

COVER SHEET

0 9 7 8 6 9
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 .
A N D S U B S I D I A R Y

(Company's Full Name)

1 2 A D B A V E N U E , O R T I G A S C E N T E R ,
M A N D A L U Y O N G C I T Y _____

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

ROBERTO E. LAPID
Contact Person

840-7000 loc 45422
Company Telephone Number

0 3 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.

1,116
Total No. of Stockholders

Total Amount of Borrowings
Php30,416,376,312.12
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, 2018
2. Commission identification number 097869
3. BIR Tax Identification No. 000-486-050-000
4. Exact name of issuer as specified in its charter BDO LEASING & FINANCE, INC.
5. Province, country or other jurisdiction of incorporation or organization Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office 39/F, BDO Corporate Center Ortigas, 12 ADB Ave, Ortigas Center, Mandaluyong City 1550
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 30,417,084,647.95</u>

11. Are any or all of the securities listed on a Stock Exchange?
Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

Philippine Stock Exchange, Inc.

Common stock

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a) – 1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [**X**] No []

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

Yes [**X**] No []

PART I--FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

The financial statements of BDO Leasing & Finance, Inc. and Subsidiary are prepared and presented in accordance with Philippine Financial Reporting Framework.

The accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2017 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 2017. 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, 2018). 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, 2018. Other chapters dealing with impairment methodology and hedge accounting are still being developed. The Company 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 Company 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 40 (Amendment), Investment Property – Reclassification to and from investment property (effective from January 1, 2018). The amendment states that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The amendment provided a non-exhaustive list of examples constituting change in use. Management has assessed that this amendment has no significant impact on the Company's financial statements.

PFRS 16, Leases (effective from January 1, 2019). The new standard will eventually replace PAS 17, Leases.

For lessees, it requires to account for leases "on-balance sheet" by recognizing a "right of use" asset and a lease liability. The lease liability is initially measured as the present value of future lease payments. For this purpose, lease payments include fixed, non-cancellable payments for lease elements, amounts due under residual value guarantees, certain types of contingent payments and amounts due during optional periods to the extent that extension is reasonably certain. In subsequent periods, the "right-of-use" asset is accounted for similar to a purchased asset subject to depreciation or amortization. The lease liability is accounted for similar to a financial liability which is amortized using the effective interest method. However, the new standard provides important reliefs or exemptions for short-term leases and leases of low value assets. If these exemptions are used, the accounting is similar to operating lease accounting under PAS 17 where lease payments are recognized as expenses on a straight-line basis over the lease term or another systematic basis (if more representative of the pattern of the lessee's benefit).

For lessors, lease accounting is similar to PAS 17's. In particular, the distinction between finance and operating leases is retained. The definitions of each type of lease, and the supporting indicators of a finance lease, are substantially the same as PAS 17's. The basic accounting mechanics are also similar, but with some different or more explicit guidance in few areas. These include variable payments, sub-leases, lease modifications, the treatment of initial direct costs and lessor disclosures.

Management is currently assessing the impact of this new standard in its financial statements.

PFRS 10 (Amendments), Consolidated Financial Statements, and PAS 28 (Amendments), Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture (effective date deferred indefinitely). The amendments to PFRS 10 require full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, Business Combinations, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale or contribution of assets that do not constitute a business. Corresponding amendments have been made to PAS 28 to reflect these changes. In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction.

PFRS 15, Revenue from Contract with Customers (effective from January 1, 2018). This standard will replace PAS 18, Revenue, and PAS 11, Construction Contracts, the related Interpretations on revenue recognition: International Financial Reporting Interpretations Committee (IFRIC) 13, Customer Loyalty Programmes, IFRIC 15, Agreement for the Construction of Real Estate, IFRIC 18, Transfers of Assets from Customers and Standing Interpretations Committee 31, Revenue – Barter Transactions Involving Advertising Services. This new standard establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize. The core principle in the said framework is for an entity to recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Management has assessed that this standard has no significant impact on the Company's financial statements.

IFRIC 22, Foreign Currency Transactions and Advance Consideration - Interpretation on Foreign Currency Transactions and Advance Consideration (effective from January 1, 2018). The interpretation provides more detailed guidance on how to account for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary asset (arising from advance payment) or liability (arising from advance receipt). If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. Management has initially assessed that this amendment has no material impact on the Company's financial statements.

Annual Improvements to PFRS 2014-2016 Cycle. Among the improvements, PAS 28 (Amendment), Investment in Associates – Clarification on Fair Value through Profit or Loss Classification (effective from January 1, 2018), is relevant to the Company. The amendment clarifies that the option for venture capital organization, mutual funds and other similar entities to elect the FVTPL classification in measuring investments in associates and joint ventures shall be made at initial recognition, separately for each associate or joint venture. Management has initially assessed that this amendment has no material impact on the Company's financial statements.

PAS 28 (Amendment), Investment in Associates – Long-term Interest in Associates and Joint Venture (effective from January 1, 2019). The amendment clarifies that the scope exclusion in PFRS 9 (2014) applies only to ownership interests accounted for using the equity method. Thus, the amendment further clarifies that long term interests in an associate or joint venture – to which the equity method is not applied – must be accounted for under PFRS 9 (2014), which shall also include long term interests that, in substance, form part of the entity's net investment in an associate or joint venture. Management is currently assessing the impact of this new standard in its financial statements.

IFRIC 23, Uncertain over Income Tax Treatments (effective from January 1, 2019). The interpretation provides clarification on the determination of taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates when there is uncertainty over income tax treatments. The core principle of the interpretation requires the Company to consider the probability of the tax treatment being accepted by the taxation authority. When it is probable that the tax treatment will be accepted, the determination of the taxable profit, tax bases, unused tax losses, unused tax credits, and tax rates shall be on the basis of the accepted tax treatment. Otherwise, the Company has to use the most likely amount or the expected value, depending on the surrounding circumstances, in determining the tax accounts identified immediately above. Management is currently assessing the impact of this new standard in its financial statements.

Annual Improvements to PFRS 2015-2017 Cycle. Among the improvements, the following amendments are relevant to the Company but had no material impact on the Company's financial statements as these amendments merely clarify existing requirements:

●**PAS 12 (Amendments), Income Taxes – Tax Consequences of Dividends.** The amendments clarify that all income tax consequence of dividend payments should be recognized in profit or loss.

●**PAS 23 (Amendments), Borrowing Costs – Eligibility for Capitalization.** The amendments clarify that any specific borrowing which remains outstanding after the related qualifying asset is ready for its intended purpose, such borrowing will then form part of the entity's general borrowings when calculating the capitalization rate for capitalization purposes.

●**PFRS 3 (Amendments), Business Combinations and PFRS 11 (Amendments), Joint Arrangements – Remeasurement of Previously Held Interests in a Joint Operation.** The amendments clarify that previously held interest in a joint operation shall be remeasured when the Company obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Company obtains joint control of the business.

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

	March 31, 2018	(Audited) December 31, 2017	March 31, 2017
ASSETS			
Cash and Cash Equivalents	287.9	457.7	375.9
Available-for-Sale Investments	4,556.1	4,642.0	4,814.8
Loans & Other Receivables - net			
Finance Lease Receivables			
Finance lease receivables	14,426.5	13,951.7	12,844.3
Residual value of leased assets	6,138.8	5,974.4	5,725.4
Unearned lease income	(1,430.7)	(1,361.1)	(1,191.4)
	19,134.6	18,565.0	17,378.3
Loans and Receivables Financed			
Loans and receivables financed	15,421.7	16,022.9	15,438.4
Unearned finance income	(16.1)	(19.4)	(33.7)
Clients' Equity	(31.7)	(33.3)	(34.2)
	15,373.9	15,970.2	15,370.5
	34,508.5	34,535.2	32,748.8
Other Receivables			
Accounts Receivable	273.1	275.4	50.7
Sales Contract Receivable	30.3	32.2	19.6
Dividends Receivable	41.9	55.5	41.9
Accrued Interest Receivable	75.3	97.6	65.4
Accrued Rental Receivable	13.0	8.7	-
	433.6	469.4	177.6
Allowance for loan losses	(694.6)	(679.8)	(632.8)
	(694.6)	(679.8)	(632.8)
	34,247.5	34,324.7	32,293.5
Property, Plant and Equipment - net	2,195.7	2,256.6	2,288.0
Investment Properties - net	346.7	354.4	426.5
Other Assets - net	844.1	806.2	835.7
	42,478.0	42,841.6	41,034.5
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bills Payable	30,417.1	30,478.3	29,867.2
Accounts Payable, Accrued Interest and Other Liabilities	678.5	932.4	470.2
Lease Deposits	6,152.2	5,988.6	5,742.2
	37,247.8	37,399.3	36,079.6
Stockholders' Equity			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Retained Earnings	2,491.9	2,618.5	2,192.0
Unrealized gain/(loss) on available-for-sale invest	83.5	169.0	91.2
OCI - Actuarial Gain/(Loss)	(59.7)	(59.7)	(42.8)
Treasury Stock	(81.8)	(81.8)	(81.8)
	5,230.2	5,442.3	4,954.9
	42,478.0	42,841.6	41,034.5

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

For the three months ended	March 31,	March 31,
	2018	2017
INCOME		
Interest and discounts	483.3	469.9
Rent	234.5	237.0
Service fees & other income	65.0	47.1
	<u>782.8</u>	<u>754.0</u>
EXPENSES		
Interest and financing charges	249.8	191.0
Occupancy and equipment-related expenses	11.6	12.9
Depreciation Expense - Operating Lease	214.0	198.5
Compensation and fringe benefits	57.7	51.9
Taxes and licenses	87.0	63.7
Provision for impairment and credit losses	16.7	12.5
Litigation/assets acquired expenses	4.7	2.5
Miscellaneous Expense	27.9	23.4
	<u>669.4</u>	<u>556.4</u>
INCOME BEFORE INCOME TAX	113.4	197.6
PROVISION FOR INCOME TAX	23.7	53.6
NET INCOME	<u>89.7</u>	<u>144.0</u>
BASIC EARNINGS PER SHARE**	<u>0.04</u>	<u>0.07</u>
DILUTED EARNINGS PER SHARE**	<u>0.04</u>	<u>0.07</u>

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

NET INCOME	89.7	144.0
DIVIDED BY OUTSTANDING SHARES	2,162.5	2,162.5
EPS(Basic and Diluted)	0.04	0.07

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

For the three months ended	March 31, 2018	March 31, 2017
NET INCOME	89.7	144.0
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain/(Loss) on FVOCI-ne	(85.5)	(106.1)
TOTAL COMPREHENSIVE INCOME/(LOSS)	4.2	37.9

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 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 as of Jan 1, 2018	2,225.2	571.1	(81.8)	2,618.5	169	(59.7)	5,442.3
Total Comprehensive Income (loss)				89.7	(85.5)	-	4.2
Cash Dividends				(216.3)			(216.3)
Balance as of March 31, 2018	2,225.2	571.1	(81.8)	2,491.9	83.5	(59.7)	5,230.2
Balance as of Jan 1, 2017	2,225.2	571.1	(81.8)	2,480.5	197.3	(42.8)	5,349.5
Total Comprehensive Income (loss)				144.0	(106.1)		37.9
Cash Dividends				(432.5)			(432.5)
Balance as of March 31, 2017	2,225.2	571.1	(81.8)	2,192.0	91.2	(42.8)	4,954.9

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE PERIODS INDICATED

	<u>March 2018</u>	<u>March 2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	P 113,385,796	P 197,674,830
Adjustments for:		
Interest received	465,203,691	494,608,498
Interest and discounts	(483,130,354)	(469,901,577)
Depreciation and amortization	219,001,874	203,734,591
Interest and financing charges paid	(229,891,473)	(192,600,255)
Interest and financing charges	248,668,072	194,193,568
Dividend income	(57,346,394)	(43,119,302)
Impairment and credit losses	16,666,667	12,500,000
Gain on sale of property and equipment and investment properties	(1,871,028)	(1,748,935)
Equity share in net earnings of a subsidiary and an associate	8,422,745	7,702,060
Day-one gain - net	318,548	(1,226,521)
Operating profit before changes in operating assets and liabilities	<u>299,428,145</u>	<u>401,816,957</u>
Increase in loans and other receivables	134,807,210	(906,994,914)
Increase in other assets	(67,513,446)	(26,053,260)
Increase in accounts payable and other liabilities	(230,060,975)	(248,290,327)
Increase in lease deposits	<u>164,040,872</u>	<u>159,836,632</u>
Cash used in operations	300,701,806	(619,684,913)
Cash paid for income taxes	(29,351,573)	(37,743,881)
 Net Cash Used in Operating Activities	 <u>271,350,233</u>	 <u>(657,428,793)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(137,890,328)	(125,503,513)
Proceeds from disposal of property and equipment and investment properties	(7,156,813)	20,131,402
Acquisition of AFS financial assets	<u>-</u>	<u>(1,400,000,000)</u>
 Net Cash Used in Investing Activities	 <u>(145,047,141)</u>	 <u>(1,505,372,111)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net availments of bills payable	(79,815,104)	2,600,750,102
Payments of cash dividends	(216,247,531)	(432,495,062)
Net Cash From Financing Activities	<u>(296,062,635)</u>	<u>2,168,255,039</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	 <u>(169,759,544)</u>	 <u>5,454,135</u>
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>457,651,034</u>	 <u>370,475,033</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>P 287,891,491</u></u>	<u><u>P 375,929,167</u></u>

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

March 2018 Compared to March 2017

The company registered P89.7 million in net income for the quarter ending March 2018.

Gross revenues amounted to P782.8 million, an increase of 4% from P754.0 million last year. This was due the increase in volumes from loans and receivables finance. Overall, Loans & Other Receivables grew by 6% year on year to P34.2 billion from last year.

The portfolio growth was funded by a 2% year-on-year increase in Bills Payable. Interest and financing charges rose 31% to P249.8 million due primarily to a rising interest rate environment.

The company set aside P16.7 million as provision for credit and impairment losses bringing its NPL cover to 89%.

Occupancy and equipment related expenses decreased 10% to P11.6 million. Depreciation Expense-Operating Lease went up 8% to P214 million due to new bookings of Operating Leases.

Litigation/assets acquired expenses increased 88% to P5 million owing to maintenance expenses on acquired assets.

Total assets expanded 4% year-on-year to P42.5 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed to P19.2 billion from P17.4 billion in March 2017. Property, Plant and Equipment-net decreased 4% or P92.34 million.

Cash & cash equivalents went down by 23% or P88 million as the Company's free funds were invested in higher-yielding earning assets. Available for Sale investments went down 5% to P4.6 billion due to maturity of investment in bonds.

Net investment properties declined to P347 million from P427 million. Other Assets decreased year-on-year to P844 million from P836 million.

Bills Payable increased to P30.4 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities increased P208.3 million year-on-year mainly due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.7 billion in March 2017 to P6.2 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.2 billion.

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

	March 2018	March 2017
Current Ratio	0.38:1	0.38:1
Quick asset ratio	0.37:1	0.37:1
Debt to Equity Ratio	7.12:1	7.28:1
Net Profit Margin	11.46%	19.10%
Return on Equity	7.05%	11.75%

Formulas used:

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

Related Party Transactions

(Amounts in Millions of Philippine Pesos)

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

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

The summary of the Company's significant transactions with its related parties in March 31, 2018, December 31, 2017 and March 31, 2017 are as follows:

BDO Leasing & Finance Inc
Related Party Transaction
March 31, 2018, December 31, 2017 and March 31, 2017

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		March 31, 2018	December 31, 2017	March 31, 2017
Ultimate Parent Company (BDO Unibank)				
Interest Income on savings and demand deposits	(a) P	0.2 P	0.8 P	0.2
Interest expense on Bills Payable	(b)	34.2	141.5	23.9
Rent Expense	(c)	3.3	12.3	3.1
Management fees	(d)	4.0	13.8	1.7
Employee stock option plan		1.7	6.3	0.7
Subsidiary (BDO Rental)				
Rent Income	(c)		0.1	
Management fees	(d)	0.1	0.4	0.1
Dividend Income	(h)	35.0	120.0	120.0
Related Party under Common Ownership (BDO Capital, BDO Strategic and BDO Insurance)				
Service and charges fees	(e, i)	2.6	5.0	0.8
Interest expense on Bills Payable	(j)	7.6	94.1	

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		March 31, 2018	December 31, 2017	March 31, 2017
Parent Company (BDO Unibank)				
Savings and demand deposits	(a) P	283.1 P	453.0 P	370.6
Bills Payable	(b)	1,416.6	4,782.9	8,756.5
Employee stock option		1.7	-	0.7
Subsidiary (BDO Rental)				
Accounts Receivable				109.4
Dividend receivable	(h)	35.0		120.0
Related Party under Common Ownership				
Accounts Receivable	(i)		0.8	0.7
Bills Payable	(j)	6,913.4	3,901.0	
Unearned Rental Income	(k)	8.1	4.6	
Key Management Personnel				
Loans to Officers	(f)	5.9	7.5	10.3
Retirement Fund				
Shares of stock	(g)	1.6	1.0	

- (a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of 31 March 31, 2018, December 31, 2017 and March, 2017, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on these deposits in March 31, 2018 and March 31, 2017 is included as part of Interest and Discounts under the Revenues account in the statements of income.
- (b) The Group obtains short-term bills payable from BDO Unibank. The amount outstanding from borrowings as of March 31, 2018, December 31, 2017 and March 31, 2017 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable March 31, 2018 and March 31, 2017 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of income.
- (c) The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from three to five years, renewable for such period and under such terms and conditions as may be agreed upon with the Parent Company and BDO Unibank. Related rent expense incurred in March 31, 2018 and March 31, 2017 is

presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of 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 March 31, 2018 and March 31, 2017 is presented as part of Other Income in the statements of income. There is no outstanding receivable and payable on these transactions as of the end of March 31, 2018, December 31, 2017 and March 31, 2017.

- (d) In 2013, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the statements of income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the Parent Company's statements of income. There are no outstanding receivable and payable on these transactions as of the end of March 31, 2018, December 31, 2017 and March 31, 2017.
- (e) 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 short term commercial papers. Service and charges fees paid by the Parent Company to BDO Capital both for March 31, 2018 and March 31, 2017 is included as part of Other Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of March 31, 2018, December 31, 2017 and March 31, 2017.
- (f) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Parent Company. Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. The Group also granted loans to officers which are secured by mortgage on the property, bear interest at 9.0% per annum and have terms ranging from 3 to 4 years. Outstanding loans to officers are presented as part of Accounts receivable under Loans and Other Receivables account. The Group assessed that these loans are not impaired as of March 31, 2018, December 31, 2017 and March, 2017.
- (g) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company in 2018 and 2017, respectively, which has a market value of P3.10 and P1.90 per share as of March 31, 2018 and 2017, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.
- (h) BDO Rental declared Cash Dividends which is presented as part of other income in the Parent company's statement of income in March 31, 2018 and March 31, 2017. This resulted for outstanding receivable of the Parent Company from BDO Rental in 2017 which is recorded as part of Dividends receivable under Loans and Other Receivables account in the statements of financial position in March 31, 2018 and March 31, 2017
- (i) The Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred and are included as part of Service Fees and other Income. This resulted for outstanding receivable of the Parent Company from BDO Insurance in 2018 and 2017 which is recorded as part of Accounts receivables under Loans and Other Receivables account in the statements of financial position. The Parent assessed that such receivable is not impaired.

- (j) In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. and SM Prime Holdings, Inc. The amount outstanding from borrowings from borrowings is presented under Bills Payable account in the statement of financial position. Interest expense incurred on these bills payable is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the March 31, 2018 and March 31, 2017.
- (k) In 2017, BDO Rental, entered into Operating Lease Agreement with BDO Nomura Securities, Inc. (BDO Nomura) which will commence this 2018. Prepaid rental made by BDO Nomura is included as part of Other Liabilities under Accounts Payable and Other Liabilities account in March 31, 2018 statement of financial position.

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 our market presence and clientèle base.
- We will continue to expand and optimize our sources of funds to match our asset growth and help manage our funding costs by effectively utilizing the authority granted by the Securities and Exchange Commission for BDO Leasing to issue P15 Billion Short Term Commercial papers.
- We will continue to control operating expenses to ensure that these remain at a level, which is attuned with our business volumes.
- We will continue to pursue process improvements to improve our services to our various stakeholders.

PART II--OTHER INFORMATION

Nothing to report.

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

ITEM 1-7

B. Explanatory comments about the seasonality or cyclicity of interim operations;

The Company is not affected by seasonality or cyclicity factors when it comes to interim financial reporting since there are no products or services that are seasonal.

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

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 first quarter of 2018, the Company has issued bills payable amounting to P21,972.4M and made total payments on its bills payable amounting to P19,241.3M.

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

On February 21, 2018, the BOD approved the declaration of cash dividends at P0.10 per share, amounting to P216.2 million. The dividends were declared in favor of stockholders of record as of March 9, 2018 and said dividends were paid subsequently on March 27, 2018.

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.

The Company's share in MAFS' net loss amounted to P8.4 million which is presented as part of Service fee & other income in the March 31, 2018 statement of income. MAFS is a private company and there are no quoted prices available for its shares of stock.

- 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 three months ended March 31, 2018
 (in millions)


	Leasing	Financing	Others	Eliminations	Total
Segment revenues					
External	449.9	263.4	69.5		782.8
Inter-segment			35.1	(35.1)	-
	<u>449.9</u>	<u>263.4</u>	<u>104.6</u>	<u>(35.1)</u>	<u>782.8</u>
Segment expenses					
External	384.7	225.2	59.5		669.4
Inter-segment			0.1	(0.1)	-
	<u>384.7</u>	<u>225.2</u>	<u>59.6</u>	<u>(0.1)</u>	<u>669.4</u>
Segment results	65.2	38.1	45.1	(35.0)	113.4
Income tax expense					23.7
Net Income					<u>89.7</u>
Segment assets - net	20,988.2	15,015.0	5,599.5	(497.4)	41,105.4
Unallocated assets					1,372.6
Total Assets					<u>42,478.0</u>
Segment liabilities	20,062.5	16,506.8	-		36,569.3
Unallocated liabilities					678.5
Total Liabilities					<u>37,247.8</u>

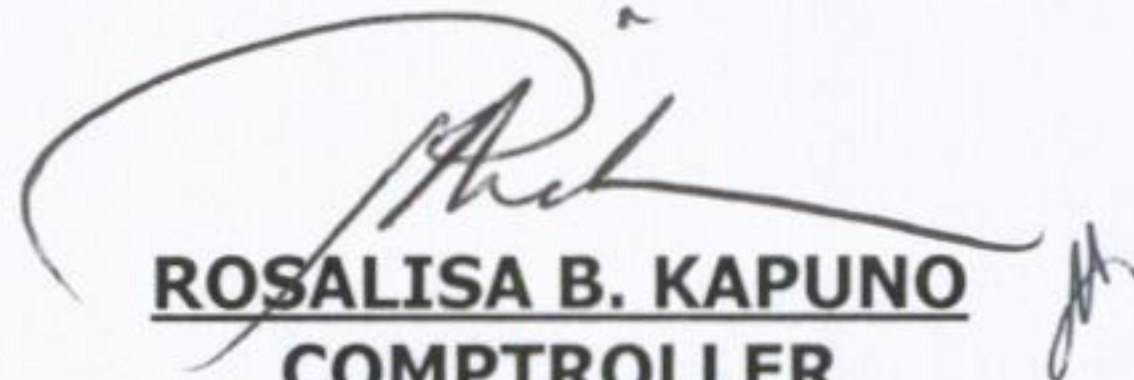
Segment expenses are allocated on the basis of gross income.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (March 2018 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. KAPUNO
COMPTROLLER

May 4, 2018
Date

BDO LEASING AND FINANCE INC.
AGING OF RECEIVABLES
As of March 31, 2018

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.	Non- Performing Loans
Factored Receivable	167,038,130.31	-	146,949,403.46	-	-	-	-	-	20,088,726.85
Receivables Purchased	56.00	-	-	-	-	-	-	-	56.00
Floor Stock Financing	310,842,885.98	170,056,027.23	121,180,194.54	19,606,664.21	-	-	-	-	-
Installment Paper Purchase	555,034,212.06	70,166,509.93	113,636,292.21	135,872,911.94	128,710,236.35	30,282,628.75	641,568.46	-	75,724,064.42
Amortized Commercial Loan	14,388,832,088.45	331,371,077.95	1,147,401,490.21	898,943,697.13	1,688,622,738.82	5,252,409,693.45	2,122,997,926.71	2,577,428,917.22	369,656,546.97
Lease Contract Receivables	20,565,311,801.76	1,073,427,869.66	1,306,459,867.48	1,932,847,029.77	3,329,780,408.35	8,963,671,637.65	3,473,248,356.13	2,250,609.07	483,626,023.65
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
Discounting Line	-	-	-	-	-	-	-	-	-
TOTAL LOAN PORTFOLIO	35,987,060,322.56	1,645,021,484.77	2,835,627,247.90	2,987,270,303.05	5,147,113,383.52	14,246,363,959.84	5,596,887,851.30	2,579,679,526.29	949,096,565.89

Less: Allowance For Credit losses 694,643,751.77

Finance Receivables - Net 35,292,416,570.79
0.00

BDO Leasing and Finance, Inc. and Subsidiary
Financial Ratios
March 31, 2018 and 2017
(Amounts in Millions of Philippine Pesos)

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
I. Current/liquidity ratios				
Current ratio				
<u>Total current assets</u>	12,282.2	11,875.4	0.38	0.38
Total current liabilities	32,383.8	31,109.4		
Quick ratio				
<u>Quick assets</u>	12,033.0	11,630.9	0.37	0.37
Total current liabilities	32,383.8	31,109.4		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
<u>(After tax net profit + Depreciation)</u>	308.7	343.5	0.01	0.01
Total liabilities	37,247.8	36,079.6		

		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Debt-to-equity ratio					
	<u>Total liabilities</u>	37,247.8	36,079.6	7.12	7.28
	Total equity	5,230.2	4,954.9		
III. Asset-to-equity ratio					
Asset-to-equity ratio					
	<u>Total assets</u>	42,478.0	41,034.5	8.12	8.28
	Total equity	5,230.2	4,954.9		
IV. Interest coverage ratio					
Interest coverage ratio					
	<u>Earnings before interest and taxes</u>	362.1	388.6	1.46	2.04
	Interest expense	248.7	190.9		
V. Profitability ratios					
Net profit margin					
	<u>Net Profit</u>	89.7	144.0	11.46%	19.10%
	Interest income + Other operating income	782.8	754.0		

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Return on equity				
<u>Net profit</u>	<u>89.7</u>	<u>144.0</u>	7.05%	11.75%
Average equity	5,092.6	4,902.2		

Return on assets				
<u>Net profit</u>	<u>89.7</u>	<u>144.0</u>	0.86%	1.51%
Average assets	41,756.3	38,204.5		

VI. Others

Total real estate investments to Assets				
<u>Total investment properties</u>	<u>346.7</u>	<u>426.5</u>	0.82%	1.04%
Total assets	42,478.0	41,034.5		

Loans to Assets				
<u>Total loans and other receivables</u>	<u>34,247.5</u>	<u>32,293.6</u>	80.62%	78.70%
Total assets	42,478.0	41,034.5		

	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
DOSRI to Net worth				
Receivables from Directors, Officers, Stakeholders and Related Interests	<u>8.4</u>	<u>12.9</u>	0.16%	0.26%
Total equity	5,230.2	4,954.9		
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation	<u>1,280.5</u>	<u>1,293.5</u>	3.74%	4.01%
Total loans and other receivables	34,247.5	32,293.6		