



Republic of the Philippines
Department of Finance
Securities and Exchange Commission

MARKETS AND SECURITIES REGULATION DEPARTMENT

CERTIFICATE OF PERMIT TO OFFER SECURITIES FOR SALE

THE ISSUANCE OF THIS CERTIFICATE OF PERMIT IS PERMISSIVE ONLY AND DOES NOT CONSTITUTE
A RECOMMENDATION OR ENDORSEMENT OF THE SECURITIES PERMITTED TO BE ISSUED

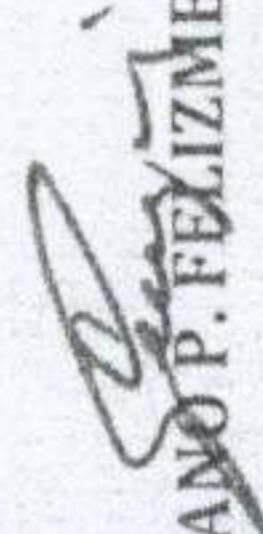
THIS IS TO CERTIFY that the securities of

BDO LEASING AND FINANCE, INC.

consisting of **FIFTEEN BILLION PESOS (Php15,000,000,000) worth of Commercial Papers**, covered under **SEC MSRD Order No. 32, Series of 2017**, have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporate Governance and other applicable laws and orders as may be issued by the Commission.

Issued at Mandaluyong City, Philippines this 20 day of December Two Thousand and Seventeen.




VICENTE GRACIANO P. FELIZMENIO, JR.
Director

BDO LEASING AND FINANCE, INC.

FINAL PROSPECTUS

PHP 15.00 Billion SEC-REGISTERED COMMERCIAL PAPERS

EXCLUSIVE SELLING AGENT:

BDO CAPITAL & INVESTMENT CORPORATION

(BDO Capital and Investment Corporation is 100% owned by BDO Unibank
BDO Leasing and Finance Inc is 85.09% owned by BDO Unibank, Inc and 1.11% owned by ¹BDO Capital
Both BDO Capital and BDO Leasing are subsidiaries of BDO Unibank, Inc)

The date of this Final Prospectus is 19 December 2017

**ALL REGISTRATION REQUIREMENTS HAVE BEEN MET AND ALL
INFORMATION CONTAINED HEREIN IS TRUE AND CURRENT.**



ROBERTO E. LAPID

President and Vice Chairman

MANDALUYONG CITY

SUBSCRIBED AND SWORN to before me this _____ day of 20 DEC 2017 2017, affiant
exhibiting before me his TIN No. 108-159-915.

Doc No. 100
Page No. 21
Book No. LXXXVI
Series No. 2017


KIM BRIGUERA-DACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 0204
UNTIL DECEMBER 31, 2017
IBP LIFETIME ROLL NO. 1010007
PTR NO. 3019082-1-3-2017 MANDALUYONG
MCLE NO. V-0017260
29TH FLR., BDO CORPORATE CENTER ORTIGAS
18 ADB AVE., MANDALUYONG CITY

¹ The ownership of BDO Capital with BDO Leasing and Finance Inc is an Equity Investment of BDO Capital.

A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BEEN DECLARED EFFECTIVE.

NO OFFER TO BUY THE SECURITIES CAN BE ACCEPTED AND NO PART OF THE PURCHASE PRICE CAN BE ACCEPTED OR RECEIVED UNTIL THE REGISTRATION STATEMENT HAS BECOME EFFECTIVE, AND ANY SUCH OFFER MAY BE WITHDRAWN OR REVOKED, WITHOUT OBLIGATION OR COMMITMENT OF ANY KIND, AT ANY TIME PRIOR TO NOTICE OF ITS ACCEPTANCE GIVEN AFTER THE EFFECTIVE DATE. AN INDICATION OF INTEREST IN RESPONSE HERETO INVOLVES NO OBLIGATION OR COMMITMENT OF ANY KIND.

THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 12-1

REGISTRATION STATEMENT UNDER THE SECURITIES REGULATION CODE

1. SEC Identification Number 97869
2. BDO Leasing and Finance, Inc.
 Exact name of Registrant as specified in its charter
Metro Manila, Philippines
3. Province, country or other jurisdiction of incorporation or organization
Leasing and Financing
4. 320-000-486-050
 BIR Tax Identification
5. General character of business of registrant
6. Industry Classification Code: (SEC Use Only)
7. 39F Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City.
Tel: 840-7000 Fax: 633-7736

Address, including postal code, telephone number, FAX number including area code of registrant's principal offices

Not Applicable

8. If registrant is not resident in the Philippines, or its principal business is outside the Philippines, state name and address including postal code, telephone number and FAX number, including area code, and email address of resident agent in the Philippines.

December 31, 2016

9. Fiscal Year Ending Date (Month and Day):

COMPUTATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered	Proposed Maximum offering price per unit	Proposed Maximum aggregate offering price	Amount of registration fee
Commercial Papers	Php 15,000,000,000.00	Php 100,000,000.00	Php 15,000,000,000.00	Php4,355,625.00

BDO LEASING AND FINANCE, INC.
(A subsidiary of BDO Unibank)

Total Commercial Paper License applied for is Php 15.00 Billion.

The Php 15.00 Billion will be discharged as follows:

Payment for Maturing Obligation	Php 14,301,200,000.00
Other Expenses of Issuance and Distribution	Php 11,558,625.00
For relending	Php 687,241,375.00

The Commercial Paper is issued directly to the end-user.

Maturing Obligations
(as of Nov 27,2017)

Commercial Papers	12,194,200,000.00	2.5000%-2.9500%	11.28.2017-08.08.2018
Short-Term PNs	2,107,000,000.00	3.1250%	01.05.2018-02-07.2018

Selling Agent's Fees

In consideration for the commitment and undertaking and other services of the Selling Agent as provided herein, the Issuer shall pay selling commissions/fees equivalent to:

Over and above normal trading margins for CPs sourced by the Selling Agent, one-fortieth of one percent (1/40% per annum), based on the full term and principal of each CP sold during a given month.

Dividends Policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Corporation and other factors.

There are no restrictions that will limit the ability to pay dividends on common equity. The company and its subsidiary, BDO Rental Inc, has no established dividends policy as of the moment.

Dividends

On February 24, 2016, the Board approved the declaration of cash dividends at P0.20 per share in favor of stockholders of record as of March 11, 2016 paid on March 30, 2016. Total dividends in 2016 amounted to P432.49 million.

On February 26, 2015, the Board approved the declaration of cash dividends at P0.175 per share in favor of stockholders of record as of March 11, 2015 paid on March 24, 2015. Total dividends in 2015 amounted to P378.43 million.

On February 25, 2014, the Company's Board of Directors approved the declaration of cash dividends at P0.15 per share in favor of stockholders of record as of March 13, 2014 paid on March 31, 2014. Total dividends in 2014 amounted to Php 324.37 million.

Local and Foreign Ownership as of Sep 30, 2017:

Foreign Shares :	656,964
Local Shares :	2,161,818,348
Total Shares :	2,162,475,312

The Company is a subsidiary of BDO Unibank. Its principal office is located at Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City. Its telephone number is (632) 635-6416.

Unless otherwise stated, the information contained in this document have been supplied by the Company, which accepts full responsibility for the accuracy of the information and confirms, after having made all reasonable inquiries, that to the best of its knowledge and belief, there are no material facts, the omission of which would make any statement in this document misleading in any material respect. Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, create any implication that the information contained herein is correct as of any time subsequent to the date hereof.

No dealer, salesman or other person has been authorized by the Company to issue any advertisement or to give any information or make any representation in connection with the sale of the Short-Term Commercial Papers other than those contained in this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorized by the Company.

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GLOSSARY

In this Offering Prospectus, unless the context requires otherwise, the following expressions have the following meanings:

“Articles”	.....	The Articles of Incorporation of the Company
“BAP”	.....	The Bankers Association of the Philippines
“BDO”	.....	Banco De Oro Unibank, Inc., the parent company
“Board”	.....	Board of Directors of the Company
“BSP”	.....	Bangko Sentral ng Pilipinas, the Philippines’ central monetary authority
“PhilRatings”	.....	PhilRatings
“CPs”	.....	Commercial Papers
“Common Shares” or “Shares”	.....	The common shares of par value Php 1.00 each in the capital of the Company
“Company” or “BDOLF” or or “BDO Leasing”	.....	BDO Leasing and Finance, Inc.
“Corporation Code”	.....	The Corporation Code of the Philippines (Cabinet Bill No. 3)
“Directors”	.....	The directors of the Company holding office as of the date of this Offering Prospectus and as listed in the section of this Offering Prospectus headed “Directors and Senior Management”
“DOSRI”	.....	Directors, Officers, Stockholders and Related Interests
“FASB”	.....	The Financial Accounting Standards Board
“financing company”	.....	A company organized under the Financing Company Act (Republic Act No. 5980), and primarily engaged in the extension of lease and financing
“GDP”	.....	Gross Domestic Product
“GRT”	.....	Gross receipts tax
“Gross Income”	.....	Refers to the Company’s gross income or revenues
“Investors”	.....	Those person or entities who are invited to subscribe to or purchase the Offer Shares subject to and in accordance with the Offering
“Lead Underwriter”	.....	BDO Capital & Investment Corporation
“LTCPs”	.....	Long-term Commercial Papers
“Manual”	.....	The Manual of regulations for Banks and Other Financial Institutions
“market share”	.....	Unless otherwise stated, market share refers to the percentage contribution relative to the industry’s outstanding net leasing and financing receivables as estimated by the Philippine SEC
“NSO”	.....	National Statistics Office
“Philippine SEC”	.....	The Securities and Exchange Commission of the Philippines
“Philippine Stock Exchange” or	.....	Philippine Stock Exchange, Inc.
“PSE”	.....
“RCIT”	.....	Regular Corporate Income Tax

<p>“Republic Act No. 337” or the “General Banking Act”</p>	<p>.....</p>	<p>The law pertaining to the power of the Monetary Board of the BSP to regulate and supervise financial institutions in general</p>
<p>“Republic Act No. 5980”, as amended by RA No. 8556, or the “Financing Company Act”</p>	<p>.....</p>	<p>The primary law regulating the organization and operation of financing companies</p>
<p>“Residual Value”</p>	<p>.....</p>	<p>The estimated value of a leased equipment at the end of the lease period</p>
<p>“SBL”</p>	<p>.....</p>	<p>Single Borrower’s Limit</p>
<p>“SMEs”</p>	<p>.....</p>	<p>Small- and medium-sized enterprises with total assets ranging from P1.50 Million to P60.0 Million</p>
<p>“SFAS No. 23”</p>	<p>.....</p>	<p>Accounting standard relating to deferred income tax accounting</p>
<p>“Shares”</p>	<p>.....</p>	<p>Common shares of par value Php 1.00 each in the capital of the Company</p>
<p>“SRC”</p>	<p>.....</p>	<p>Securities Regulation Code</p>
<p>“STCPs”</p>	<p>.....</p>	<p>Short-term commercial papers</p>
<p>“universal banks”</p>	<p>.....</p>	<p>Banking institutions with expanded commercial banking authorities</p>
<p>“VAT”</p>	<p>.....</p>	<p>Value-Added Tax</p>

SUMMARY INFORMATION

THE COMPANY

BDO LEASING AND FINANCE, INC. (“**BDOLF**” or the “**Company**”), is a domestic corporation incorporated with the Philippine Securities and Exchange Commission (“**SEC**”) in 1981 under Republic Act No. 8556 (the “**Financing Company Act**”), and listed with The Philippine Stock Exchange, Inc. (“**PSE**”) on January 6, 1997. The Company is 85.09% owned by BDO Unibank, Inc. (“**BDO**”, “**BDO Unibank**” or the “**Parent Company**”), a corporation incorporated and domiciled in the Philippines. The Company is the principal business unit of BDO engaged in leasing and financing.

The Company became a subsidiary of BDO after the merger of BDO and Equitable PCI Bank, Inc., which took effect on May 31, 2007, with BDO as the surviving entity. BDO is presently engaged in the banking business as a universal bank.

BDO Rental, Inc. (“**BDO Rental**”), formerly Equitable Pentad Rental, Inc., is a wholly-owned subsidiary of the Company, is licensed by the SEC to engage in renting and leasing of equipment and real properties. It started commercial operations on June 30, 2005.

The Company and BDO Rental continue their respective operations up to present. The Company and BDO Rental are not under any bankruptcy, receivership or similar proceedings, and have not undertaken any material reclassification, consolidation or purchase

SUMMARY FINANCIAL INFORMATION

The following selected information was derived from the audited financial statements as of December 31, 2016 and for the years ended December 31, 2015 and 2014. The audited financial statements were audited by Punongbayan & Araullo, in accordance with the Generally Accepted Accounting Principles in the Philippines. The information should be read in conjunction with, and is qualified in its entirety by reference to such financial statements and related notes thereto and “Management’s Discussion and Analysis or Plan of Operation”.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco De Oro Unibank, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016, 2015 and 2014

(Amounts in Millions of Philippine Pesos, Except Per Share Data)

		<u>Group</u>			<u>Parent Company</u>		
		2016	<u>2015</u>	<u>2014</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
REVENUES							
Interest and discounts	Php	1,760.7	1,571.6	1,450.9	1,760.4	1,571.4	1,450.7
Rent		890.2	807.1	613.1	-	-	-
Service fees and other income		203.4	227.5	209.6	268.5	186.8	240.3
			<u>2,606.2</u>	<u>2,273.6</u>		<u>1,758.2</u>	<u>1,691.0</u>
 OPERATING COSTS AND EXPENSES							
Occupancy and equipment related expenses		775.2	702.5	534.3	58.9	53.6	56.0
Interest an Financing Charges		673.5	570.8	467.9	617.7	519.1	431.1
Tax and licenses		245.5	198.6	179.3	227.5	185.1	170.4
Employee Benefits		220.7	187.9	161.4	220.7	187.9	161.4
Impairment and credit losses		50.0	83.4	100.0	50.0	83.3	100.0
Litigation/assets acquired expenses		30.0	30.2	24.9	29.9	30.2	24.6
Others		108.7	107.4	91.7	108.4	106.4	91.9
		<u>2,193.6</u>	<u>1,880.8</u>	<u>1,559.5</u>	<u>1,313.1</u>	<u>1,165.6</u>	<u>1,035.4</u>
 PROFIT BEFORE TAX		750.7	725.4	714.1	715.8	690.2	683.5
 TAX EXPENSE		180.7	169.8	210.1	145.8	134.6	179.5
 NET PROFIT	Php	570.0	555.6	504.0	570.0	555.6	504.0
 OTHER COMPREHENSIVE INCOME		(10.7)	59.7	35.2	(10.7)	59.7	35.2
 TOTAL COMPREHENSIVE INCOME		559.3	615.3	539.2	559.3	517.7	511.5
 EARNINGS PER SHARE	Php	<u>0.26</u>	<u>0.26</u>	<u>0.23</u>	<u>0.26</u>	<u>0.21</u>	<u>0.22</u>

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco De Oro Unibank, Inc.)

STATEMENTS OF FINANCIAL POSITION
For the years ended December 31, 2016 and 2015
(Amounts in Millions of Philippine Pesos)

	<u>Group</u>		<u>Parent Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
ASSETS				
Cash & cash equivalents	Php 370.5	332.3	293.2	301.6
Available-for-sale Financial Assets	3,521.6	3,450.2	3,521.6	3,540.2
Loans & Other Receivables – Net	31,381.3	27,463.3	31,541.6	27,459.7
Property and equipment – Net	2,381.2	2,221.7	6.3	9.2
Investment properties - Net	426.5	438.1	200.4	212.0
Other assets – Net	819.3	522.0	1,082.5	875.5
TOTAL ASSETS	Php 38,900.4	34,517.6	36,645.6	32,398.2
LIABILITIES AND EQUITIES				
Bills payable	Php 27,268.1	23,889.6	25,312.1	21,919.0
Accounts payable and other liabilities	651.9	368.9	412.7	276.7
Dividends Payable	-	-	-	-
Income Tax Payable	50.1	46.6	50.1	46.6
Lease deposits	5,580.8	4,982.6	5,521.2	4,926.0
Deferred Tax Liability – Net	-	7.2	-	7.2
TOTAL LIABILITIES	33,550.9	29,294.9	31,296.1	27,175.5
Capital stock	2,225.2	2,225.2	2,225.2	2,225.2
Additional paid-in capital	571.1	571.1	571.1	571.1
Treasury shares	(81.8)	(81.8)	(81.8)	(81.8)
Retained Earnings	2,480.5	2,343.0	2,480.5	1,983.3
Net Accumulated Actuarial Losses	(42.8)	(36.2)	(42.8)	(36.2)
Unrealized Fair Value Loss on AFS securities	197.3	201.4	197.3	201.4
TOTAL EQUITY	5,349.5	5,222.7	5,349.5	5,222.7
TOTAL LIABILITIES AND EQUITY	Php 38,900.4	34,517.6	36,645.6	32,398.2

GENERAL RISK WARNING

The price of securities can and does fluctuate, and any individual security may experience upward or downward movements, and may even become valueless. There is an inherent risk that losses may be incurred rather than profit made as a result of buying and selling securities. Past performance is not a guide to future performance. There is an extra risk of losing money when securities are bought from smaller companies. There may be a big difference between the buying price and the selling price of these securities.

An investor deals in a range of investments each of which may carry a different level of risk.

PRUDENCE REQUIRED

This risk disclosure does not purport to disclose all the risks and other significant aspects of investing in these securities. An investor should undertake his or her own research and study on the trading of securities before commencing any trading activity. He/She may request information on the securities and issuer thereof from the Commission which are available to the public.

PROFESSIONAL ADVICE

An investor should seek professional advice if he or she is uncertain of, or has not understood any aspect of the securities to invest in or the nature of risk involved in trading of securities specially those high risk securities.

RISK FACTORS

Portfolio Concentration Risks

As of December 31, 2016, 67% of the Company's leasing and financing portfolio consisted of exposure in firms in the following sectors: transportation, construction, financial services and consumer products. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy. The Company actively seeks to increase its exposure in industry sectors, which it believes possess attractive growth opportunities. Conversely, it actively seeks to reduce its exposure in industry sectors where growth potential is minimal. Although the Company's leasing and financing portfolio is composed of transactions with a wide variety of businesses, the results of operations and financial condition of the Company may be adversely affected by any downturn in these sectors as well as in the Philippine economy in general.

The Company is exposed to a variety of financial risk, which results from both its operating and investing activities. The Company's risk management is coordinated in close cooperation with the Board of Directors (the "**Board**"), and focuses on actively securing the Company's short-to-medium-term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below..

Risk Management

Risk management of the Company's credit, market, liquidity, 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. The Board approves the overall institutional tolerance risk, including risk policies and risk philosophy of the Company

Foreign Currency Sensitivity

Most of the Company's transactions are carried out in Philippine peso, its functional currency. Exposures to currency exchange rate on financial assets arise from an insignificant portion of the Company's leasing and financing portfolio, cash and cash equivalents and lease deposits which are denominated in US dollars.

Interest Rate Risk

The Company follows a prudent policy on managing its assets and liabilities so as to ensure that exposure to fluctuations in interest rates are kept within acceptable limits. The current composition of the Company's assets and liabilities results in significant negative gap positions for repricing periods under one year. Consequently, the Company may be vulnerable to increases in market interest rates. However, in consideration of the substantial net interest margins between the Company's marginal funding cost and its interest-earning assets, and favorable lease and financing terms which allow the Company to reprice annually, and to reprice at anytime in response to extraordinary fluctuations in interest rates, the Company believes that the adverse impact of any interest rate increase would be limited. In addition, during periods of declining interest rates, the existence of a negative gap position favorably impacts the Company.

Credit Risk

The Company manages credit risk by setting limits for individual borrowers, and groups of borrowers and industry segments. The Company maintains a general policy of avoiding excessive exposure in any particular sector of the Philippine economy.

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location

Liquidity Risk

The primary business of financing companies entails the borrowing and re-lending of funds. Consequently, financing companies are subjected to substantial leverage, and may therefore be exposed to the potential financial risks that accompany borrowing.

The Company expects that its continued asset expansion will result in the higher funding requirements in the future. Like most financing companies in the Philippines, the Company does not have a license to engage in quasi-banking function, and as such, is precluded from engaging in deposit-taking activities. In addition, it is precluded under the General Banking Act from incurring borrowings from more than 19 lenders at any one time, which to some extent, restricts its access to the public debt markets.

The Company believes that it currently has adequate debt funding from banks, other financial institutions, and through the issuance of Commercial Papers ("CPs"). The Company has a license from the SEC to issue a total of P25 billion CPs.

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflow due in a day-to-day business.

TAXATION

Relevant Tax Regulations

Among the significant provisions of the National Internal Revenue Code ("NIRC" or the "Tax Code") that apply to the Group are the following:

Among the significant provisions of the National Internal Revenue Code ("NIRC" or the "Tax Code") that apply to the Group are the following:

- a) The regular corporate income tax ("RCIT") of 30% (effective January 1, 2009) is imposed on taxable income net of applicable deductions.
- b) Fringe benefits tax of 32% is imposed on the grossed-up value of the benefits given by employers to their managerial and supervisory employees (this is a final tax to be paid by the employer).
- c) Minimum corporate income tax ("MCIT") of 2% based on gross income, as defined under the Tax Code, is required to be paid at the end of the year starting on the fourth year from the date of registration with the Bureau of Internal Revenue ("BIR") whenever the RCIT is lower than the MCIT. On October 19, 2007, the BIR issued Revenue Regulation ("RR") No. 12-2007 which requires the quarterly computation and payment of the MCIT beginning on the income tax return for the fiscal quarter ending September 30, 2007. This RR amended certain provisions of RR No. 9-98 which specifically provide for the computation of the MCIT at the end of each taxable year. Thus, in the computation of the tax due for the taxable quarter, if the computed quarterly MCIT is

higher than the quarterly normal income tax, the tax due to be paid for such taxable quarter at the time of filing the quarterly corporate income tax return shall be the MCIT which is 2% of the gross income as of the end of the taxable quarter.

d) Net operating loss carryover (“**NOLCO**”) can be claimed as deduction against taxable income within three years after NOLCO is incurred.

e) Under Republic Act 9504, corporate taxpayers have the option to claim itemized deduction or optional standard deduction (“**OSD**”) equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for the taxable year for which the option was made.

f) The amount of interest expense allowed as income tax deduction is reduced by an amount equal to 33% of the interest income subjected to final tax.

g) In October 2012, the BIR prescribed the rules on deductibility of depreciation expenses as it relates to purchase of vehicles and others related thereto, and input taxes allowed therefor through RR No. 12-2012. Revenue Memorandum Circular No. 2-2013 was issued on December 28, 2012 clarifying certain provisions on the deductibility of depreciation expense as it relates to purchase of vehicles and others related thereto, and the allowed input taxes.

h) RR No. 14-2012, effective November 2012, provides for the proper tax treatment of interest income earnings on financial instrument and other related transaction. Subsequently, the BIR issued Revenue Memorandum Circular (“**RMO**”) No. 27-2012 for the creation of alphanumeric tax code and RMO No. 84-2012 for the clarification on tax treatment of interest income earnings on loans that are not securitized, assigned or participated out.

i) RR No. 18-2012 was issued for the Processing of Authority to Print Official Receipts, Sales Invoices, and Other Commercial Invoices using the On-line ATP System and providing for the Additional Requirements in the Printing thereof.

j) RR No. 9-2013 was issued on May 10, 2013 amending certain provisions of RR No. 30-2002 relative to the payment of the amount offered as compromise settlement. Under Section 6 of the NIRC, the compromise offer shall be paid by the taxpayer upon filing of the application for compromise settlement. No application for compromise settlement shall be processed without the full settlement of the offered amount. In case of disapproval of the application for compromise settlement, the amount paid upon filing of the aforesaid application shall be deducted from the total outstanding liabilities.

k) The BIR issued RR No. 10-2013 effective June 1, 2013, further amending pertinent provisions of RR No. 2-98, as last amended by RR No. 30-2003, which provides for the inclusion of Real Estate Service Practitioners (RESPs) (i.e. real estate consultants, real estate appraisers, and real estate brokers) who passed the licensure examination given by the Real Estate Service pursuant to RA 9646 “The Real Estate Service Act of the Philippines” among those professionals falling under Sec. 2.57.2 (A)(1) of RR No. 2-98, as amended, subject to the 10% and 15% creditable (expanded) withholding tax and to amend Section 2.57.2 (G) of RR 14-2002 to include real estate practitioners who did not pass or did not take up licensure examinations given by the Real Estate Service.

l) RR No. 11-2013 prescribes the filing/submission of hard copy of the Certificate of Compensation Payment/Tax Withheld (BIR Form 2316) beginning 2013 and covering employees who are

qualified for substituted filing, thereby amending RR No. 2-98 as last amended by RR No. 010-08. In cases covered by substituted filing, the employer shall furnish each employee with the original copy of BIR Form No. 2316 and file/submit to the BIR the duplicate copy not later than February 28 following the close of the calendar year.

m) RR No. 12-2013, issued July 12, 2013, amends Section 2.58.5 of RR No. 2-98, as amended, relative to the requirements for deductibility of certain income payments. No deduction will be allowed notwithstanding payments of withholding tax at the time of audit investigation or reinvestigation / reconsideration in cases where no withholding of tax was made in accordance with Sections 57 and 58 of the NIRC.

n) On September 17, 2013, the BIR issued RR No. 17-2013 that prescribes guidelines on the preservation of books of accounts and other accounting records. All taxpayers are required to preserve their books of accounts, including subsidiary books of accounts and other accounting records, for a period of ten years reckoned from the day following the deadline from the date of the filing of the return, for taxable year when the last entry was made in the books of accounts.

o) RR No. 18-2013, which was issued November 28, 2013, amends certain sections of RR No. 12-99 relative to the due process requirement in the issuance of Deficiency Tax Assessment. RR 18-2013 introduced the New Assessment Phase which removes requirement for issuance of informal conference, mandates the issuance of a Final Assessment Notice (“FAN”) 15 days from receipt of reply to the Preliminary Assessment Notice (“PAN”) and if the taxpayer fails to reply to the PAN within 15 days, the taxpayer shall be deemed in default and the FAN is issued right away. In the protest or administrative appeal, the regulations require the taxpayer to indicate whether a reinvestigation or reconsideration is sought, otherwise the protest/administrative appeal shall be void. Other changes imposed by RR 18-2013 relates to the imposition of 20% delinquency interest, in addition to the 20% deficiency interest.

p) RR No. 1-2014 was issued on December 17, 2013 amending the provisions of RR No. 2-98, as further amended by RR No. 10-2008, specifically on the submission of alphabetical list of employees/payees of income payments. These regulations were issued for purposes of ensuring that information on all income payments paid by employers/payors, whether or not subject to the withholding tax except on cases prescribed under existing international agreements, treaties, laws and revenue regulations, regardless on the number of employees and/or payees, are monitored by and captured in the taxpayer database of the BIR, with the end in view of establishing simulation model, formulating analytical framework for policy analysis, and institutionalizing appropriate enforcement activities.

q) On January 24, 2014, the BIR issued RR No. 2-2014 to prescribe new BIR forms that will be used for income tax returns filing covering and starting the taxable year ended December 31, 2013.

r) On April 25, 2014, BIR issued RMC No. 46-2014 to clarify taxability of Financial Lease for the purpose of documentary stamp tax (“DST”).

Gross Receipts Tax (GRT) / VAT

Beginning January 1, 2003, the imposition of VAT on banks and financial institutions became effective pursuant to the provisions of Republic Act 9010. The Company became subject to VAT based on its gross receipts, in lieu of the GRT under Sections 121 and 122 of NIRC, which was imposed on banks, non-banks financial intermediaries and finance companies in prior years.

On January 29, 2004, Republic Act No. 9238 was enacted reverting the imposition of GRT on banks and financial institutions. This law is retroactive to January 1, 2004. The Company complied with the transitional guidelines provided by the BIR on the final disposition of the uncollected Output VAT as of December 31, 2004.

On May 24, 2005, the amendments on Republic Act No. 9337 was approved amending, among others, the GRT on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year of foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

Supplementary Information Required Under Revenue Regulations (RR) 15-2010 and 19-2011

The BIR issued RR Nos. 15-2010 and 19-2011 which required certain supplementary information to be disclosed as part of the notes to financial statements. The supplementary information is, however, not a required part of the basic financial statements prepared in accordance with Philippine Financial Reporting Standards. It is neither a required disclosure under the SEC rules and regulations covering the form and content of financial statements under SRC Rule 68.

MARKET INFORMATION FOR SECURITIES OTHER THAN COMMON EQUITY

CPs has no established public trading market from which market information for CPs can be obtained.

USE OF PROCEEDS

The net proceeds from the sale of the Php 15.00 Billion Commercial Papers ("CP") Issue will be used as primarily for payment of maturing obligations and payment of other expenses of issuance and distribution. The remaining amount will then be used re-lending for future marketing requirements of the company.

Computation of net proceeds for the sale of Php 15.00 Billion will use these formulas.

$$\text{Proceeds} = \text{Discount} + \text{Credit Withholding Tax}$$

$$\text{Discount} = \frac{(\text{Face Value} \times 360)}{((\text{Rate} \times \text{Term}) + 360)}$$

$$\text{Gross Interest} = \text{Face Value} - \text{Discount}$$

$$\text{CWT} = \text{Gross Interest} \times 20\%$$

Net Proceeds for Commercial Papers sold will vary depending on the following factors :

1. Face Value
2. Term
3. Agreed upon yield or rate. Rates given to clients vary from 2.5000% – 2.9500%

Total Commercial Paper License applied for is Php 15.00 Billion.

The order of priority for the use of proceeds are as follows.

1. Retire the following debt.
2. For payment of other expenses of issuance and distribution.
3. Remaining amount will be used for re-lending for future marketing requirements of the company

<u>Lenders</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
(as of Nov 27,2017)			
Commercial Papers	12,194,200,000.00	2.5000% 2.9500%	11.28.2017-08.08.2018
Short-Term PNs	2,107,000,000.00	3.1250%	01.05.2018-02-07.2018

Outstanding Obligations (as of Nov 27,2017)

<u>Maturity Within 6 Months</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
Short-term Commercial Paper	11,804,200,000.00	2.5000%-2.8125%	11.28.2017-03.05.2018
Short-Term PN	15,142,823,514.39	2.2000%-3.1600%	11.28.2017-03.21.2018
Long-Term PN	-	0.00%	

<u>Maturity 6Months to 1Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
Short-term Commercial Paper	390,000,000.00	2.9500%	08.18.2018
Short-Term PN	-	-	-
Long-Term PN	155,500,000.00	3.2000%	11.09.2018

<u>Maturity Over 1 Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
Short-term Commercial Paper	-	-	-
Short-Term PN	-	-	-
Long-Term PN	495,389,625.00	3.200%	12.27.2018-03.31.2019

<u>Past due</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
Short-term Commercial Paper	-	-	-
Short-Term PN	-	-	-
Long-Term PN	-	-	-

2. For payment of other expenses of issuance and distribution with the ff breakdown Php 11,558,625.00

<u>Particular</u>	<u>Amount</u>
PhilRating	3,360,000.00
SEC Fees	4,355,625.00
Selling Agent Fees	3,750,000.00 (maximum estimate amount for the year)
Publication	50,000.00
Printing	40,000.00
Binding	3,000.00

3. Remaining amount of Php 687,241,375.00 will be used for re-lending for future marketing requirements of the company

No material amount of proceeds is to be used to acquire assets or finance the acquisition of other businesses.

No proceeds are to be used to reimburse any officer, director, employee or shareholder for service rendered, assets previously transferred, money loaned or advance or otherwise.

In the event of any deviation/adjustment in the planned use of proceeds, the Company shall inform its stockholders and SEC at least thirty (30) days prior to its implementation.

DETERMINATION OF THE OFFERING PRICE

The Maturity Value is One Hundred Percent of the face value.

The Offering Price is determined at the time of issuance of the CPs. The interest rates are based on prevailing market rates at the time of issue.

OFFERING PERIOD

The offering period will commence upon approval of the SEC of the CPs and will end upon the expiry of the license of the CPs.

PLAN OF DISTRIBUTION

BDOLF has appointed BDO Capital & Investment Corporation as its Exclusive Selling Agent.

Amount to be Underwritten: **Fifteen Billion Pesos Only**
(Php 15,000,000,000.00)

BDO Capital & Investment Corporation, the sole underwriter of its CPs, is a wholly-owned subsidiary of Banco de Oro and is an affiliate of the Company.

BDO Capital, licensed by the Commission to engage in underwriting or distribution of securities to the public and as selling agent, shall sell the commercial papers of BDO Leasing and Finance, Inc. only to end-users, i.e. institutions who by the very nature of their functions do not sell nor trade debt instruments in the secondary market. This shall automatically exclude investment houses, securities dealers and brokers.

The distribution and sale of the commercial papers and the compliance by BDO Leasing with this agreement will not conflict with or constitute a breach of any agreement, contract or other instrument, its Articles of Incorporation, By-Laws or any resolution of the Board of Directors of the Issuer or any right of the stockholders of the Issuer.

In consideration for the commitment and undertaking and other services of the Selling Agent as provided herein, the Issuer shall pay selling commissions/fees equivalent to:

Over and above normal trading margins for CPs sourced by the Selling Agent, one-fortieth of one percent (1/40% per annum), based on the full term and principal of each CP sold during a given month.

The Issuer shall be answerable for and/or reimburse the Selling Agent, upon billing, the cost of documentary stamp taxes, legal and notarial fees incurred by the Selling Agent arising from or in connection with this Agreement, the offering and distribution of the CPs.

Selling Agents Commitment and Undertaking on the CP Issue - On the basis of the representations, warranties, and covenants of the Issuer, the Selling Agent hereby agrees with the Issuer as follows:

- a) Selling Agent's Commitment - The Selling Agent's Commitment and undertaking to sell the commercial paper issue of the Issuer shall be up to PESOS: **FIFTEEN BILLION ONLY** (Php 15,000,000,000.00).

- b) Term - The Selling Agent's commitment, unless a cease and desist order is issued by the SEC, shall be conterminous with the validity period of the Issuer's authority to issue CP.
- c) Termination or Cancellation - Notice of termination or cancellation of the agreement whether unilaterally or mutually agreed upon by the contracting parties should be made with SEC.
- d) Conditions To Selling Agent's Commitment - The Selling Agent's Commitment is premised on: i) the accuracy of the Issuer's representations and warranties herein; and ii) the performance by the Issuer of its obligations herein.
- e) Selling Agent's Fees - The maximum estimate amount for the year of Selling Agent fees is Php 3,750,000.00.

The responsibilities of the Selling Agent as follows:

A. Reportorial requirements in the prescribed form:

- 1. Quarterly reports on CP transactions accompanied by interim quarterly financial statements to be submitted within thirty (30) calendar days following the end of the reference quarter.

B. Notify the SEC and BSP on the following matters:

- 1. When the Issuer is unable to provide the information necessary to meet reportorial requirements, the Selling Agent shall, not later than two (2) working days prior to due date, make notice of such fact to the Commission.
- 2. When the Issuer fails to pay in full any CP upon demand at stated maturity date, the Selling Agent shall, on the next working day, notify the SEC and the SEC will issue a cease and desist order enjoining the Issuer and the Selling Agent to stop the further sale of CPs.

C. Conditions in the issuance of BDOLF P15.000 Billion CP Authority by the Bangko Sentral ng Pilipinas.

- 1. BDOLFI shall limit its borrowings, including the issuance/sale of its SEC registered papers (CPs) to nineteen (19) or less lenders/purchasers at all times.
- 2. BDOLFI shall sell its commercial papers (CPs) only to end-users, i.e., institutions who by the very nature of their functions do not sell nor trade debt instruments in the secondary market. This shall automatically exclude investment houses, securities dealers and brokers.
- 3. BDOLFI shall submit to BSP-DTBNBFI a quarterly report of all buyers of BDOLFI's commercial papers including a list of its borrowings/lenders in the prescribed format **THIRTY (30) CALENDAR DAYS** from end of reference month.

4. BDOLFI shall inform in writing its selling agent and all CP buyers that (a) BDOLFI is a non-bank financial institution not authorized to engage in quasi-banking functions and therefore, not allowed to borrow from more than 19 at all times; and (b) they shall not sell BDOLFI's commercial papers in the secondary market without the prior consent of BDOLFI except when the sale is made to an existing creditor of BDOLFI. The selling agent and CP buyers shall affix their conforme in the letter advise.
5. BDOLFI's failure to comply with the foregoing conditions shall cause BSP to recommend to SEC the suspension of its CP authority.

UNDERWRITERS REPRESENTATIVE ON THE BOARD OF DIRECTORS

There is no arrangement whereby the underwriter has the right to designate or nominate a member/s of the board of directors of the Registrant.

INTERESTS OF NAMED EXPERTS AND COUNSELS

The audited financial statements of the Company as of and for the years ended December 31, 2016 and 2015, together with notes thereto, were audited by Punongbayan & Araullo, independent public accountants, as indicated in their reports which are included herein.

Direct or Indirect Interest in Registrant

The above-named experts and counsels will not receive a direct or indirect interest in the registrant nor was such expert and counsels are a promoter, underwriter, voting trustee, director, officer or employee of the registrant.

DESCRIPTION OF REGISTRANT'S SECURITIES

- A. Amount** : Php 15.000 Billion
- B. Expiry Date of License:** Three hundred sixty five (365) from the date of approval by the Securities and Exchange Commission
- C. Interest Rate** : Prevailing money market rates
- D. Minimum Purchase** : The minimum maturity value of each registered commercial instrument shall not be lower than THREE HUNDRED THOUSAND PESOS (Php300,000.00)
- E. Manner of Purchase** : The above mentioned commercial papers will be available for sale from the selling agent, subject to the minimum purchase amount with interest rate and maturity terms based on prevailing market conditions.
- F. Delivery of CP** : Delivery of the commercial paper will be made upon full payment of any purchase from the selling agent.
- G. Taxation** : The purchase of the above commercial papers will be subject to taxation rules and regulations of the Bureau of Internal Revenues pertaining to such purchase.
- H. Liabilities** : BDOLF as Commercial Paper Issuer is liable and responsible for any obligations arising from the sale of its commercial papers as provided for under pertinent sections of the Negotiable Instruments Law and the Securities Regulation Code. In addition, the Issuer is jointly responsible with the Selling Agent for complying with all reportorial requirements of the SEC and the Central Bank in connection with the commercial paper issue.
- I. Rights of Debt holders** : Debt holders shall not sell BDOLFI's commercial papers in the secondary market without prior consent of BDOLFI except when the sale is made to an existing creditor of BDOLFI. The selling agent and CP buyers shall affix their conforme in the letter advise.
- J. Debt Securities** : There are no debt securities to be disclosed. Also, there is no trustee(s) designated by the indenture.
- K. Credit Ratings** : BDOLFI has a rating of PRS Aa, as presently assigned by Philratings. Philratings sighted that BDOLF continues to be in a favorable position in a competitive market.
- L. Interest of Named Experts:** No experts or counsels will receive a direct or indirect interest in the registrant or was such expert and counsels are a promoter, underwriter, voting trustee, director, officer or employee of the registrant.

INFORMATION WITH RESPECT TO THE REGISTRANT

1. Business of Issuer

BDO LEASING AND FINANCE, INC. (“**BDOLF**” or the “**Company**”), is a domestic corporation incorporated with the Philippine Securities and Exchange Commission (“**SEC**”) in 1981 under Republic Act No. 8556 (the “**Financing Company Act**”), and listed with The Philippine Stock Exchange, Inc. (“**PSE**”) on January 6, 1997. The Company is 85.09% owned by BDO Unibank, Inc. (“**BDO**”, “**BDO Unibank**” or the “**Parent Company**”), a corporation incorporated and domiciled in the Philippines. The Company is the principal business unit of BDO engaged in leasing and financing.

The Company became a subsidiary of BDO after the merger of BDO and Equitable PCI Bank, Inc., which took effect on May 31, 2007, with BDO as the surviving entity. BDO is presently engaged in the banking business as a universal bank.

BDO Rental, Inc. (“**BDO Rental**”), formerly Equitable Pentad Rental, Inc., is a wholly-owned subsidiary of the Company, is licensed by the SEC to engage in renting and leasing of equipment and real properties. It started commercial operations on June 30, 2005.

The Company and BDO Rental continue their respective operations up to present. The Company and BDO Rental are not under any bankruptcy, receivership or similar proceedings, and have not undertaken any material reclassification, consolidation or purchase or a sale of a significant amount of assets not in the ordinary course of their respective businesses.

2. Principal Products/Services

The Company’s principal business is providing leasing & financing products to individual and corporate clients.

The Company’s leasing products include direct leases, sale-leaseback arrangements, and operating leases. The Company’s financing products include commercial and retail loans, installment paper purchases, factoring of receivables and floor stock financing. Loan availments of clients are used to finance the purchase of automobiles, trucks, office equipment, industrial, agricultural and office machinery, real property, and financial assets such as receivables and inventories.

Following is a general description of the Company’s leasing and financing products:

Leasing Products:

Finance Lease – A source of medium term financing for the acquisition of capital equipment and is ideal if you plan to keep the asset up to the end of the term. With just a low upfront cost, you can use the asset immediately.

Operating Lease – This refers to a short-term lease that does not permit the recovery of the investment by the lessor during the initial period of lease. It is an off-balance sheet transaction where rentals are recorded in the lessee’s book as expense. The operating lease product is being offered by BDO Rental.

Direct Lease - The Company purchases an asset selected by a client from a supplier and leases it to the client. Through this lease arrangement, the client overcomes budgetary constraints, enhances

efficiency in cash flow management through rental payments, and minimizes the required equity contribution for asset acquisition.

Sale-Leaseback - The Company purchases an asset from a client based on appraised value. The Company then “leases back” the asset to the client. This type of lease arrangement simultaneously provides liquidity to the client and continued use of the asset.

Financing Products:

Amortized Commercial Loan - The Company provides financing to a commercial client through the mortgage of the latter’s equipment or real property. The client is able to avail of longer amortization terms as compared to unsecured loans. An amortized commercial loan addresses a client’s capital expenditure or permanent working capital need.

Installment Paper Purchase - The Company purchases on a “with recourse basis” the installment sales contracts of a client usually engaged in motor vehicle, appliance, or equipment dealership at a stipulated discount, thereby providing liquidity to the same client.

Factoring of Receivable - As a variation of the receivables discounting product, the Company’s purchase of a client’s short-term receivables is on a “with or without recourse basis”, with the Company directly collecting payment from the client’s debtors. The client gains immediate liquidity, and transfers responsibility of the collection process to the Company.

Floor Stock Financing - Ideal for transport vehicle and equipment dealers, Floor Stock Financing is a revolving short-term credit facility that finances the purchase of inventory assets – motor vehicles, trucks, and heavy equipment – from manufacturers. Floor Stock Financing will ensure that you have your inventory in place when sales opportunities arise, without having to self-finance purchase.

Variations of each leasing or financing products are offered, depending on the nature of a client’s business, preferences and financial position.

As of December 31, 2016, the Company’s leasing and financing products contributed 60.27% and 32.03% to its gross revenues, respectively, vis-a-vis 2016 projected ratios of 64.3 % and 26.8% respectively..

New Product or Services

There were no publicly announced new products or services.

Sales Contracts

The Company's business is not dependent upon a single customer or a few customers, the loss of any or more of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

None of the Company's customers account for, or based upon existing orders will account for, thirty percent (30%) or more of the Company's sales, and the Company has no existing major sales contracts.

Government Approval

Under the Financing Company Act, only corporations for which a license to engage in the business of a financing company granted by the SEC may engage in both leasing and financing activities. Apart from the foregoing requirement, no other government approval is needed for the Company's and its subsidiary's principal products and services.

Market Position

The Company occupies a dominant position in the leasing and financing industry.

Marketing of Products/Services

The Company markets its products through its head office located at the 39/F BDO Corporate Center Ortigas, No.12 ADB Avenue, Ortigas Center, Mandaluyong City and its branch network nationwide. The Company has an extensive branch network in the leasing and financing industry, with five branches located in Cagayan de Oro City (Misamis Oriental), Cebu City (Cebu), Davao City (Davao), Iloilo City (Iloilo) and Angeles City (Pampanga).

The Company has a wholly-owned subsidiary, BDO Rental, licensed by the SEC to engage in renting and leasing of equipment and real properties. BDO Rental started its commercial operations on June 30, 2005.

As part of the BDO Unibank Group (referring to BDO and its subsidiaries), the Company is able to gain name recognition and marketing referrals provided by BDO Unibank, via the latter's nationwide branches and institutional banking group. BDO Unibank's well-established presence throughout the country helps the Company in understanding the local business environment and finding potential clients.

Competition

The SEC's licensing requirements allow financing companies to engage in both leasing and financing activities. As a matter of practice, financing companies are classified based on their product specializations and target markets.

Some financing companies may focus on consumer leasing and financing, while others, like the Company, concentrate on commercial leasing and financing clients. Among financing companies targeting commercial clients, there are differences in the market segment being served, with certain financing companies focusing on established prime companies, and others focusing on smaller clients.

The Company competes with other financing companies affiliated with other banks, independent financing companies, and other financing companies affiliated with diversified financial services firms. However, its key competitors are those firms engaged in servicing the leasing or financing requirements of commercial clients in the broader "Top 5,000" Philippine companies which include small-and medium enterprises (SMEs).

The principal competitors of the Company are Orix Metro Leasing & Finance Corporation, BPI Leasing Corporation, LBP Leasing Corporation, Japan PNB Leasing & Finance Corporation, UCPB Leasing and Finance Corporation, First Malayan Leasing and Finance, Allied Leasing and Toyota

Financial. Based on published reports by the Philippine Financing Association, for 2015, Toyota Financial has the highest total Assets at Php44.3B followed BDO Leasing at Php34.5B, Orix Metro Leasing at Php27.4B and BPI Leasing at Php12.1B. The market strengths of the Company's competitors are their competitive pricing of interest rates and fast turn around time. However, the Company believes it can effectively compete with other companies by its wide branch network, wherein each branch offers the same leasing and financing product lines as the head office.

Sources and Availability of Raw Materials

The Company is not dependent upon one or limited number of suppliers/dealers for essential raw materials, equipment, energy or other items.

Employees

As of December 31, 2016, the Company had 208 employees – 23 senior officers, 85 junior officers and 100 rank & file employees. Of the total personnel, Executive Office is composed of two employees; 138 under the Marketing group; 54 under the Operations group (Comptrollership and Operations, HR & Admin); nine under Risk and Compliance; three under Treasury; and two under the Company's subsidiary, BDO Rental. In 2017, the Company anticipates two additional employees.

The Company believes that it has maintained good relationship with its employees. Rank & file employees receive benefits similar to those granted to the rank & file employees of BDO Unibank, under the terms of a Collective Bargaining Agreement (“CBA”) between BDO Unibank and NUBEBDO, a legitimate labor organization duly registered with the Department of Labor and Employment. The CBA expires on October 31, 2020. Coverage of the CBA includes wage increases, allowances, bonuses, loans and other benefits.

Related Party Transactions

The related parties of the Company and its subsidiary, BDO Rental include BDO Unibank, related parties under common ownership, key management personnel and the retirement benefit fund as described below.

The summary of the Group's significant transactions with its related parties in 2016, 2015 and 2014 are as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>		
		<u>2016</u>	<u>2015</u>	<u>2014</u>
Ultimate Parent Company (BDO)				
Interest income on savings and demand deposits	(a) P	0.7	P 0.6	P 0.5
Interest expense on bills payable	(b)	38.7	99.7	94.6
Rent expense	(d)	10.5	9.8	10.5
Management fees	(e)	2.4	2.4	2.4
Employment Stock Option Plan		16.9	-	-
Subsidiary (BDO Rental)				
Service fees	(c)	-	5.9	6.3
Rent income	(d)	0.4	0.4	0.4

Management fees	(e)		0.4	0.4	0.4
Dividend Income	(j)		60.0	-	43.8
Related Party Under Common Ownership (BDO Capital and BDO Insurance)					
Service and charges fees	(f), (l)		5.5	4.0	3.5
Key management personnel					
Short-term benefits	(g)		50.4	65.6	57.7
Loans to officers	(g)		5.0	3.5	0.3
		<i>Outstanding Balance</i>			
<i>Related Party Category</i>	<i>Notes</i>		<i>2016</i>		<i>2015</i>
Parent Company (BDO Unibank)					
Savings and demand deposits	(a)	P	365.2	P	323.7
Bills payable	(b)		2,575.8		3,250.2
Employee Stock Option Plan			16.9		-
Subsidiary (BDO Rental)					
Deposit for future stock subscription	(k)		-		46.9
Dividend Receivable	(j)		60.0		-
Accounts Receivable	(k)		109.4		-
Related Party under Common Ownership (BDO Insurance)					
Accounts Receivable	(l)		0.7		-
Key management personnel					
Loans to officers	(g)		10.0		5.0
Retirement benefit fund					
Loans to officers and employees	(h)		-		1.1
Shares of stock	(i)		1.0		1.1

a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of December 31, 2016 and 2015, 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 2016, 2015 and 2014 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 December 31, 2016 and 2015 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in 2016, 2015 and 2014 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of 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 in Other expenses under Operating Costs and Expenses in the Parent Company's statements of income. The Service Agreement was discontinued in 2016. There are no outstanding intercompany payable and receivable from this transaction as of December 31, 2016 and 2015.

d) 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 between the Parent Company and BDO Unibank. Related rent expense incurred in 2016, 2015 and 2014 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 2016, 2015 and 2014 is presented as part of Other Income in the statements of income. There are no outstanding receivable and payable on these transactions as of the end of 2016 and 2015.

e) 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 2016 and 2015.

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 short term commercial papers. Service and charges fees paid by the Parent Company to BDO Capital amounting to P4.0 both for 2016 and 2015 and P3.5 in 2014 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 2016, 2015 and 2014.

g) 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 the 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.

h) The Group maintains a retirement benefit fund with BDO Unibank covering all regular fulltime employees. In the normal course of business, the retirement benefit fund grants

salary and housing loans to certain officers and employees of the Parent Company, and members and beneficiaries of the fund who are also officers of the Parent Company. The housing loans are secured by the mortgage on the property and bear interest at 9.0% per annum and have terms ranging from 13 to 20 years. The salary loans, on the other hand, are unsecured and bear interest ranging from 9.0% to 10.0% per annum and have terms ranging from 18 months to 3 years. There is no impairment loss recognized on these loans. There are no more loans granted to officers under the retirement fund in 2016.

i) The retirement fund holds, as an investment, 519,915 shares and 442,750 shares of stock of the Parent Company in 2016 and 2015, respectively, which has a market value of P1.90 and P2.00 per share as of December 31, 2016 and 2015, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.

j) In 2016 and 2014 (nil in 2015), BDO Rental declared cash dividends amounting to P60.0 and P43.8, respectively.

k) In 2015, BDO Rental received cash from the Parent Company as subscription payments for the increase in authorized capital stock, representing 25% of the total subscribed capital stock. BDO Rental cancelled its application for the increase in authorized capital stock with the SEC on December 20, 2016. This resulted in outstanding receivable by the Parent Company from BDO Rental in 2016.

l) In 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (“**BDO Insurance**”) service charges and fees for accounts referred and is included as part of Miscellaneous under Other Income account in the 2016 statement of income. This resulted to outstanding receivable of the Parent Company from BDO Insurance in 2016 which is recorded as part of Accounts receivables under Loans and Other Receivables account in the statements of financial position.

Intellectual Property

As of December 31, 2016, the Company is the licensee from BDO Unibank of the following trademark registered with the Philippine Intellectual Property Office:

Trademarks	Validity of Registration (*subject for renewal)
BDO Leasing	May 4, 2014 to May 4, 2024

Governmental Regulation

The Company does not foresee new changes or amendments to the Financing Company Act that would significantly affect the Company’s business.

Research and Development

The Company, being in the financing business, does not have research and development activities. In this regard, it does not incur research and development costs and is not affected by any environmental law.

Properties

The Company leases its head office premises from BDO Unibank for a period of five years until September 30, 2021. Head office address is at the 39/F BDO Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City. In 2016 and 2015, the consolidated rent expense amounted to P19.6 million and P18.2 million, respectively. Cagayan de Oro, Davao, Iloilo, Pampanga, and Cebu branches lease their premises from BDO Unibank.

These are the details of the branches' office premises:

Cagayan

- Operates at the 5th Floor BDO Regional Office, Lot 6 Blk, Limketkai Commercial Complex, Limketkai Avenue, Brgy. 31, Poblacion, Cagayan de Oro City for a period of five years and will expire on March 31, 2020. Monthly rental amounts to P34,926.50 with no escalation clause.

Iloilo

- Operates at the 2nd Floor BDO Corporate Center, BDO Valeria Branch, Valeria St., Iloilo City for a period of five years and will expire on November 17, 2018. Monthly rental amounts to P11,500.00 with no escalation clause.

Davao

- Operates at the 4th Floor BDO Davao-Claveria, No. 30 C.M. Recto Avenue, Poblacion, Davao City for a period of five years and will expire on May 31, 2018. Gross monthly rental amounts to P14,313.00 with no escalation clause.

Cebu

- Operates the Mezzanine Floor BDO Bldg., Gorordo Avenue, Lahug, Cebu City for a period of five years and will expire on May 31, 2019. Monthly rental amounts to P46,122.00 with no escalation clause.

Pampanga

- Operates at the 3rd Floor BDO Angeles-Balibago Branch Building, Ramon Tang Avenue, Diamond Subdivision, Balibago, Angeles City for a period of five years and will expire on December 14, 2018. Gross monthly rental amounts to P22,800.00 with no escalation clause.

The Company's facilities, office furniture, fixtures and equipment are in good condition. Distribution of office furniture, fixture and equipment are as follows: Head office – P30.7 million; Cebu – P0.7 million; Davao – P0.7 million; Cagayan – P1.0 million; Iloilo – P0.6 million; Pampanga – P1.6 million.

The company does not intend to acquire any property or open new branches within the next 12 months.

LEGAL PROCEEDINGS

The Company is party to various legal proceedings which arise in the ordinary course of its operations. No such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Company, its subsidiaries or its consolidated financial condition.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the calendar year covered by this Report.

MARKET FOR ISSUER'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

On July 15, 2003, the Board approved a program to buy-back shares from the stock market. The Board authorized the Chairman or Vice-Chairman and the President to determine the amount and the timing of the program. The buy-back program was approved on the rationale that the market prices did not reflect the true value of the shares and therefore remaining shareholders would benefit from a buyback into treasury. Purchase of shares are covered by guidelines which include buy-back of shares when the share price is undervalued, the purchase prices shall be at prevailing market prices, and the cash expenditure for the buy-back will not adversely affect the liquidity requirements of the Company for its business transactions.

Total treasury shares as of December 31, 2016 was 62,693,718 shares or a total value of P81,776,628

Market Information

Debt Securities: Php 15.000 Billion commercial paper
Equity Securities: Refer to Market Information.

1) Trading Market

The principal market for the Company's common equity is the Philippine Stock Exchange (PSE)

2) Stock Prices

The market prices of the Company's share are as follows:

2017	High	Low	2016	High	Low
1st quarter	3.96	3.95	1st quarter	2.85	2.84
2nd quarter	4.23	3.81	2nd quarter	4.15	4.00
3rd quarter	4.50	3.87	3rd quarter	3.85	3.77
			4th quarter	3.79	3.79
2015	High	Low	2014	High	Low
1st quarter	2.34	2.28	1st quarter	2.00	2.00
2nd quarter	2.54	2.51	2nd quarter	2.11	2.11
3rd quarter	2.47	2.47	3rd quarter	2.20	2.15
4th quarter	2.51	2.45	4th quarter	2.15	2.15

As at Dec 18, 2017 and December 31, 2016, the closing price of the Company's share were at P3.87 and P3.79, respectively.

Total number of stockholders as of Sep 30, 2017 was one thousand one hundred twenty nine (1,129) and as of December 31, 2016 was one thousand one hundred thirty six (1,136). Common shares outstanding as of June 30, 2017 and December 31, 2016 totaled 2,162,475,312.

3) Price Information on the Latest Practicable date

The Company's shares were last traded on Dec 18, 2017 at P3.87 per share.

4) Dividends Policy

Dividends declared by the Company on its shares of stocks are payable in cash or in additional shares of stock. The payment of dividends in the future will depend upon the earnings, cash flow and financial condition of the Corporation and other factors.

There are no restrictions that will limit the ability to pay dividends on common equity. The company and its subsidiary, BDO Rental Inc, has no established dividends policy as of the moment

5) Dividends

On February 24, 2016, the Board approved the declaration of cash dividends at P0.20 per share in favor of stockholders of record as of March 11, 2016 paid on March 30, 2016. Total dividends in 2016 amounted to P432.49 million.

On February 26, 2015, the Board approved the declaration of cash dividends at P0.175 per share in favor of stockholders of record as of March 11, 2015 paid on March 24, 2015. Total dividends in 2015 amounted to P378.43 million.

On February 25, 2014, the Company's Board of Directors approved the declaration of cash dividends at P0.15 per share in favor of stockholders of record as of March 13, 2014 paid on March 31, 2014. Total dividends in 2014 amounted to Php 324.37 million.

Holders

The Company's common stockholders, with their respective shareholdings, as of Sep 30, 2017 are as follows:

<u>Name</u>	<u>No. of Shares Held</u>	<u>% to Total</u>
Banco de Oro Unibank, Inc. (Parent Company)	1,840,115,176	85.093003%
Various Stockholders	<u>322,360,136</u>	<u>14.906997%</u>
	<u>2,162,475,312</u>	<u>100.00000%</u>

The top twenty (20) stockholders of the Company as of Sep 30, 2017 are as follows:

<u>Name of Stockholders</u>	<u>Securities</u>	<u>Shares Held</u>	<u>Percentage</u>
Banco De Oro Unibank, Inc.	Common	1,840,115,176.00	85.093003%
PCD Nominee Corp (Filipino)	Common	245,667,822.00	11.360491%
Samuel Uy Chua	Common	21,000,000.00	0.971109%
Equitable Computer Services, Inc. A/C Equitable	Common	12,320,000.00	0.569717%
Marylen Castro Mateo	Common	3,795,000.00	0.175493%
Jesselen Castro Versoza	Common	3,795,000.00	0.175493%
Samuel Uy Chua	Common	3,011,150.00	0.139246%
Constantino Chua	Common	2,497,200.00	0.115479%
Equitable Computer Services Inc.	Common	2,070,200.00	0.095733%
Victor Barranda	Common	1,157,475.00	0.053525%
Mercury Group of Companies	Common	1,089,165.00	0.050367%
Constantino Chua &/or Willington Chua &/or George W. Chua	Common	1,020,000.00	0.047168%
Nardo R. Leviste	Common	759,000.00	0.035099%
Oscar M. Lopez	Common	683,100.00	0.031589%
Willington/Constantino Chua/ George W.	Common	584,430.00	0.027026%

<i>Name of Stockholders</i>	<i>Securities</i>	<i>Shares Held</i>	<i>Percentage</i>
Chua Chua			
Willington Chua	Common	508,530.00	0.023516%
Pablo Son Keng Po	Common	455,400.00	0.021059%
Wilson Go	Common	438,625.00	0.020283%
Lim Chin Ben	Common	425,040.00	0.019655%
Sysmart Corporation	Common	358,835.00	0.016594%

7) Recent Sales of Unregistered or Exempt Securities, Including Recent Issuance of Securities Constituting an Exempt Transaction.

There were no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

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

September 2017 Compared to September 2016

The company registered P405.9 million in net income for the period ending September 2017. These results were lower compared to the same period last year as rising interest rates caused a contraction in margins, and offset the benefits of volume growth.

Gross revenues amounted to P2,315.1 million, an increase of 9% from P2,123.1 million last year. This was due to the hike in volumes from loans and receivables finance. Overall, Loans & Other Receivables grew by P4.0 billion or 13% year on year to P33 billion.

The portfolio growth was primarily funded by a 18% year-on-year increase in Bills Payable. As such, interest and financing charges rose by 25% to P629 million from increased volumes and rising interest rates.

The company set aside P38 million as provisions for credit and impairment losses.

Occupancy and equipment related expenses decreased 21% to P37 million due to savings from the transfer to BDOLF's new offices. Depreciation Expense-Operating Lease went up 14% to P602 million due to an increase in Operating Lease bookings.

Litigation/assets acquired expenses increased to P27 million owing to maintenance expenses on acquired assets.

Total assets expanded 15% year-on-year to P42.1 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed by more than 8% or P1.4 billion while net non-lease portfolio went up by almost 19% or P2.4 billion.

Cash & cash equivalents went up to P427.4 million from last year's level of P397.1 million, while Available for Sale investments went up nearly 32% to P4.6 billion with new acquisitions.

Net investment properties decline slightly to P417 million from P432 million. Other Assets likewise slightly increased year-on-year to P805 million from P786 million.

Bills Payable increased to P30.5 billion to finance the increasing volume of loans and securities.

Accounts Payable, accrued expenses and other liabilities increased P101 million year-on-year due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.5 billion in September 2016 to P5.8 billion, consistent with growth in loan volumes.

Stockholders' equity stood at P5.2 billion.

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

	<u>September 2017</u>	<u>September 2016</u>
Current Ratio	0.38:1	0.42:1
Quick asset ratio	0.37:1	0.41:1
Debt to Equity Ratio	7.04:1	6.16:1
Net Profit Margin	17.53%	19.99%
Return on Equity	10.39%	11.12%

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

The Company currently has a low current ratio given its decision to continue to borrow short term funds and lend this out on medium to long term deals in order to maximize its margins. Also, the Debt-to-equity ratio as of September 2017 is at 7.04. It remains high given the continuous accumulation of debt to support the growth in portfolio. It can be noted however that the Company continues to maintain the excellent quality of its portfolio as reflected in its NPL ratio at 1.31%. Also, the higher the leverage ratio, the higher Return on Equity is achieved for shareholders. The company continues to source its liquidity via the current Php25B Commercial Paper license approved by the SEC and more than Php40B credit line granted by its creditor banks.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

2016 Compared to 2015

Gross income for the year ended December 31, 2016 was P2.85 billion, an increase of P248.1 million, or 9.52% from P2.61 billion in 2015. Interest and discounts for the year ended December 31, 2016 were P1.76 billion, an increase of P189.1 million or 12% from P1.57 billion in 2015. Rent Income for the year ended December 31, 2016 were P890.2 million, an increase of P83.1 million or 10.30% from P807.1 million in 2015. The increase was due to higher operating lease income from its subsidiary, BDO Rental. The Company's leasing and financing portfolio as of December 31, 2016 was at P31.81 billion, a P3.95 billion increase, or 14.17% from P27.86 billion as of December 31, 2015 with leasing portfolio improving by 8.85% or an increase of P1.4 billion.

Interest and financing charges for 2016 amounted to P673.5 million, consisting mainly of finance charges from borrowings of P668.4 million and interest expense on lease deposits of P3.2

million. The increase of P102.7 million in financing charges is attributed to the increase in Bills Payable from P23.89 billion last year to P27.27 billion this year. Interest expense on leased deposits in 2016 amounted to P3.2 million or a decrease of P3.2M from 2015's P6.4 million.

As of December 31, 2016, total provision for impairment losses amounted to P50.9 million, a decrease of P33.4 million from last year's P83.4 million. There were accounts written off in 2016 amounting P1.0 million.

Taxes and licenses amounted to P245.5 million for the year ended December 31, 2016, an increase of P46.9 million, or 23.62% from P198.6 million for the year ended December 31, 2015. The increase was mainly the result of higher DST in 2016 vis a vis 2015, by P24.0 million.

Salaries and employee benefits expense amounted to P220.7 in 2016 as compared to P187.9 million in 2015. Occupancy and equipment related expenses for the year ended December 31, 2016 amounted to P775.2 million, an increase of P72.8 million, or 10.36% from December 2015's P702.5 million. This was brought about by the improved operating lease business of BDO Rental.

Litigation/assets acquired expenses decreased by P0.2 or from P30.2 million in 2015 to P30.0 million in 2016.

Other expenses increased to P108.7 million in 2016 as compared to P107.4 million as of 2015.

The Company registered a net income of P570.0 million for the year ended December 31, 2016.

Total assets amounted to P38.9 billion in December 31, 2016, an increase of P4.3 billion from the P34.6 billion balance of December 2015. Available-for-sale financial assets of P3.52 billion is comprised of investments in various corporate fixed rate bonds and preferred shares listed in the PSE. Leasing and Financing portfolio increased by 14.17%, representing an increase of P3.95 billion from last year. Property and Equipment-net amounted to P2,381.2 million as of 2016, or an increase of P159.5 million over last year's P2,221.7 million. This is due to the increase in booked leases of BDO Rental. Investment properties-net increased to P426.5 million from 2015's P438.1 million. Other assets increase from P522.0 million in 2015 to P819.3 million in 2016 mainly due to the Joint Venture Agreement with Mitsubishi entered into by the Company. The joint venture company is named MMPC Auto Financial Services Corp.

Income tax payable, accounts payable, and other liabilities increased to P702.0 million from P422.7 million last year.

Lease deposits, amounting to P5.58 billion in 2016, increased by P598.2 million or 12% from last year's P4.98 billion. This was also due to the increased volume of lease transactions of the Company.

Stockholders' equity increased by P126.6 million or 2.42%, due to the Net Income for the year.

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

	December 2016	December 2015
Current Ratio	0.41:1	0.46:1
Quick asset ratio	0.41:1	0.45:1
Debt to Equity Ratio	6.27:1	5.61:1
Net Profit Margin	19.97%	21.32%
Return on Equity	10.78%	10.89%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) decrease from last year's 0.46:1. Debt to equity ratio, computed as total liabilities divided by total equity, increased from 5.61:1 in 2015 to 6.27:1 in 2016 because of more corporate and bank funding availed of to finance the increase in lease/loan portfolio during the year. Net Profit Margin which is computed as net income over gross revenue, declined slightly due to higher operating expenses. Return on Equity, which is net income over average equity, declined to 10.78% in 2016.

2015 Compared to 2014

Gross income for the year ended December 31, 2015 was P2.61 billion, an increase of P332.6 million, or 14.63% from P2.27 billion in 2014. Interest and discounts for the year ended December 31, 2015 were P1.57 billion, an increase of P120.7 million or 8.32% from P1.45 billion in 2014. Rent Income for the year ended December 31, 2015 were P807.1 million, an increase of P194.0 million or 31.64% from P613.1 million in 2014. The increase was due to higher operating lease income from our subsidiary, BDO Rental, Inc. The Company's leasing and financing portfolio as of December 31, 2015 was at P27.9 billion, a P3.89 billion increase, or 16.21% from P24.0 billion as of December 31, 2014 with leasing portfolio improving by 17.44% or an increase of P2.4 billion.

Interest and financing charges for 2015 amounted to P570.8 million, consisting of finance charges from borrowings of P564.4 million and interest expense on lease deposits of P6.4 million. The increase of P102.9 million in financing charges is attributed to the increase in Bills Payable from P19.65 billion last year to P23.89 billion this year. Interest expense on leased deposits in 2015 amounted to P6.4 million or an increase of P3.1M from 2014's P3.2 million.

As of December 31, 2015, total provision for impairment losses amounted to P83.4 million, a decrease of P16.6 million from last year's P100.0 million. There were no accounts written off in 2015.

Taxes and licenses amounted to P198.6 million for the year ended December 31, 2015, an increase of P19.3 million, or 10.76% from P179.3 million for the year ended December 31, 2014. The increase was mainly the result of higher DST in 2015 vis a vis 2014, by P15.3 million.

Salaries and employee benefits expense amounted to P187.9 million in 2015 as compared to P161.4 million in 2014. Occupancy and equipment related expenses for the year ended December 31, 2015 amounted to P702.5 million, an increase of P168.2 million, or 31.48% from December 2014's P534.3 million. This was brought about by the improved operating lease business of BDO Rental.

Litigation/assets acquired expenses increased by 21.29% or from P24.9 million in 2014 to P30.2 million in 2015.

Other expenses increased to P107.4 million in 2015 as compared to P91.7 million as of 2014.

The Company registered a net income of P555.6 million for the year ended December 31, 2015.

Total assets amounted to P34.5 billion in December 31, 2015, an increase of P5.27 billion from the P29.25 billion balance of December 2014. Available-for-sale financial assets of P3.54 billion is comprised of investments in various corporate fixed rate bonds and preferred shares listed in the PSE. Leasing and Financing portfolio increased by 16.21%, representing an increase of P3.89 billion from last year. Property and Equipment-net amounted to P2,221.7 million as of 2015, or an increase of P209.12 million over last year's P2,012.6 million. This is due to the increase in booked leases of BDO Rental. Investment properties-net increased to P438.1 million from 2014's P320.6 million due to purchase of land for Operating Lease. Other assets stood at P522.0 million in 2015, primarily consisting of deferred input VAT of P260.6 million, prepaid expenses P102.2 million; and intangible assets P50.9 million.

Income tax payable, deferred tax liabilities, accounts payable, and other liabilities increased to P422.7 million from P417.2 million last year.

Lease deposits, amounting to P4.98 billion in 2015, increased by P788.7 million or 18.80% from last year's P4.19 billion. This was also due to the increased volume of lease transactions of the Company.

Stockholders' equity increased by P236.9 million or 4.75%, due to the increase in Net Income year-on-year.

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

	December 2015	December 2014
Current Ratio	0.46:1	0.41:1
Quick Asset Ratio	0.45:1	0.40:1
Debt to Equity Ratio	5.61:1	4.87:1
Net Profit Margin	21.32%	22.17%
Return on Equity	10.89%	10.33%

The Current Ratio (computed as current assets divided by current liabilities) and Quick Asset Ratio (quick asset divided by current liabilities) registered slight improvements from last year. Debt to equity ratio, computed as total liabilities divided by total equity, increased from 4.87:1 in 2014 to 5.61:1 in 2015 because of more corporate and bank funding availed of to finance the increase in lease/loan portfolio during the year. Net Profit Margin which is computed as net income over gross revenue, declined slightly due to higher operating expenses. However, Return on Equity, which is net income over average equity, improved to 10.89% in 2015.

As of December 31, 2016, the Company raised gross proceeds of approximately P561,000,000 from the CP. After deducting the discounted interest (net of withholding tax), the net proceeds from the CP amounted to P559,831,808. The net proceeds will be used by the Company to further solidify the Company's capital adequacy and financial strength, among others, specifically as follows: (1) Re-lending; (2) Payment of Maturing Obligations; and (3) Rollover of Existing CP Placements.

Actual Proceeds as at Dec 31, 2016

Gross Proceeds	561,000,000.00
Net Proceeds	559,831,808.00

Expenditures

Rollover	559,831,808.00	
Relending	0.00	
PN Payment	0.00	Balance - Dec 31, 2016 24,439,000,000.00

As of Sep 30, 2017, the Company raised gross proceeds of approximately P15,440,600,000 from the CP. After deducting the discounted interest (net of withholding tax), the net proceeds from the CP amounted to P15,387,123,618.00. The net proceeds will be used by the Company to further solidify the Company's capital adequacy and financial strength, among others, specifically as follows: (1) Re-lending; (2) Payment of Maturing Obligations; and (3) Rollover of Existing CP Placements.

Actual Proceeds as at Sep 30, 2017

Gross Proceeds	15,440,600,000.00
Net Proceeds	15,387,123,618.00

Expenditures

Rollover	11,618,988,911.00	
Relending	0.00	
PN Payment	3,768,134,707.00	Balance - Sep 30, 2017 9,559,400,000.00

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, 2017, December 31, 2016 and September 30, 2016 are as follows:

<u>Related Party Category</u>	Note	<u>Amount of Transaction</u>		
		September 30, 2017	December 31, 2016	September 30, 2016
Ultimate Parent Company (BDO Unibank)				
Interest Income on savings and demand deposits	(a) P	0.6 P	0.7 P	0.5
Interest expense on Bills Payable	(b)	115.7	38.0	31.6
Rent Expense	(c)	9.3	10.5	7.4
Management fees	(d)	9.7	2.4	1.8
Employee stock option plan		2.8	16.9	
Subsidiary (BDO Rental)				
Interest income on loans	(b)		0.4	0.3
Rent income	(c)	0.1	0.4	0.3
Management fees	(d)	0.3	0.4	
Dividend income	(i)	120.0	60.0	
Related Party under Common Ownership (BDO Capital, BDO Strategic and BDO Insurance)				
Service and charges fees	(e)	2.5	5.5	3.3
Interest expense on Bills Payable	(k)	7.6		

<u>Related Party Category</u>	Note	<u>Outstanding Balance</u>		September 30, 2016
		September 30, 2017	December 31, 2016	
Parent Company (BDO Unibank)				
Savings and demand deposits	(a) P	422.8	P 365.2	P 391.9
Bills Payable	(b)	3,841.2	2,575.8	1,278.6
Employee stock option		2.8	16.9	
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(h)			46.9
Accounts Receivable	(g)		109.4	
Dividend receivable	(i)		60.0	
Related Party under Common Ownership (BDO Insurance, BDO Strategic and BDO Nomura)				
Accounts Receivable	(j)		0.7	
Bills Payable	(k)	842.5		
Unearned Rental Income	(i)	1.2		
Key Management Personnel				
Loans to Officers	(f)		10.0	9.1
Retirement Fund				
Shares of stock	(g)		1.0	

A. The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2017, December 31, 2016 and September 30, 2016, 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, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 and September 30, 2016 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 September 30, 2017 and September 30, 2016 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, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016.

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, 2017, December 31, 2016 and September 30, 2016.

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 September 30, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016.

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.

G. The retirement fund holds, as an investment, 519,915 shares of the Parent Company, which has a market value of P4.04 per share as of September 30, 2017. The retirement fund does not hold any shares of stock of BDO Unibank.

H. In 2015, BDO Rental received cash from the Parent Company as subscription payments for the increase in authorized capital stock, representing 25% of the total subscribed capital stock. BDO Rental cancelled its application for the increase in authorized capital stock with the SEC on December 20, 2016. This resulted in the recognition of outstanding receivable by the Parent Company from BDO Rental in 2016.

I. In 2017, BDO Rental declared Cash Dividends which is presented as part of other income in the Parent company's statement of income

J. In 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred. This resulted for outstanding receivable of the Parent Company from BDO Insurance in 2016 which is recorded as part of Accounts receivable under Loans and Other Receivables account in the statements of financial position.

K. In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of income

L. In 2017, BDO Rental, subsidiary of the Parent Company, entered into Operating Lease Agreement which will start next year with BDO Nomura. Unearned Rental Income paid by BDO Nomura is included as part of Other Liabilities.

The company cancelled the increase in capital stock given the impending implementation of IFRS9 which will eliminate the distinction of Operating leases (BDO Rental product) with Finance Leases and the additional credit lines provided by its credit banks.

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.

Internal and External Sources of Liquidity

The Company's internal liquidity comes from the daily collections from various clients. External sources range from credit facilities extended by various banks, corporate and individual placers. The Company is confident to meet its current and long-term obligations as they mature.

Material Commitments for Capital Expenditures

There were no material commitments for capital expenditures.

Projections

Total Assets is projected to grow to P44.75 billion or 15% in 2017 with Net Loans and Other Receivables increasing from P31.4 billion in 2016 to P36.6 billion in 2017 or up to 17%. Total Revenue is estimated at P3.23 billion by year-end 2017 while Interest and Financing Charges and Operating Lease-related

Depreciation total P858.1 million and P800.3 million, respectively.

Projected Net income for 2017 is P570 million.

Funding will be mainly sourced from the Commercial Papers, bank lines and collections. The Company secured an approval in 2016 for P25 Billion worth of CPs.

INFORMATION ON INDEPENDENT ACCOUNTANT

Information on Independent Accountant and Other Related Matters

(1) External Audit Fees and Services

(a) Audit and Audit-Related Fees

The aggregate fees billed for each of the last two (2) fiscal years for professional services rendered by the external auditor was P0.839 million for the year 2016 and P0.985 million for the year 2015. These fees cover services rendered by the external auditor for audit of the financial statements and other services in connection with statutory and regulatory filings for fiscal year 2016 and 2015.

(b) Tax fees and other fees

No other fees were paid to Puncngbayan & Araullo (P&A) for the last two fiscal years.

(c) The Board Audit Committee has the oversight responsibility over the audit function and activities of Internal and External auditors. It provides assurance that (a) financial disclosures made by the management as presented in the Internal Auditor's report reasonably reflect the financial condition; the results of operation; and the plans and long-term commitments; and (b) internal controls are operating as intended and whether modifications are necessary.

The Board Audit Committee has the responsibility to select and recommend to the Board the External Auditors. It reviews the audit coverage of the External Auditors and deliberates on their audit report prior to endorsement to the Board for approval. It reports to the Board audit-related matters requiring the Board's action.

There are no events that will trigger direct or contingent financial obligation that is material to the company including any default or acceleration of an obligation.

There are also no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationship of the company with unconsolidated entities or other persons created during the reporting period.

There is also no material commitments for capital expenditure. No known trends events or uncertainties that have or had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations were noted.

No significant elements of income or loss that did not arise from registrant's continuing operations were identified.

(2) CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

In 2016 and 2015, the auditing firm of P&A has been appointed as the Company's Independent Public Accountant. There was no event in the past where P&A and the Company had any disagreement with regard to any matter relating to accounting principles or practices, financial statement disclosure or auditing scope and procedures.

ITEM 9. DIRECTORS AND EXECUTIVE OFFICERS OF THE ISSUER

General Management and overall direction of the Company is being provided by the Board. The following are the eleven (11) members of the Board as of Sep 2017.

TERESITA T. SY
CHAIRPERSON
FILIPINO, 66 YEARS OLD

Ms. Teresita T. Sy was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on September 20, 2005, and she currently serves as Chairperson of the Board. Ms. Sy is also the Chairperson of the Board of Directors of BDO Unibank (PLC), where she was first elected a member in 1997. Concurrently, she serves as Chairperson, Vice-Chairperson, and/or Director of the following subsidiaries and affiliates of BDO Unibank: BDO Private Bank, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., BDO Life Assurance Holdings Corporation (formerly Generali Pilipinas Holding Company, Inc.), and BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.). Ms. Sy also serves as Adviser to the Board of Directors of One Network Bank, Inc. (A Rural Bank). Ms. Sy is the Vice Chairperson of SM Investments Corporation (PLC) and Adviser to the Board of SM Prime Holdings, Inc. (PLC). She also sits as Chairperson, Vice Chairperson and/or Director of the following companies: Multi Realty Development Corporation, Belleshare Holdings, Inc. (formerly SM Commercial Properties, Inc.), SM Mart, Inc., SM Retail, Inc., and First Asia Realty Development Corp. A Bachelor of Arts and Science in Commerce, Major in Management graduate of Assumption College, Ms. Sy brings to the board her diverse expertise in banking and finance, retail merchandising, and mall and real estate development.

ROBERTO E. LAPID
VICE CHAIRMAN AND PRESIDENT
FILIPINO, 60 YEARS OLD

Mr. Roberto E. Lapid was appointed Vice Chairman of BDO Leasing and Finance, Inc. (PLC) on December 1, 2010, and as its President on April 23, 2014. He is concurrently the President and Vice Chairman of the Board of Directors of BDO Rental, Inc., a wholly owned subsidiary of the Company, and a member of the Board of Trustees of the Foundation for Carmelite Scholastics. He was formerly the President of Equitable Exchange, Inc. and the Vice Chairman/Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.). Mr. Lapid holds a bachelor's degree in Business Administration from the University of the Philippines.

NESTOR V. TAN
DIRECTOR
FILIPINO, 59 YEARS OLD

Mr. Nestor V. Tan was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on January 23, 2007, and is the Chairman of the Company's Risk Management Committee. Mr. Tan, the President and Chief Executive Officer of BDO Unibank (PLC), also concurrently holds vice chairmanships and/or directorships in the following subsidiaries of BDO Unibank: BDO Capital & Investment Corporation, BDO Insurance Brokers, Inc., BDO Life Assurance Holdings Corp. (formerly Generali Pilipinas Holding Company), BDO Life Assurance Company, Inc. (formerly Generali Pilipinas Life Assurance Company, Inc.), BDO Private Bank, Inc. BDO Remit (USA), Inc., and SM Keppel Land, Inc. He also concurrently holds the Chairmanship of BDO Strategic Holdings Inc., One Network Bank, Inc. (A

Rural Bank), BancNet, Philippine Dealings System Holding Corp. and RBB Micro Finance Foundation. He is a Trustee of BDO Foundation, Inc., the De La Salle University Board of Advisors, and the Asian Institute of Management. At present, he is the Director of the Asian School of Business & Technology, and serves as President and Director of the Bankers Association of the Philippines.

Prior to joining BDO Unibank in 2007, Mr. Tan was Chief Operating Officer of the Financial Institutions Services Group of BZW, the investment banking subsidiary of the Barclays Group. His banking career spans nearly four decades and includes posts at global financial institutions, among them Mellon Bank (now BNY Mellon) in Pittsburgh, PA; Bankers Trust Company (now Deutsche Bank) in New York; and the Barclays Group in New York and London. He holds a bachelor's degree in Commerce from De La Salle University and an MBA from the Wharton School, University of Pennsylvania.

ANTONIO N. COTOCO

DIRECTOR

FILIPINO, 68 YEARS OLD

Mr. Antonio N. Cotoco was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on January 25, 2001. He is a Senior Executive Vice President of BDO Unibank and a member of its Board Credit Committee. Mr. Cotoco is Chairman of BDO Rental, Inc., and he also sits on the boards of directors of BDO Insurance Brokers, Inc., BDO Remit Limited, Express Padala (Hong Kong) Limited, BDO Remit (Macau) Ltd., and BDO Remit (USA), Inc. Currently, he also serves as a Director of OAC Realty & Development Corporation. For the past 37 years, Mr. Cotoco has been involved in investment banking, corporate finance, treasury, consumer banking, credit, business and development, and account management. Mr. Cotoco holds a master's degree in Business Administration from the University of the Philippines

JECI A. LAPUS

DIRECTOR

FILIPINO, 63 YEARS OLD

Mr. Jeci A. Lapus was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on April 23, 2014 and is presently a member of the Company's Related Party Transactions Committee. Mr. Lapus also serves as a Trustee of the Local Water Utilities Administration. From 2005 to 2006, he was an Independent Director of PCI Leasing and Finance, Inc. (now BDO Leasing and Finance, Inc.). He was formerly a Director of PNOC-Exploration Corp.; President of TODO Foundation, Inc.; and Vice President & OIC – Finance Administration of the National Agri-Business Corporation. Mr. Lapus was a member of the House of Representatives, representing the third district of Tarlac, from 2007 to 2013, and he also served as a Reserved Officer with a rank of Lieutenant Colonel in the Philippine Air Force. Mr. Lapus holds a Bachelor of Science degree in Civil Engineering from the Mapua Institute of Technology and passed the CE Board in 1975.

LUIS S. REYES JR.

DIRECTOR AND TREASURER

FILIPINO, 59 YEARS OLD

Mr. Luis Reyes, Jr. was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on April 18, 2012 and was appointed Treasurer on April 23, 2014. He is concurrently the Senior Vice President for Investor Relations and Corporate Planning of BDO Unibank (PLC). He is also the Director

and Treasurer of BDO Rental, Inc., and Director of BDO Strategic Holdings, Inc. and BDO Nomura Securities, Inc. Before joining BDO Unibank, Mr. Reyes was a First Vice President of Far East Bank & Trust Company, Trust Banking Group. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines.

EXEQUIEL P. VILLACORTA, JR.
DIRECTOR
FILIPINO, 71 YEARS OLD

Mr. Exequiel P. Villacorta, Jr. was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on May 24, 2006. He is concurrently a Director of Premium Leisure Corp. (PLC) and Philab Holdings, Inc. (formerly Alterra Capital Partners) (PLC), and previously a Director of Equitable PCI Bank, Inc. (2005-2006), EBC Insurance Brokerage, Inc., and Maxicare Healthcare Corporation. Mr. Villacorta was formerly the Chairman of EBC Strategic Holdings Corporation, EBC Investments, Inc. (now BDO Strategic Holdings Inc.), Jardine Equitable Finance Corporation, Strategic Property Holdings, Inc., PCIB Properties, Inc., Equitable Data Center, Inc. and PCI Automation Center, Inc. He was previously President and CEO of BDO Unibank and TA Bank of the Philippines, and was Vice President of Private Development Corporation of the Philippines (PDCP). He was Senior Adviser and BSP Controller of Equitable PCI Bank, Inc. and PBCom, and Adviser to the Board of PCI Capital Corporation. Mr. Villacorta holds a bachelor's degree in Business Administration from De La Salle University and a Masters of Business management from Asian Institute of Management.

WALTER C. WASSMER
DIRECTOR
FILIPINO, 59 YEARS OLD

Mr. Walter C. Wassmer was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on November 17, 1999. He is a Senior Executive Vice President of BDO Unibank (PLC) and heads its Institutional Banking Group. Previously, Mr. Wassmer was the Chairman and Officer-In-Charge of BDO Elite Savings Bank, Inc., formerly GE Money Bank, Inc. (A Savings Bank), Inc., and held directorships in MDB Land, Inc., Mabuhay Vinyl Corporation, and Bance De Oro Savings Bank, Inc. (formerly Citibank Savings, Inc.). Mr. Wassmer holds a degree in Management of Financial Institutions from the De La Salle University.

JESSE H.T. ANDRES
INDEPENDENT DIRECTOR
FILIPINO, 52 YEARS OLD

Atty. Jesse H.T. Andres was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on September 20, 2005. He is presently the Chairman of the Nomination Committee and the Related Party Transactions Committee, and a member of the Company's Board Audit Committee, Corporate Governance Committee, and Risk Management Committee. Moreover, he also serves as Independent Director of MMPC Auto Financial Services, Inc. In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System (GSIS), where he also served as the Chairman of the Corporate Governance Committee. He was also Chairman of the Board of GSIS Family Bank from June 2007 to October 2010. Since July 1, 2011, he has been the Managing Partner at Andres

Padernal & Paras Law Offices. From 1996 to 2003, he was a Partner at PECABAR Law Offices, where he became Co-Head of its Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation and Board Secretary of the Department of Trade and Industry's Garments and Textiles Export Board (GTEB). Atty. Andres holds a Bachelor of Arts in Economics from the School of Economics, U.P. Diliman, and a Bachelor of Laws from the U.P. College of Law.

MA. LEONORA V. DE JESUS
INDEPENDENT DIRECTOR
FILIPINO, 66 YEARS OLD

Ms. Ma. Leonora V. De Jesus was elected to the Board of Directors of BDO Leasing and Finance, Inc. (PLC) on May 12, 2008. She is presently the Chairperson of the Company's Board Audit Committee, and a member of the Corporate Governance Committee, Nomination Committee, and Related Party Transactions Committee. She is also an Independent Director of BDO Capital & Investment Corporation and SM Development Corporation. Ms. De Jesus also serves as Director at Risks, Opportunities, Assessment and Management (ROAM), Inc. and as University President of the Pamantasan ng Lungsod ng Maynila. In addition, she is an accredited SEC trainor on corporate governance. She is also a member of the Board of Governors of the Philippine National Red Cross. In the past, Ms. De Jesus was an Independent Director of Equitable Savings Bank, PCI Capital Corporation, and BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.). She was a professorial lecturer at the University of the Philippines, Diliman, and at the De La Salle Graduate School of Business and Governance. Ms. De Jesus was a trustee of the Government Service Insurance System (GSIS) from 1998 until 2004, and was a member of the cabinets of President Corazon C. Aquino, President Fidel V. Ramos, and President Joseph E. Estrada. She holds bachelor's, master's, and doctoral degrees in Psychology from the University of the Philippines.

VICENTE S. PÉREZ, JR.
INDEPENDENT DIRECTOR
FILIPINO, 58 YEARS OLD

Mr. Vicente S. Pérez, Jr. was nominated as independent director of BDO Leasing and Finance, Inc. (PLC) for this year's annual stockholders' meeting. He is an Independent Director of BDO Capital & Investment Corporation and DoubleDragon Properties Corp. (PLC), and serves as an independent advisor to the Board of BDO Unibank (PLC). He is also a Non-Executive Director of Singapore Technologies Telemedia Pte Ltd. and STT Communications Ltd. Mr. Pérez is currently the Chairman, or President, of the Alternergy Group of Companies, Asian Conservation Holdings Ltd., SolarPacific Holdings Ltd., Solar Pacific Energy Corporation, Kirahon Solar Energy Corporation, SolarPacific CitySun Corporation, Meritt Advisory Partners, Inc., Merritts Partners Pte Ltd (Singapore), QBL ECO Corporation, Kadluan Management Corporation, Kadluan Properties, Inc., and Clean Climate Professionals, Inc. He is a member of the advisory boards of the Yale Center for Business & Environment, Coca Cola FEMSA Philippines, Geneva-based Pictet Clean Energy Fund, bio-energy company Roxas Holdings, Inc. and part of the National Council of the Bhutan Foundation. Mr. Pérez is Chairman of the National Advisory Council of WWF-Philippines and a member of the WWF-International Board, Foundation for Rural Electrification for Economic Development and Sikat Solar Challenge Foundation, Inc. In 2001, he briefly served as Undersecretary at the Department of Trade and Industry and as Managing Head of the Board of Investments. Mr. Pérez obtained his Masters in Business Administration from the Wharton Business School of the University of Pennsylvania in 1983 and a Bachelor's Degree in Business Economics from the University of the Philippines in 1979. He was a 2005 World Fellow at Yale University where he lectured an MBA class on renewable power at the Yale School of Management.

JOSEPH JASON M. NATIVIDAD
CORPORATE SECRETARY
FILIPINO, 44 YEARS OLD

Atty. Joseph Jason M. Natividad was appointed Corporate Secretary of BDO Leasing and Finance, Inc. (PLC) on May 31, 2010. He is also the Assistant Corporate Secretary of BDO Capital & Investment Corporation, BDO Securities Corporation, and BDO Insurance Brokers, Inc. He served as Assistant Corporate Secretary of Equitable PCI Bank from September 2006 to June 2007, prior to its merger with Banco de Oro. He serves as the Corporate Secretary of BDO Rental, Inc. and Agility Group of Companies in the Philippines. Atty. Natividad is currently a member of the Factoran & Associates Law Offices. He has been in law practice for 17 years, largely in the fields of corporation law and environmental law. He holds a Bachelor's Degree in Management, Major in Legal Management, from the Ateneo de Manila University, and obtained his Juris Doctor Degree from the Ateneo de Manila University School of Law.

MA. CECILIA SALAZAR-SANTOS
ASSISTANT CORPORATE SECRETARY
FILIPINO, 51 YEARS OLD

Atty. Ma. Cecilia Salazar-Santos was appointed as Assistant Corporate Secretary of BDO Leasing and Finance, Inc. (PLC) effective October 1, 2015. She is concurrently the First Vice President of BDO Unibank (PLC). She is also the Assistant Corporate Secretary of BDO Private Bank, Inc., BDO Rental, Inc., Equimark-NFC Development Corporation, and One Network Bank, Inc. (a Rural Bank). Further, she is the Corporate Secretary of BDO Nomura Securities, Inc. (formerly PCIB Securities, Inc.), BDO Strategic Holdings, Inc., Ivory Homes, Inc., and Director and Corporate Secretary of PCI Insurance Brokers, Inc., PCI Travel Corporation, and The Executive Banclounge, Inc. Atty. Santos has been with BDO Unibank for more than 16 years, starting as Manager with BDO's Legal Department. She is currently assigned at the Legal Services Group as Team Head providing legal assistance to BDO's Support Groups and Subsidiaries and in managing BDO's Intellectual Property (BDO and BDO-related marks). She holds a Bachelor of Arts degree major in Economics from the University of Sto. Tomas and finished law at San Beda College of Law.

Independent Directors

The independent directors of the Registrant are Messrs. Jesse H.T. Andres and Vicente S. Perez Jr, and Ms. Ma. Leonora V. De Jesus.

Executive Officers:

The members of senior management, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Company. They are responsible for the implementation of the policies set by the Board. The following is a list of the Company's key officers, and their business experiences during the past five (5) years:

AGERICO MELECIO S. VERZOLA
FIRST VICE PRESIDENT & MARKETING HEAD
FILIPINO, 59 YEARS OLD

Mr. Agerico Melecio S. Verzola was appointed as First Vice President & Marketing Head of BDO Leasing and Finance, Inc. (PLC) on October 1, 2014. He is a Director of BDO Rental, Inc. Mr. Verzola has been involved in Credit, Corporate Banking, Commercial Banking, Branch Banking and Branch Lending, and Investment Banking over the past 34 years. He graduated with a degree of AB Economics from the University of the Philippines School of Economics, Diliman, and finished a 6-month Advanced Senior Management Course at AIM.

PETER BLAIR S. AGUSTIN
VICE PRESIDENT/CHIEF RISK AND COMPLIANCE OFFICER
FILIPINO, 47 YEARS OLD

Mr. Peter Blair S. Agustin is Vice President at BDO Unibank. He was seconded to and appointed as Chief Risk and Compliance Officer of BDO Leasing and Finance Inc. (PLC) in February 2014. He joined BDO Unibank in November 2005 as Team Head of Remedial Management Unit. Mr. Agustin has 20 years of combined experience in the areas of risk management, corporate account management, credit review, remedial management and regulatory compliance at Asiatrust Development Bank, KPMG Philippines, PBCom and Solidbank Corporation. He was also a former senior technical and policy analyst at the Presidential Management Staff – Office of the President of the Philippines during the Aquino I and Ramos administrations. He began his banking career via the six-month Management Development Program of Solidbank Corporation in 1996. Mr. Agustin finished his Master's Degree in Business Administration from Ateneo Graduate School of Business in 1995 (Dean's Lister) and his Bachelor's degree in Economics from the University of Mindanao in 1989 (Summa Cum Laude and one of The Outstanding Students of the Philippines in 1989).

The Company is not dependent on the services of any particular employee and does not have any special arrangements to ensure that any employee will remain with the Company and will not compete upon termination.

Significant Employee

There is no person, other than the executive officers, who is expected by the Company to make significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, or persons nominated or chosen by the Company to become directors or executive officers.

Involvement of Directors and Executive Officers in Certain Legal Proceedings

To the Company's knowledge, none of the directors or executive officers is named or is involved during the last five (5) years up to September 30, 2017 in any legal proceedings which will have any material effect on the Company, its operations, reputation, or financial condition.

To the Company's knowledge, none of its directors and senior executives have been subject of the following legal proceedings during the last five (5) years up to September 30, 2017:

1. bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of bankruptcy or within two (2) years prior to that time;
2. a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
3. to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities;
4. being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign Exchange or other organized trading, market or self-regulatory organization, to have violated the securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 10. EXECUTIVE COMPENSATION

The Company recognizes the need to report material information in a complete, accurate and timely manner thru easily accessible medium of communications. Significant items that are disclosed include the following:

A. Executive Compensation Policy

It is the objective of the Company to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, the Company offers a remuneration package composed of fixed salary, benefits and long-term incentives. Below are the compensation details of the directors and key executive officers of the Company:

(1) President and four (4) most highly compensated executive officers

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
President and four (4) most highly compensated executive officers	2017 (estimate)	20.25	10.88	n.a.
	2016	18.41	9.89	n.a.
	2015	20.17	9.73	n.a.
Year	Name			Position/Title
2016	Roberto E. Lapid			President
	Gerard M. Aguirre			First Vice President
	Agerico Melecio S. Verzola			First Vice President
	Ma. Theresa M. Soriano			First Vice President
	Rosario C. Crisostomo			First Vice President
2015	Roberto E. Lapid			President
	Gerard M. Aguirre			First Vice President
	Agerico Melecio S. Verzola			First Vice President
	Rosalisa B. Kapuno			Vice President
	Jennifer F. So			Vice President

The above compensation includes the usual bonus paid to the Company's officers. Except for

salaries, allowances, retirement benefits provided under the retirement plan of the Group, there is no stock option, stock warrant or other security compensation arrangement between the Company and its individual officers.

(2) Compensation of directors and officers as a group

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
All other officers and directors	2017 (estimate)	105.63	32.14	n.a.
	2016	96.03	29.22	n.a.
	2015	81.42	23.48	n.a.

A. Compensation of Directors

Each director is entitled to receive *per diem* allowance for attending board and committee meetings. The Board approves all compensation and remuneration schemes for the senior officers of the Company. As provided by law, the total compensation of directors shall not exceed 10% of the net income before income tax of the Company during the preceding year.

There is no distinction on the fee for a committee chairman and member. The above table contains the details of the compensation of directors and officers of the Company. In view of possible security risks, the Company opted to disclose these on an aggregate basis as a group. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

The Company may grant to the directors any compensation other than *per diems* by the approval of the shareholders representing at least a majority of the outstanding capital stock.

B. Outstanding warrants or options held by the registrants CEO, executive officers, and all officers and directors as a group.

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

C. Any repricing of warrants or options held by such officers or directors in the last completed fiscal year, as well as the basis for each such repricing.

There are no outstanding warrants or options held by the Company's chief executive officer, executive officers, and all officers and directors as a group.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

(1) September 30, 2017 the Company is 85% owned by the Parent Company and the remaining 15% is owned by various stockholders with only one stockholder having a 5% holding of the outstanding capital stock as of said date.

Title of Class	Name, address of record owner and relationship with issuer	Name of Beneficial Owner & Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage
Common	BDO Unibank Inc.* (Philippine Commercial International Bank; Banco De Oro Unibank, Inc.) BDO Corporate Center, 7899 Makati Avenue, Makati City BDO Unibank, Inc. is the parent company of the Company.		Filipino	1,840,115,176	85.09%
Common	PCD Nominee Corp G/F Makati Stock Exchange Building, 6767 Ayala Ave., Makati City PCD Nominee has no relationship with the issuer except as stockholder PCD, being a nominee corporation, only holds legal title, not beneficial ownership of the lodged shares	Various shareholders No stockholder owns more than 5% of the company's voting securities	Filipino Foreigner	245,667,172 656,964	11.36% 0.03%

Security Ownership of Management as of Sep 30, 2017:

(2) Following are the securities beneficially owned by directors and executive officers of the Company.

Directors:

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Teresita T. Sy Chairperson	100 (R)	Filipino	0.0000046%
Common	Roberto E. Lapid Vice Chairman & President	100 (R)	Filipino	0.0000046%
Common	Jeci A. Lapus	100 (R)	Filipino	0.0000046%
Common	Jesse H.T. Andres	100 (R)	Filipino	0.0000046%
Common	Antonio N. Cotoco	115 (R)	Filipino	0.0000053%
Common	Ma. Leonora V. De Jesus	100 (R)	Filipino	0.0000046%
Common	Luis S. Reyes Jr.	100 (R)	Filipino	0.0000046%
Common	Nestor V. Tan	100 (R)	Filipino	0.0000046%

Common	Jesus G. Tirona	100 (R)	Filipino	0.0000046%
Common	Exequiel P. Villacorta Jr.	100 (R)	Filipino	0.0000046%
Common	Walter C. Wassmer	100 (R)	Filipino	0.0000046%
	Total	1,115		0.0000513%

Officers :

Title of Class	Name of Beneficial Owner	Amount and nature of beneficial ownership	Citizenship	Percent of Class
Common	Teresita T. Sy Chairperson	100 (R)	Filipino	0.0000046%
Common	Roberto E. Lapid Vice Chairman & President	100 (R)	Filipino	0.0000046%
Common	Rosario C. Crisostomo Vice President	106,260 (R)	Filipino	0.0049138%
	Total	106,460		0.004923%

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

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, 2017, December 31, 2016 and September 30, 2016 are as follows:

<u>Related Party Category</u>	Note	<u>Amount of Transaction</u>		
		September 30, 2017	December 31, 2016	September 30, 2016
Ultimate Parent Company (BDO Unibank)				
Interest income on savings and demand deposits	(a) P	0.6 P	0.7 P	0.5
Interest expense on Bills Payable	(b)	115.7	38.0	31.6
Rent Expense	(c)	9.3	10.5	7.4
Management fees	(d)	9.7	2.4	1.8
Employee stock option plan		2.8	16.9	
Subsidiary (BDO Rental)				
Interest income on loans	(b)			
Rent Income	(c)	0.1	0.4	0.3
Management fees	(d)	0.3	0.4	0.3
Dividend Income	(i)	120.0	60.0	
Related Party under Common Ownership (BDO Capital, BDO Strategic and BDO Insurance)				
Service and charges fees	(e)	2.5	5.5	3.3
Interest expense on Bills Payable	(k)	7.6		

<u>Related Party Category</u>	Note	<u>Outstanding Balance</u>		September 30, 2016
		September 30, 2017	December 31, 2016	
Parent Company (BDO Unibank)				
Savings and demand deposits	(a) P	422.8 P	365.2 P	391.9
Bills Payable	(b)	3,841.2	2,575.8	1,278.6
Employee stock option		2.8	16.9	
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(h)			46.9
Accounts Receivable	(g)		109.4	
Dividend receivable	(i)		60.0	
Related Party under Common Ownership (BDO Insurance, BDO Strategic and BDO Nomura)				
Accounts Receivable	(j)		0.7	
Bills Payable	(k)	842.5		
Unearned Rental income	(l)	1.2		
Key Management Personnel				
Loans to Officers	(f)		10.0	9.1
Retirement Fund				
Shares of stock	(g)		1.0	

A. The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2017, December 31, 2016 and September 30, 2016, 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, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 and September 30, 2016 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 September 30, 2017 and September 30, 2016 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, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016.

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, 2017, December 31, 2016 and September 30, 2016.

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 September 30, 2017 and September 30, 2016 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, 2017, December 31, 2016 and September 30, 2016.

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.

G. The retirement fund holds, as an investment, 519,915 shares of the Parent Company, which has a market value of P4.04 per share as of September 30, 2017. The retirement fund does not hold any shares of stock of BDO Unibank.

H. In 2015, BDO Rental received cash from the Parent Company as subscription payments for the increase in authorized capital stock, representing 25% of the total subscribed capital stock. BDO Rental cancelled its application for the increase in authorized capital stock with the SEC on December 20, 2016. This resulted in the recognition of outstanding receivable by the Parent Company from BDO Rental in 2016.

I. In 2017, BDO Rental declared Cash Dividends which is presented as part of other income in the Parent company's statement of income

J. In 2016, the Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred. This resulted for outstanding receivable of the Parent Company from BDO Insurance in 2016 which is recorded as part of Accounts receivable under Loans and Other Receivables account in the statements of financial position.

K. In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. The amount outstanding from borrowings is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in September 30, 2017 is included as part of Interest and Financing Charges under Operating Costs and Expenses account in the statements of income

L. In 2017, BDO Rental, subsidiary of the Parent Company, entered into Operating Lease Agreement which will start next year with BDO Nomura. Unearned Rental Income paid by BDO Nomura is included as part of Other Liabilities.

The Company, to finance its lending requirements, borrows funds from BDO Unibank at prevailing market rates. As of end of December 31, 2016, the Company has a total dollar borrowings

amounting to USD 7,640,222.03. The Company's credit line with BDO Unibank stood at P7.00 billion for the years ended December 31, 2016, 2015 and 2014.

The Company and its two (2) branches maintain current and savings accounts with the Parent Company. Current accounts are non-interest earning while savings accounts earned interest of 0.25% per annum.

The Company, in need of IT services to operate its systems, entered into a Service Level Agreement ("SLA") with BDO Unibank, who has the IT facilities and technical competence to develop, maintain, and modify IT application software and to direct, supervise, and run the operating system software. IT is also included in the Company's approved SLA which it pays P0.200 million monthly inclusive of all services extended by BDO Unibank.

BDO Unibank shall provide the Company with the following IT services:

Business Continuity Center and telecommunications infrastructure maintenance which includes email and network connectivity of BDO Leasing - Head Office and its branches/marketing desks with BDO, internet connectivity, transmission line security and authentication (firewall encryption/ decryption facilities, etc.), training of BDO Leasing IT personnel; IT voice and data network design, planning, project management and project implementation assistance; server administration and maintenance; system/application development and maintenance; IT product evaluation and vendor selection.

Loans to officers NIL as of December 31, 2016.

CORPORATE GOVERNANCE

The Company has adopted a Manual of Corporate Governance, which was filed with and duly approved by the Commission. Pursuant to the Manual, the Company established an evaluation system to measure or determine the level of performance of the Board of Directors and top level management. The rating form, which is duly approved by the Board of the Company, is accomplished on an annual basis.

The Company requires its directors and senior officers to attend seminars conducted by reputable service providers and conduct its own training and seminars to fully comply with the adopted leading practices on good governance.

There has been no deviation from the Company's Manual of Corporate Governance.

The Company will continue to send its directors and senior officers to attend training programs and seminars to further improve the corporate governance of the Company.

OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

<u>Particular</u>	<u>Amount</u>
PhilRating	3,360,000.00
SEC Fees	4,355,625.00
Selling Agent Fees	3,750,000.00 (maximum estimate amount for the year)
Publication	50,000.00
Printing	40,000.00
Binding	3,000.00
Total	<u><u>11,558,625.00</u></u>