



Punongbayan & Araullo

Member of Grant Thornton International Ltd

Financial Statements and
Independent Auditors' Report

BDO Leasing and Finance, Inc. and Subsidiary

December 31, 2008 and 2007

(With Comparative Figures for 2006)



Punongbayan & Araullo

Report of Independent Auditors

20th Floor, Tower 1
The Enterprise Center
6766 Ayala Avenue
1200 Makati City
Philippines

T +63 2 886-5511
F +63 2 886-5506; +63 2 886-5507
www.punongbayan-araullo.com

**The Board of Directors and the Stockholders
BDO Leasing and Finance, Inc.
(Formerly PCI Leasing and Finance, Inc.)
(A Subsidiary of Banco de Oro Unibank, Inc.)
BDO Leasing Centre, Corinthian Gardens
Ortigas Avenue, Quezon City**

We have audited the accompanying financial statements of BDO Leasing and Finance, Inc. and subsidiary (the "Group") and BDO Leasing and Finance, Inc. (the "Parent Company") which comprise the balance sheets as at December 31, 2008 and 2007, and the income statements, statements of changes in equity and cash flow statements for each of the three years in the period ended December 31, 2008, and notes to financial statements comprising of a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.


An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BDO Leasing and Finance, Inc. and subsidiary and of BDO Leasing and Finance, Inc. as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO



By: **Benjamin P. Valdez**
Partner
CPA Reg. No. 0028485
TIN 136-619-880
PTR No. 1566055, January 5, 2009, Makati City
SEC Accreditation No. 0009-AR-2
BIR AN 08-002511-11-2008 (Nov. 25, 2008 to 2011)

April 1, 2009

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)
BALANCE SHEETS
DECEMBER 31, 2008 AND 2007
(Amounts in Philippine Pesos)

	Notes	Group		Parent Company	
		2008	2007	2008	2007
ASSETS					
CASH AND CASH EQUIVALENTS	5	P 186,128,464	P 210,180,331	P 171,906,630	P 204,653,076
LOANS AND OTHER RECEIVABLES - Net	6	7,692,926,296	8,175,211,308	8,329,330,711	8,158,781,725
PROPERTY AND EQUIPMENT - Net	7	1,649,684,281	310,083,386	15,182,502	8,240,545
INVESTMENT PROPERTIES - Net	8	751,629,098	706,276,736	751,629,098	706,276,736
OTHER ASSETS - Net	9	128,086,035	48,585,587	101,975,120	77,850,856
TOTAL ASSETS		P 10,408,454,174	P 9,450,337,348	P 9,370,024,061	P 9,155,802,938
LIABILITIES AND EQUITY					
BILLS PAYABLE	10	P 3,681,552,019	P 3,522,592,676	P 3,093,645,967	P 3,320,461,391
ACCOUNTS PAYABLE AND OTHER LIABILITIES	11	194,128,784	238,093,596	159,505,701	232,353,137
LEASE DEPOSITS	12	2,025,496,011	1,547,980,431	1,742,857,671	1,521,684,960
Total Liabilities		5,901,176,814	5,308,666,703	4,996,009,339	5,074,499,488
CAPITAL STOCK	13	2,225,169,030	2,225,169,030	2,225,169,030	2,225,169,030
ADDITIONAL PAID-IN CAPITAL		571,095,676	571,095,676	571,095,676	571,095,676
RETAINED EARNINGS		1,793,051,345	1,427,467,567	1,659,788,707	1,367,100,372
TREASURY SHARES		(81,776,628)	(81,776,628)	(81,776,628)	(81,776,628)
FAIR VALUE LOSS ON AVAILABLE-FOR-SALE SECURITIES	9	(262,063)	(285,000)	(262,063)	(285,000)
Total Equity		4,507,277,360	4,141,670,645	4,374,014,722	4,081,303,450
TOTAL LIABILITIES AND EQUITY		P 10,408,454,174	P 9,450,337,348	P 9,370,024,061	P 9,155,802,938

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)
INCOME STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

	Notes	Group			Parent Company		
		2008	2007	2006	2008	2007	2006
REVENUES							
Interest and discounts	6	P 1,012,462,179	P 1,077,826,423	P 945,872,585	P 1,018,542,041	P 1,077,761,444	P 945,747,262
Rent	17	256,422,358	58,383,469	58,796,684	-	-	-
Service fees		20,654,430	15,080,419	14,068,860	20,654,430	15,080,419	14,068,860
		1,289,538,967	1,151,290,311	1,018,738,129	1,039,196,471	1,092,841,863	959,816,122
OTHER INCOME	14	78,930,163	90,759,747	36,174,968	29,873,927	73,065,949	35,996,520
TOTAL OPERATING INCOME		1,368,469,130	1,242,050,058	1,054,913,097	1,069,070,398	1,165,907,812	995,812,642
OPERATING COSTS AND EXPENSES	15	837,907,131	818,497,033	593,682,012	630,601,035	779,704,304	556,988,058
INCOME BEFORE TAX		530,561,999	423,553,025	461,231,085	438,469,363	386,203,508	438,824,584
TAX EXPENSE	21	164,978,221	81,900,856	142,308,117	145,781,028	73,988,979	134,311,572
NET INCOME		P 365,583,778	P 341,652,169	P 318,922,968	P 292,688,335	P 312,214,529	P 304,513,012
Basic / Diluted Earnings Per Share	22	P 0.17	P 0.16	P 0.15	P 0.14	P 0.14	P 0.14

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

	Note	Group			Parent Company		
		2008	2007	2006	2008	2007	2006
CAPITAL STOCK - P1 par value							
Authorized - 3,400,000,000 shares							
Issued and Outstanding - 2,225,169,030	15	P 2,225,169,030	P 2,225,169,030	P 2,225,169,030	P 2,225,169,030	P 2,225,169,030	P 2,225,169,030
ADDITIONAL PAID-IN CAPITAL		571,095,676	571,095,676	571,095,676	571,095,676	571,095,676	571,095,676
RETAINED EARNINGS							
Balance at Beginning of Year		1,427,467,567	1,085,815,398	766,892,430	1,367,100,372	1,054,885,843	750,372,831
Net Income		365,583,778	341,652,169	318,922,968	292,688,335	312,214,529	304,513,012
Balance at End of Year		1,793,051,345	1,427,467,567	1,085,815,398	1,659,788,707	1,367,100,372	1,054,885,843
TREASURY SHARES - 62,693,718 shares							
Balance at Beginning of Year		(81,776,628)	(81,776,628)	(81,569,228)	(81,776,628)	(81,776,628)	(81,569,228)
Acquisition During the Year		-	-	(207,400)	-	-	(207,400)
Balance at End of Year		(81,776,628)	(81,776,628)	(81,776,628)	(81,776,628)	(81,776,628)	(81,776,628)
FAIR VALUE LOSS ON AVAILABLE-FOR-SALE SECURITIES							
Balance at Beginning of Year		(285,000)	(285,000)	(550,650)	(285,000)	(285,000)	(550,650)
Net Fair Value Gains for the Year		22,937	-	265,650	22,937	-	265,650
Balance at End of Year	9	(262,063)	(285,000)	(285,000)	(262,063)	(285,000)	(285,000)
TOTAL EQUITY		P 4,507,277,360	P 4,141,670,645	P 3,800,018,476	P 4,374,014,722	P 4,081,303,450	P 3,769,088,921
Net Gains Recognized Directly in Equity		P 22,937	P -	P 265,650	P 22,937	P -	P 265,650

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(Formerly PCI Leasing and Finance, Inc. and Subsidiary)
(A Subsidiary of Banco de Oro Unibank, Inc.)
CASH FLOW STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007
(With Comparative Figures for 2006)
(Amounts in Philippine Pesos)

Notes	Group			Parent Company		
	2008	2007	2006	2008	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES						
Income Before Tax	P 530,561,999	P 423,553,025	P 461,231,085	P 438,469,363	P 386,203,508	P 438,824,584
Adjustments for:						
Interest received	1,014,085,999	1,030,598,890	1,058,027,896	957,887,779	1,030,479,911	1,063,914,509
Interest income	(1,012,462,179)	(1,077,826,423)	(945,872,585)	(1,018,542,041)	(1,077,761,444)	(945,747,262)
Interest and financing charges	284,458,242	301,357,677	231,988,496	235,283,247	286,840,927	220,968,756
Interest and financing charges paid	(283,162,870)	(255,748,887)	(238,037,322)	(171,167,220)	(244,648,684)	(220,968,756)
Depreciation and amortization	7, 8, 9 195,774,660	48,299,212	27,929,663	23,370,468	25,824,375	18,431,659
Impairment and credit losses	6, 8 75,000,000	179,435,880	29,762,091	73,000,000	179,435,880	15,978,954
Fair value gains	(51,098,919)	(87,435,587)	(1,069,042)	(1,319,003)	(231,146,200)	-
Loss (gain) on sale of investment properties	(3,937,975)	11,745,449	4,538,766	(3,937,975)	11,745,449	4,538,766
Loss (gain) on sale of property and equipment	85,985	(93)	159,404	85,985	(93)	159,404
Operating Income Before Changes in Operating Assets and Liabilities	749,304,942	573,979,143	628,658,452	554,850,603	366,973,569	596,100,614
Decrease (increase) in loans and other receivables	391,478,545	(152,914,356)	(1,324,835,697)	(199,077,371)	20,526,974	(1,334,911,705)
Decrease (increase) in other assets	(89,149,680)	11,320,148	4,786,849	(26,898,496)	18,765,290	16,885,841
Increase (decrease) in accounts payable and other liabilities	75,276,811	5,531,940	(14,464,959)	(49,884,764)	2,720,830	(16,861,856)
Increase in lease deposits	489,949,796	109,523,132	214,861,997	192,816,650	99,946,712	182,677,802
Cash Generated From (Used in) Operations	1,616,860,414	547,440,007	(490,993,358)	471,806,622	508,933,375	(556,109,304)
Cash Paid for Income Tax	(231,372,493)	(144,381,377)	(84,688,917)	(212,801,411)	(134,473,486)	(77,319,725)
Net Cash From (Used in) Operating Activities	1,385,487,921	403,058,630	(575,682,275)	259,005,211	374,459,889	(633,429,029)
CASH FLOWS FROM INVESTING ACTIVITIES						
Acquisition of Property and Equipment	(1,525,617,639)	(99,022,500)	(156,073,074)	(14,030,319)	(4,709,028)	(11,505,761)
Net Increase in Investment Properties	(50,055,879)	(81,140,372)	(25,327,175)	(50,055,878)	(81,140,373)	(25,327,175)
Proceeds from Disposal of Property and Equipment	8,469,760	9,087,188	6,744,461	1,945,570	8,776,506	2,007,894
Investment in a Subsidiary	-	-	-	(6,875,000)	(30,000,000)	-
Net Cash Used in Investing Activities	(1,567,203,758)	(171,075,684)	(174,655,788)	(69,015,627)	(107,072,895)	(34,825,042)
CASH FLOWS FROM FINANCING ACTIVITIES						
Availments of Bills Payable	7,638,040,743	4,822,834,581	1,144,523,237	6,240,240,745	4,736,834,581	1,055,723,237
Payments of Bills Payable	(7,480,376,775)	(4,992,750,509)	(386,381,586)	(6,462,976,775)	(4,940,150,509)	(386,381,586)
Acquisition of Treasury Shares	-	-	(207,400)	-	-	(207,400)
Net Cash From (Used in) Financing Activities	157,663,970	(169,915,928)	757,934,251	(222,736,030)	(203,315,928)	669,134,251
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(24,051,867)	62,067,018	7,596,188	(32,746,446)	64,071,066	880,180
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	210,180,331	148,113,313	140,517,125	204,653,076	140,582,010	139,701,830
CASH AND CASH EQUIVALENTS AT END OF YEAR	5 P 186,128,464	P 210,180,331	P 148,113,313	P 171,906,630	P 204,653,076	P 140,582,010

Supplemental Information on Noncash Investing Activities

The following are the noncash investing activities that relate to the analysis of the cash flow statements:

- a. Additions to investment properties in settlement of loans and receivables amounted to P114,717,524, P110,603,398 and P26,535,593 in 2008, 2007 and 2006, respectively (see Notes 6 and 8).
- b. Additions to repossessed chattels and other equipment in settlement of loans and other receivables amounted to P28,903,404, P57,102,192 and P25,616,183 in 2008, 2007 and 2006, respectively (see Notes 6 and 9).

See Notes to Financial Statements.