

# Message from the Chairperson and Vice Chairman & President



Dear Shareholders,

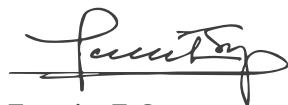
We are pleased to report that 2017 was another successful year for BDO Leasing and Finance, Inc. (BDOLF). Our expansive network, combined with broad-based economic growth, propelled an almost 10% increase in BDOLF's loan and lease portfolio.

We are proud of our strategic progress. As we continue to record double-digit growth in our portfolio and total assets, our NPL ratio remains significantly lower than the industry at 1.34%. Rising cost of funds influenced by inflation and global economic factors, as well as significant rate pressure on corporate accounts, negatively impacted our net interest margin. These challenges were offset by our volume of new bookings, allowing us to meet our net income target of P570.5 million.

In line with the Securities and Exchange Commission's (SEC) renewal of Short Term Commercial Paper License, BDO Leasing was able to maintain its higher issuer credit rating of "PRS Aa" from the Philippine Ratings Services Corporation, in recognition of the Company's continuing financial strength and stability in meeting existing and future obligations.

Our strategy going forward provides for further expansion and increased presence in provincial areas, as well as continued cross-selling to BDO Unibank group's client base. We see ourselves as an active contributor to the growth of the Philippines and seek to provide broad access to financial services. In 2017, the increase in our portfolio came from a cross-section of commerce, including the transportation, trading, construction and real estate, telecommunication, entertainment and tourism industries. We expect that President Duterte's economic agenda emphasizing infrastructure development will open additional opportunities for lease and loan growth across markets.

Sincerely,



**Teresita T. Sy**  
Chairperson

Our Board is active and engaged, focused on overseeing these strategic directives. We are continuously looking for opportunities to provide effective oversight and recently strengthened our practices around risk management, regulatory compliance, financial reporting and disclosure, related party transactions and other procedures and policies that promote strong corporate governance. We adopted and incorporated into our Governance Manual regulatory governance standards issued in 2017, as well as other globally recognized international best practices. In addition, we changed the membership composition of our various Board committees to ensure an appropriate balance of skills and experience, as well as to align with the new regulations. Non-Executive directors comprise 55% of our Board, providing independent and objective judgment, as well as critical expertise, to our Board and committee discussions.

BDOLF's success would not be possible without the dedication of our management team and all of our employees who share in our ideals and contribute to our mission to lead the leasing and financing industry in the Philippines and Asia Pacific Region. It is because of their relentless focus on quality that we are able to provide modern and relevant financial services that exceed client expectations, and ultimately deliver value to our shareholders.

Thank you for your continued trust and support.



**Roberto E. Lapid**  
Vice Chairman & President