O L E A S I N G C E N T R E , C O R I N T H I A N
G A R D E N S O R T I G A S A V E . Q . C . M . M .

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

ROBERTO E. LAPID

Contact Person

635-64-16

Company Telephone Number

1 2 3 1
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.

1,277

Total No. of Stockholders

Total Amount of Borrowings

PhP 4,070,841,014

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, 2009
2. Commission identification number 097869 3.BIR Tax Identification No. 000-486-050-000

BDO LEASING & FINANCE, INC.

4. Exact name of issuer as specified in its charter

Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

BDO Leasing Centre, Corinthian Gardens, Ortigas Ave., Q. C. 1100

7. Address of issuer's principal office Postal Code

632/ 635-64-16, 635-58-11, 635-58-05, 635-38-98

8. Issuer's telephone number, including area code

N/A

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

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 4,070,841,014.49 .

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 ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

The company follows the generally accepted accounting principles in the preparation of its interim financial statements. Also, the accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2008 were consistently applied in the interim financial reports.

Accounting transactions emanating from a financing company are constant in nature. Interim operation does not change a lot if compared to a previous interim cycle.

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

March 2009 Compared to March 2008

Gross income as of March, 2009 amounted to P468.9 million, an increase of P174.2 million, or 59.11% from P294.7 million as of March, 2008. Interest, discounts, and service fees went up to P450.2 million in 2009, an increase of P175.7 million or 68.01% from P274.4 million in 2008. This is due to higher operating lease income earned by BDO Rental, Inc. in 2009 amounting to P224.2 million compared to P17.1 million in 2008. Other income decreased by 7.22% or P1.46 million. The Company's leasing portfolio showed a P198 million decrease from P5.612 billion as of March, 2008 to P5.414 billion as of March, 2009. The Company's financing portfolio stood at P3.404 billion as of the current period as compared to P4.152 billion in 2008. As of March, 2009 aggregate loan portfolio showed a decrease of 9.69%. Property, Plant and Equipment under operating lease increased to P2.006 billion or by P1.687 billion as of March, 2009

Interest and financing charges for the first quarter of 2009 amounted to P81.0 million, consisting of financing charges on borrowings for P63.8 million and interest expense on leased deposits for P17.2 million. Increase in financing charges by P6.0 million is attributed to increment in Bills Payable which went up to P4.07 billion as of March, 2009 from P3.6 billion as of March, 2008. Interest expense accrued on leased deposits increased by P3.6 million.

As of March, 2009 and 2008, total allowance for credit losses amounted to P15.0 million, respectively.

Taxes and licenses expenses were P24.6 million for the current quarter, an increase of P6.6 million as compared to P18.0 million in 2008. This is due to tax deficiency paid in February amounting to P4.5 million.

Salaries and employee benefits expense amounted to P28.2 million in 2009 as compared to P22.5 million in 2008 due to increased number of employees. Occupancy and equipment related expenses for the first quarter of 2009 amounted to P228.5 million, an increase of P210.4 million from 2008's P18.1 million. This is primarily due to the depreciation on leased assets of BDO Rental, Inc. amounting to P212.8 million as of March, 2009.

Litigation/assets acquired expenses increased by 9.99% or from P4.8 million in 2008 to P5.3 million in 2009.

Other expenses decreased by 42.4% or from P11.1 million in 2008 to P6.3 million as of March, 2009. This is due to higher amount booked in 2008 for the fair value loss on initial recognition of the residual value receivables under finance lease.

The Company registered a net income of P53.9 million for the 3 month ended March, 2009 as compared to P78.7 million for the first quarter of 2008. Gross profit margin was at 82% as compared to 75.98% in 2008.

Total assets increased by P1.406 billion from March, 2008's P9.649 billion to P11.055 billion as of March, 2009. Aggregate leasing and financing portfolio declined by 9.69%. Property, Plant and Equipment-net showed an increment of P1.687 billion from 2008's P318 million, which primarily consists of the leased assets of BDO Rental, Inc. Increase in Other Assets-net is attributed to Input Value Added Tax (VAT) of BDO Rental, Inc.

Accounts Payable and accrued expenses increased by P31.6 million due to deferred rent booked by BDO Rental, Inc.

Lease deposits increased from P1.594 billion in 2008 to P2.197 billion in 2009.

Stockholders' equity stood at P4.561 billion as of March, 2009.

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

	March 2009	March 2008
Current Ratio	0.91 : 1	1.43 : 1
Quick Assets Ratio	0.88 : 1	1.40 : 1
Debt to Equity Ratio	1.42 : 1	1.29: 1
Return on Equity Ratio	1.18%	1.86%
Net Profit Margin	11.50%	26.7

Formulas used:

Current ratio	=	Current Assets over Current Liabilities
Net profit margin	=	Net income over Gross Revenues
Debt to equity	=	Total liabilities over Total Stockholders' Equity
Return on equity	=	Net income over Total Stockholders' Equity
Quick assets ratio	=	Quick assets over Current Liabilities
Gross profit margin	=	Total revenues/income less interest & financing charges over total revenues/income
Net operating margin	=	Income before income tax over Total revenues/income

Commitments and Contingencies

In the ordinary course of the company's business, there are outstanding commitments and contingent liabilities such as guarantees, pending litigation and loan commitments that are not shown in the accompanying financial statements. Management does not anticipate losses from these commitments and contingencies that would adversely affect the company's operations.

Economic Events

Unfavorable economic developments continue to affect the general business climate and have led to substantially slower economic activity. Management is continuously evaluating the impact of these economic events and will recognize the related effects in the ensuing financial statements as the need arises.

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 operation 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, especially on BDO Leasing & Finance's branches, and also use the extensive network of branches of BDO Unibank, Inc. to boost our volume.
- We will aggressively market Factoring not only through our Metro Manila lending units but extend it to our Luzon and Vizmin branches.
- We will look for fixed-term sources of funds to match our medium-term loans and leases.
- Control over other costs and expenses shall also be continuously pursued to ensure that these remain at a level which is compatible with the level of volume bookings.
- We will continue to enhance our IT system to fully address the requirements of new accounting standards. This is in coordination with our Parent Bank's Information Technology group. A new and upgraded Factoring system will be developed to accommodate increasing volumes.
- We will maximize the issuance of our short-term commercial paper license to lower funding costs.

PART II--OTHER INFORMATION

Nothing to report.

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

	March 31 2009	(Audited) December 31, 2008	March 31 2007
ASSETS			
Cash and Cash Equivalents	558,511,555	186,128,465	258,024,700
Available-for-Sale Investments - at market	1,117,938	1,117,938	1,089,228
Loans and Receivables	-	-	-
Finance Lease Receivables			
Finance lease receivables	3,603,562,421	3,587,101,500	4,143,637,073
Residual value of leased assets	1,810,167,174	1,664,751,989	1,468,683,846
Unearned lease income	(554,107,841)	(526,461,006)	(571,402,306)
Allowance for credit losses	(3,975,582)	(3,975,582)	(80,195,815)
	4,855,646,172	4,721,416,901	4,960,722,798
Loans and Receivables Financed			
Loans and receivables financed	3,404,284,270	3,643,534,416	4,151,737,705
Unearned finance income	(483,682,423)	(515,879,835)	(606,874,512)
Allowance for credit losses	(135,172,223)	(120,172,223)	(141,894,766)
Clients' Equity	(129,647,272)	(127,251,434)	(89,134,373)
	2,655,782,352	2,880,230,924	3,313,834,054
Property, Plant and Equipment - net	2,006,371,109	1,649,684,280	318,789,753
Investment Properties - net	750,434,881	751,629,098	692,533,627
Other Assets - net	227,581,359	225,133,267	104,386,437
	11,055,445,366	10,415,340,873	9,649,380,597
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bills Payable	4,070,841,014	3,670,884,834	3,641,091,199
Accounts Payable, Accrued Interest and Other Liabilities	225,995,142	211,682,667	194,363,766
Lease Deposits	2,197,386,816	2,025,496,012	1,593,580,722
	6,494,222,972	5,908,063,513	5,429,035,687
Stockholders' Equity			
Capital Stock	2,225,169,030	2,225,169,030	2,225,169,054
Additional Paid-in Capital	571,095,676	571,095,676	571,095,676
Retained Earnings	1,846,996,379	1,793,051,344	1,506,141,808
Unrealized loss on available-for-sale investments	(262,063)	(262,062)	(285,000)
Treasury Stock	(81,776,628)	(81,776,628)	(81,776,628)
	4,561,222,394	4,507,277,360	4,220,344,910
	11,055,445,366	10,415,340,873	9,649,380,597

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

For the three months ended	March 31	March 31
	2009	2008
INCOME		
Interest and discounts, rent and service fees	450,160,536	274,497,468
Other income	18,739,357	20,197,366
	<u>468,899,893</u>	<u>294,694,834</u>
EXPENSES		
Interest and financing charges	81,007,323	65,934,933
Taxes and licenses	24,614,502	18,014,978
Provision for impairment and credit losses	15,000,000	15,000,000
Compensation and fringe benefits	28,199,410	22,543,291
Occupancy and equipment-related expenses	228,457,961	18,152,416
Traveling expenses	1,560,504	937,850
Fuel and lubricants	536,629	537,023
Entertainment, Amusement and Recreation	609,532	355,762
Litigation/assets acquired expenses	5,348,720	4,862,938
Others	6,364,879	11,055,862
	<u>391,699,460</u>	<u>157,395,053</u>
INCOME BEFORE INCOME TAX	77,200,433	137,299,781
PROVISION FOR INCOME TAX	23,255,390	58,625,517
NET INCOME	<u>53,945,043</u>	<u>78,674,264</u>
BASIC EARNINGS PER SHARE**	0.02	0.04
DILUTED EARNINGS PER SHARE**	0.02	0.04

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

NET INCOME	53,945,043	78,674,264
DIVIDED BY OUTSTANDING SHARES	2,162,475,312	2,162,475,336
EPS(Basic and Diluted)	0.02	0.04

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of BDO Unibank, Inc.)
STATEMENTS OF CASH FLOWS

For the three months ended

	March 31,	
	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	77,200,433	137,299,781
Adjustments to reconcile income before income tax to net cash provided by (used in) operations:	-	-
Provision for probable losses	15,000,000	15,000,000
Depreciation and amortization	220,121,036	11,934,714
Loss/(Gain) on sale of property and equipment	85,903	-
Changes in operating assets and liabilities:	-	-
Decrease (increase) in:	-	-
Finance lease receivables and loans and receivables financed	166,497,772	(114,345,545)
Other assets	(103,170,269)	(58,273,497)
Increase (decrease) in:	-	-
Accounts payable, accrued interest and other liabilities	10,055,226	(16,006,632)
Lease Deposits	171,890,804	45,600,291
Net cash generated from (used in) operations	557,680,905	21,209,112
Income taxes paid	(1,444,267)	(95,720,527)
Net cash provided by (used in) operating activities	556,236,638	(74,511,415)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (acquisition) of investment properties	(1,536,133)	11,724,721
Net acquisitions of property and equipment	(571,606,409)	(17,239,272)
Net cash used in investing activities	(573,142,542)	(5,514,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of Treasury Stocks	-	-
Payment of cash dividend	-	-
Net (payments) of bills payable	389,288,995	127,870,335
NET DECREASE IN CASH AND CASH EQUIVALENTS	372,383,091	47,844,369
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	186,128,464	210,180,331
CASH AND CASH EQUIVALENTS AT END OF QUARTER	558,511,555	258,024,700

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

	For the Three Months Ended March 31	
	2009	2008
CAPITAL STOCK		
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	2,225,169,030	2,225,169,054
Treasury Stock (62,693,718 shares)	(81,776,628)	(81,776,628)
ADDITIONAL PAID-IN CAPITAL	571,095,676	571,095,676
RETAINED EARNINGS		
Balance at beginning of the year	1,793,051,336	1,427,467,544
Net income	53,945,043	78,674,264
Balance at end of three months	1,846,996,379	1,506,141,808
Unrealized loss on available-for-sale investments	262,063	(285,000)
	4,561,746,520	4,220,344,910

BDO LEASING AND FINANCE INC.
AGING OF LOAN PORTFOLIO
(In Thousand Pesos)
As of March 31, 2009

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	572,728	-	548,725	-	-	-	-	-	24,003
Receivables Purchased	72,090	12,082	27,250	5,643	2,497	-	-	-	24,618
Installment Paper Purchased	265,052	24,217	43,048	50,404	64,352	65,650	814	-	16,567
Amortized Commercial Loans	2,262,397	103,916	156,944	201,271	372,082	895,117	224,046	4,825	304,196
Amortized Consumer Loans	217,814	6,960	12,433	18,244	39,510	89,873	20,950	2,701	27,143
Lease Contract Receivables	5,413,730	256,060	357,335	544,173	1,063,899	2,179,740	617,383	21,454	373,686
Floor Stock Financing	14,162	9,753	4,409	-	-	-	-	-	-
Personal Loans Programs	41	-	-	-	-	-	-	-	41
	8,818,014	412,988	1,150,144	819,735	1,542,340	3,230,380	863,193	28,980	770,254
	-	-	-	-	-	-	-	-	-
Less: Allowance For Credit losses	139,148								
Finance Receivables - Net	<u>8,678,866</u>								

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY
SEGMENT INFORMATION
FOR THE THREE MONTHS ENDED MARCH 31, 2009**

	<u>Leasing</u>	<u>Financing</u>	<u>Others</u>	<u>Total</u>
Gross income	322,783,470	121,570,927	24,545,496	468,899,893
Segment revenues	322,783,470	121,570,927	24,545,496	468,899,894
Segment expenses	269,639,880	101,555,294	20,504,286	391,699,461
Segment results	53,143,590	20,015,633	4,041,210	77,200,433
Income tax expense				23,255,390
Net Income				53,945,043
Segment assets - net	4,855,646,172	2,655,782,352	-	7,511,428,524
Unallocated assets				2,790,004,297
Total Assets				10,301,432,821
Segment liabilities	681,855,680	1,191,598,518	-	1,873,454,198
Unallocated liabilities				1,077,861,536
Total Liabilities				2,951,315,734

Segment expenses are allocated on the basis of gross income.

Net segment assets are comprised of the following:

	<u>Leasing</u>	<u>Financing</u>
Receivables	3,603,562,421	3,404,284,270
Residual value of leased assets	1,810,167,174	-
	5,413,729,595	3,404,284,270
Unearned income	(554,107,841)	(483,682,423)
Allowance for probable losses	(3,975,582)	(135,172,223)
Clients' equity	-	(129,647,272)
	4,855,646,172	2,655,782,352

Bills payable amounting to P4,070,841,014 is allocated between the leasing and financing segments based on net-to-close balances of receivables of these segments as of March 31, 2009. Lease deposits amounting to P2,197,386,815 as of March 31, 2009 is included in the leasing segment.

The products under the leasing segment are the following:

- * Direct leases; and
- * Sale-and-leaseback arrangements

The products under the financing segment are the following:

- * Amortized commercial loans;
- * Amortized retail loans;
- * Installment paper purchases;
- * Discounting of receivables; and
- * Factoring of receivables

The Company's products and services are marketed by its Head Office in Metro Manila and its 8 branches.

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

ITEM 1-7

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

In the course of integration of Banco de Oro – EPCI, Inc. (the "Bank") and its subsidiaries, it has been determined based on a review conducted that there is a need to restate the retained earnings of the Company for 2007 and prior years 2005 and 2006. The need arose from overstatement of income in terms of the timing in recognition of revenues.

As of September 30, 2007, adjustments have been made to correct the balance of retained earnings amounting to P237 million. But after final validation, this will be reduced to P228 million of which P91 million pertains to adjustments prior to 2005.

- 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.

As explained in item c above, the restatement resulted to a reduction in income recognition for prior years 2005 and 2006 of P37 million and P100 million respectively. However, it resulted to an increase in income of P132 million for year to date September 2007.

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

On January 18, 2005, the Board of Directors (BOD) approved the declaration of cash dividends at P0.20 per share or a total amount of P196,607,759 in favor of stockholders of record as of February 1, 2005, payable on or before February 28, 2005, and stock dividends in the aggregate amount of P1,179,646,554 in favor of the stockholders of record as of March 23, 2005.

The Company is further authorized by the BOD to buy any fractional shares arising out of the stock dividend declaration at book value.

- 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.

Not applicable – There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

- 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 March 15, 2005, the Board of Directors noted and confirmed the action of Management to organize a wholly-owned rental company under the name of Equitable Pentad Rental, Inc.

Its primary purpose is to engage in the business of renting and leasing (excluding financial leases) of equipment, motor vehicles, and real properties; while its secondary purpose is to carry on the business of a common and/or private carrier.

On March 19, 2008, Securities & Echange Commission approved the change of name of Equitable Pentad Rental, Inc. to BDO Rental, Inc.

- J. Changes in contingent liabilities or contingent assets.

Not applicable – There were no changes in contingent liabilities or contingent assets since the last interim balance sheet dates.

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

Not applicable – There were no existing material contingencies and any other events or transactions that would affect the understanding of the current interim period.

ITEM 2

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

Not applicable – There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the company's liquidity.

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

Not applicable – There were no material commitments for capital expenditure.

- C. 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.

Not applicable – There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales / revenues / income from continuing operations.

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

Not applicable – There were no significant elements of income or loss that would have surfaced in the company's continuing operations.

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:

- 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;

Not applicable. There are no events that will trigger direct or contingent financial obligation that is material to the company.

- 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.

Not applicable. There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

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

Not applicable. There are no seasonal aspects that has a material effect on the financial condition or results of operations.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BDO LEASING & FINANCE, INC.



ROBERTO E. LAPID
President



CORAZON S. CHIU
Assistant Vice President



MAY 2009
Date