

# COVER SHEET

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S.E.C. Registration Number

B	D	O	L	E	A	S	I	N	G	A	N	D	F	I	N	A	N	C	E	,	I	N	C	.			
A	N	D	S	U	B	S	I	D	I	A	R	Y															

( Company's Full Name )

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

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

**ROBERTO E. LAPID**

Contact Person

**840-7000 loc 45422**

Company Telephone Number

0	3	3	1
Month	Day	Fiscal Year	Fiscal Year

**SEC FORM 17-Q**

FORM TYPE

any day in April of every year as determined by the BOD

Annual Meeting

n/a

Secondary License Type, If Applicable

**C F D**

Dept. Requiring this Doc

Amended Articles Number / Sec.

**1,104**

Total No. of Stockholders

Total Amount of Borrowings

**Php18,221,150,920.00**

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **March 31, 2020**
2. Commission identification number **097869**
3. BIR Tax Identification No. **000-486-050-000**
4. Exact name of issuer as specified in its charter **BDO LEASING & FINANCE, INC.**
5. Province, country or other jurisdiction of incorporation or organization **Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office **39/F, BDO Corporate Center Ortigas, 12 ADB Ave, Ortigas Center, Mandaluyong City** **1550**  
Postal Code
8. Issuer's telephone number, including area code **632/ 635-6416, 635-5817, 840-7000**
9. Former name, former address and former fiscal year, if changed since last report **N/A**
10. Securities registered pursuant to Sections 8 and 12 of the Code,  
or Sections 4 and 8 of the RSA **N/A**

<b><u>Title of each Class</u></b>	<b><u>Number of shares of common stock outstanding and amount of debt outstanding</u></b>
<b><u>Common Stock, P1.00 par value</u></b>	<b><u>2,162,475,312 / P 18,221,150,920.00</u></b>

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

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

Philippine Stock Exchange, Inc.

Common stock

12. Indicate by check mark whether the registrant:

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

Yes [ **X** ] No [ ]

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

Yes [ **X** ] No [ ]

## **PART I--FINANCIAL INFORMATION**

### **Item 1. FINANCIAL STATEMENTS**

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

The accounting policies and methods of computation used in the audited financial statements as of and for the year ended December 31, 2019 were consistently applied in the interim financial reports.

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

There are new PFRS, revisions, amendments, annual improvements and interpretations to existing standards that became effective in 2020. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and unless otherwise state, none of these are expected to have significant impact on the Company's financial statement. These include:

**PAS 1 (Amendments), Presentation of Financial Statements and PAS 8 (Amendments), Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material** (effective from January 1, 2020). The amendments provide a clearer definition of 'material' in PAS 1 by including the concept of 'obscuring' material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity's own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference to the new definition in PAS 1. In addition, amendment has also been made in other standards that contain definition of material or refer to the term 'material' to ensure consistency.

**Revised Conceptual Framework for Financial Reporting** (effective from January 1, 2020). The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements. No changes will be made to any of the current accounting standards. However, entities that rely on the framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised framework from January 1, 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised framework.

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

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

	March 31, 2020	(Audited) December 31, 2019	March 31, 2019
<b>ASSETS</b>			
Cash and Cash Equivalents	328.0	130.0	253.6
Financial Assets at Fair Value through Other Comprehensive Income (OCI)	3,141.6	3,190.9	3,700.9
<b>Loans &amp; Other Receivables - net</b>			
<b>Finance Lease Receivables</b>			
Finance lease receivables	10,058.9	10,375.9	13,164.1
Residual value of leased assets	4,548.1	4,648.6	5,890.6
Unearned lease income	(1,188.4)	(1,253.3)	(1,457.4)
	<u>13,418.6</u>	<u>13,771.2</u>	<u>17,597.3</u>
<b>Loans and Receivables Financed</b>			
Loans and receivables financed	9,908.9	11,485.3	13,589.1
Unearned finance income	(12.5)	(19.6)	(31.9)
Clients' Equity	(33.5)	(37.7)	(32.8)
	<u>9,862.9</u>	<u>11,428.0</u>	<u>13,524.4</u>
<b>Other Receivables</b>			
Accounts Receivable	256.4	264.3	230.8
Sales Contract Receivable	17.1	18.6	27.7
Dividends Receivable	16.5	16.5	32.1
Accrued Interest Receivable	62.5	56.4	60.2
Accrued Rental Receivable	3.7	17.4	7.1
	<u>356.2</u>	<u>373.2</u>	<u>357.9</u>
Allowance for probable losses	(623.7)	(594.7)	(531.1)
	<u>(623.7)</u>	<u>(594.7)</u>	<u>(531.1)</u>
	<u>23,014.0</u>	<u>24,977.7</u>	<u>30,948.4</u>
Property, Plant and Equipment - net	1,736.0	1,873.6	2,131.8
Investment Properties - net	399.7	393.8	361.4
Other Assets - net	378.9	381.9	692.5
	<u>28,998.2</u>	<u>30,947.9</u>	<u>38,088.6</u>
<b>LIAILITIES AND STOCKHOLDERS' EQUITY</b>			
Bills Payable	18,298.3	20,137.8	26,109.7
Accounts Payable, and Other Liabilities	412.8	459.6	608.9
Lease Deposits	4,638.6	4,736.2	5,941.9
	<u>23,349.7</u>	<u>25,333.6</u>	<u>32,660.6</u>
<b>Stockholders' Equity</b>			
Capital Stock	2,225.2	2,225.2	2,225.2
Additional Paid-in Capital	571.1	571.1	571.1
Treasury Stock	(81.8)	(81.8)	(81.8)
OCI - Actuarial Gain/(Loss)	(72.0)	(72.0)	(60.8)
Net Unrealized Fair Value Gains/(Losses on Financial Asset at Fair Value through OCI)	(8.0)	41.1	(85.9)
Accum Share in Other Comprehensive Income of Associate	-	-	0.4
Retained Earnings	3,014.0	2,930.7	2,859.8
	<u>5,648.4</u>	<u>5,614.3</u>	<u>5,428.0</u>
	<u>28,998.2</u>	<u>30,947.9</u>	<u>38,088.6</u>

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

In Millions

For the year ended	March 31, 2020	March 31, 2019
<b>REVENUES</b>		
Interest and discounts	437.8	516.8
Rent	206.6	223.4
Service fees & other income	51.7	54.8
	696.1	795.0
<b>OPERATING COSTS AND EXPENSES</b>		
Interest and financing charges	211.0	436.9
Occupancy and equipment-related expenses	10.1	13.1
Depreciation Expense - Operating Lease	178.1	198.4
Compensation and fringe benefits	55.8	58.6
Taxes and licenses	61.8	79.1
Provision for impairment and credit losses	29.0	-
Litigation/assets acquired expenses	5.1	2.0
Miscellaneous Expense	18.5	26.9
	569.4	815.0
<b>INCOME BEFORE INCOME TAX</b>	126.7	(20.0)
<b>PROVISION FOR INCOME TAX</b>	43.4	4.1
<b>NET INCOME/ (LOSS)</b>	83.3	(24.1)

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

<b>For the year ended</b>	<b>March 31,</b>	<b>March 31,</b>
	<b>2020</b>	<b>2019</b>
<b>NET INCOME</b>	83.3	(24.1)
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Unrealized Fair Value Gain/(Loss) on FA at FVOCI</b>	(49.1)	109.1
	(49.1)	109.1
<b>TOTAL COMPREHENSIVE INCOME/(LOSS)</b>	34.2	85.0

**BDO LEASING AND FINANCE, INC. AND SUBSIDIARY**  
**(A Subsidiary of BDO Unibank, Inc.)**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
In Millions

**For the quarter ended March 31, 2020**

	Capital Stock	Additional Paid- in Capital	Treasury Shares, at Cost	Retained Earnings Reserves	Free Earnings	Unrealized Fair Value Gain(loss) on Financial Asset at Other Comprehensive Income	Accumulated Share in Other Comprehensive Income of Associate	OCI - Actuarial Gain/(Loss)	Net Equity
Preferred - P100 par value Authorized and unissued - 200,000 shares			62,693,718 shares						
Common - P1 par value Authorized - 3,400,000,000 shares Issued - 2,225,169,030 shares									
Balance as of Jan 1, 2020	2,225.2	571.1	(81.8)	141.7	2,789.0	41.1		(72.0)	5,614.3
Total Comprehensive Income (loss)					83.3	(49.1)			34.2
Transfer from Retained Earnings Appropriated				(8.3)	8.3				-
Cash Dividends									-
<b>Balance as of March 31, 2020</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>133.4</b>	<b>2,880.6</b>	<b>(8.0)</b>	<b>-</b>	<b>(72.0)</b>	<b>5,648.5</b>
Balance as of Jan 1, 2019	2,225.2	571.1	(81.8)	147.0	2,736.9	(195.0)	0.4	(60.8)	5,343.0
Total Comprehensive Income (loss)					(24.1)	109.1			85.0
Transfer from Retained Earnings Appropriated				(9.0)	9.0				-
Cash Dividends									-
<b>Balance as of March 31, 2019</b>	<b>2,225.2</b>	<b>571.1</b>	<b>(81.8)</b>	<b>138.0</b>	<b>2,721.8</b>	<b>(85.9)</b>	<b>0.4</b>	<b>(60.8)</b>	<b>5,428.0</b>



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

	March 2020	March 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	P 126,730,251	( P 19,996,310 )
Adjustments for:		
Interest and discounts	( 437,776,911 )	( 516,785,848 )
Interest received	431,614,865	520,461,642
Depreciation and amortization	184,648,383	207,148,935
Interest and financing charges paid	( 184,313,079 )	( 439,273,181 )
Interest and financing charges	211,047,800	437,486,155
Dividend income	( 31,648,950 )	( 43,746,393 )
Impairment and credit losses	28,952,841	-
Gain on sale of property and equipment and investment properties	( 13,533,068 )	( 270,504 )
Day-one gain - net	183,348	( 180,011 )
Equity share in net earnings of a subsidiary and an associate	-	16,523,203
Operating profit before changes in operating assets and liabilities	315,905,480	161,367,688
Decrease in loans and other receivables	1,940,921,754	3,399,678,883
Decrease in other assets	4,572,317	540,855
Increase in accounts payable and other liabilities	( 83,884,976 )	( 18,467,850 )
Increase in lease deposits	( 98,097,745 )	( 687,604,182 )
Cash generated from operations	2,079,416,830	2,855,515,394
Cash paid for income taxes	( 3,599,981 )	( 3,606,818 )
Net Cash From Operating Activities	2,075,816,849	2,851,908,576
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of property and equipment	( 65,306,129 )	( 80,289,789 )
Proceeds from disposal of property and equipment and investment properties	32,294,830	31,649,850
Receipt of cash dividends	31,648,950	43,746,393
Addition in investment properties	( 8,062,014 )	-
Acquisition of other assets	( 730,719 )	-
Net Cash Used in Investing Activities	( 9,424,363 )	( 4,893,546 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments of bills payable	( 42,253,806,107 )	( 30,205,551,773 )
Availments of bills payable	40,388,325,879	27,337,498,647
Payments on lease liabilities	( 2,143,455 )	-
Net Cash Used in Financing Activities	( 1,867,623,683 )	( 2,868,053,126 )
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	198,768,803	( 21,038,096 )
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	129,990,275	274,628,385
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	P 328,759,078	P 253,590,289

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

### **March 2020 Compared to March 2019**

The company registered P83.3 million in net income for the quarter ending March 2020.

Gross revenues amounted to P696.1 million, a decrease of 12% from P795.0 million last year. This was due to the lower levels of loans and receivables financed compared to the first quarter of 2019.

Interest and financing charges went down by 52% to P211 million due primarily to the reduced level of bills payable as well as the decrease in funding costs under the current interest rate environment.

The company set aside P29.0 million as provision for credit and impairment losses, as determined under the latest risk evaluation model following PFRS 9 standards and requirements.

Occupancy and equipment related expenses decreased 23% to P10.1 million. Depreciation Expense-Operating Lease went down 10% to P178.1 million due to the maturity of various Operating Leases.

Litigation/assets acquired expenses increased 155% to P5.1 million.

Total assets declined 24% year-on-year to P29.0 billion, mainly due to matured investments and sale of a portion of the company's lower yielding portfolio. This was meant to mitigate the impact of the margin compression as the company's liabilities, which are short-term in nature, adjusted immediately to the rise in interest rates as compared to its lease receivables, which typically carry fixed interest rates for 3-5 years. As a result of this mitigation strategy, the company's Loans and Other Receivables decreased 26%. In March 2020, Property, Plant and Equipment-net also decreased 19% or P395.8 million.

Cash & cash equivalents went up by 29% or P74.5 million. Financial Asset at Fair Value through Other Comprehensive Income went down 15% to P3.1 billion due to matured investments.

Net investment properties went up to P399.7 million from P361.4million.

Other Assets decreased year-on-year to P692.5 million from P378.9 million mainly due to the sale of the company's stake in MMPC Auto Financial Services Corp.

Bills Payable decreased to P18.3 billion consistent with the decline in Loans & Other Receivables.

Accounts Payable, accrued expenses and other liabilities decreased to P412.8 million year-on-year mainly due to a decrease in outstanding check payments to supplier/dealers.

Lease deposits went down from P5.9 billion in March 2019 to P4.6 billion, consistent with decline in volumes.

Stockholders' equity was steady at P5.6 billion.

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

	March 2020	March 2019
Current Ratio	0.28:1	0.42:1
Quick asset ratio	0.27:1	0.41:1
Debt to Equity Ratio	4.13:1	6.02:1
Net Profit Margin	11.97%	-3.03%
Return on Equity	6.02%	-1.81%

Formulas used:

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

**Related Party Transactions**

*(Amounts in Millions of Philippine Pesos)*

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

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

The summary of the Company's significant transactions with its related parties in March 31, 2020, December 31, 2019 and March 31, 2019 are in the succeeding page:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		March 31, 2020	December 31, 2019	March 31, 2019
<b>Ultimate Parent Company (BDO Unibank)</b>				
Interest Income on savings and demand deposits	(a) P	0.1 P	0.4 P	0.1
Interest expense on Bills Payable	(b)	5.3	58.0	37.9
Interest Expense-Lease Liability	(c)	0.4	2.2	0.1
Depreciation Expense-Right of Use	(c)	3.2	13.0	3.3
Management fees	(d)	4.0	16.0	4.0
Service Charges and fees	(e)		13.4	4.3
Service Fees	(f)	0.1	0.1	
Employee stock option plan		1.7	14.8	3.2
<b>Subsidiary (BDO Rental)</b>				
Rent Income	(c)		0.1	
Management fees	(d)	0.1	0.4	0.1
<b>Under Common Ownership</b>				
Service and charges fees	(g, k)	0.1	3.7	0.3
Interest expense on Bills Payable	(l)	2.9	203.3	43.1
Insurance Expense	(m)	0.2	0.8	0.3
Operating Lease Income	(n)	13.3	54.6	13.6

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		March 31, 2020	December 31, 2019	March 31, 2019
<b>Parent Company (BDO Unibank)</b>				
Savings and demand deposits	(a) P	327.6 P	125.7 P	248.8
Bills Payable	(b)	495.0	229.0	938.3
Right of Use, net	(c)	24.8	27.0	35.2
Lease Liability	(c)	25.7	27.8	35.5
Employee stock option		1.7		3.2
<b>Subsidiary (BDO Rental)</b>				
<b>Related Party under Common Ownership (BDO Insurance, BDO strategic and BDO Nomura )</b>				
Accounts Receivable	(k)	0.9	0.9	0.8
Bills Payable	(l)	-	997.1	4,484.5
<b>Key Management Personnel</b>				
Loans to Officers	(h)	7.0	5.9	8.1
<b>Retirement Fund</b>				
Shares of stock	(i)	1.6	1.1	1.2

(a) The Group maintains savings and demand deposit accounts with BDO Unibank. As of March 31, 2020, December 31, 2019 and March 31, 2019, savings and demand deposit accounts maintained with BDO Unibank are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on these deposits in March 31, 2020 and March 31, 2019 is included as part of Interest and Discounts under the Revenues account in the statements of income.

(b) The Group obtains short-term bills payable from BDO Unibank. The amount outstanding from borrowings as of March 31, 2020, December 31, 2019 and March 31, 2019 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable in March 31, 2020 and March 31, 2019 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. In 2019, due to implementation of PFRS 16, the Parent Company recognizes Right of Use and Accumulated Depreciation-Right of Use which are included as part of Property, Plant and Equipment-net and Lease Liability which is included as part of

Accounts Payable, and Other Liabilities accounts in the Statement of Financial Position. Related Interest Expense on Lease Liability is included as part of Interest and Financing Charges and Depreciation expense-right of use is included as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of income.

- (d) In 2013, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the statements of income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the Parent Company's statements of income. There are no outstanding receivable and payable on these transactions as of the end of March 31, 2020, December 31, 2019 and March 31, 2019.
- (e) The Parent Company sold its portion of its receivable to BDO Unibank in 2019. The Parent Company charged BDO for service charges and fees which are presented as part of Other Income-net in the statements of income. There are no outstanding payable related on this transaction as of the end of March 31, 2020, December 31, 2019 and March 31, 2019.
- (f) In 2018, the Parent Company entered into an agreement with BDO Unibank on stock transfer where BDO Unibank will charge the Parent Company for stock transfer services. Service fees paid by the Parent Company to BDO Unibank are shown as part of Other Expenses account under Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of March 31, 2020, December 31, 2019 and March 31, 2019.
- (g) The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank as selling agent related to the Parent Company's issuance of short term commercial papers up to 2019 and issuance of short term Promissory Notes starting 2020. Service and charges fees paid by the Parent Company to BDO Capital both for March 31, 2020 and March 31, 2019 is included as part of Other Operating Costs and Expenses in the statements of income. There are no outstanding payable related on this transaction as of the end of March 31, 2020, December 31, 2019 and March 31, 2019.
- (h) Compensation of key management personnel (covering officer positions starting from Assistant Vice President and up) is included as part of Employee Benefits under Operating Costs and Expenses in the statements of comprehensive income of the Group and Parent Company. Short-term employee benefits include salaries, paid annual leave and paid sick leave, profit sharing and bonuses, and non-monetary benefits. The Group also granted loans to officers which are secured by mortgage on the property, bear interest with a range of 7.0% to 9.0% per annum and have terms ranging from 3 to 4 years. Outstanding loans to officers are presented as part of Finance Lease Receivable under Loans and Other Receivables account. The Group assessed that these loans are not impaired as of March 31, 2020, December 31, 2019 and March 31, 2019.

- (i) The retirement fund holds, as an investment, 519,915 shares of stock of the Parent Company in 2020 and 2019, respectively, which has a market value of P3.16 and P2.28 per share as of March 31, 2020 and 2019, respectively. The retirement fund does not hold any shares of stock of BDO Unibank.
- (j) The Parent Company earned from BDO Insurance Brokers, Inc. (BDO Insurance) service charges and fees for accounts referred and are included as part of Service Fees and other Income. This resulted to the outstanding receivable of the Parent Company from BDO Insurance in 2020 and 2019, which is recorded as part of Accounts receivables under Loans, and Other Receivables account in the statements of financial position. These are receivable in cash and normally collectible within 12 months after reporting period. The Group assessed that such receivable is not impaired.
- (k) In 2017, the Parent Company obtains short-term bills payable from BDO Strategic Holdings Inc. and SM Prime Holdings, Inc. The amount outstanding from borrowings from borrowings is presented under Bills Payable account in the statement of financial position in December 2019 and March 2019. Interest expense incurred on these bills payable is included as part of Interest and Financing Charges account under Operating Costs and Expenses in the March 31, 2020 and 2019.
- (l) The Parent Company paid BDO Life Assurance Company, Inc for Group Life Insurance of the Parent Company's employees. Insurance paid by Parent Company is presented as part of Occupancy and Equipment Related Expense under Operating Costs and Expenses in March 31, 2020 and 2019 statement of income.
- (m) BDO Rental, entered into Operating Lease Agreement with BDO Nomura Securities, Inc. (BDO Nomura), SM Prime Holdings, Inc. and Alfamart Trading Philippines, Inc. Operating lease income earned from these transactions is presented as part of Rent account in the Group's statement of income. No outstanding receivable on this transaction as of the end of March 31, 2020, December 31, 2019 and March 31, 2019.

### **Commitments and Contingencies**

In the ordinary course of business, the company may incur contingent liabilities and commitments such as guarantees and pending litigation arising from normal business transactions which are not shown in the accompanying financial statements. Management does not anticipate significant losses from these commitments and contingencies that would adversely affect the company's operations.

### **Economic Events**

Management is continuously evaluating the current business climate and the impact of recent economic events on the present operations of the company. As the need arises, the company will recognize related effects in the ensuing financial statements.

### **Risk Factors**

We assessed the financial risk exposure of the company and subsidiaries particularly on currency, interest, credit, market and liquidity risks. There were no changes that would materially affect the financial condition and results of operations of the company.

Risk Management of the company's credit risks, market risks, liquidity risks, and operational risks is an essential part of the Company's organizational structure and philosophy. The risk management process is essentially a top-down process that emanates from the Board of Directors. The Board approves the overall institutional tolerance for risk, including risk policies and risk Philosophy of the Company.

#### **Plans for the Next Quarter**

- We will continue to extensively market our products thru BDO Leasing & Finance's branches. Additionally, we will use the extensive branch network of BDO Unibank, Inc. to boost referrals and ultimately our business volumes.
- We will aggressively tap the existing corporate accounts of the BDO Institutional Banking Group for possible lease requirements.
- We will continue to develop equipment vendor/supplier tie-ups to expand our market presence and clientele base.
- We will continue to expand and optimize our sources of funds to match our asset growth and help manage our funding costs by effectively utilizing the authority granted by the Securities and Exchange Commission for BDO Leasing to issue P15 Billion Short Term Commercial papers.
- We will continue to control operating expenses to ensure that these remain at a level, which is attuned with our business volumes.
- We will continue to pursue process improvements to improve our services to our various stakeholders.

#### **PART II--OTHER INFORMATION**

Nothing to report.

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

##### **ITEM 1-7**

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

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



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

***None.***

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

***None.***

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

***For the first quarter of 2020, the Company has issued bills payable amounting to P201.7M and made total payments on its bills payable amounting to P6,953.8M.***

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

***None.***

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

***Please see attached.***

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

***None.***

- I. The effect of changes in the composition of the issuer during the interim period, including business combination, acquisition or disposal of subsidiaries and long-term investments.

***None.***

- J. Changes in contingent liabilities or contingent assets.

***None***

- K. Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

***None***

## ITEM 2

### **Management's Discussion and Analysis (MDA) of Financial Condition and Results of Operations [(Part III, Par. (A)(2)(b)]**

3. Discussion and analysis of material event/s and uncertainties known to management that would address the past and would have an impact on future operations of the following:

- A. *Any known trends, demands, commitments, events or uncertainties that will have a material impact on the issuer's liquidity.*

***None***

- B. *Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;*

***None***

- C. *All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.*

***None***

- D. *Any material commitments for capital expenditure, the general purpose of such commitments and the expected sources of funds for such expenditures.*

***None***

- E. *Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales / revenues / income from continuing operations.*

***The Company is still assessing the potential impact of the Enhanced Community Quarantine (ECQ) on business volumes for the coming quarters.***

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

***None***

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

***None***

BDO LEASING & FINANCE, INC. AND SUBSIDIARY  
 SEGMENT INFORMATION  
 For the three months ended March 31, 2020  
 (in millions)

	Leasing	Financing	Others	Eliminations	Total
Gross income	404.5	222.9	68.8		696.1
Segment revenues					
External	404.5	222.9	68.8		696.1
Inter-segment			(9.9)	9.9	-
	404.5	222.9	58.9	9.9	696.1
Segment expenses					
External	330.8	182.3	56.1		569.4
Inter-segment			0.1	(0.1)	-
	330.8	182.3	56.2	(0.1)	569.4
Segment results	73.6	40.6	2.6	10.0	126.7
Income tax expense					43.4
Net Income					83.3
Segment assets - net	14,761.3	9,632.1	-		24,393.4
Unallocated assets					4,604.8
Total Assets					28,998.2
Segment liabilities	13,240.8	9,696.0	-		22,936.9
Unallocated liabilities					412.8
Total Liabilities					23,349.7

Segment expenses are allocated on the basis of gross income.

**SIGNATURES**

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report (March 2020 SEC Form 17-Q Report) to be signed on its behalf by the undersigned thereunto duly authorized.

**BDO LEASING & FINANCE, INC.**

  
**ROBERTO E. LAPID**  
**PRÉSIDENT**

  
**LUIS S REYES, JR.**  
**TREASURER**

**April 17, 2020**  
**Date**

BDO LEASING AND FINANCE INC.  
 AGING OF RECEIVABLES  
 As of March 31, 2020

Account	Total	1 Month	Over 1 Mos. to 3 Mos.	Over 3 Mos. to 6 Mos.	Over 6 Mos. to 1 Yr.	Over 1 Yr. to 3 Yrs.	3 to 5 yrs.	Over 5 Yrs.	Past Due / Litigation
Factored Receivable	173,243,340.92	-	168,700,171.01	-	-	-	-	-	4,543,169.91
Receivables Purchased	56.00	-	-	-	-	-	-	-	56.00
Floor Stock Financing	163,874,991.70	12,795,501.14	18,094,576.41	15,385,566.40	25,266,048.38	62,085,282.92	26,065,236.77	4,182,779.68	-
Installment Paper Purchase	399,834,668.17	73,570,452.92	102,737,904.77	88,654,681.87	43,875,834.47	12,969,458.31	-	-	78,026,335.83
Amortized Commercial Loan	9,171,922,751.67	6,770,726.16	14,738,536.99	20,532,926.26	40,862,965.11	158,645,043.17	151,955,106.45	7,867,890,086.56	910,527,360.98
Lease Contract Receivables	14,606,989,204.67	812,893,832.67	850,294,477.51	1,221,109,359.55	2,403,230,630.18	7,091,447,254.46	1,389,316,404.87	22,692,398.93	816,004,846.50
Personal Loans Programs	1,148.00	-	-	-	-	-	-	-	1,148.00
Discounting Line	-	-	-	-	-	-	-	-	-
<b>TOTAL LOAN PORTFOLIO</b>	<b>24,515,866,161.13</b>	<b>906,030,512.89</b>	<b>1,154,565,666.69</b>	<b>1,345,682,534.08</b>	<b>2,513,235,478.14</b>	<b>7,325,147,038.86</b>	<b>1,567,336,748.08</b>	<b>7,894,765,265.18</b>	<b>1,809,102,917.22</b>

Less: Allowance For Credit losses

594,210,541.97

Finance Receivables - Net

23,921,655,619.16

0.00

BDO Leasing and Finance, Inc. and Subsidiary  
 Financial Ratios  
 March 31, 2020 and 2019  
 (Amounts in Millions of Philippine Pesos)

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
<b>I. Current/liquidity ratios</b>				
Current ratio				
Total current assets	5,580.2	11,381.6	0.28	0.42
Total current liabilities	19,921.2	27,385.2		
Acid Test Ratio				
Quick assets	5,471.9	11,219.5	0.27	0.41
Total current liabilities	19,921.2	27,385.2		
<b>II. Solvency ratios; debt-to-equity ratios</b>				
Solvency ratio				
(After tax net profit + Depreciation)	268.0	(20.6)	0.01	(0.00)
Total liabilities	23,349.7	32,660.6		

## Debt-to-equity ratio

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Total liabilities	23,349.7	32,660.6	4.13	6.02
Total equity	5,648.4	5,428.0		

## III. Asset-to-equity ratio

## Asset-to-equity ratio

Total assets	28,998.2	38,088.6	5.13	7.02
Total equity	5,648.4	5,428.0		

## IV. Interest coverage ratio

## Interest coverage ratio

Earnings before interest and taxes	337.8	416.9	1.60	0.95
Interest expense	211.0	436.9		

## V. Profitability ratios

## Net profit margin

Net Profit	83.3	(24.1)	11.97%	-3.03%
Interest income + Other operating income	696.1	795.0		

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Return on equity				
Average equity	5,538.3	5,329.1		
Net profit	83.3	(24.1)	6.02%	-1.81%
Return on assets				
Average assets	33,543.4	40,283.2		
Net profit	83.3	(24.1)	0.99%	-0.24%
<b>VI. Others</b>				
Total real estate investments to Assets				
Total investment properties	399.7	361.4	1.38%	0.95%
Total assets	28,998.2	38,088.6		
Loans to Assets				
Total loans and other receivables	23,014.0	30,948.4	79.36%	81.25%
Total assets	28,998.2	38,088.6		



DOSRI to Net worth

	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Receivables from Directors, Officers, <u>Stakeholders and Related Interests</u>	7.0	8.1	0.12%	0.15%
Total equity	5,648.4	5,428.0		
Amount of receivable from a single corporation to Total receivables				
Loan to a single corporation	517.1	874.8	2.25%	2.83%
Total loans and other receivables	23,014.0	30,948.4		