

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, 2019
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 21,500,802,240.00</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, 2018 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 became effective in 2019. These include:

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.

PAS 19 (Amendments), Employee Benefits – Plan Amendment, Curtailment or Settlement - (effective January 1, 2019). The amendments require the use of updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

PAS 28 (Amendments), Investment in Associates – Long-term Interest in Associates and Joint Venture (effective from January 1, 2019). The amendments clarify that the scope exclusion in PFRS 9 applies only to ownership interests accounted for using the equity method. Thus, the amendments further clarify 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, which shall also include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture.

PFRS 9 (Amendments), Financial Instruments – Prepayment Features with Negative Compensation (effective from January 1, 2019). The amendments clarify that prepayment features with negative compensation attached to financial instruments may still qualify under the "solely payments of principal and interests" (SPPI) test. As such, the financial assets containing prepayment features with negative compensation may still be classified at amortized cost or at FVOCI.

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.

IFRIC 23, Uncertainty 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.

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 Group obtains control of the business. On the other hand, previously held interests in a joint operation shall not be remeasured when the Group obtains joint control of the business.

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

	September 30, 2019	(Audited) December 31, 2018	September 30, 2018
ASSETS			
Cash and Cash Equivalents	263.7	274.6	219.5
Financial Assets at Fair Value through Other Comprehensive Income (OCI)	3,170.8	3,591.9	3,813.8
Loans & Other Receivables - net			
Finance Lease Receivables			
Finance lease receivables	10,833.8	15,351.4	15,280.6
Residual value of leased assets	4,827.7	6,582.4	6,529.3
Unearned lease income	(1,308.1)	(1,618.6)	(1,553.9)
	14,353.4	20,315.2	20,256.0
Loans and Receivables Financed			
Loans and receivables financed	12,181.5	14,299.2	14,859.4
Unearned finance income	(24.0)	(29.2)	(29.2)
Clients' Equity	(28.1)	(31.6)	(32.3)
	12,129.4	14,238.4	14,797.9
	26,482.8	34,553.6	35,053.8
Other Receivables			
Accounts Receivable	257.2	209.7	196.9
Sales Contract Receivable	22.5	33.1	31.8
Dividends Receivable	28.5	32.1	32.1
Accrued Interest Receivable	44.1	63.9	64.5
Accrued Rental Receivable	-	11.0	12.9
	352.3	349.8	338.2
Allowance for probable losses	(540.0)	(550.8)	(747.4)
	(540.0)	(550.8)	(747.4)
	26,295.1	34,352.6	34,644.7
Property, Plant and Equipment - net	1,933.8	2,254.9	2,256.3
Investment Properties - net	381.9	354.5	347.4
Other Assets - net	418.8	711.7	741.3
	32,464.1	41,540.2	42,023.0
LIABILITIES AND STOCKHOLDERS' EQUITY			
Bills Payable	21,494.1	28,977.8	29,637.2
Accounts Payable, and Other Liabilities	552.8	587.1	492.4
Lease Deposits	4,897.2	6,632.3	6,564.0
	26,944.1	36,197.2	36,693.6
Stockholders' Equity			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Treasury Stock	(81.8)	(81.8)	(81.8)
OCI - Actuarial Gain/(Loss)	(60.8)	(60.8)	(59.7)
Net Unrealized Fair Value Gains/(Losses on Financial Asset at Fair Value through OCI)	20.9	(195.0)	24.8
Accum Share in Other Comprehensive Income of Associate		0.4	
Retained Earnings	2,845.4	2,883.9	2,649.8
	5,520.0	5,343.0	5,329.4
	32,464.1	41,540.2	42,023.0

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

In Millions

For the year ended	September 30, September 30,	
	2019	2018
INCOME		
Interest and discounts	1,513.6	1,448.9
Rent	625.1	700.7
Service fees & other income	126.5	246.1
	<u>2,265.2</u>	<u>2,395.7</u>
EXPENSES		
Interest and financing charges	1,163.7	809.8
Occupancy and equipment-related expenses	40.5	37.6
Depreciation Expense - Operating Lease	575.3	646.2
Compensation and fringe benefits	179.9	176.6
Taxes and licenses	231.0	261.1
Provision for impairment and credit losses	8.8	41.7
Litigation/assets acquired expenses	5.9	9.9
Miscellaneous Expense	80.6	88.3
	<u>2,285.7</u>	<u>2,071.2</u>
INCOME BEFORE INCOME TAX	(20.5)	324.5
PROVISION FOR INCOME TAX	18.0	76.9
NET INCOME/ (LOSS)	<u>(38.5)</u>	<u>247.6</u>
BASIC EARNINGS PER SHARE**	<u>(0.02)</u>	<u>0.11</u>
DILUTED EARNINGS PER SHARE**	<u>(0.02)</u>	<u>0.11</u>

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

In Millions

For the three months ended	September 30, September 30,	
	2019	2018
INCOME		
Interest and discounts	501.7	491.3
Rent	186.8	234.6
Service fees & other income	32.4	86.0
	<u>720.9</u>	<u>811.9</u>
EXPENSES		
Interest and financing charges	328.6	295.6
Occupancy and equipment-related expenses	13.7	13.4
Depreciation Expense - Operating Lease	187.4	219.0
Compensation and fringe benefits	61.4	59.8
Taxes and licenses	76.4	83.6
Provision for impairment and credit losses	25.0	12.5
Litigation/assets acquired expenses	2.7	2.6
Miscellaneous Expense	28.9	30.6
	<u>724.1</u>	<u>717.1</u>
INCOME BEFORE INCOME TAX	(3.2)	94.8
PROVISION FOR INCOME TAX	6.5	25.1
NET INCOME	<u>(9.7)</u>	<u>69.7</u>
BASIC EARNINGS PER SHARE**	<u>(0.00)</u>	<u>0.03</u>
DILUTED EARNINGS PER SHARE**	<u>(0.00)</u>	<u>0.03</u>

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

For the year ended	September 30, September 30,	
	2019	2018
NET INCOME	(38.5)	247.6
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain/(Loss) on FA at FVOCI	215.9	(144.2)
Share in other comprehensive income of an		
associate accounted for under equity method	(0.4)	
	215.5	(144.2)
TOTAL COMPREHENSIVE INCOME/(LOSS)	177.0	103.4

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

For the three months ended	September 30, September 30,	
	2019	2018
NET INCOME	(9.7)	69.7
OTHER COMPREHENSIVE INCOME		
Unrealized Fair Value Gain/(Loss) on FA at FVOCI	75.4	124.2
Share in other comprehensive income of an associate accounted for under equity method	(0.4)	-
	75.0	124.2
TOTAL COMPREHENSIVE INCOME/(LOSS)	65.3	193.9

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY

(A Subsidiary of BDO Unibank, Inc.)

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

In Millions

For the nine months ended

	Capital Stock	Additional Paid- in Capital	Treasury Shares, at Cost	Retained Earnings Reserves	Free	Unrealized Fair Value Gain(loss) on Financial Asset at Other Comprehensive Income	Accumulated Share in Other Comprehensive Income of Associate	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, 2019	2,225.2	571.1	(81.8)	147.0	2,736.9	(195.0)	0.4	(60.8)	5,343.0
Total Comprehensive Income (loss)					(38.5)	215.9	(0.4)		177.0
Transfer from Retained Earnings Appropriated				(15.8)	15.8				-
Cash Dividends					-				-
Balance as of September 30, 2019	2,225.2	571.1	(81.8)	131.2	2,714.2	20.9	-	(60.8)	5,520.0
Balance as of Jan 1, 2018	2,225.2	571.1	(81.8)		2,618.5	169.0		(59.7)	5,442.3
Total Comprehensive Income (loss)					247.6	(144.2)			103.4
Cash Dividends					(216.3)				(216.3)
Balance as of September 30, 2018	2,225.2	571.1	(81.8)	-	2,649.8	24.8	-	(59.7)	5,329.4

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 Reserves	Free	Unrealized Fair Value Gain(loss) on Available for Sale Financial Assets	Accumulated Share in Other Comprehensive Income of Associate	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)	130.5	2,724.6	(54.5)	0.4	(60.8)	5,454.7
Total Comprehensive Income (loss)				0.0	(9.7)	75.4	(0.4)	0.0	65.3
Transfer from Retained Earnings Appropriated				0.7	(0.7)				-
Cash Dividends									-
Balance September 30, 2019	2,225.2	571.1	(81.8)	131.2	2,714.2	20.9	0.0	(60.8)	5,520.0
Balance at the beginning of the quarter	2,225.2	571.1	(81.8)	-	2,580.1	(99.4)	-	(59.70)	5,135.9
Total Comprehensive Income (loss)					69.7	124.2			193.9
Cash Dividends					-				-
Balance September 30, 2018	2,225.2	571.1	(81.8)	-	2,649.8	24.8	-	(59.7)	5,329.4

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED

	<u>September 2019</u>	<u>September 2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(P 20,330,418)	P 324,485,990
Adjustments for:		
Interest received	1,517,479,802	1,428,323,671
Interest and discounts	(1,513,804,008)	(1,448,948,137)
Depreciation and amortization	601,844,819	661,145,060
Interest and financing charges paid	(1,169,132,278)	(780,464,194)
Interest and financing charges	1,163,650,005	809,755,311
Dividend income	(127,648,108)	(162,216,959)
Impairment and credit losses	8,819,667	41,666,667
Gain on sale of property and equipment and investment properties	(3,330,815)	(16,963,115)
Equity share in net earnings of a subsidiary and an associate	78,355,930	25,171,434
Day-one gain - net	(1,063,980)	(4,041,671)
Operating profit before changes in operating assets and liabilities	534,840,616	877,914,055
Decrease (increase) in loans and other receivables	8,041,894,965	(182,866,179)
Decrease (increase) in other assets	12,900,756	(673,904)
Increase in accounts payable and other liabilities	(75,587,145)	(419,191,668)
Increase in lease deposits	(1,725,791,357)	579,516,514
Cash used in operations	6,788,257,835	854,698,818
Cash paid for income taxes	(15,087,109)	(63,716,121)
Net Cash Used in Operating Activities	<u>6,773,170,726</u>	<u>790,982,697</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(267,955,967)	(710,722,601)
Proceeds from disposal of property and equipment and investment properties	12,001,816	84,287,193
Proceeds from disposal of FVOCI	634,620,000	680,025,000
Sale of Equity Investment	193,266,973	-
Receipt of cash dividends	127,648,108	-
Net Cash Used in Investing Activities	<u>699,580,930</u>	<u>53,589,592</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments of bills payable	(7,483,679,062)	(866,468,066)
Payments of cash dividends	-	(216,247,531)
Net Cash From Financing Activities	<u>(7,483,679,062)</u>	<u>(1,082,715,598)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,927,406)	(238,143,308)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>274,628,385</u>	<u>457,651,034</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>P 263,700,978</u>	<u>P 219,507,726</u>

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED

	September 2019	September 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	(P 3,169,592)	P 94,803,664
Adjustments for:		
Interest received	501,860,784	506,807,793
Interest and discounts	(501,860,784)	(491,581,035)
Depreciation and amortization	196,483,136	223,974,916
Interest and financing charges paid	(330,305,332)	(306,547,476)
Interest and financing charges	328,522,420	295,591,431
Dividend income	(40,155,321)	(47,524,172)
Impairment and credit losses	25,018,323	12,500,000
Gain on sale of property and equipment and investment properties	(194,447)	(7,445,561)
Equity share in net earnings of a subsidiary and an associate	31,385,052	8,097,630
Day-one gain - net	(124,816)	(2,646,923)
Operating profit before changes in operating assets and liabilities	207,459,423	286,030,268
Decrease (increase) in loans and other receivables	2,404,894,039	(1,394,261,349)
Decrease (increase) in other assets	(4,785,715)	99,638,869
Increase in accounts payable and other liabilities	31,208,481	(114,653,879)
Increase in lease deposits	(524,452,279)	238,106,826
Cash used in operations	2,114,323,949	(885,139,266)
Cash paid for income taxes	(7,873,940)	(34,364,548)
Net Cash Used in Operating Activities	2,106,450,009	(919,503,813)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment	(60,199,031)	(382,193,254)
Proceeds from disposal of property and equipment and investment properties	(13,836,349)	102,653,176
Proceeds from disposal of FVOCI / AFS financial assets	634,620,000	680,025,000
Sale of Equity Investment	193,266,973	-
Receipt of cash dividends	40,155,321	(70,946,394)
Net Cash Used in Investing Activities	794,006,914	329,538,528
CASH FLOWS FROM FINANCING ACTIVITIES		
Net payments of bills payable	(2,780,743,720)	547,117,579
Net Cash From Financing Activities	(2,780,743,720)	547,117,579
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,713,203	(42,847,706)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	143,987,775	262,355,432
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 263,700,978	P 219,507,726

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

September 2019 Compared to September 2018

Gross revenues amounted to P2,265.2 million, a decrease of 5% from P2,395.7 million last year. This was due to the higher levels of other income in 2018.

Interest and financing charges rose 44% to P1,163.8 million due primarily to higher funding costs under the current interest rate environment.

Provisions for impairment losses decreased to P8.8 million in 2019, as determined under the latest risk evaluation model following PFRS 9 standards and requirements.

Occupancy and equipment related expenses increased 8% to P40.5 million. Depreciation Expense-Operating Lease went down 11% to P575.3 million due to the maturity of various Operating Leases.

Litigation/assets acquired expenses decreased 40% to P5.9 million.

The company registered a net loss P38.5 million for the 9- month period ending September 2019 due to margin compression as the company's liabilities, which are short-term in nature, adjusted faster to current interest rates as compared to its lease receivables, which typically carry fixed interest rates for 3-5 years. This situation is seen as temporary though, as new loan bookings carry higher yields and loan repricings are eventually expected to adjust to current interest rates, resulting in the normalization of interest margins.

Total assets declined 23% year-on-year to P32.5 billion, mainly due to investment maturities and sale of part of the company's lower yielding portfolio. This was meant to mitigate the impact of the margin compression as explained in the previous paragraph. As a result, the company's Loans and Other Receivables decreased 24%. In September 2019, Property, Plant and Equipment-net also decreased 14% or P322.5 million.

Cash & cash equivalents went up by 20% to P263.7 million as the Company increased liquidity to service anticipated loan releases. Financial Asset at Fair Value through Other Comprehensive Income went down 17% to P3.2 billion due to the redemption of BDOLF's investment in preferred shares.

Other Assets decreased year-on-year to P418.8 million from P741.3 million mainly due to sale of the company's investment in an associate, MMPC Auto Financial Services Corp.

Bills Payable decreased to P21.5 billion consistent with the decline in volumes of Loans & Other Receivables.

Accounts Payable, accrued expenses and other liabilities increased to P552.8 million year-on-year mainly due to increased in outstanding check payments to supplier/dealers.

Lease deposits went down from P6.6 billion in September 2018 to P4.9 billion, consistent with the decline in volumes.

Stockholders' equity stood at P5.5 billion.

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

	<u>September 2019</u>	<u>September 2018</u>
Current Ratio	0.37:1	0.39:1
Quick asset ratio	0.36:1	0.39:1
Debt to Equity Ratio	4.88:1	6.89:1
Net Profit Margin	-1.69%	10.33%
Return on Equity	-0.94%	6.25%

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 September 30, 2019, December 31, 2018 and September 30, 2018 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2019	December 31, 2018	September 30, 2018
Ultimate Parent Company (BDO Unibank)				
Interest Income on savings and demand deposits	(a) P	0.3 P	0.6 P	0.4
Interest expense on Bills Payable	(b)	52.0	120.6	66.6
Interest Expense-Lease Liability	(c)	1.7		
Rent Expense	(c)		13.6	10.0
Depreciation Expense-Right of Use	(c)	9.8		
Management fees	(d)	12.0	16.0	12.0
Service Charges and fees	(e)	10.9	1.4	
Service Fees	(f)	0.1	0.1	0.1
Employee stock option plan		10.9	8.7	5.2
Subsidiary (BDO Rental)				
Rent Income	(c)		0.1	0.1
Management fees	(d)	0.2	0.4	0.3
Dividend Income	(j)		35.0	35.0
Under Common Ownership				
Service and charges fees	(g, k)	1.9	4.3	2.1
Interest expense on Bills Payable	(l)	177.3	145.0	109.4
Insurance Expense	(m)	0.3	0.3	
Operating Lease Income	(n)	41.0	47.1	11.2

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		September 30, 2019	December 31, 2018	September 30, 2018
Parent Company (BDO Unibank)				
Savings and demand deposits	(a) P	259.4 P	269.8 P	214.6
Bills Payable	(b)	7.0	2,146.0	2,789.2
Right of Use	(c)	39.9		
Accumulated Depreciation-ROU	(c)	9.8		
Lease Liability	(c)	30.9		
Employee stock option		10.9	8.7	5.2
Related Party under Common Ownership (BDO Insurance, BDO strategic and BDO Nomura)				
Accounts Receivable	(k)	-	0.8	-
Bills Payable	(l)	3,991.9	1,988.8	3,971.0
Unearned Rental Income	(n)			6.4
Key Management Personnel				
Loans to Officers	(h)	6.7	5.1	4.3
Retirement Fund				
Shares of stock	(i)	1.0	1.1	1.2

(a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2019, December 31, 2018 and September 30, 2018, 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 September 30, 2019 and September 30, 2018 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 September 30, 2019, December 31, 2018 and September 30, 2018 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2019 and September 30, 2018 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 September 30, 2018 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 September 30, 2019 and September 30, 2018 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 September 30, 2019, December 31, 2018 and September 30, 2018. In 2019, due to implementation of PFRS 16, the Parent Company recognizes Right of Use and Accumulated Depreciation-Right of Use which are included as part of Property, Plant and Equipment-net and Lease Liability which is included as part of Accounts Payable, and Other Liabilities accounts in the Statement of Financial Position. Related Interest Expense on Lease Liability is included as part of Interest and Financing Charges and Depreciation expense-right of use is included as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of income.

- (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 September 30, 2019, December 31, 2018 and September 30, 2018.
- (e) The Parent Company sold its portion of its receivable to BDO Unibank. The Parent Company charged BDO for service charges and fees which are presented as part of Service Fees and other Income in the statements of income. There are no outstanding payable related on this transaction as of the end of September 30, 2019, December 31, 2018 and September 30, 2018.
- (f) In 2018, the Parent Company entered into an agreement with BDO Unibank on stock transfer where BDO Unibank will charge the Parent Company for stock transfer services. Service fees paid by the Parent Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of September 30, 2019, December 31, 2018 and September 30, 2018.
- (g) 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 September 30, 2019 and September 30, 2018 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 September 30, 2019, December 31, 2018 and September 30, 2018.
- (h) 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 with a range of 7.0% to 9.0% per annum and have terms ranging from 3 to 4 years. Outstanding loans to officers are presented as part of Finance Lease Receivable under Loans and Other Receivables account. The Group assessed that these loans are not impaired as of September 30, 2019, December 31, 2018 and September 30, 2018.

- (i) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company in 2019 and 2018, respectively, which has a market value of P2.00 and P2.83 per share as of September 30, 2019 and 2018, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.
- (j) In 2018, BDO Rental declared Cash Dividends which is presented as part of other income in the Parent company's statement of income in September 30, 2018. There are no outstanding receivable related on this transaction as of the end of September 30, 2018.
- (k) 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. There are no outstanding receivable related on this transaction as of the end of September 30, 2019, December 31, 2018 and September 30, 2018.
- (l) 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 September 30, 2019 and September 30, 2018.
- (m) The Parent Company paid BDO Life Assurance Company, Inc for Group Life Insurance of the Parent Company's employees. Insurance paid by Parent Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in September 30, 2019 statement of income.
- (n) In 2017, BDO Rental, entered into Operating Lease Agreement with BDO Nomura Securities, Inc. (BDO Nomura) which commenced in 2018. Prepaid rental made by BDO Nomura is included as part of Other Liabilities under Accounts Payable and Other Liabilities account in September 30, 2018 statement of financial position. BDO Rental entered into Operating Lease Agreement with SM Prime Holdings, Inc. and Alfamart Trading Philippines, Inc. Operating lease income earned from these transactions is presented as part of Rent account in the Group's statement of income. No outstanding receivable on this transaction as of the end of September 30, 2019 and December 31, 2018.

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.
- 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 cyclical nature of interim operations;

The Company is not affected by seasonality or cyclical 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 nine months ended September 30, 2019, the Company has issued bills payable amounting to P25,170.8M and made total payments on its bills payable amounting to P21,939.4M.

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

None.

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, 2019

(in millions)

	Leasing	Financing	Others	Eliminations	Total
Gross income	1,312.3	772.1	180.8		2,265.3
Segment revenues					
External	1,312.3	772.1	180.8		2,265.3
Inter-segment			(36.7)	36.7	-
	1,312.3	772.1	144.1	36.7	2,265.3
Segment expenses					
External	1,324.1	779.0	182.5		2,285.6
Inter-segment			0.3	(0.3)	-
	1,324.1	779.0	182.8	(0.3)	2,285.6
Segment results	(11.8)	(6.9)	(38.6)	37.0	(20.3)
Income tax expense					18.0
Net Income					(38.3)
Segment assets - net	15,947.8	11,920.9	-		27,868.7
Unallocated assets					4,595.5
Total Assets					32,464.2
Segment liabilities	14,301.1	12,090.2	-		26,391.3
Unallocated liabilities					552.8
Total Liabilities					26,944.1

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 (September 2019 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
COMPROLLER

November 4, 2019
Date

BDO LEASING AND FINANCE INC.
 AGING OF RECEIVABLE
 As of September 30, 2019

Account	Total	1 Month	Over 1 Mos. to 3 Mos.	Over 3 Mos. to 6 Mos.	Over 6 Mos. to 1 Yr.	Over 1 Yr. to 3 Yrs.	3 to 5 yrs.	Over 5 Yrs.	Past Due / Litigation
Factored Receivable	158,216,385.79	-	148,855,507.58	-	-	-	-	-	9,360,878.21
Receivables Purchased	56.00	-	-	-	-	-	-	-	56.00
Floor Stock Financing	267,051,763.52	171,941,413.44	90,681,768.91	4,428,581.16	-	-	-	-	-
Installment Paper Purchase	604,956,600.60	79,696,361.91	105,023,666.83	176,804,161.56	133,076,233.10	34,499,388.04	142,724.74	-	75,724,064.42
Amortized Commercial Loan	11,151,281,413.78	257,655,497.55	430,345,997.67	593,225,483.92	1,090,761,872.54	3,408,331,808.84	1,852,128,929.07	2,719,049,732.72	799,782,091.47
Lease Contract Receivables	15,661,464,587.34	821,240,570.53	1,035,578,897.22	1,321,018,010.63	2,469,207,018.43	7,459,819,207.40	1,934,739,797.01	6,987,845.06	612,873,241.07
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
Discounting Line	-	-	-	-	-	-	-	-	-
TOTAL LOAN PORTFOLIO	27,842,971,955.03	1,330,523,843.43	1,810,485,838.22	2,095,476,237.28	3,693,045,124.07	10,902,650,404.28	3,787,011,450.82	2,726,037,577.78	1,497,741,479.17

Less: Allowance For Credit losses

510,882,006.65

Finance Receivables - Net

27,332,089,948.38

0.00

BDO Leasing and Finance, Inc. and Subsidiary
 Financial Ratios
 September 30, 2019 and 2018
 (Amounts in Millions of Philippine Pesos)

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
I. Current/liquidity ratios				
Current ratio				
	<u>8,571.9</u>	<u>11,756.6</u>	<u>0.37</u>	<u>0.39</u>
Total current assets				
Total current liabilities	23,363.7	29,827.6		
Quick ratio				
	<u>8,447.8</u>	<u>11,594.1</u>	<u>0.36</u>	<u>0.39</u>
Quick assets				
Total current liabilities	23,363.7	29,827.6		
II. Solvency ratios; debt-to-equity ratios				
Solvency ratio				
	<u>(28.0)</u>	<u>908.7</u>	<u>(0.00)</u>	<u>0.02</u>
(After tax net profit + Depreciation)				
Total liabilities	26,944.1	36,693.6		

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Debt-to-equity ratio				
<u>Total liabilities</u>	26,944.1	36,693.6	4.88	6.89
Total equity	5,520.0	5,329.4		

III. Asset-to-equity ratio

Asset-to-equity ratio				
<u>Total assets</u>	32,464.1	42,023.0	5.88	7.89
Total equity	5,520.0	5,329.4		

IV. Interest coverage ratio

Interest coverage ratio				
<u>Earnings before interest and taxes</u>	1,141.6	1,134.2	0.98	1.40
Interest expense	1,163.7	809.8		

V. Profitability ratios

Net profit margin				
<u>Net Profit</u>	(38.5)	247.6	-1.70%	10.33%
Interest income + Other operating income	2,265.2	2,395.8		

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Return on equity				
<u>Net profit</u>	(38.5)	247.6		
Average equity	5,424.7	5,285.8	-0.95%	6.25%
Return on assets				
<u>Net profit</u>	(38.5)	247.6		
Average assets	37,243.6	42,080.1	-0.14%	0.78%
 VI. Others				
Total real estate investments to Assets				
<u>Total investment properties</u>	381.9	347.4		
Total assets	32,464.1	42,023.0	1.18%	0.83%
Loans to Assets				
<u>Total loans and other receivables</u>	26,295.1	34,644.7		
Total assets	32,464.1	42,023.0	81.00%	82.44%

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
DOSRI to Net worth				
Receivables from Directors, Officers, Stakeholders and Related Interests	<u>6.7</u>	<u>4.3</u>		0.12%
Total equity	5,520.0	5,329.4		0.08%
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation	<u>551.7</u>	<u>946.7</u>		2.10%
Total loans and other receivables	26,295.1	34,644.7		2.73%