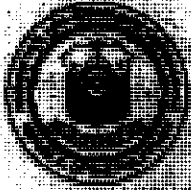




110282015001360



## SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines  
Tel: (632) 726-0931 to 39 Fax: (632) 725-6293 Email: [mis@sec.gov.ph](mailto:mis@sec.gov.ph)

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### Company Information

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SEC Registration No. 0000097869  
Company Name BDO LEASING AND FINANCE, INC.  
Industry Classification  
Company Type Stock Corporation

### Document Information

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Document ID 110282015001360  
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B D O L E A S I N G A N D F I N A N C E , I N C .  
A N D S U B S I D I A R Y  
\_\_\_\_\_  
\_\_\_\_\_

( 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

835-64-16 / 840-7000  
Company Telephone Number

0 9      3 0  
Month      Day  
Fiscal Year

SEC FORM 17-Q  
FORM TYPE

any day in April or 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.

1,155  
Total No. of Stockholders

Total Amount of Borrowings  
22,588,805,899.61      -  
Domestic      Foreign

To be accomplished by SEC Personnel concerned

\_\_\_\_\_  
File Number

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LCU

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Document I.D.

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**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, 2015
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: XXXXXXXXXX (SEC Use Only)

7. Address of issuer's principal office BDO Leasing Centre, Corinthian Gardens, Ortigas Ave., Q. C. 1100  
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 22,588,805,899.61</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  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 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, 2014 were consistently applied in the interim financial reports.

#### ***Adoption of New Interpretations, Revisions and Amendments to PFRS***

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncement, which the Company will apply in accordance with their transitional provisions, to be relevant to its financial statements.

**PFRS 9, *Financial Instruments*** (effective from January 1, 2015). PAS 39 will be replaced by PFRS 9 in its entirety which is being issued in phases. The main phases are (with a separate project dealing with derecognition):

Phase 1: Classification and Measurement

Phase 2: Impairment Methodology

Phase 3: Hedge Accounting

To date, the chapters dealing with recognition, classification, measurement and derecognition of financial assets and liabilities have been issued. These chapters are effective for annual periods beginning January 1, 2015. Other chapters dealing with impairment methodology and hedge accounting are still being developed. The Group does not expect to implement and adopt PFRS 9 until its effective date. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of the Group and its plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

#### **PAS 27 (Amendment), *Separate Financial Statements* – applicable**

This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. The Group has evaluated the

various facts and circumstances related to its interest in other entities and has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the financial statements.

**PAS 28 (Amendment), *Investments in Associate and Joint Venture* – not applicable**

**PFRS 1, *First-time Adoption of PFRS on Government loans* – not applicable**

**PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets* – applicable**

The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32. The amendment also requires disclosure of information about recognized financial instruments which are subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria and amounts related to a financial collateral. These disclosures allow financial statement users to evaluate the effect or potential effect of netting arrangement. This amendment did not have a significant impact on the Group's financial statements as the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements.

**PFRS 10, *Consolidated Financial Statements* – applicable**

This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess. The Group has evaluated the various facts and circumstances related to its interest in other entities and has determined that the adoption of the foregoing standards, revisions and amendments had no material impact on the amounts recognized in the financial statements.

**PFRS 11, *Joint Arrangements* – not applicable**

**PFRS 12, *Disclosure of Interest in Other Entities* – not applicable**

**PFRS 13, *Fair Value Measurement* (effective from January 1, 2013) – applicable**

This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Other than additional disclosures presented in Note 6.02 of the Group 2013 Audited Financial Statements, the application of this standard had no significant impact on the amounts recognized and disclosures presented in the financial statements of the Group.

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

	September 30, 2015	(Audited) December 31, 2014	September 30, 2014
<b>ASSETS</b>			
Cash and Cash Equivalents	261.3	417.7	229.3
Available-for-Sale Investments	3,333.2	2,373.3	2,312.7
<b>Loans &amp; Other Receivables - net</b>			
<b>Finance Lease Receivables</b>			
Finance lease receivables	12,035.2	10,520.6	10,373.3
Residual value of leased assets	5,208.4	4,167.9	4,096.0
Unearned lease income	(1,204.4)	(1,118.1)	(1,138.2)
	<u>16,039.2</u>	<u>13,570.4</u>	<u>13,331.0</u>
<b>Loans and Receivables Financed</b>			
Loans and receivables financed	11,054.9	10,514.3	10,426.8
Unearned finance income	(70.0)	(75.4)	(88.6)
Clients' Equity	(34.6)	(36.5)	(37.7)
	<u>10,950.3</u>	<u>10,402.4</u>	<u>10,300.5</u>
<b>Other Receivables</b>			
Accounts Receivable	43.8	8.9	13.0
Sales Contract Receivable	28.7	16.1	16.2
Dividends Receivable	37.3	26.6	12.6
Accrued Interest Receivable	80.6	113.5	91.4
Accrued Rental Receivable	-	2.5	0.1
	<u>190.4</u>	<u>167.6</u>	<u>133.1</u>
Allowance for loan losses	(559.5)	(493.8)	(467.9)
	<u>(559.5)</u>	<u>(493.8)</u>	<u>(467.9)</u>
	<u>26,620.4</u>	<u>23,646.6</u>	<u>23,296.8</u>
Property, Plant and Equipment - net	2,243.1	2,012.6	1,741.4
Investment Properties - net	227.5	320.6	126.8
Other Assets - net	492.3	479.1	640.2
	<u>33,177.8</u>	<u>29,249.9</u>	<u>28,347.0</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
BBs Payable	22,564.9	19,653.0	19,019.5
Accounts Payable, Accrued Interest and Other Liabilities	390.2	417.2	411.2
Lease Deposits	5,212.6	4,193.9	4,122.8
	<u>28,167.7</u>	<u>24,264.1</u>	<u>23,553.4</u>
<b>Stockholders' Equity</b>			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Retained Earnings	2,174.7	2,185.8	2,039.6
Unrealized gain/(loss) on available-for-sale invest	156.1	140.6	81.5
OCI - Actuarial Gain/(Loss)	(35.1)	(35.1)	(41.9)
Treasury Stock	(81.8)	(81.8)	(81.8)
	<u>5,010.2</u>	<u>4,985.8</u>	<u>4,793.7</u>
	<u>33,177.8</u>	<u>29,249.9</u>	<u>28,347.1</u>

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

<b>For the nine months ended</b>	<b>September 30, September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>INCOME</b>		
Interest and discounts	1,146.9	1,080.0
Rent	590.9	436.8
Service fees & other income	153.0	163.6
	<b>1,890.8</b>	<b>1,680.4</b>
<b>EXPENSES</b>		
Interest and financing charges	417.1	338.3
Occupancy and equipment-related expenses	40.9	33.4
Depreciation Expense - Operating Lease	473.0	344.5
Compensation and fringe benefits	140.1	130.0
Taxes and licenses	143.3	136.3
Provision for impairment and credit losses	66.7	75.0
Litigation/assets acquired expenses	6.0	8.0
Miscellaneous Expense	69.9	64.0
	<b>1,357.0</b>	<b>1,129.5</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>533.8</b>	<b>550.9</b>
<b>PROVISION FOR INCOME TAX</b>	<b>146.5</b>	<b>173.1</b>
<b>NET INCOME</b>	<b>387.3</b>	<b>377.8</b>
<b>BASIC EARNINGS PER SHARE**</b>	<b>0.18</b>	<b>0.17</b>
<b>DILUTED EARNINGS PER SHARE**</b>	<b>0.18</b>	<b>0.17</b>

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

NET INCOME	387.3	377.8
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.18	0.17

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

<b>For the three months ended</b>	<b>September 30, September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>INCOME</b>		
Interest and discounts	397.1	362.4
Rent	211.1	159.7
Service fees & other income	48.8	49.0
	<b>657.0</b>	<b>571.1</b>
<b>EXPENSES</b>		
Interest and financing charges	148.2	119.8
Occupancy and equipment-related expenses	14.2	10.8
Depreciation Expense - Operating Lease	169.3	124.1
Compensation and fringe benefits	47.6	42.5
Taxes and licenses	50.2	44.2
Provision for impairment and credit losses	16.7	25.0
Litigation/assets acquired expenses	0.9	(0.2)
Miscellaneous Expense	23.9	19.5
	<b>471.0</b>	<b>385.7</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>186.0</b>	<b>185.4</b>
<b>PROVISION FOR INCOME TAX</b>	<b>49.4</b>	<b>58.4</b>
<b>NET INCOME</b>	<b>136.6</b>	<b>127.0</b>
<b>BASIC EARNINGS PER SHARE**</b>	<b>0.06</b>	<b>0.06</b>
<b>DILUTED EARNINGS PER SHARE**</b>	<b>0.06</b>	<b>0.06</b>



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

<b>For the nine months ended</b>	<b>September 30, September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>NET INCOME</b>	<b>387.3</b>	<b>377.8</b>
<b>OTHER COMPREHENSIVE INCOME</b>	<b>15.5</b>	<b>(30.7)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	<b>402.8</b>	<b>347.1</b>

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

<b>For the three months ended</b>	<b>September 30, September 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>NET INCOME</b>	136.6	127.0
<b>OTHER COMPREHENSIVE INCOME</b>	(108.1)	59.9
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	28.5	186.9

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**(in Millions)**

	Capital Stock	Additional Paid-In Capital	Treasury Stock, at Cost	Retained Earnings	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 per value Authorized and unissued - 200,000 shares			62,693,718 shares				
Common - P1 per value Authorized - 3,400,000,000 shares Issued - 2,225,169,930 shares							
Balance as of Jan 1, 2015	2,225.2	571.1	(81.8)	2,165.8	140.6	(35.1)	4,985.8
Total Comprehensive Income (loss)				387.3	15.5		402.8
Cash Dividends				(378.4)			(378.4)
Balance as of September 30, 2015	2,225.2	571.1	(81.8)	2,174.7	156.1	(35.1)	5,010.2
Balance as of Jan 1, 2014	2,225.2	571.1	(81.8)	1,966.2	112.2	(41.90)	4,771.0
Total Comprehensive Income (loss)				377.8	(30.7)		347.1
Cash Dividends				(324.4)			(324.4)
Balance as of September 30, 2014	2,225.2	571.1	(81.8)	2,039.6	81.5	(41.9)	4,793.7

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**In Millions**

For the three months ended

	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Retained Earnings	Unrealized Fair Value Gain (loss) on Available for Sale Financial Assets	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 par value Authorized and unissued - 200,000 shares			62,693,718 shares				
Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares							
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	2,038.1	264.2	(35.1)	4,981.7
Total Comprehensive Income (loss)				136.6	(108.1)		28.5
Cash Dividends				0.0			-
<b>Balance September 30, 2015</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,174.7</b>	<b>156.1</b>	<b>(35.1)</b>	<b>5,010.2</b>
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	1,912.6	21.8	(41.9)	4,606.8
Total Comprehensive Income (loss)				127.0	59.9		186.9
Cash Dividends				0.0			0.0
<b>Balance September 30, 2014</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>2,039.6</b>	<b>81.5</b>	<b>(41.9)</b>	<b>4,783.7</b>

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

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	533,728,850	550,983,045
Adjustments to reconcile income before income tax		
Interest received	1,178,014,068	1,061,476,141
Interest income	(1,146,931,299)	(1,079,974,010)
Interest and financing charges paid	(394,956,129)	(352,166,094)
Interest and financing charges	420,337,384	342,513,044
Depreciation and amortization	489,811,525	352,086,983
Impairment and credit losses	66,666,667	74,188,601
Gain on sale of property and equipment and investment properties	(6,634,659)	(26,634,881)
Day one loss (gain)	(55,690)	3,039,406
Operating profit before changes in operating assets and liabilities	1,139,980,715	925,512,235
Increase in loans and other receivables	(3,072,884,574)	(2,392,551,187)
Increase in other assets	(65,767,064)	(80,213,262)
Increase (decrease) in accounts payable and other liabilities	(45,024,816)	53,755,943
Increase in lease deposits	1,019,432,359	302,261,335
Net cash provided by (used in) operations	(1,024,263,381)	(1,191,234,937)
Income taxes paid	(106,200,249)	(71,994,651)
Net cash provided by (used in) operating activities	(1,130,463,630)	(1,263,229,588)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	92,643,972	64,231,234
Proceeds from disposal of property and equipment	46,546,647	(164,850,859)
Net acquisition of available for sale investment	(926,372,000)	(250,000,000)
Net acquisitions of property and equipment	(750,158,930)	(555,299,388)
Net cash used in investing activities	(1,537,340,311)	(905,919,013)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	2,889,813,477	2,584,783,624
Cash dividends paid	(378,433,178)	(324,371,297)
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	2,511,380,299	2,260,412,327
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(156,423,642)	91,263,726
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	417,703,875	138,001,464
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	261,280,233	229,265,190

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

	<b>September 30, 2015</b>	<b>September 30, 2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	185,854,434	185,538,737
Adjustments to reconcile income before income tax		
Interest received	408,479,979	369,046,880
Interest income	(397,131,048)	(362,336,358)
Interest and financing charges paid	(130,971,005)	(133,389,472)
Interest and financing charges	147,122,492	119,777,108
Depreciation and amortization	174,803,391	126,303,465
Impairment and credit losses	16,666,667	24,188,601
Gain on sale of property and equipment and investment properties	(2,471,101)	(4,367,535)
Day one loss (gain)	1,233,271	77,774
Operating profit before changes in operating assets and liabilities	403,587,079	324,839,199.51
Increase in loans and other receivables	(1,431,700,770)	(1,537,637,605)
Increase in other assets	(1,090,095)	(1,894,392)
Increase (decrease) in accounts payable and other liabilities	(18,760,876)	(66,984,368)
Increase in lease deposits	424,603,436	187,509,790
Net cash provided by (used in) operations	(623,361,225)	(1,094,167,376)
Income taxes paid	(50,153,143)	(22,336,551)
Net cash provided by (used in) operating activities	(673,514,368)	(1,116,503,927)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal (acquisition) of investment properties	15,873,657	71,028
Proceeds from disposal of property and equipment	(59,110,292)	(106,297,723)
Net acquisition of available for sale investment	(926,372,000)	(250,000,000)
Net acquisitions of property and equipment	(117,665,361)	(86,961,472)
Net cash used in investing activities	(1,087,273,996)	(443,188,167)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net availments of bills payable	1,819,861,589	1,410,240,367
Cash dividends paid	-	-
Acquisition of Treasury Stocks	-	-
Net cash provided by (used in) financing activities	1,819,861,589	1,410,240,367
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>59,073,225</b>	<b>(149,451,727)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE QUARTER</b>	<b>202,207,008</b>	<b>378,716,918</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE QUARTER</b>	<b>261,280,233</b>	<b>229,265,190</b>

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

### **September 2015 Compared to September 2014**

The company registered P387 million in net income for the quarter ending September 2015.

Gross revenues amounted to P1.9 billion, an increase of 13% from P1.7 billion last year. This was due to increased operating lease bookings as well as a hike in volumes from financial leases. Overall, Loans & Other Receivables grew by 14% from last year.

The portfolio growth was primarily funded by an 19% year-on-year increase in Bills Payable. Consequently, interest and financing charges rose 23% to P417 million.

Provision for Impairment & Credit Losses stood at P67 million decrease by 11% from last year's P75 million

Occupancy and equipment related expenses increased 22% to P41 million. Depreciation Expense-Operating Lease went up 37% to P473 million on a larger operating lease portfolio.

Litigation/assets acquired expenses decreased 25% to P6 million owing to lower maintenance expenses on acquired assets.

Total assets expanded 17% year-on-year to P33.2 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed 20% or P2.7 billion while net non-lease portfolio went up by 6% or P650 million. Property, Plant and Equipment-net increased 29% or P502 million as a result of the increase in net leased assets of BDORI.

Cash & cash equivalents dropped 14% to P32 million as free funds were invested in higher-yielding earning assets. Consequently, Available for Sale Investments, went up 44% to P1.0 billion.

Net investment properties rose to P228 million from P127 million, brought about by a reclassification of assets from Non Current Assets Held for Sale. Consequently, Other Assets declined year-on-year to P492 million from P640 million.

Bills Payable increased to P22.6 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities decreased P21.0 million year-on-year due to a reduction in outstanding check payments to suppliers/dealers.

Lease deposits went up from P4.1 billion in September 2014 to P5.2 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.0 billion.

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

	<u>September 2015</u>	<u>September 2014</u>
Current Ratio	0.49:1	0.41:1
Quick asset ratio	0.46:1	0.38:1
Debt to Equity Ratio	5.62:1	4.91:1
Net Profit Margin	20.48%	22.49%
Return on Equity	10.53%	10.63%

Formulas used:

Current ratio	=	Current Assets over Current Liabilities
Quick assets ratio	=	Quick assets over Current Liabilities
Debt to equity	=	Total Liabilities over Total Stockholders' Equity
Net profit margin	=	Net income over Gross Revenues
Return on ave. equity	=	Annualized Net income over Ave. Stockholders' Equity

**Related Party Transactions**

*(Amounts in Millions of Philippine Pesos)*

In the ordinary course of business, the Group enters into transactions with BDO Unibank and other affiliates. Under the Group's policy, these transactions are made substantially on the same terms as with other individuals and businesses of comparable risks.

The Group's and Parent Company's related parties include BDO Unibank and affiliates as described below.

The summary of the Group's significant transactions with its related parties in September 30, 2015, December 31, 2014 and September 30, 2014 are as follows:



<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2015	December 31, 2014	September 30, 2014
<b>Ultimate Parent Company (BDO Unibank)</b>				
Interest expense on Bills Payable	(b)	76.5	94.8	66.7
Rent Expense	(d)	7.4	10.5	8.1
Management fees	(e)	1.8	2.4	1.8
<b>Subsidiary (BDO Rental)</b>				
Service fees	(c)	3.4	6.3	2.9
Rent Income	(d)	0.3	0.4	0.2
Management fees	(e)	0.3	0.4	0.2
Dividend Income			43.8	
<b>Affiliate (BDO Capital)</b>				
Service and charges fees	(f)	3.3	3.5	2.7

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		September 30, 2015	December 31, 2014	September 30, 2014
<b>Parent Company (BDO Unibank)</b>				
Bills Payable	(b)	3,470.2	4,387.2	4,237.6
<b>Key Management Personnel</b>				
Advances employees	(h)	3.6	1.9	1.7

A) The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2015, December 31, 2014 and September 30, 2014, 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 deposits in September 30, 2015, December 31, 2014 and September 30, 2014, is included under Interest and Discounts as part of Revenues in the statements of comprehensive income.

B) The Group obtains short-term borrowings from BDO Unibank. The amount outstanding from borrowings as of September 30, 2015, December 31, 2014 and September 30, 2014 is

presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2015, December 31, 2014 and September 30, 2014, is included under Interest and financing charges account as part of Operating Costs and Expenses account in the statements of comprehensive income.

C) On January 4, 2010, the Parent Company and BDO Rental entered into a Service Agreement whereby BDO Rental will handle the collection of certain factored receivables of the Parent Company, for a fee as agreed by the Parent Company and the sellers of the factored receivables. Under the Service Agreement, BDO Rental shall perform the monitoring of the payment due dates of the factored receivables, remit to the Parent Company all collections made and send monthly statement of accounts to customers. The related expense charged to the Parent Company based on the Service Agreement is included under Other Operating Costs and Expenses in the Parent Company's statements of comprehensive income. There is no outstanding intercompany payable or receivable from this transaction as of September 30, 2015, December 31, 2014 and September 30, 2014.

D) 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 between the Parent Company and BDO Unibank. Related rent expense incurred in September 30, 2015, December 31, 2014 and September 30, 2014, is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of comprehensive income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2014 and 2013 is presented as part of Other Income in the statements of comprehensive income. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2015, December 31, 2014 and September 30, 2014.

E) In 2012, 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 2012 statement of comprehensive 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 2013 statement of comprehensive income of the Parent Company. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2015, December 31, 2014 and September 30, 2014.

F) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Parent Company's issuance of bills payable in 2013. Professional fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the September 2015 and 2014 statement of comprehensive income. There is no outstanding payable related on this transaction as of the end of September 30, 2015, December 31, 2014 and September 30, 2014.

G) The Group also granted cash advances to an officer in 2015 and 2014.

#### **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 thru BDO Leasing & Finance's branches. Additionally, we will use the extensive branch network of BDO Unibank, Inc. to boost referrals and ultimately our business volumes.
- We will aggressively tap the existing corporate accounts of the BDO Institutional Banking Group for possible lease requirements.
- We will continue to develop equipment vendor/supplier tie-ups to expand market presence and clientele base.
- We will expand and optimize our sources of funds to match our asset growth and help manage our funding costs. The company was recently granted authority by the SEC to issue an additional P10.0 billion Short Term Commercial Papers, bringing the total capability to P25.0 billion.
- 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 are unusual because of their nature, size, or incidents.

***None.***

- D. The nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

***None.***

- E. Issuances, repurchases, repayments of debt and equity securities;

***For the third quarter of 2015, the Company has issued bills payable amounting to P20,409.9M and made total payments on its bills payable amounting to P19,088.7M.***

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

***On February 25, 2015, the BOD approved the declaration of cash dividends at P0.175 per share, amounting to P378.4 million. The dividends were declared in favor of stockholders of record as of March 11, 2015 and said dividends were paid subsequently on March 24, 2015.***

***There were no dividends paid on other shares as the Company only has common shares as outstanding stock.***

- G. Segment revenue and segment result for business segments or geographical segments.

***Please see attached.***

- H. Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period.

- None*
- I. The effect of changes in the composition of the issuer during the interim period, including business combination, acquisition or disposal of subsidiaries and long term investments.

*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.*

***None***

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

***None***

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

***None***

**BDO LEASING & FINANCE, INC. AND SUBSIDIARY  
SEGMENT INFORMATION**

**For the nine months ended September 30, 2015  
(in millions)**

	<u>Leasing</u>	<u>Financing</u>	<u>Others</u>	<u>Total</u>
<b>Gross income</b>	<b>1,182.3</b>	<b>549.9</b>	<b>158.6</b>	<b>1,890.9</b>
<b>Segment revenue</b>	<b>1,182.3</b>	<b>549.9</b>	<b>158.6</b>	<b>1,890.9</b>
<b>Segment expense</b>	<b>848.6</b>	<b>394.7</b>	<b>113.9</b>	<b>1,357.1</b>
<b>Segment results</b>	<b>333.7</b>	<b>155.2</b>	<b>44.8</b>	<b>533.7</b>
<b>Income tax expense</b>				<b>146.5</b>
<b>Net income</b>				<b>387.2</b>
<b>Segment assets - net</b>	<b>17,980.1</b>	<b>10,682.4</b>	<b>-</b>	<b>28,662.5</b>
<b>Unallocated assets</b>				<b>4,515.2</b>
<b>Total Assets</b>				<b>33,177.8</b>
<b>Segment liabilities</b>	<b>16,413.1</b>	<b>11,364.4</b>	<b>-</b>	<b>27,777.5</b>
<b>Unallocated liabilities</b>				<b>390.2</b>
<b>Total Liabilities</b>				<b>28,167.7</b>

**BOJ LEASING AND FINANCE INC.**  
**AGENCY OF RECEIVABLES**  
**As of September 30, 2015**

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 5 Yrs.	3 to 5 Yrs.	Over 5 Yrs.	Non-Performing Loans
<b>Factored Receivables</b>	<b>208,000,409.26</b>	-	<b>162,827,251.91</b>	-	-	-	-	-	<b>28,178,897.77</b>
Finance Receivables	1,182,423.00	-	-	27,688,638.28	-	-	-	-	1,182,423.00
Finance Receivables - Purchased	280,141,216.73	127,463,894.28	134,867,694.63	27,688,638.28	320,179,890.28	326,424,158.62	3,648,448.28	898,027.06	82,278.82
Finance Receivables - Held	1,182,423.00	84,328,038.03	167,183,098.11	287,953,576.72	1,423,877,892.31	3,272,898,158.32	1,688,907,983.72	898,024,487.28	82,290,148.13
Finance Receivables - Other	8,274,804,078.85	27,634,870.28	616,680,980.22	1,482,683,898.28	1,423,877,892.31	7,944,903,086.18	1,688,637,878.94	63,215,385.10	387,485,750.05
Finance Receivables - Personal Loans Programs	17,263,584,457.87	898,027,898.47	1,292,578,181.74	1,587,428,144.88	3,018,283,814.41	-	-	-	1,168,000
Finance Receivables - Other	1,148,100	-	-	-	-	-	-	-	-
<b>TOTAL LOAN PORTFOLIO</b>	<b>28,296,894,778.91</b>	<b>1,071,277,720.14</b>	<b>2,294,827,498.56</b>	<b>3,264,834,832.08</b>	<b>4,482,991,994.99</b>	<b>11,682,815,465.80</b>	<b>2,682,287,221.91</b>	<b>924,238,820.26</b>	<b>807,623,798.98</b>
<b>Loans Allowance For Credit Losses</b>	<b>659,487,898.01</b>	-	-	-	-	-	-	-	-
<b>Finance Receivables - Net</b>	<b>27,738,006,880.90</b>	-	-	-	-	-	-	-	-
	489	-	-	-	-	-	-	-	-



**BDO Leasing and Finance, Inc. and Subsidiary**  
**Financial Ratios**  
**September 30, 2015 and 2014**  
*(Amounts in Millions of Philippine Pesos)*

**I. Current/Liquidity ratios**

Current ratio

	2015	2014	2015	2014
Total current assets	11,311.6	8,130.5	0.49	0.41
Total current liabilities	23,308.8	19,898.9		

Quick ratio

	2015	2014	2015	2014
Quick assets	10,818.9	7,495.5	0.46	0.38
Total current liabilities	23,308.8	19,898.9		

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

Solvency ratio

	2015	2014	2015	2014
(After tax net profit + Depreciation)	863.5	729.3	0.03	0.03
Total liabilities	28,167.7	23,553.3		

**Debt-to-equity ratio**

	2015	2014	2015	2014
Total liabilities	28,167.7	23,553.3	5.62	4.91
Total equity	5,010.2	4,793.7		

**III. Asset-to-equity ratio**

	2015	2014	2015	2014
Total assets	33,177.8	28,347.1	6.62	5.91
Total equity	5,010.2	4,793.7		

**IV. Interest coverage ratio**

	2015	2014	2015	2014
Earnings before interest and taxes	957.4	889.3	2.26	2.63
Interest expense	423.7	338.3		

**Interest coverage ratio**

**V. Profitability ratios**

	2015	2014	2015	2014
Net Profit	387.2	377.8	20.48%	22.49%
Interest income + Other operating income	1,890.9	1,680.3		

**Net profit margin**

Return on equity

Net profit  
Average equity

2015

2014

2015

2014

387.2  
4,902.0

377.8  
4,737.4

10.53%

10.63%

Return on assets

Net profit  
Average assets

387.2  
30,762.5

377.8  
25,595.1

1.68%

1.97%

VI. Others

Total real estate investments to Assets

Total investment properties  
Total assets

227.5  
33,177.8

126.8  
28,347.1

0.69%

0.45%

Loans to Assets

Total loans and other receivables  
Total assets

26,620.4  
33,177.8

23,296.7  
28,347.1

80.24%

82.18%

DOSRI to Net worth

2015

2014

2015

2014

Receivables from Directors, Officers  
 Stakeholders and Related Interests  
 Total equity

76.5

1.7

1.53%

0.04%

Amount of receivable from a single corporation to  
 Total receivables

Loan to a single corporation  
 Total loans and other receivables

1,300.0

1,162.4

4.88%

4.99%

26,620.4

23,296.7

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (September 2015 SEC Form 17-Q Report) to be signed on its behalf by the undersigned thereunto duly authorized.

**BDO LEASING & FINANCE, INC.**

  
**ROBERTO E. LAPID**  
PRESIDENT

  
**ROSALISA B. KAPUNG**  
VICE PRESIDENT/COMPTROLLER

**October 27, 2015**  
Date