



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 **TWENTY FIVE BILLION PESOS (Php25,000,000,000.00)** worth of **Commercial Papers**, composed of **Fifteen Billion Pesos (Php15,000,000,000.00)** and **Ten Billion Pesos (Php10,000,000,000.00)**, covered under **SEC MSRD Order No. 48, Series of 2016**, 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 16th day of December Two Thousand and Sixteen.


VICENTE GRACIANO P. FELISMENIO, JR.
Director



No dealer, salesperson or other person has been authorized to give any information or make any representation other than those contained in this Prospectus in connection with the offer contained herein and, if given or made, such information or representation must not be relied on as having been authorized by the Company or any of the Underwriters and Selling Agents.

This Prospectus does not constitute an offer to sell or a solicitation of any offer to buy any security other than the Offered STCP, nor does it constitute an offer to sell or a solicitation of any offer to buy the Offered STCP by anyone in any jurisdiction in which such offer or solicitation is not authorized, or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstance, create any implication that the information herein is correct as of any time subsequent to the date hereof.

The information contained in this Prospectus has been supplied by the Company, which hereby accepts full responsibility for the accuracy of the information herein and confirms that, to the best of its knowledge and belief, there are no facts the omission or addition of which would make any statement in this Prospectus misleading. The Lead Selling Agent has exerted reasonable efforts to verify the information contained herein but it does not make any representation as to the accuracy or completeness of the materials contained herein.

THE SECURITIES AND EXCHANGE COMMISSION HAS NOT APPROVED THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS ACCURATE OR COMPLETE, ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE AND SHOULD BE REPORTED IMMEDIATELY TO THE SECURITIES AND EXCHANGE COMMISSION.

Republic of the Philippines

Department of Trade and Industry
SECURITIES AND EXCHANGE COMMISSION
SEC Building, EDSA, Mandaluyong, Metro Manila

REGISTRATION STATEMENT
(Initial Application)
Securities Regulation Code

BDO LEASING AND FINANCE, INC.

(Exact Name of Registrant as specified in the Articles of incorporation and Registered name, if any.)

Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City 840-7000

Principal Office Telephone Number

BDO CAPITAL & INVESTMENT CORPORATION 878-4550

20th Floor, South Tower, BDO Corporate Tower, 7899 Makati Avenue, Makati City, Metro Manila

(Name, Address and Telephone Number of Selling Agent to whom SEC and Legal Summons may be serviced)

Existing Authority to Issue Commercial Papers:

SEC-CFD Order No.	:	204
Expiry Date	:	---
Approved Debt Ceiling	:	P 25,000,000,000.00

Filed by:

<u>ROBERTO E. LAPID</u>	<u>Vice Chairman & President</u>	<u>635-5817</u>
Name	Position	Tel. No.

Corporate Center Ortigas, 12 ADB Avenue, Ortigas Center, Mandaluyong City

Address

To be filled up by S.E.C. only:

FILING FEE	:	_____
UPLR FUND	:	_____
TOTAL	:	_____

Approved for payment.

(Print Name and Signature)

(Position)

(Date)

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
3. Metro Manila, Philippines
Province, country or other jurisdiction of incorporation or organization
4. 320-000-486-050
BIR Tax Identification
5. Leasing and Financing
General character of business of registrant
6. Industry Classification Code: (SEC Use Only)
- BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City 1100**
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, 2015
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 14,142,800,000.00
Other Expenses of Issuance and Distribution	Php 10,517,025.00
For Relending	Php 846,682,975.00

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

Outstanding Obligations

(as of Sep 30,2016)

Short-Term CPs	13,627,800,000.00	2.350%-2.650%	10.03.2016-03.27.2017
Long-Term PNs	515,000,000.00	3.250%	10.22.2017

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 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.

On April 17, 2013, the BOD approved the declaration of cash dividends at P0.15 per share amounting to P324.4. The dividends were declared in favor of stockholders of record as of May 17, 2013 and were paid subsequently on June 13, 2013.

Local and Foreign Ownership as of Sep 30, 2016:

Foreign Shares	:	0
Local Shares	:	2,162,475,312
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.

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 “BDOLFI” 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

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

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 eighty-five percent (85%)-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, 2015 and for the years ended December 31, 2014 and 2013. 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, 2015 and 2014

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

		<u>Group</u>		<u>Parent Company</u>	
		<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
REVENUES					
Interest and discounts	Php	1,571.6	1,450.9	1,571.4	1,450.7
Rent		807.1	613.1	-	-
Service fees and other income		227.5	209.6	186.8	240.3
		<hr/>	<hr/>	<hr/>	<hr/>
		2,606.2	2,273.6	1,758.2	1,691.0
 OPERATING COSTS AND EXPENSES					
Interest an Financing Charges		570.8	467.9	519.1	431.1
Occupancy and equipment related expenses		702.5	534.3	53.6	56.0
Employee Benefits		198.6	161.4	187.9	161.4
Impairment and credit losses		83.4	100.0	83.3	100.0
Tax and licenses		198.6	179.3	185.1	170.4
Litigation/assets acquired expenses		30.2	24.9	30.2	24.6
Others		107.4	91.7	106.4	91.7
		<hr/>	<hr/>	<hr/>	<hr/>
		1,559.5	1,559.5	1,165.6	1,035.2
 PROFIT BEFORE TAX		<hr/> 725.4	<hr/> 714.1	<hr/> 592.6	<hr/> 655.8
 TAX EXPENSE		169.8	210.1	134.6	179.5
		<hr/>	<hr/>	<hr/>	<hr/>
 NET PROFIT	Php	555.6	504.0	458.0	476.3
 OTHER COMPREHENSIVE INCOME		59.7	35.2	59.7	35.2
		<hr/>	<hr/>	<hr/>	<hr/>
 TOTAL COMPREHENSIVE INCOME		615.3	539.2	517.7	511.5
 EARNINGS PER SHARE	Php	0.26	0.23	0.21	0.22
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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, 2015 and 2014
(Amounts in Millions of Philippine Pesos)

		Group		Parent Company	
		2015	2014	2015	2014
ASSETS					
Cash & cash equivalents	Php	332.3	417.7	301.6	360.3
Available-for-sale Financial Assets		3,450.2	2,373.3	3,540.2	2,373.3
Loans & Other Receivables – Net		27,463.3	23,646.6	27,459.7	23,672.5
Property and equipment – Net		2,221.7	2,012.6	9.2	4.3
Investment properties - Net		438.1	320.6	212.0	320.6
Other assets – Net		522.0	479.1	515.8	477.8
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	Php	34,517.6	29,249.9	32,038.5	27,208.8
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES AND EQUITIES					
Bills payable	Php	23,889.6	19,653.0	21,919.0	17,993.0
Accounts payable and other liabilities		368.9	340.8	276.7	266.7
Dividends Payable		-	-	-	-
Income Tax Payable		46.6	36.4	46.6	36.4
Deferred Tax Liability – Net		7.2	40.0	7.2	40.0
Lease deposits		4,982.6	4,193.9	4,926.0	4,418.9
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES		29,294.9	24,264.1	27,175.5	22,485.1
		<hr/>	<hr/>	<hr/>	<hr/>
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		2,343.0	2,165.8	1,983.3	1,903.7
Unrealized Fair Value Loss on AFS securities		201.4	140.6	201.4	140.6
Net Accumulated Actuarial Losses		(36.2)	(35.1)	(36.2)	(35.1)
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL EQUITY		5,222.7	4,985.8	4,723.7	4,723.7
		<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND EQUITY	Php	34,517.6	29,249.9	32,038.5	27,208.8
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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, 2015, 63% of the Company's leasing and financing portfolio consisted of exposure in firms in the following sectors: transportation, construction, real estate, mining 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 8 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, 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 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 risk, including risk policies and risk philosophy of the Company.

Foreign Currency Sensitivity

Most of the Company's transactions are carried out in the 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 counter parties 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 Group 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 nineteen (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 Short Term Commercial Papers ("**STCPs**"). The Company has a license from the SEC to issue a total of P25 billion STCPs.

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:

- 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 provides 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 (“**RA**”) No. 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, BIR prescribed the rules on deductibility of depreciation expenses as it relates to purchase of vehicles and other related thereto, and input taxes allowed thereto through RR No. 12-2012. Revenue Memorandum Circular (“**RMC**”) 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 other related thereto, and the input taxes allowed;

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, BIR also issued Revenue Memorandum Order (“**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) 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 (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 No. 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 on 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 (10) 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 on 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 is 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 that prescribes new BIR forms that will be used for income tax returns filing covering and starting the taxable year ended December 31, 2013; and

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 RA No. 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, RA 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 RA 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 Securities Regulation Code 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 principal purpose for the which the net proceeds from the sale of the Php 15.00 Billion Commercial Papers (“CP”) Issue will be used as payment of maturing obligations and relending.

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 2.350% – 2.650%

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.

<u>Lenders</u> (as of Sep 30, 2016)	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>
Short Term CPs	13,627,800,000.00	2.350%- 2.650%	10.03.2016-03.27.2017
Long-Term PNs	515,000,000.00	3.250%	10.22.2017

Outstanding Obligations (as of Sep 30,2016)

<u>Maturity Within 6 Months</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity Date</u>
Short-term Commercial Paper	13,627,800,000.00	2.350%-2.650%	10.03.2016-03.27.2017
Short-Term PN	-	-	-
Long-Term PN	-	-	-
 <u>Maturity 6Months to 1Year</u>	 <u>Amount</u>	 <u>Rate</u>	 <u>Maturity Date</u>
Short-term Commercial Paper	-	-	-
Short-Term PN	-	-	-
Long-Term PN	515,000,000.00	3.250%	10.22.2017
 <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	-	-	-
 <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 10,517,025.00

<u>Particular</u>	<u>Amount</u>
PhilRating	2,318,400.00
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 846,682,975.00 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 shall not hire the services of a paying agent. Liquidation of the CP once matured will be made by BDOLFI to the CP buyer.
6. 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, 2015 and 2014, 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's 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 eighty-five percent (85%)-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, 2015, the Company’s leasing and financing products contributed 61.61% and 29.37% to its gross revenues, respectively, vis-a-vis 2015 projected ratios of 62.94 % and 29.89% 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

BDO Leasing and Finance, Inc. (the “**Company**”) markets its products through its offices located in No. 12 ADB Avenue, Ortigas Center, Mandaluyong City and BDO Leasing Centre, Corinthian Gardens, Ortigas Avenue, Quezon City, and its branch network nationwide. The Company has an extensive branch network in the leasing and financing industry, with six (6) branches strategically located in Cagayan de Oro City (Misamis Oriental), Cebu City (Cebu), Davao City (Davao), Iloilo City (Iloilo), San Fernando City (Pampanga) and Makati City (Metro Manila).

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 Group (referring to BDO and its subsidiaries and affiliates, collectively), the Company is able to gain name recognition and marketing referrals provided by BDO via the latter's nationwide branches and institutional banking group. The Parent Company's well-established presence throughout the country helps the Company in understanding the local business environment and in 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 mediumenterprises (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 Sep 30, 2016, the Company had 205 employees – 22 senior officers, 84 junior officers and 102 rank & file employees. Of the total personnel, Executive Office is composed of two (2) employees; one hundred thirty eight (138) under the Marketing group; sixty three (63) under the Operations group (Comptrollership and Operations, Risk Management, HR & Admin); three (3) under Treasury; and two (2) under the Company's subsidiary, BDO Rental. In 2016, the Company anticipates five (5) 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, under the terms of a Collective Bargaining Agreement (CBA) between the BDO Unibank and NUBE-BDO, 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. There has been no threat or occurrence of a strike from the Company's employees for the past 3 years.

Related Party Transactions

The Group's and Parent Company's related parties include BDO Unibank, Related party under common ownership, key management personnel and the retirement benefit fund described below.

The summary of the Group's significant transactions with its related parties in 2015, 2014 and 2013 are as follows:

<u>Related Party Category</u>	<u>Notes</u>	<u>Amount of Transaction</u>		
		<u>2015</u>	<u>2014</u>	<u>2013</u>
Ultimate Parent Company (BDO)				
Interest income on savings and demand deposits	(a)	P 0.6	P 0.5	P 0.2
Interest expense on bills payable	(b)	99.7	94.6	148.5
Rent expense	(d)	9.8	10.5	10.7
Management fees	(e)	2.4	2.4	2.4
Subsidiary (BDO Rental)				
Service fees	(c)	6.9	6.3	5.3
Rent income	(d)	0.4	0.4	0.4
Management fees	(e)	0.4	0.4	0.4

Dividend Income	(j)	-	43.8	-
Related Party Under Common Ownership (BDO Capital)				
Service and charges fees	(f)	4.0	3.5	2.2
Key management personnel				
Short-term benefits	(g)	65.6	57.7	61.7
Loans to officers	(g)	3.5	0.3	0.9

<u>Related Party Category</u>	<u>Notes</u>	<u>Outstanding Balance</u>		
		<u>2015</u>	<u>2014</u>	
Parent Company (BDO Unibank)				
Savings and demand deposits	(a) P	323.7	P	409.2
Bills payable	(b)	3,250.2		4,387.2
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(k)	46.9		28.5
Dividednd Receivable	(j)	-		28.5
Key management personnel				
Advances employees	(h)	5.0		1.9
Retirement benefit fund				
Loans to officers and employees	(h)	1.1		2.0
Shares of stock	(i)	1.1		1.1

A. The Group maintains savings and demand deposit accounts with BDO. As of December 31, 2015 and 2014, savings and demand deposit accounts maintained with BDO are included under Cash and Cash Equivalents account in the statements of financial position. Interest income earned on these deposits in 2015, 2014 and 2013 is included under Interest and Discounts under the Revenues account in the statements of income.

B. The Group obtains short-term, unsecured bills payable from BDO. The amount outstanding from borrowings as of December 31, 2015 and 2014 is presented under Bills Payable account in the statements of financial position (see Note 13). Interest expense incurred on these bills payable in 2015, 2014 and 2013 is included under Interest and financing charges account as part of 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 under Other Operating Costs and Expenses in the Parent Company's statements of income. There are no outstanding inter company payable and receivable from this transaction as of December 31, 2015 and 2014.

D. The Company leases its head office premises and certain branch offices from BDO 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 Company and BDO. Related rent expense incurred in 2015, 2014 and 2013 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 Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 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 2015 and 2014.

E. In 2013, the Company entered into a service level agreement with BDO wherein BDO will charge the Company for certain management services that the former provides to the latter. Management fees paid by the Company to BDO is shown as part of Other Operating Costs and Expenses in the statements of income. Also, the Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the statements of income of the Company. There are no outstanding receivable and payable on these transactions as of the end of 2015 and 2014.

F. The Parent Company engaged the services of BDO Capital and Investment Corporation (BDO Capital), a wholly owned subsidiary of BDO Unibank for underwriting services related to the Company's issuance of bills payable. Service and charges fees paid by the Company to BDO Capital related to this transaction 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 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 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 incurred post-employment benefit expense related to key management personnel included as part of Employee Benefits under Operating Costs and Expenses. The Group also granted loans to officers.

H. The Group maintains a retirement benefit fund with BDO Unibank covering all regular full-time employees. In the normal course of business, the retirement benefit fund grants salary and housing loans to certain officers and employees of the Company, and members and beneficiaries of the fund who are also officers of the 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


I. The retirement fund holds 442,750 shares of stock of the Company as an investment, which has a market value of P2.00 per share as of December 31, 2015 and 2014. The retirement fund does not hold any shares of stock of BDO Unibank.

J. In 2014, BDO Rental declared cash dividends amounting to P43.8 million which is presented as part of Other Income in the Parent Company’s 2014 statement of income.

K. In 2015, BDO Rental received cash from the Company as subscription payments to the increase in authorized capital stock representing 25% of the total subscribed capital stock. BDO Rental is still in the process of filing its application for the increase in authorized capital stock with the SEC.

Intellectual Property

As of December 31, 2015, 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)
	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

In October 2016, the company relocated to its new head office located at No. 12 ADB Avenue, Ortigas Center, Mandaluyong City. As a result, it consolidated the Head Office in Corinthian Gardens and the Makati office in Pacific Star. In 2015 and 2014, the consolidated rent expense amounted to P18.2 million and P16.5 million, respectively. Cagayan de Oro, Davao, Iloilo, Pampanga, and Cebu branches lease their premises from the Parent Company.

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 (5) 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 (5) years and will expire on November 17, 2018. Monthly rental amounts to P11,500.00 with no escalation clause.

Davao:

- Operates at the 4th Flr., BDO Davao- Claveria, No. 30 C.M. Recto Ave., Poblacion, Davao City for a period of five years and will expire on May 31, 2018. Gross monthly rental amounts to P14,313 with no escalation clause.

Cebu:

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

Pampanga:

- Operates at the 3rd Flr., BDO Angeles- Balibago Branch Bldg., Ramon tang Ave., Diamond Subdivision, Balibago, Angeles City for a period of 5 years and will expire on December 14, 2018. Gross monthly rental amounts to P22,800 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 – P31.4 million; Cebu – P0.7 million; Davao – P0.6 million; Cagayan – P1.1 million; Iloilo – P0.8 million; Pampanga – P1.5 million.

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.

The Company incurs contingent liabilities and commitments arising from normal business transactions which are not reflected in the accompanying financial statements. These commitments and contingencies were not disclosed since it was assessed that the matters are not significant to be disclosed and/or have remote possibility of occurrence. Moreover, these matters are not required to be disclosed as provided by PAS 37, Provisions, Contingent Liabilities and Contingent Assets.

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 buy-back into treasury. Purchase of shares are covered by guidelines which include buy-back of shares when the share prices 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, 2015 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:

2016	High	Low
1 st Quarter	P2.85	P2.84
2 nd Quarter	P5.20	P2.64
3 rd Quarter	P5.20	P2.19
2015	High	Low
1 st Quarter	P2.34	P2.28
2 nd Quarter	P2.54	P2.51
3 rd Quarter	P2.47	P2.47
4 th Quarter	P2.51	P2.45
2014	High	Low
1 st Quarter	P2.00	P2.00
2 nd Quarter	P2.11	P2.11
3 rd Quarter	P2.20	P2.15
4 th Quarter	P2.15	P2.15
2013	High	Low
1 st Quarter	P2.01	P2.00
2 nd Quarter	P2.02	P2.00
3 rd Quarter	P1.90	P1.87
4 th Quarter	P2.00	P2.00

As at November 29, 2016 and December 31, 2015, the closing price of the Company's share were at P3.88 and P2.45, respectively.

Total number of stockholders as of September 30, 2016 was one thousand one hundred forty two (1,142) and as of December 31, 2015 was one thousand one hundred fifty two (1,152). Common shares outstanding as of September 30, 2016 and December 31, 2015 totaled 2,162,475,312.

3) Price Information on the Latest Practicable date

The Company's shares were last traded on Nov 29, 2016 at P3.88 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 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.

On April 17, 2013, the BOD approved the declaration of cash dividends at P0.15 per share amounting to P324.4. The dividends were declared in favor of stockholders of record as of May 17, 2013 and were paid subsequently on June 13, 2013.

Holders

The Company's common stockholders, with their respective shareholdings, as of September 30, 2016 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>100.000000%</u>

The top twenty (20) stockholders of the Company as of Sep 30, 2016 are as follows:

<i>Name of Stockholders</i>	<i>Securities</i>	<i>Shares Held</i>	<i>Percentage</i>
Banco De Oro Unibank, Inc.	Common	1,840,115,176.00	85.093003%
PCD Nominee Corp (Filipino)	Common	239,570,313.00	11.078522%
Samuel Uy Chua	Common	21,000,000.00	0.971109%
Equitable Computer Services, Inc. A/C Equitable	Common	12,320,000.00	0.569717%
Felly G. Castro	Common	5,100,480.00	0.235863%
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. Chua Chua	Common	584,430.00	0.027026%
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%

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 2016 Compared to September 2015

The company registered P425 million in net income for the three quarters ending September 2016.

Gross revenues amounted to P2.1 billion, an increase of 12% from P1.9 billion last year. This was due to income from Investment Property - Land under Operating Lease, as well as a hike in volumes from financial leases. Overall, Loans & Other Receivables grew by 12% year on year to P29.8 billion from last year.

The portfolio growth was primarily funded by a 15% year-on-year increase in Bills Payable. Consequently, interest and financing charges rose 20% to P502 million.

The company set aside P43 million as provision for credit and impairment losses bringing its NPL cover to 101%.

Occupancy and equipment related expenses increased 14% to P47 million. Depreciation Expense-Operating Lease went up 11% to P527 million due to an increase in Operating Lease bookings in the latter part of 2015.

Litigation/assets acquired expenses decreased 48% to P3 million owing to lower maintenance expenses on acquired assets.

Total assets expanded 12% year-on-year to P37.0 billion, mainly due to the growth in net loans and other receivables. The Company's net lease portfolio climbed 6% or P1.0 billion while net non-lease portfolio went up by 20% or P2.2 billion. Property, Plant and Equipment-net decreased 3% or P78 million.

Cash & cash equivalents went up by 52% or P136 million as the Company increased liquidity to service anticipated loan releases. Available for Sale investments likewise went up 4% to P3.5 billion.

Net investment properties rose to P432 million from P228 million, due to purchase of land for an Operating Lease. Other Assets increased year-on-year to P786 million from P492 million mainly due to the Joint Venture Agreement with Mitsubishi entered into by BDOLF. The joint venture is named MMPC Auto Financial Services Corp.

Bills Payable increased to P25.9 billion to finance the increasing volume of BLFI's portfolio.

Accounts Payable, accrued expenses and other liabilities increased P108 million year-on-year due to increase in outstanding check payments to supplier/dealers.

Lease deposits went up from P5.2 billion in September 2015 to P5.5 billion, consistent with growth in volumes.

Stockholders' equity stood at P5.2 billion.

The Company's five (5) key performance indicators are as follows compared to its closest competitors. Kindly note that ratios are at par with perceived industry standards.

	BDOLF		ORIXMetro	BPI Leasing	TFS
	Sep-16	Sep-15	Sep-15	Dec-15	Mar-15
Current Ratio	0.42:1	0.49:1	1.04:1	0.34:1	0.76:1
Quick Asset Ratio	0.41:1	0.46:1	1.03:1	0.34:1	0.76:1
Debt to Equity Ratio	6.16:1	5.62:1	5.10:1	3.42:1	9.08:1
Net Profit Margin	19.99%	20.48%	22.06%	16.47%	16.95%
Return on Equity	11.12%	10.53%	21.18%	5.40%	13.70%

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

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.

2014 Compared to 2013

Gross income for the year ended December 31, 2014 was P2.27 billion, an increase of P370.7 million, or 19.48% from P1.90 billion in 2013. Interest and discounts for the year ended December 31, 2014 were P1.45 billion, an increase of P153.0 million or 11.80% from P1.30 billion in 2013. Rent Income for the year ended December 31, 2014 were P613.1 million, an increase of P232.3 million or 61.00% from P380.8 million in 2013. The increase was due to higher operating lease income from BDO Rental. The Company's leasing and financing portfolio as of December 31, 2014 was at P24.0 billion, a P2.77 billion increase, or 13.07% from P21.20 billion as of December 31, 2013 with leasing portfolio improving by 7.96% or increase of P1.1 billion.

Interest and financing charges for 2014 amounted to P467.9 million, consisting of finance charges from borrowings of P461.7 million and interest expense on lease deposits of P3.3 million. Increase of P47.3 million in financing charges is attributed to the increase in Bills Payable from P16.45 billion last year to P19.65 billion this year. Interest expense on leased deposits in 2014 amounted to P3.3 million or a decrease of P0.9M from 2013's P4.2 million.

As of December 2014, total provision for impairment losses amounted to P100.0 million, a decrease of P26.0 million from last year's P126.0 million. There were no accounts written off in 2014.

Taxes and licenses amounted to P179.3 million for the year ended December 31, 2014, an increase of P30.6 million, or 20.58% from P148.7 million for the year ended December 31, 2013. The increase was mainly the result of higher DST in 2014 vis a vis 2013, by P18.6 million.

Salaries and employee benefits expense amounted to P161.4 million in 2014 as compared to P183.4 million in 2013. Occupancy and equipment related expenses for the year ended December 31, 2014 amounted to P534.3 million, an increase of P182.1 million, or 51.70% from December 2013's P352.2 million. This was brought about by the improved operating lease business of BDO Rental.

Litigation/assets acquired expenses increased by 46.47% or from P17.0 million in 2013 to P24.9 million in 2014.

Other expenses increased to P91.7 million in 2014 as compared to P91.2 million as of 2013.

The Company registered a net income of P504.0 million for the year ended December 31, 2014.

Total assets amounted to P29.2 billion in December 2014, an increase of P3.91 billion from the P25.34 billion balance of December 2013. Available-for-sale financial assets of P2.37 billion is comprised of investments in corporate fixed rate bonds and listed preferred shares. Leasing and Financing portfolio increased by 13.07% represents an increase of P2.77 billion from last year. Property and Equipment-net amounted to P2,012.6 million as of 2014, or an increase of P588.44 million over last year's P1,424.2 million. This is due to the increase in booked leases of BDO Rental. Investment properties-net increased to P320.6 million from 2013's P145.7 million due to accounting reclassification of some assets from Non Current Assets Held for Sale. Other assets stood at P479.1 million in 2014, primarily consisting of deferred input VAT of P235.4 million, prepaid expenses P102.0 million; and advances to suppliers P59.6 million.

Income tax payable, deferred tax liabilities, accounts payable, and other liabilities increased to P417.2 million from P300.8 million last year.

Lease deposits, amounting to P4.19 billion in 2014, increased by P376.8 million or 9.87% from last year's P3.82 billion. This was also due to the increase volume of lease transactions of the Company.

Stockholders' equity increased by P214.8 million or 4.50%, due to increase in net income year-on-year.

The Company's five (5) key performance indicators are the following:

	December 2014	December 2013
Current Ratio	0.42:1	0.43:1
Quick Asset Ratio	0.40:1	0.40:1
Debt to Equity Ratio	4.87:1	4.31:1
Net Profit Margin	22.17%	22.09%
Return on Equity	10.33%	8.98%

Decrease in Current Ratio (computed as current assets divided by current liabilities) is attributed

to the P0.3 million decrease in net loans & receivables financed that are expected to be collected within the year. Quick asset ratio (quick asset divided by current liabilities) was steady at 0.40:1. Debt to Equity ratio, computed as total liabilities divided by total equity, increased from 4.31:1 in 2013 to 4.87:1 in 2014 because of more corporate and bank funding availed to finance the increase in lease/loan portfolio during the year. Net Profit Margin, which is computed as net income over gross revenue, increased this year from last year due to higher interest & operating lease income from

As of December 31, 2015, the Company raised gross proceeds of approximately P2,211,600,000 from the STCP. After deducting the discounted interest (net of withholding tax), the net proceeds from the STCP amounted to P2,203,025,545. 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 STCP Placements.

Actual Proceeds as at Dec 31,2015

Gross Proceeds 2,211,600,000.00
 Net Proceeds 2,203,025,545.00

Expenditures

Rollover	2,203,025,545.00	
Relending	0.00	
PN Payment	0.00	Balance - Dec 31,2015 12,788,400,000.00

As of Sep 30, 2016, the Company raised gross proceeds of approximately P10,517,500,000 from the STCP. After deducting the discounted interest (net of withholding tax), the net proceeds from the STCP amounted to P10,418,287,252.00. 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 STCP Placements.

Actual Proceeds as at Sep 30,2016

Gross Proceeds 10,517,500,000.00
 Net Proceeds 10,418,287,252.00

Expenditures

Rollover	8,578,870,632.00	
Relending	28,226,084.00	
PN Payment	1,811,190,536.00	Balance - Sep 30,2016 4,482,500,000.00

As of June 30, 2016, the Company raised gross proceeds of approximately P10,696,600,000 from the STCP. After deducting the discounted interest (net of withholding tax), the net proceeds from the STCP amounted to P10,596,216,922.00. 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 STCP Placements.

Actual Proceeds as at June 30,2016

Gross Proceeds 10,696,600,000
 Net Proceeds 10,596,216,922

Expenditures

Rollover	8,385,596,489	
Relending	24,723,324	
PN Payment	2,185,897,109	Balance - June 30,2016 4,303,400,000

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, 2016, December 31, 2015 and September 30, 2015 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2016	December 31, 2015	September 30, 2015
Ultimate Parent Company (BDO Unibank)				
Interest expense on Bills Payable	(b)	31.6	99.7	76.5
Rent Expense	(d)	7.4	9.8	7.4
Management fees	(e)	1.8	2.4	1.8
Subsidiary (BDO Rental)				
Service fees	(c)	-	6.9	3.4
Rent Income	(d)	0.3	0.4	0.3
Management fees	(e)	0.3	0.4	0.3
Affiliate (BDO Capital)				
Service and charges fees	(f)	3.3	4.0	3.3
Outstanding Balance				
<u>Related Party Category</u>	<u>Note</u>	September 30, 2016	December 31, 2015	September 30, 2015
Parent Company (BDO Unibank)				
Bills Payable	(b)	1,278.5	3,250.2	3,470.2
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(i)	46.9	46.9	-
Key Management Personnel				
Loans to Officers	(h)	9.1	5.0	3.6

A. The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2016, December 31, 2015 and September 30, 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 deposits in September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and Discounts as part of Revenues in the statements of comprehensive income.

B. The Group obtains short-term borrowings from BDO Unibank. The amount outstanding from borrowings as September 30, 2016, December 31, 2015 and September 30, 2015 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and financing charges account as part of Operating Costs and Expenses account in the statements of comprehensive income.

C. On January 4, 2010, the Parent Company and BDO Rental entered into a Service Agreement whereby BDO Rental will handle the collection of certain factored receivables of the Parent Company, for a fee as agreed by the Parent Company and the sellers of the factored receivables. Under the Service Agreement, BDO Rental shall perform the monitoring of the payment due dates of the factored receivables, remit to the Parent Company all collections made and send monthly statement of accounts to customers. The related expense charged to the Parent Company based on the Service Agreement is included under Other Operating Costs and Expenses in the Parent Company's statements of comprehensive income. There is no outstanding intercompany payable or receivable from this transaction as of September 30, 2016, December 31, 2015 and September 30, 2015.

D. The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon between the Parent Company and BDO Unibank. Related rent expense incurred in September 30, 2016, December 31, 2015 and September 30, 2015, is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of comprehensive income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2016 and 2015 is presented as part of Other Income in the statements of comprehensive income. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

E. In 2012, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the 2016 statement of comprehensive income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the 2015 statement of comprehensive income of the Parent Company. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 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 bills payable in 2013. Professional fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the September 2016 and 2015 statement of comprehensive income. There is no outstanding payable related on this transaction as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

G. The Group also granted loans to officers in 2016 and 2015.

H. In 2015, BDO Rental received cash from the Parent Company as subscription payments to the increase in authorized capital stock representing 25% of the total subscribed capital stock. BDO Rental is still in the process of filing its application for the increase in authorized capital stock with the SEC.

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 the 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 operation 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 P38.8 billion or 12% in 2016 with Net Loans and Other Receivables increasing from P27.3 billion in 2015 to P30.8 billion in 2016 or up to 13%. Total Revenue is estimated at P2.96 billion by year-end 2016 while Interest and Financing Charges and Operating Lease related Depreciation total P684.9 million and P820.8 million, respectively.

Projected Net income is P575 million, an increase of 3% versus the P555.6 million Audited 2015 Performance.

Funding will be mainly sourced from the STCPs, bank lines and collections. The Company secured an approval in 2015 for P25 Billion worth of STCP

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 P0.985 million for the year 2015 and P0.868 million for the year 2014. 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 2015 and 2014.

(b) Tax fees and other fees

No other fees were paid to Punongbayan & 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 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 2016.

TERESITA T. SY

CHAIRPERSON

65 YEARS OLD, FILIPINO

Ms. Teresita T. Sy was first elected Director of the Company in September 2005. She was first elected to the board of BDO in 1997 where she now sits as Chairperson. Concurrently, she serves as the Chairperson, Vice Chairperson, and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, BDO Leasing and Finance, Inc., BDO Capital & Investment Corporation, BDO Foundation, Inc., Generali Pilipinas Holding Company, Inc., Generali Pilipinas Life Assurance Company, Inc., and Generali Pilipinas Insurance Co. Ms. Sy is the Vice Chairperson of SM Investment and adviser to the board of SM Prime Holdings, Inc. She also sits as Vice Chairperson and/or Director of such companies as Multi-Realty Development Corporation, Bellshare Holdings, Inc. (formerly SM Commercial Properties, Inc.), SM Mart, Inc. SM Retail, Inc., Prime Metroestate Inc. (formerly Pilipinas Makro, Inc.), and First Asia Realty Development Corp. A graduate of Assumption College, she brings to the Board her varied expertise in banking & finance, retail merchandising, mall and real estate development.

ROBERTO E. LAPID

VICE-CHAIRMAN & PRESIDENT

60 YEARS OLD, FILIPINO

Mr. Roberto E. Lapid was appointed as the Vice Chairman of the Company on December 1, 2010 and President last April 23, 2014. He is concurrently the Vice chairman and President of BDO Rental. He was formerly the President of Equitable Exchange, Inc. and Vice Chairman/Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He holds a Bachelor's degree in Business Administration from the University of the Philippines.

JESSE H.T. ANDRES

INDEPENDENT DIRECTOR

51 YEARS OLD, FILIPINO

Atty. Jesse H.T. Andres was elected as Independent Director of the Company on September 20, 2005, and is presently a member of the Company's Board Audit Committee, Corporate Governance Committee, and Chairman of the Nomination Committee. In September 2004, he was appointed member of the Board of Trustees of the Government Service Insurance System where he also served as the Chairman of the Corporate Governance Committee. Since July 1, 2011, he is the Managing Partner of the Andres Marcelo Padernal Guerrero and Paras Law Offices. He was also a Partner in the PECABAR Law Offices from 1996 to 2003 where he became Co-Head of the Litigation Department in 2001. Previously, he was Senior Manager of the Philippine Exporters' Foundation. Atty. Andres holds a Bachelor of Arts Degree in Economics from the U.P. School of Economics and a Bachelor of Laws degree from the U.P. College of Law.

ANTONIO N. COTOCO

DIRECTOR

67 YEARS OLD, FILIPINO

Mr. Antonio N. Cotoco was elected to the Board of the Company on January 25, 2001. He currently serves as Senior Executive Vice President and a member of the Board Credit Committee of BDO, and Director of BDO Insurance Brokers, Inc., BDO Remit Limited, Express Padala (Hong Kong) Limited, BDO Remit (Macau) Ltd., BDO Remit (USA), Inc., and Express Padala Frankfurt GmbH. He is the Chairman BDO Rental He has been involved in Investment Banking, Corporate Finance, Treasury,

Consumer Banking, Credit, Business and Development & Account Management over the past 32 years. He currently also serves as a Director of OAC Realty & Development Corporation. Mr. Cotoco holds a Master's degree in Business Administration from the University of the Philippines.

MA. LEONORA V. DE JESUS

INDEPENDENT DIRECTOR

65 YEARS OLD, FILIPINO

Ms. Ma. Leonora V. De Jesus was elected as Independent Director of the Company on May 12, 2008 and is presently the Chairperson of the Company's Board Audit Committee, and a member of the Nomination Committee. She is also an Independent Director of BDO Capital & Investment Corporation, BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), and SM Development Corporation. She was formerly Independent Director of Equitable Savings Bank and PCI Capital Corporation. She is a professorial lecturer at the University of the Philippines, Diliman. In addition, she conducts training programs and consultancies on corporate governance best practices for banking institutions and other corporations. Ms. De Jesus was a trustee of the Government Service Insurance System from 1998 until 2004, and was a member of the Cabinet of President Corazon C. Aquino, President Fidel V. Ramos and President Joseph E. Estrada. She holds Bachelor's, Masteral and Doctoral degrees in Psychology from the University of the Philippines.

LUIS S. REYES JR.

DIRECTOR

58 YEARS OLD, FILIPINO

Mr. Luis S. Reyes, Jr. was elected as Director of the Company on April 18, 2012 and is Senior Vice President for Investor Relations and Corporate Planning of BDO. He is currently a Director of BDO Strategic Holdings, Inc. He holds a Bachelor of Science degree in Business Economics from the University of the Philippines. He was First Vice President of Far East Bank & Trust Company, Trust Banking Group before joining BDO.

NESTOR V. TAN

DIRECTOR

56 YEARS OLD, FILIPINO

Mr. Nestor V. Tan was elected Director of the Company on January 23, 2007. He was elected President of BDO in July 1998. He also concurrently holds vice chairmanships and/or directorships in the following subsidiaries of BDO Unibank, Inc.: BDO Capital & Investment Corporation, BDO Insurance Brokers, Inc., BDO Private Bank, Inc., BDO Remit (USA), Inc. Generali Pilipinas Life Assurance Company, Inc., and SM Keppel Land, Inc. He also concurrently holds the Chairmanship of BDO Strategic Holdings Inc. and Megalink, Inc. He is the Director and Treasurer of Generali Pilipinas Insurance Co., and Trustee of BDO Foundation, Inc. He is also the director of the Bankers Association of the Philippines. Prior to joining the BDO Group, Mr. Tan had a 15-year banking career with the Mellon Bank (now Bank of New York – Mellon) in Pittsburgh PA, the 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 received his MBA from Wharton School, University of Pennsylvania.

JESUS G. TIRONA

INDEPENDENT DIRECTOR
75 YEARS OLD, FILIPINO

Mr. Jesus G. Tirona has been elected Independent Director to the Board of the Company since July 30, 2007 and is currently a member of its Board Audit Committee. He is an Independent Director of BDO Capital & Investment Corp. and Armstrong Securities, Inc., and also formerly of American Express Bank Philippines (A Savings Bank, Inc.) and EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He is a Trustee of the BDO Foundation, Inc. He was formerly the President/CEO of LGU Guarantee Corp. - a private sector led credit guarantee institution jointly owned by the BAP, the DBP the ADB - whose mandate is to provide creditworthy LGUs and the utilities sector access to the capital markets through LGUGC-enhanced local debt instruments. He was also Managing Director/CEO of the Guarantee Fund for SMEs and the BAP Credit Guaranty Corp., - both entities promoting SME development. He has a long extensive experience in banking and finance, having built a career with Citibank as well as with other large domestic financial institutions. He is a scholar of the Asian Productivity Organization in Corporate Social Responsibility and is a Fellow of the Institute of Corporate Directors.

EXEQUIEL P. VILLACORTA, JR.

DIRECTOR
70 YEARS OLD, FILIPINO

Mr. Exequiel P. Villacorta, Jr. was elected Director of the Company on May 24, 2006. He was previously director of Equitable PCI Bank, Inc. from 2005 to 2006, and EBC Insurance Brokerage, Inc., and Maxicare Healthcare Corporation. He 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 Banco De Oro Universal Bank 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.

WALTER C. WASSMER

DIRECTOR
59 YEARS OLD, FILIPINO

Mr. Walter C. Wassmer was elected Director of the Company on November 17, 1999. He is the Senior Executive Vice President and Head of BDO's Institutional Banking Group. He is currently the Chairman of BDO Elite Savings Bank, Inc. [formerly GE Money Bank, Inc. (A Savings Bank), Inc.]. He also serves as Director of MDB Land, Inc., and Mabuhay Vinyl Corporation. He is also the President of L.P. Wassmer Trading, Inc. and Treasurer of WT & T, Inc.

JECI A. LAPUS

DIRECTOR
63 YEARS OLD, FILIPINO

Mr Jeci A . Lapus was Director of the Company on April 23, 2014. Prior to being director, he was and Adviser to the Board for BDO Leasing and Finance Co. from 2007 to 2014 and was an Independent Director of PCI Leasing and Finance, Inc. from 2005-2007. He was also part of the House of

Representatives from 2007-2013 and held previous high ranking positions in the Philippine National Oil Co and National Agri Business Corp. He also reserved as a Reserved Officer with 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.

Independent Directors

The Company has three independent directors namely: Atty. Jesse H.T. Andres, Mr. Jesus G. Tirona and Ms. Ma. Leonora V. De Jesus.

Executive Officers:

The Board of Directors is assisted in its task by the following, which make up the senior management of the Company. The following are the executive officers of BDO Leasing and Finance, Inc. as of September 30,2016.

ROBERTO E. LAPID

VICE-CHAIRMAN & PRESIDENT
60 YEARS OLD, FILIPINO

Mr. Roberto E. Lapid was appointed as the Vice Chairman of the Company on December 1, 2010. He is concurrently a Director of BDO Rental. He was formerly the President of the Company, , BDO Rental and Equitable Exchange, Inc. and Vice Chairman/Director of EBC Investments, Inc. (now BDO Strategic Holdings Inc.). He holds a Bachelor's degree in Business Administration from the University of the Philippines.

GERARD M. AGUIRRE

FIRST VICE-PRESIDENT
61 YEARS OLD, FILIPINO

Mr. Gerard M. Aguirre is currently the First Vice President of BDO Leasing and Finance, Inc. He is responsible for the leasing and loan portfolio of BDO IBG International Desk accounts. He handles the recently established BDOLF Team 9 – International Desks comprised of three (3) personnel. He is also a Director of BDO Rental. He was the Area Head of BDO (formerly EPCIB) Combank North/Central Luzon before joining the company. Mr. Aguirre earned his BS Degree in Business Management from the Ateneo De Manila University.

AGERICO MELECIO S VERZOLA

FIRST VICE-PRESIDENT & MARKETING HEAD
59 YEARS OLD, FILIPINO

Mr. Agerico Melecio S Verzola was appointed as First Vice President & Marketing Head of BDO Leasing and Finance, Inc. on October 1,2014. Mr Verzola, has been involved in Credit, Corporate Banking, Commercial Banking, Branch Banking and Branch Lending, and Investment Banking for over 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 Advance Senior Management Course in AIM.

PETER BLAIR S. AGUSTIN

VICE-PRESIDENT & CHIEF RISK AND COMPLIANCE OFFICER

46 YEARS OLD, FILIPINO

Mr. Peter Blair Agustin is Vice President at BDO Unibank Group and was appointed as Chief Risk and Compliance Officer of BDO Leasing and Finance, Inc. in February 2014. He joined BDO Unibank in November 2005. Mr. Agustin has been involved in commercial banking, remedial accounts and asset management, corporate recovery and credit and risk management over the past 18 years. He also was senior technical and policy officer at the Presidential Management Staff – Office of the President of the Philippines from 1989 to 1996. Mr. Agustin earned his Master's Degree in Business Administration from the 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 was chosen as one of The Outstanding Students of the Philippines in 1989).

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, 2016 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, 2016:

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	2016 (estimate)	22.18	10.70	n.a.
	2015	20.17	9.73	n.a.
	2014	15.76	7.86	n.a.
Year	Name		Position/Title	
2016	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	
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	
2014	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	

(2) Compensation of directors and officers as a group

in million pesos	Year	Salary	Bonuses	Other Annual Compensation
Aggregate Officers (from senior vice presidents) & Directors	2016 (estimate)	89.56	25.83	n.a.
	2015	81.42	23.48	n.a.
	2014	75.98	19.31	n.a.

A. Compensation of Directors

Under the Company's By-laws, the Directors are entitled to an honorarium of Php 1,000.00 for their attendance at each regular or special meeting of the Board.

There were no other arrangements, including consulting contracts, pursuant to which any director of the Company was compensated, or is to be compensated; no employment contracts and termination of employment and change-in-control arrangements; no employment contract between the Company and a named executive officer; and no compensatory plan or arrangement, including payments to be received from the Company, with respect to a named executive officer.

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.

Not Applicable. 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, 2016 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 and Relationship with Record Owner	Citizenship	Number of Shares Held	Percentage
Common	BDO Unibank Inc.* (<i>Philippine Commercial International Bank; Banco De Oro Unibank, Inc.</i>) 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	No stockholder owns more than 5% of the company's voting securities	Filipino	239,570,313	11.08%

Security Ownership of Management as of September 30, 2016:

(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 Sep 30, 2016, December 31, 2015 and Sep 30, 2016 are as follows:

<u>Related Party Category</u>	<u>Note</u>	<u>Amount of Transaction</u>		
		September 30, 2016	December 31, 2015	September 30, 2015
Ultimate Parent Company (BDO Unibank)				
Interest expense on Bills Payable	(b)	31.6	99.7	76.5
Rent Expense	(d)	7.4	9.8	7.4
Management fees	(e)	1.8	2.4	1.8
Subsidiary (BDO Rental)				
Service fees	(c)	-	6.9	3.4
Rent Income	(d)	0.3	0.4	0.3
Management fees	(e)	0.3	0.4	0.3
Affiliate (BDO Capital)				
Service and charges fees	(f)	3.3	4.0	3.3

<u>Related Party Category</u>	<u>Note</u>	<u>Outstanding Balance</u>		
		September 30, 2016	December 31, 2015	September 30, 2015
Parent Company (BDO Unibank)				
Bills Payable	(b)	1,278.5	3,250.2	3,470.2
Subsidiary (BDO Rental)				
Deposit for future stock subscription	(i)	46.9	46.9	-
Key Management Personnel				
Loans to Officers	(h)	9.1	5.0	3.6

A. The Group maintains savings and demand deposit accounts with BDO Unibank. As of September 30, 2016, December 31, 2015 and September 30, 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 deposits in September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and Discounts as part of Revenues in the statements of comprehensive income.

B. The Group obtains short-term borrowings from BDO Unibank. The amount outstanding from borrowings as September 30, 2016, December 31, 2015 and September 30, 2015 is presented under Bills Payable account in the statements of financial position. Interest expense incurred on these bills payable September 30, 2016, December 31, 2015 and September 30, 2015, is included under Interest and financing

charges account as part of Operating Costs and Expenses account in the statements of comprehensive income.

C. On January 4, 2010, the Parent Company and BDO Rental entered into a Service Agreement whereby BDO Rental will handle the collection of certain factored receivables of the Parent Company, for a fee as agreed by the Parent Company and the sellers of the factored receivables. Under the Service Agreement, BDO Rental shall perform the monitoring of the payment due dates of the factored receivables, remit to the Parent Company all collections made and send monthly statement of accounts to customers. The related expense charged to the Parent Company based on the Service Agreement is included under Other Operating Costs and Expenses in the Parent Company's statements of comprehensive income. There is no outstanding intercompany payable or receivable from this transaction as of September 30, 2016, December 31, 2015 and September 30, 2015.

D. The Parent Company leases its head office premises and certain branch offices from BDO Unibank for terms ranging from one to five years, renewable for such period and under such terms and conditions as may be agreed upon between the Parent Company and BDO Unibank. Related rent expense incurred in September 30, 2016, December 31, 2015 and September 30, 2015, is presented as part of Occupancy and equipment-related expenses under Operating Costs and Expenses account in the statements of comprehensive income. On the other hand, the Parent Company charges BDO Rental for the spaces that the latter occupies in the head office premises. Rent charged to BDO Rental in 2016 and 2015 is presented as part of Other Income in the statements of comprehensive income. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

E. In 2012, the Parent Company entered into a service level agreement with BDO Unibank wherein BDO Unibank will charge the Parent Company for certain management services that the former provides to the latter. Management fees paid by the Parent Company to BDO Unibank is shown as part of Other Operating Costs and Expenses in the 2016 statement of comprehensive income. Also, the Parent Company charges BDO Rental for the management services it renders to BDO Rental. This is presented as part of Other Income in the 2015 statement of comprehensive income of the Parent Company. There is no outstanding receivable or payable on these transactions as of the end of September 30, 2016, December 31, 2015 and September 30, 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 bills payable in 2013. Professional fees paid by the Parent Company to BDO Capital related to this transaction is included as part of Other Operating Costs and Expenses in the September 2016 and 2015 statement of comprehensive income. There is no outstanding payable related on this transaction as of the end of September 30, 2016, December 31, 2015 and September 30, 2015.

G. The Group also granted loans to officers in 2016 and 2015.

H. In 2015, BDO Rental received cash from the Parent Company as subscription payments to the increase in authorized capital stock representing 25% of the total subscribed capital stock. BDO Rental is still in the process of filing its application for the increase in authorized capital stock with the SEC.

2.) The Company, to finance its lending requirements, borrows funds from BDO at prevailing market rates. The Company's credit line with BDO stood at P7.00 billion for the year December 31, 2015 and P7.00 billion for the year ended December 31, 2014 and P7.00 billion for December 31, 2013.

3.) 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 0.50% per annum.

The Company entered into a Service Level Agreement with BDO, pursuant to which BDO shall provide the Company with the following information technology (IT) services: Business Continuity Center and telecommunications infrastructure maintenance (including 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 the Company's 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. In consideration of said services, the Company pays BDO P200,000 monthly.

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	2,318,400.00
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>10,517,025.00</u></u>

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)

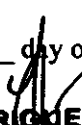
The date of this Final Prospectus is 16 December 2016

**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 **DEC 16 2016** 2016, affiant
exhibiting before me his TIN No. 108-159-915.

Doc No. 81
Page No. 18
Book No. XV
Series No. 2016


KIM BRIGUERA-DACARA
NOTARY PUBLIC FOR THE CITY OF MANDALUYONG
APPOINTMENT NO. 8294
UNTK. DECEMBER 31, 2017
ISP LIFETIME ROLL NO. 191897
PTR NO. 201606 8-25-2016 MANDALUYONG
MCLE NO. V-0017268
25TH FLR., BDO CORPORATE CENTER ORTIGAS
11 ADB AVE., MANDALUYONG CITY

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