9. PROPERTY AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of property and equipment at the beginning and end of 2010, 2009 and 2008 are shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Group				
December 31, 2010				
Cost	P 2,855.4	P 22.5	P 24.9	P 2,902.8
Accumulated depreciation and amortization	(2,016.4)	(15.6)	(13.9)	(2,045.9)
Net carrying amount	**P 839.0**	**P 6.9**	**P 11.0**	**P 856.9**
December 31, 2009				
Cost	P 2,654.1	P 18.4	P 19.2	P 2,691.7
Accumulated depreciation and amortization	(1,221.9)	(12.7)	(4.6)	(1,239.2)
Net carrying amount	P 1,432.2	P 5.7	P 14.6	P 1,452.5
December 31, 2008				
Cost	P 1,847.9	P 18.8	P 9.8	P 1,876.5
Accumulated depreciation and amortization	(213.4)	(12.0)	(1.4)	(226.8)
Net carrying amount	P 1,634.5	P 6.8	P 8.4	P 1,649.7
January 1, 2008				
Cost	P 345.5	P 19.5	P 3.2	P 368.2
Accumulated depreciation and amortization	(43.7)	(13.8)	(0.6)	(58.1)
Net carrying amount	P 301.8	P 5.7	P 2.6	P 310.1
Parent Company				
December 31, 2010				
Cost	P -	P 22.5	P 24.9	P 47.4
Accumulated depreciation and amortization	-	(15.6)	(13.9)	(29.5)
Net carrying amount	**P -**	**P 6.9**	**P 11.0**	**P 17.9**
December 31, 2009				
Cost	P -	P 18.4	P 19.2	P 37.6
Accumulated depreciation and amortization	-	(12.7)	(4.6)	(17.3)
Net carrying amount	P -	P 5.7	P 14.6	P 20.3

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
December 31, 2008				
Cost	P -	P 18.7	P 9.8	P 28.5
Accumulated depreciation and amortization	-	(12.0)	(1.3)	(13.3)
Net carrying amount	P -	P 6.7	P 8.5	P 15.2
January 1, 2008				
Cost	P -	P 19.5	P 3.1	P 22.6
Accumulated depreciation and amortization	-	(13.8)	(0.6)	(14.4)
Net carrying amount	P -	P 5.7	P 2.5	P 8.2

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2010 and 2009 is shown below.

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Group				
Balance at January 1, 2010, net of accumulated depreciation and amortization	P 1,432.2	P 5.7	P 14.6	P 1,452.5
Additions	211.4	6.2	5.7	223.3
Disposals	(5.0)	(0.7)	-	(5.7)
Depreciation and amortization charges for the year	(799.6)	(4.3)	(9.3)	(813.2)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P 839.0**	**P 6.9**	**P 11.0**	**P 856.9**
Balance at January 1, 2009, net of accumulated depreciation and amortization	P 1,634.5	P 6.8	P 8.4	P 1,649.7
Additions	832.9	2.6	12.0	847.5
Disposals	(15.6)	-	(0.5)	(16.1)
Reclassifications	13.8	0.7	(0.2)	14.3
Depreciation and amortization charges for the year	(1,033.4)	(4.4)	(5.1)	(1,042.9)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P 1,432.2	P 5.7	P 14.6	P 1,452.5

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Balance at January 1, 2008 net of accumulated depreciation and amortization	P 301.8	P 5.7	P 2.6	P 310.1
Additions	1,511.6	6.4	7.6	1,525.6
Disposals	(6.5)	(1.6)	(0.4)	(8.5)
Depreciation and amortization charges for the year	(172.4)	(3.7)	(1.4)	(177.5)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P 1,634.5	P 6.8	P 8.4	P 1,649.7

Parent Company

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Balance at January 1, 2010, net of accumulated depreciation and amortization	P -	P 5.7	P 14.6	P 20.3
Additions	-	6.2	5.7	11.9
Disposals	-	(0.7)	-	(0.7)
Depreciation and amortization charges for the year	-	(4.3)	(9.3)	(13.6)
Balance at December 31, 2010, net of accumulated depreciation and amortization	**P -**	**P 6.9**	**P 11.0**	**P 17.9**
Balance at January 1, 2009 net of accumulated depreciation and amortization	P -	P 6.9	P 8.3	P 15.2
Additions	-	2.6	12.0	14.6
Disposals	-	-	(0.5)	(0.5)
Reclassifications	-	0.6	(0.1)	0.5
Depreciation and amortization charges for the year	-	(4.4)	(5.1)	(9.5)
Balance at December 31, 2009, net of accumulated depreciation and amortization	P -	P 5.7	P 14.6	P 20.3

	Transportation and Other Equipment	Furniture, Fixtures and Others	Leasehold Improve-ments	Total
Balance at January 1, 2008 net of accumulated depreciation and amortization	P -	P 5.7	P 2.5	P 8.2
Additions	-	6.4	7.6	14.0
Disposals	-	(1.6)	(0.4)	(2.0)
Depreciation and amortization charges for the year	-	(3.6)	(1.4)	(5.0)
Balance at December 31, 2008, net of accumulated depreciation and amortization	P -	P 6.9	P 8.3	P 15.2

Depreciation and amortization charges for the year are included as part of Occupancy and Equipment-related Expenses account in the statements of comprehensive income.

In 2009 and 2008, the Group entered into sale and lease back transactions classified as operating lease with a lessee, with lease terms ranging from 20 to 24 months, involving various equipment. The gross carrying amount and accumulated depreciation of the subject equipment as of December 31, 2010, 2009 and 2008 follow:

	2010	2009	2008
Cost	**P 730.0**	P 730.0	P 1,370.0
Accumulated depreciation	**(641.5)**	(318.5)	(95.4)
	P 88.5	P 411.5	P 1,274.6

Total operating lease income earned from the leases presented as part of Rent in the Group statements of comprehensive income amounted to P356.6 in 2010, P1,025.9 in 2009 and P111.0 in 2008 (nil for the Parent Company). The carrying amount of lease deposits payable to the lessee amounted to P21.8, P281.8 and P239.8 as of December 31, 2010, 2009 and 2008. Interest expense accrued on such lease deposits included as part of Interest and Financing Charges account in the Group statements of comprehensive income amounted to P25.6 in 2010, P42.0 in 2009 and P1.8 in 2008.

As of December 31, 2010, 2009 and 2008, the net book value of transportation and other equipment leased out by the Group (nil for the Parent Company) under operating lease arrangements amounted to P839.0, P1,104.2 and P1,580.4, respectively.

In 2009, the Group disposed of certain transportation equipment with carrying value of P16.1 for P25.8, resulting to gain on sale of P9.7. The gain is included as of part of Service Fees and Other Income in the 2009 statement of comprehensive income (see Note 16) for the Group and Parent Company.

10. INVESTMENT PROPERTIES

Investment properties include land and building and improvements held for rentals and capital appreciation.

The carrying amounts and accumulated depreciation at the beginning and end of 2010, 2009 and 2008 in the Group and Parent Company financial statements are shown below.

	Land	Building and Improve-ments	Total
December 31, 2010			
Cost	P 690.1	P 128.6	P 818.7
Accumulated depreciation	-	(45.5)	(45.5)
Accumulated impairment	(41.5)	(30.4)	(71.9)
Net carrying amount	**P 648.6**	**P 52.7**	**P 701.3**
December 31, 2009 (as restated)			
Cost	P 709.6	P 106.5	P 816.1
Accumulated depreciation	-	(34.7)	(34.7)
Accumulated impairment	(41.5)	(14.4)	(55.9)
Net carrying amount	P 668.1	P 57.4	P 725.5
December 31, 2008 (as restated)			
Cost	P 682.4	P 110.3	P 792.7
Accumulated depreciation	-	(26.0)	(26.0)
Accumulated impairment	(41.5)	(15.1)	(56.6)
Net carrying amount	P 640.9	P 69.2	P 710.1
January 1, 2008 (as restated)			
Cost	P 613.6	P 134.3	P 747.9
Accumulated depreciation	-	(18.7)	(18.7)
Accumulated impairment	(41.5)	(22.9)	(64.4)
Net carrying amount	P 572.1	P 51.2	P 664.8

The Group recognized a prior period adjustment related to additional impairment loss of an investment property that should have been booked in 2006
(see Note 15.3).

A reconciliation of the carrying amounts at the beginning and end of 2010, 2009 and 2008 of investment properties in the Group and Parent Company financial statements is shown below.

	Land	Building and Improve-ments	Total
Balance at January 1, 2010, net of accumulated depreciation and impairment	P 668.1	P 57.4	P 725.5
Additions	19.6	11.9	31.5
Disposals	(11.5)	-	(11.5)
Reclassifications	(27.6)	-	(27.6)
Depreciation and amortization charges for the year	-	(11.4)	(11.4)
Impairment losses during the year	-	(5.2)	(5.2)
Balance at December 31, 2010, net of accumulated depreciation and impairment	**P 648.6**	**P 52.7**	**P 701.3**
Balance at January 1, 2009, net of accumulated depreciation and impairment (as restated)	P 640.9	P 69.2	P 710.1
Additions	36.6	2.0	38.6
Disposals	(9.4)	(2.9)	(12.3)
Depreciation and amortization charges for the year	-	(10.9)	(10.9)
Balance at December 31, 2009, net of accumulated depreciation and impairment (as restated)	P 668.1	P 57.4	P 725.5
Balance at January 1, 2008 net of accumulated depreciation and impairment (as restated)	P 572.1	P 51.2	P 664.8
Additions	82.9	31.8	114.7
Disposals	(14.1)	(46.6)	(60.7)
Depreciation and amortization charges for the year	-	(8.7)	(8.7)
Balance at December 31, 2008 net of accumulated depreciation and impairment (as restated)	P 640.9	P 69.2	P 710.1

The appraised values of the investment properties as of December 31, 2010, 2009 and 2008 follow:

	2010	2009	2008
Land	**P 931.1**	P 941.6	P 950.3
Building and improvements	**111.4**	137.4	155.7
	P 1,042.5	P 1,079.0	P 1,166.0

Direct operating expenses incurred on investment properties recognized in profit or loss are insignificant.

Gain on sale of investment properties lodged under Service Fees and Other Income amounted to P12.4, P7.2 and P9.2 in 2010, 2009 and 2008, respectively (see Note 16).

11. OTHER ASSETS

Other assets consist of the following:

		Group	
	2010	2009	2008
Prepaid expenses	**P 107.9**	P 71.9	P 27.6
Repossessed chattels and other equipment - net	**41.1**	17.2	23.0
Input value-added tax (VAT)	**23.2**	32.1	85.5
Miscellaneous - net	**8,7**	35.5	4.7
	180.9	156.7	140.8
Allowance for impairment	**-**	-	(13.8)
	P 180.9	P 156.7	P 127.0

		Parent Company	
	2010	2009	2008
Investment in subsidiary	**P 400.0**	P 237.5	P 46.9
Repossessed chattels and other equipment - net	**41.1**	17.2	23.0
Prepaid expenses	**33.2**	25.4	26.6
Miscellaneous - net	**8.6**	35,2	4.4
	P 482.9	P 315.3	P 100.9

The gross carrying amounts and accumulated depreciation of repossessed chattels and other equipment are shown below.

	2010	2009	2008
Cost	**P 71.5**	P 37.1	P 31.7
Accumulated depreciation	**(25.1)**	(18.8)	(8.7)
	P 46.4	P 18.3	P 23.0

A reconciliation of the carrying amounts of repossessed chattels and other equipment at the beginning and end of 2010, 2009 and 2008 is shown below.

	2010	2009	2008
Balance at January 1, net of accumulated depreciation	**P 17.2**	P 23.0	P 18.3
Additions	**43.0**	6.1	28.9
Disposals	**(7.9)**	(1.2)	(14.5)
Depreciation charges for the year	**(11.2)**	(10.7)	(9.7)
Balance at December 31, net of accumulated depreciation	**P 41.1**	P 17.2	P 23.0

No impairment loss was recognized on repossessed chattels and other equipment in 2010, 2009 and 2008.

Input VAT includes transitional input tax and the VAT due or paid by the Group on purchases of goods, properties, and services, including lease or use of properties in the ordinary course of business.

Investment in a subsidiary represents 100% ownership of the Group in BDO Rental.

The movements of this account are presented below.

	2010	2009	2008
Balance at beginning of year	**P 237.5**	P 46.9	P 40.0
Additional investment during the year	**162.5**	197.5	-
	400.0	244.4	40.0
Increase (decrease) in deposit for future stock subscription	-	(6.9)	6.9
Balance at end of year	**P 400.0**	P 237.5	P 46.9

On March 3, 2010, the Parent Company subscribed to additional 162.5 million preferred shares at P1 par value issued by BDO Rental or for a total of P162.5 million.

In 2009, the Parent Company acquired additional 110 million common shares at P1 per share and 82.5 million preferred shares at P1 per share in BDO Rental's capital stock.

12. BILLS PAYABLE

This account consists of borrowings from:

	Group		
	2010	2009	2008
Banks	**P 623.0**	P 1,525.5	P 1,635.3
Others	**7,041.8**	4,613.1	2,035.6
Accrued interest	**1.4**	4.4	10.7
	P 7,666.2	P 6,143.0	P 3,681.6

	Parent Company		
	2010	2009	2008
Banks	**P 623.0**	P 1,525.5	P 1,053.7
Others	**7,009.6**	3,735.6	2,035.5
Accrued interest	**1.3**	2.4	4.4
	P 7,633.9	P 5,263.5	P 3,093.6

Bills payable to banks represent peso borrowings from local banks (including BDO Unibank as of December 31, 2010, 2009 and 2008 – see Note 19), with annual interest rates ranging from 6.21% to 7.36% in 2010, 4.75% to 6.25% in 2009 and 6.00% to 9.25% in 2008. As of December 31, 2010, 2009 and 2008, bills payable - others represent short-term notes issued to individual investors, with annual interest rates ranging from 3.75% to 4.00%, 4.00% to 6.25% and 4.00% to 7.48%, respectively. These rates approximate prevailing market rates.

The breakdown of bills payable as to secured and unsecured follows:

	Group		
	2010	2009	2008
Secured – real estate mortgage	**P 254.0**	P -	P 255.1
Unsecured	**7,412.2**	6,143.0	3,426.5
	P 7,666.2	P 6,143.0	P 3,681.6

	Parent Company		
	2010	2009	2008
Secured – real estate mortgage	**P 254.0**	P -	P 255.1
Unsecured	**7,379.9**	5,263.5	2,838.5
	P 7,633.9	P 5,263.5	P 3,093.6

Interest and financing charges consist of interest on:

		Group		
	Note	**2010**	2009	2008
Bills payable - banks		**P 28.0**	P 54.1	P 150.8
Bills payable - others		**266.0**	158.1	80.9
Amortization on lease deposits	14	**36.9**	69.2	52.8
		P 330.9	P 281.4	P 284.5

	Note	Parent Company 2010	2009	2008
Bills payable - banks		**P 28.0**	P 27.6	P 130.3
Bills payable - others		**260.4**	143.1	80.8
Amortization on lease deposits	14	**11.2**	35.8	44.1
		P 299.6	P 206.5	P 255.2

13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

Accounts payable and other liabilities consist of the following:

	Note	Group 2010	2009	2008
Accounts payable		**P 54.5**	P 43.8	P 40.8
Accrued taxes and other expenses		**15.6**	7.8	13.7
Retirement benefit obligation	18	**9.9**	13.8	14.7
Withholding and other taxes payable		**6.6**	11.0	4.3
Deferred rent		**-**	-	20.7
Other liabilities		**18.1**	16.0	18.6
		P 104.7	P 92.4	P 112.8

	Note	Parent Company 2010	2009	2008
Accounts payable		**P 53.4**	P 42.2	P 29.9
Accrued taxes and other expenses		**15.6**	6.9	13.1
Retirement benefit obligation	18	**9.9**	13.8	14.7
Withholding taxes payable		**6.2**	10.9	4.2
Other liabilities		**14.0**	15.3	18.3
		P 99.1	P 89.1	P 80.2

Management considers the carrying amounts of accounts payable and other liabilities recognized in the statements of financial position to be a reasonable approximation of their fair values due to their short duration.

14. LEASE DEPOSITS

This account represents deposits on:

	Group		
	2010	2009	2008
Finance leases	**P 2,254.3**	P 1,974.1	P 1,742.9
Operating leases	**363.4**	327.8	282.6
	P 2,617.7	P 2,301.9	P 2,025.5

	Parent Company		
	2010	2009	2008
Finance leases	**P 2,254.3**	P 1,974.1	P 1,742.8

Interest expense on lease deposits accrued using the effective interest method in the Group's financial statements amounted to P36.9, P69.2 and P52.8 in 2010, 2009 and 2008, respectively, and P11.2, P35.8 and P44.1 in 2010, 2009 and 2008, respectively, in the Parent Company financial statements (see Note 12). These are included as part of Interest and Financing Charges under Operating Costs and Expenses in the Group ad Parent Company statements of comprehensive income.

15. EQUITY

15.1 Capital Management Objectives, Policies and Procedures

The Group's capital management objectives are:

a. To provide an adequate return to shareholders by pricing products commensurately with the level of risk; and

b. To ensure the Group's ability to continue as a going concern.

The Group sets the amount of capital in proportion to its overall financing structure and the Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's capital and overall financing as of December 31, 2010, 2009 and 2008 are computed as follows:

		2010		2009 (As restated)		2008 (As restated)
Total equity	**P**	**4,565.8**	P	4,335.1	P	4,467.6
Cash and cash equivalents		**(71.9)**		(232.4)		(186.1)
Net capital	**P**	**4,493.9**	P	4,102.7	P	4,281.5
Bills payable	**P**	**7,666.2**	P	6,143.0	P	3,681.6
Lease deposits		**2,617.7**		2,301.9		2,025.5
Total equity		**4,565.8**		4,335.1		4,467.6
Overall financing	**P**	**14,849.7**	P	12,780.0	P	10,174.7
Capital-to-overall financing ratio		**1 : 3.30**		1 : 3.12		1 : 2.38

As in previous years, there are no externally imposed capital requirements.

15.2 Capital Stock

The Parent Company has 200,000 authorized preferred shares at P100 par value a share with the following features:

a. Issued serially in blocks of not less than 100,000 shares;
b. No pre-emptive rights to any or all issues on other disposition of preferred shares;
c. Entitled to cumulative dividends at a rate not higher than 20% yearly;
d. Subject to call or with rights for their redemption, either mandatory at a fixed or determinable date after issue; and
e. Nonvoting, except in cases expressly provided for by law.

None of these authorized preferred shares are issued as of December 31, 2010, 2009 and 2008.

As of December 31, 2010, 2009 and 2008, out of the total authorized capital stock of 3,400,000,000 common shares with par value of P1 per share, 2,225,169,030 common shares amounting to P2,225,169,030 are issued and outstanding.

On December 8, 2010 and May 31, 2010, the BOD approved the declaration of cash dividends at P0.10 per share and P0.05 per share, respectively, amounting to P216.2 and P108.2 or for a total of P324.4 for the year. The December 2010 and May 2010 dividends were declared in favor of stockholders of record as of December 22, 2010 and June 30, 2010, respectively. As of December 31, 2010, the December 2010 dividends are still outstanding and is shown as Dividends Payable in the statement of financial position.

On November 11, 2009, the BOD approved the declaration of cash dividends amounting to P432.5 at P0.20 per share on the 2,162,475,312 shares outstanding at the date of declaration.

15.3 Prior Period Adjustments

The balance of Retained Earnings and other statement of financial position accounts as of January 1, 2008 have been restated from the amounts previously stated to recognize the additional impairment loss on an investment property based on an appraisal that should have been reflected in the 2006 financial statements, and to adjust the balance of the deferred tax asset based on the balance at the end of 2007 of certain temporary differences relating to impairment losses and retirement liability.

The breakdown of the effects of the prior period adjustments in the opening balance of retained earnings for 2010, 2009 and 2008 is shown below.

	2010	2009	2008
Unrecognized impairment loss on investment property, net of deferred tax component of P12.0	**P 29.5**	P 29.5	P 29.5
Adjustment to correct the balance of deferred tax assets related to temporary differences	**10.2**	10.2	10.2
	P 39.7	P 39.7	P 39.7

The details of these prior period adjustments are explained further in the succeeding sections:

(a) *Recognition of Impairment Loss on Investment Property at the Beginning of 2008*

The carrying amount of the investment property referred to above was P66.8 at the end of 2006, before consideration of any fair valuation of the property. Based on the appraisal made on the property as of December 31, 2006, the fair value of the property was P25.3, or P41.5 lower than the carrying amount before the appraisal. Accordingly, an impairment loss equal to P41.5 should have been recognized in 2006. To correct this, the Parent Company restated the balance of investment property by reducing it by P41.5.

(b) *Adjustment to Correct the 2008Beginning Balance of Deferred Tax Assets*

The Parent Company adjusted the beginning balance of 2008 deferred tax assets to conform with the outstanding balance at that date of the following temporary differences:

Allowance for impairment losses on:	
Loans and discounts	P 7.0
Investment properties	3.4
Accounts receivable	(2.6)
Retirement liability	2.4
Net deferred tax adjustment	P 10.2

The following schedules present the specific accounts affected by the prior period adjustments in the 2009 and 2008 statements of financial position, as previously reported, restatement adjustments and the corresponding restated balances:

	Group		
	As Previously Reported	**Prior Period Adjustments Add (Deduct)**	**Restated Balance**
December 31, 2009			
Asset			
Investment properties	P 767.0	(P 41.5)	P 725.5
Liability			
Deferred tax liability - net	66.6	(1.8)	64.8
Equity			
Retained earnings	1,660.6	(39.7)	1,620.9
December 31, 2008			
Asset			
Investment property	P 751.6	(P 41.5)	P 710.1
Liability			
Deferred tax liability - net	72.3	(1.8)	70.5
Equity			
Retained earnings	1,793.1	(39.7)	1,753.4
January 1, 2008			
Asset			
Investment property	P 706.3	(P 41.5)	P 664.8
Liability			
Deferred tax liability - net	40.9	(1.8)	39.1
Equity			
Retained earnings	1,427.5	(39.7)	1,387.8

	Parent Company		
	As Previously Reported	**Prior Period Adjustments Add (Deduct)**	**Restated Balance**
December 31, 2009			
Asset			
Investment property	P 767.0	(P 41.5)	P 725.5
Liability			
Deferred tax liability - net	71.9	(1.8)	70.1
Equity			
Retained earnings	1,525.3	(39.7)	1,485.6
December 31, 2008			
Asset			
Investment property	P 751.6	(P 41.5)	P 710.1
Liability			
Deferred tax liability - net	79.2	(1.8)	77.4
Equity			
Retained earnings	1,659.8	(39.7)	1,620.1
January 1, 2008			
Asset			
Investment property	P 706.3	(P 41.5)	P 664.8
Liability			
Deferred tax liability - net	40.8	(1.8)	39.0
Equity			
Retained earnings	1,367.1	(39.7)	1,327.4

16. SERVICE FEES AND OTHER INCOME

This account is composed of the following:

	Group		
	2010	2009	2008
Dividend income	**P 104.9**	P -	P -
Recovery on charged-off accounts	**16.5**	11.1	4.7
Gain on assets acquired	**12.4**	7.2	9.2
Service fees	**1.9**	95.6	20.7
Fair value gains - net	**1.9**	7.3	51.1
Gain on sale of property and equipment	**0.9**	10.7	-
Gain on sale of receivable	**-**	62.6	-
Miscellaneous	**39.8**	24.4	13.9
	P 178.3	P 218.9	P 99.6

	Parent Company		
	2010	2009	2008
Dividend income	**P 104.9**	P -	P -
Recovery on charged-off accounts	**16.5**	11.1	4.7
Gain on assets acquired	**12.4**	7.2	9.2
Service fees	**1.9**	95.6	20.7
Fair value gains (losses) - net	**(0.6)**	(0.4)	1.5
Gain on sale of receivable	**-**	62.6	-
Miscellaneous	**22.5**	11.4	14.5
	P 157.6	P 187.5	P 50.6

Dividend income in 2010 pertains to income earned for investments in SMC shares acquired in December 2009 (see Note 7).

Fair value gains (losses) – net represent the fair value gains on initial recognition of lease deposits (representing excess of principal amount over fair value of leased deposits), net of the fair value losses on initial recognition of the residual value receivables under finance lease.

In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale amounting to P62.6 (see also Note 19).

17. LEASES

The Group's finance lease contracts generally have lease terms ranging from 24 to 60 months.

In the ordinary course of business, the Group enters into various operating leases with lease terms ranging from 6 to 60 months. Operating lease income presented under Rent account in the Group statements of comprehensive income for the years ended December 31, 2010, 2009 and 2008 amounted to P830.9, P1,125.7 and P256.4, respectively.

Future minimum rentals receivable under operating leases follow:

	2010	2009	2008
Within one year	**P 138.8**	P 1.1	P 765.4
After one year but not more than five years	**159.5**	898.2	457.8
	P 298.3	P 899.3	P 1,223.2

18. EMPLOYEE BENEFITS

18.1 Salaries and Employee Benefits Expense

Expenses recognized for salaries and employee benefits are presented below:

	2010	2009	2008
Salaries and wages	**P 70.0**	P 75.5	P 65.1
Bonuses	**22.6**	23.8	23.9
Retirement – defined benefit plan	**18.1**	14.2	7.9
Social security costs	**2.8**	3.5	2.9
Other benefits	**20.6**	16.9	14.5
	P 134.1	P 133.9	P 114.3

18.2 Post-employment Benefit

The Parent Company maintains a wholly-funded, tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contributions.

The amounts of retirement benefit obligation presented in the statements of financial position as part Accounts Payable and Other Liabilities, respectively, are determined as follows (see Note 13):

	2010	2009	2008
Present value of the obligation	**P 101.5**	P 115.3	P 86.3
Fair value of plan assets	**(61.1)**	(51.3)	(44.6)
Excess of obligation	**40.4**	64.0	41.7
Net unrecognized actuarial gains	**(30.5)**	(50.2)	(27.0)
	P 9.9	P 13.8	P 14.7

The movements in the present value of the retirement benefit obligation recognized in the books follows:

	2010	2009	2008
Balance at beginning of year	**P 115.4**	P 86.3	P 67.4
Current service cost and interest cost	**19.4**	16.7	11.6
Actuarial losses (gains)	**(15.0)**	24.8	18.9
Transfer from the plan	**(5.0)**	-	-
Benefits paid by the plan	**(13.3)**	(12.5)	(11.6)
Balance at end of year	**P 101.5**	P 115.3	P 86.3

The movements in the fair value of plan assets are presented below.

	2010	2009	2008
Balance at beginning of year	**P 51.3**	P 44.6	P 46.4
Contributions paid into the plan	**22.1**	15.0	6.9
Benefits paid by the plan	**(13.3)**	(12.5)	(11.6)
Actuarial losses	**3.2**	1.0	(0.8)
Transfer from the plan	**(5.0)**	-	-
Expected return on plan assets	**2.8**	3.2	3.7
Balance at end of year	**P 61.1**	P 51.3	P 44.6

Actual return on plan assets amounted P6.1 in 2010, P4.1 in 2009 and P3.0 in 2008.

The amounts of retirement benefits expense recognized in profit or loss follow:

	2010	2009	2008
Current service costs	**P 8.7**	P 6.9	P 6.0
Interest costs	**10.7**	9.8	5.6
Expected return on plan assets	**(2.8)**	(3.2)	(3.7)
Other benefits	**1.5**	0.7	-
	P 18.1	P 14.2	P 7.9

In determining the retirement benefits, the following actuarial assumptions were used:

	2010	2009	2008
Discount rates	**8.25%**	9.28%	11.38%
Expected rate of return on plan assets	**5.00%**	5.00%	7.00%
Expected rate of salary increases	**10.00%**	10.00%	10.00%

For 2011, the Group expects to contribute P17.0 to the plan.

19. RELATED PARTY TRANSACTIONS

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.

a. As of December 31, 2010, 2009 and 2008, total savings and demand deposit accounts maintained with BDO Unibank by the Group amounted to P42.6, P71.2 and P54.2, respectively. Interest income earned on deposits amounted to P4.7, P0.8 and P0.6 in 2010, 2009 and 2008, respectively. Cash equivalents totaling P16.0 and P66.0 is also maintained with BDO Unibank as of December 31, 2010 and 2009.

b. Total bills payable to BDO Unibank amounted to P351.0 as of December 31, 2010 and P254.0 as of December 31, 2009 and 2008. Interest expense incurred on bills payable amounted to P0.5, P14.2 and P11.3 in 2010, 2009 and 2008, respectively.

c. The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from one 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 amounted to P17.8, P16.1 and P12.7 in 2010, 2009 and 2008, respectively.

d. In 2010 and 2008, the Parent Company granted short-term unsecured loan amounting to P10.5 and P668.0, respectively, to BDO Rental, at prevailing market rates. The 2010 loan is not yet fully paid as of December 31, 2010 while the 2008 loan was fully paid in 2009. The loans carrying amount as of December 31, 2010 and 2008 amounted to P10.5 and P657.2 and are presented as part of Loans and Other Receivables in the Parent Company's statements of financial position.

   Total interest income earned by the Parent Company amounted to P1.0 in 2010, P27.6 in 2009 and P6.1 in 2008 on these loan transactions and is presented as part of Interest and Discounts in the Parent Company's statements of comprehensive income.

e. In 2009, the Group sold certain receivables with carrying amount of P501.4 for P564.0 to BDO Unibank, resulting to gain on sale of P62.6. The gain is included as presented as Gain on Sale of Receivable under Service Fees and Other Income (see Note 16).

f. Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) amounted to P26.2 in 2010, P24.6 in 2009 and P20.7 in 2008 and 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.

20. TAXES

20.1 Taxes and Licenses

This account is composed of the following:

	Group		
	2010	2009	2008
Gross receipts tax	**P 57.7**	P 56.9	P 53.9
Documentary stamp tax	**36.9**	24.2	16.7
Local taxes	**13.4**	8.3	7.1
Others	**4.8**	2.9	3.0
	P 112.8	P 92.3	P 80.7

	Parent Company		
	2010	2009	2008
Gross receipts tax	**P 57.7**	P 56.9	P 53.9
Documentary stamp tax	**36.5**	19.4	14.8
Local taxes	**6.6**	7.1	6.6
Others	**3.3**	2.1	3.0
	P 104.1	P 85.5	P 78.3

20.2 Current and Deferred Taxes

The components of tax expense reported in other comprehensive income for the years ended December 31 follow:

	Group		
	2010	2009	2008
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and 2009 and 35% in 2008	**P 83.4**	P 157.9	P 133.3
Final tax at 20%, 10% and 7.5%	**0.8**	2.1	0.1
	84.2	160.0	133.4
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**15.7**	(5.6)	37.3
Deferred tax relating to reduction in tax rate	**-**	-	(5.7)
	15.7	(5.6)	31.6
	P 99.9	P 154.4	P 165.0
Reported in other comprehensive income			
Deferred tax relating to origination of temporary difference	**P 7.6**	P -	P -

	Parent Company		
	2010	2009	2008
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% in 2010 and 2009 and 35% in 2008	**P 70.1**	P 147.5	P 107.3
Final tax at 20%, 10% and 7.5%	**0.4**	2.2	0.1
	70.5	149.7	107.4
Deferred tax expense (income)			
Deferred tax relating to origination and reversal of temporary difference	**18.1**	(7.4)	44.2
Deferred tax relating to reduction in tax rate	**-**	-	(5.8)
	18.1	(7.4)	38.4
	P 88.6	P 142.3	P 145.8
Reported in other comprehensive income			
Deferred tax relating to origination of temporary difference	**P 7.6**	P -	P -

A reconciliation of tax on pretax income computed at the applicable statutory rates to tax expense reported in the statements of comprehensive income follows:

	Group		
	2010	2009	2008
Tax on pretax income at 30% in 2010 and 2009 and 35% in 2008	**P 122.6**	P 136.3	P 185.8
Adjustment for income subjected to lower tax rates	**(0.6)**	(1.4)	(0.1)
Tax effects of:			
Non-deductible expense	**8.4**	26.4	25.1
Non-taxable income	**(34.1)**	(8.0)	(34.0)
Non-deductible interest expense	**3.6**	1.1	0.3
Reduction in deferred tax rate	**-**	-	(12.1)
Tax expense reported in profit or loss	**P 99.9**	P 154.4	P 165.0

	Parent Company		
	2010	2009	2008
Tax on pretax income at 30% in 2010 and 2009 and 35% in 2008	**P 118.5**	P 132.1	P 153.5
Adjustment for income subjected to lower tax rates	**(0.4)**	(1.4)	(0.1)
Tax effects of:			
Non-deductible expense	**0.2**	16.3	21.9
Non-taxable income	**(33.3)**	(5.8)	(16.6)
Non-deductible interest expense	**3.6**	1.1	0.3
Reduction in deferred tax rate	**-**	-	(13.2)
Tax expense reported in profit or loss	**P 88.6**	P 142.3	P 145.8

The components of net deferred tax liabilities as of December 31, 2010, 2009 and 2008 follow:

	Group		
	2010	2009 (As Restated - Note 15)	2008 (As Restated - Note 15)
Deferred tax assets:			
Allowance for impairment on:			
Loans	**P 68.2**	P 52.7	P 41.6
Investment properties	**21.2**	16.4	16.4
Accounts receivable	**2.1**	2.6	2.6
Retirement benefit obligation	**1.8**	2.1	2.0
Others	**0.6**	0.6	1.7
	93.9	74.4	64.3
Deferred tax liabilities:			
Lease income differential	**172.6**	137.4	133.2
Unrealized fair value gain on available-for-sale securities	**7.6**	-	-
Unrealized gain on exchange of assets	**1.6**	1.6	1.6
Others	**0.2**	0.2	-
	182.0	139.2	134.8
Net deferred tax liabilities	**P 88.1**	P 64.8	P 70.5

	Parent Company		
	2010	2009 (As Restated - Note 15)	2008 (As Restated - Note 15)
Deferred tax assets:			
Allowance for impairment on:			
Loans and discounts	**P 68.2**	P 52.7	P 37.4
Investment properties	**21.2**	16.4	16.4
Accounts receivable	**2.1**	2.6	2.6
Retirement benefit obligation	**1.8**	2.1	2.0
Others	**0.6**	0.6	1.2
	93.9	74.4	59.6
Deferred tax liabilities:			
Lease income differential	**180.4**	142.7	135.4
Unrealized fair value gain on available-for-sale securities	**7.6**	-	-
Unrealized gain on exchange of assets	**1.6**	1.6	1.6
Others	**0.2**	0.2	-
	189.7	144.4	137.0
Net deferred tax liabilities	**P 95.9**	P 70.1	P 77.4

The balance of deferred tax assets as of December 31, 2009 and 2008 were reduced from the amounts previously reported to correct the balance of the account on certain temporary differences (see Note 15.3).

The components of deferred tax expense (income) for the years ended December 31, 2010, 2009 and 2008 follow:

	Group			
	Profit or loss			Other Compre-hensive Income
	2010	2009	2008	**2010**
Deferred tax assets:				
Allowance for impairment on:				
Loans and discounts	**P 15.5**	P 11.1	(P 39.8)	**P -**
Accounts receivable	**(0.5)**	-	-	-
Investment properties	**4.8**	-	1.2	-
Retirement benefit obligation	**(0.3)**	0.1	(0.4)	-
Others	**-**	(1.1)	(1.4)	-
	19.5	10.1	(40.4)	-
Lease income differential	**35.3**	4.2	(9.5)	-
Unrealized gain on exchange of assets	**-**	-	0.7	-
Unrealized fair value gain on available-for-sale financial assets	**-**	-	-	**7.6**
Others	**(0.1)**	0.3	-	-
	35.2	4.5	(8.8)	-
Deferred tax expense (income)	**P 15.7**	(P 5.6)	P 31.6	**P 7.6**

	Parent Company			
	Profit or loss			Other Compre-hensive Income
	2010	2009	2008	**2010**
Deferred tax assets:				
Allowance for impairment on:				
Loans and discounts	**P 15.5**	P 15.3	(P 39.1)	**P -**
Accounts receivable	**(0.5)**	-	-	-
Investment properties	**4.8**	-	1.2	-
Retirement benefit obligation	**(0.3)**	0.1	(0.4)	-
Others	**-**	(0.7)	(1.8)	-
	19.5	14.7	(40.1)	-
Lease income differential	**37.7**	7.2	(2.3)	-
Unrealized gain on exchange of assets	**-**	-	0.6	-
Unrealized fair value gain on available-for-sale financial assets	**-**	-	-	**7.6**
Others	**(0.1)**	0.1	-	-
	37.6	7.3	(1.7)	-
Deferred tax expense (income)	**P 18.1**	(P 7.4)	P 38.4	**P 7.6**

20.3 Relevant Tax Regulations

Effective July 2009, Republic Act (RA) 9504 was approved giving corporate taxpayers an option to claim itemized deduction or optional standard deduction equivalent to 40% of gross revenues. Once the option is made, it shall be irrevocable for the taxable year for which the option was made.

In 2010 and 2009, the Parent Company opted to continue claiming itemized standard deductions.

20.4 Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued RR 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards; it is neither a required disclosure under the Philippine Securities and Exchange Commission rules and regulations covering the form and content of financial statements under Securities Regulation Code Rule 68.

The Parent Company presented this tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

21. EARNINGS PER SHARE

Basic earnings per share were computed as follows:

	Group		
	2010	2009	2008
Net income	**P 308.7**	P 300.0	P 365.6
Divided by the weighted average number of outstanding common shares – net*	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.14	P 0.17

	Parent Company		
	2010	2009	2008
Net income	**P 306.4**	P 298.1	P 292.7
Divided by the weighted average number of outstanding common shares – net*	**2,162**	2,162	2,162
Basic earnings per share	**P 0.14**	P 0.14	P 0.14

* net of treasury shares

There were no outstanding dilutive potential common shares as of December 31, 2010, 2009 and 2008.

22. CONTINGENT LIABILITIES AND COMMITMENTS

In addition to those already mentioned in the preceding notes, in the ordinary course of business, the Group incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. As of December 31, 2010, management does not anticipate significant losses from these contingencies and commitments that would adversely affect the Group's financial position and results of operations.