



Punongbayan & Araullo

Member firm within Grant Thornton International Ltd

**Financial Statements and
Independent Auditors' Report**

BDO Leasing and Finance, Inc. and Subsidiary

December 31, 2010, 2009 and 2008



Punongbayan & Araullo

Report of Independent Auditors

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To the Board of Directors and to the Stockholders
BDO 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 statements of financial position as at December 31, 2010, 2009 and 2008, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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 about 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 at December 31, 2010, 2009 and 2008, and their financial performance and their cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of a Matter

As discussed in Note 20 to the financial statements, the Parent Company presented the supplementary information required by the Bureau of Internal Revenue under Revenue Regulations 15-2010 (RR 15-2010) on taxes, duties and license fees in a supplementary schedule filed separately from the basic financial statements. RR 15-2010 requires the information to be presented in the notes to financial statements. Such supplementary information is the responsibility of management. 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 Philippine Securities and Exchange Commission rules and regulations covering the form and content of financial statements under Securities Regulation Code Rule 68.

PUNONGBAYAN & ARAULLO



By: **Benjamin P. Valdez**
Partner

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TIN 136-619-880

PTR No. 2641799, January 3, 2011, Makati City

Partner's SEC Accreditation No. 009-AR-2 (until Mar. 1, 2012)

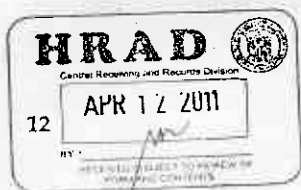
BIR AN 08-002511-11-2008 (until Nov. 24, 2011)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2012)

Firm's SEC Accreditation No. 0002-FR-2 (until Feb. 1, 2012)

March 2, 2011





BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

	Notes	Group			Parent Company		
		2010	2009 (As Restated) - Note 15)	2008 (As Restated) - Note 15)	2010	2009 (As Restated) - Note 15)	2008 (As Restated) - Note 15)
ASSETS							
CASH AND CASH EQUIVALENTS	6	P 71.9	P 232.4	P 186.1	P 69.2	P 176.4	P 171.9
AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	1,524.4	1,300.9	1.1	1,524.4	1,300.9	1.1
LOANS AND OTHER RECEIVABLES - Net	8	11,953.0	9,142.7	7,692.9	11,961.6	9,131.7	8,329.3
PROPERTY AND EQUIPMENT - Net	9	856.9	1,452.5	1,649.7	17.9	20.3	15.2
INVESTMENT PROPERTIES - Net	10	701.3	725.5	710.1	701.3	725.5	710.1
OTHER ASSETS - Net	11	180.9	156.7	127.0	482.9	315.3	100.9
TOTAL ASSETS		P 15,288.4	P 13,010.7	P 10,366.9	P 14,757.3	P 11,670.1	P 9,328.5

	Notes	Group			Parent Company		
		2010	2009	2008	2010	2009	2008
			(As Restated) - Note 15)	(As Restated) - Note 15)		(As Restated) - Note 15)	(As Restated) - Note 15)
LIABILITIES AND EQUITY							
BILLS PAYABLE	12	P 7,666.2	P 6,143.0	P 3,681.6	P 7,633.9	P 5,263.5	P 3,093.6
ACCOUNTS PAYABLE AND OTHER LIABILITIES	13	104.7	92.4	112.8	99.1	89.1	80.2
INCOME TAX PAYABLE		29.7	73.5	8.9	29.7	73.5	0.2
DIVIDENDS PAYABLE	15	216.2	-	-	216.2	-	-
LEASE DEPOSITS	14	2,617.7	2,301.9	2,025.5	2,254.3	1,974.1	1,742.8
DEFERRED TAX LIABILITY - Net	20	<u>88.1</u>	<u>64.8</u>	<u>70.5</u>	<u>95.9</u>	<u>70.1</u>	<u>77.4</u>
Total Liabilities		<u>10,722.6</u>	<u>8,675.6</u>	<u>5,899.3</u>	<u>10,329.1</u>	<u>7,470.3</u>	<u>4,994.2</u>
CAPITAL STOCK	15	2,225.2	2,225.2	2,225.2	2,225.2	2,225.2	2,225.2
ADDITIONAL PAID-IN CAPITAL		571.1	571.1	571.1	571.1	571.1	571.1
TREASURY SHARES		(81.8)	(81.8)	(81.8)	(81.8)	(81.8)	(81.8)
RETAINED EARNINGS		1,605.2	1,620.9	1,753.4	1,467.6	1,485.6	1,620.1
UNREALIZED FAIR VALUE GAIN (LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS	7	<u>246.1</u>	<u>(0.3)</u>	<u>(0.3)</u>	<u>246.1</u>	<u>(0.3)</u>	<u>(0.3)</u>
Total Equity		<u>4,565.8</u>	<u>4,335.1</u>	<u>4,467.6</u>	<u>4,428.2</u>	<u>4,199.8</u>	<u>4,354.3</u>
TOTAL LIABILITIES AND EQUITY		<u>P 15,288.4</u>	<u>P 13,010.7</u>	<u>P 10,366.9</u>	<u>P 14,757.3</u>	<u>P 11,670.1</u>	<u>P 9,328.5</u>

See Notes to Financial Statements.

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, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos, Except Per Share Data)

	Notes	Group			Parent Company		
		2010	2009	2008	2010	2009	2008
REVENUES							
Interest and discounts	8	P 1,028.8	P 865.1	P 1,012.5	P 1,027.2	P 892.5	P 1,018.5
Rent	17	830.9	1,125.7	256.4	-	-	50.6
Service fees and other income	16	178.3	218.9	99.6	157.6	187.5	50.6
		<u>2,038.0</u>	<u>2,209.7</u>	<u>1,368.5</u>	<u>1,184.8</u>	<u>1,080.0</u>	<u>1,069.1</u>
OPERATING COSTS AND EXPENSES							
Occupancy and equipment-related expenses	9, 10, 11	868.9	1,089.1	221.2	69.3	55.6	48.5
Interest and financing charges	12, 14	330.9	281.4	284.5	299.6	206.5	255.2
Employee benefits	18	134.1	133.9	114.3	134.1	133.9	114.3
Taxes and licenses	20	112.8	92.3	80.7	104.1	85.5	78.3
Impairment and credit losses	8	104.2	94.5	75.0	104.2	94.5	75.0
Litigation/assets acquired expenses		28.4	23.8	26.6	28.4	23.8	26.6
Others		50.1	40.3	35.6	50.1	39.8	32.7
		<u>1,629.4</u>	<u>1,755.3</u>	<u>837.9</u>	<u>789.8</u>	<u>639.6</u>	<u>630.6</u>
PROFIT BEFORE TAX		408.6	454.4	530.6	395.0	440.4	438.5
TAX EXPENSE	20	99.9	154.4	165.0	88.6	142.3	145.8
NET PROFIT		308.7	300.0	365.6	306.4	298.1	292.7
OTHER COMPREHENSIVE INCOME							
Unrealized fair value gain on available-for-sale securities, net of tax		246.4	-	-	246.4	-	-
TOTAL COMPREHENSIVE INCOME		<u>P 555.1</u>	<u>P 300.0</u>	<u>P 365.6</u>	<u>P 552.8</u>	<u>P 298.1</u>	<u>P 292.7</u>
Basic / Diluted Earnings Per Share	21	<u>P 0.14</u>	<u>P 0.14</u>	<u>P 0.17</u>	<u>P 0.14</u>	<u>P 0.14</u>	<u>P 0.14</u>

See Notes to Financial Statements.

BDO 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, 2010, 2009 AND 2008
 (Amounts in Millions of Philippine Pesos)

	Parent Company					
Note	Capital Stock	Additional Paid-in Capital	Treasury Shares, At Cost - 62,693,718 Shares	Retained Earnings (As Restated) - Note 15)	Unrealized Fair Value Gain (Loss) on Available-for- Sale Securities	Net Equity (As Restated) - Note 15)
Balance at January 1, 2010, as restated	P 2,225.2	P 571.1	(P 81.8)	P 1,485.6	(P 0.3)	P 4,199.8
Total comprehensive income	-	-	-	306.4	246.4	552.8
Cash dividends	-	-	-	(324.4)	-	(324.4)
BALANCE AT DECEMBER 31, 2010	<u>P 2,225.2</u>	<u>P 571.1</u>	<u>(P 81.8)</u>	<u>P 1,467.6</u>	<u>P 246.1</u>	<u>P 4,428.2</u>
Balance at January 1, 2009, as restated	P 2,225.2	P 571.1	(P 81.8)	P 1,620.1	(P 0.3)	P 4,334.3
Total comprehensive income	-	-	-	298.0	-	298.0
Cash dividends	-	-	-	(432.5)	-	(432.5)
BALANCE AT DECEMBER 31, 2009	<u>P 2,225.2</u>	<u>P 571.1</u>	<u>(P 81.8)</u>	<u>P 1,485.6</u>	<u>(P 0.3)</u>	<u>P 4,199.8</u>
Balance at January 1, 2008, as restated	P 2,225.2	P 571.1	(P 81.8)	P 1,327.4	(P 0.3)	P 4,041.6
Total comprehensive income	-	-	-	292.7	-	292.7
BALANCE AT DECEMBER 31, 2008	<u>P 2,225.2</u>	<u>P 571.1</u>	<u>(P 81.8)</u>	<u>P 1,620.1</u>	<u>(P 0.3)</u>	<u>P 4,334.3</u>

See Notes to Financial Statements.

BDO LEASING AND FINANCE, INC. AND SUBSIDIARY
(A Subsidiary of Banco de Oro Unibank, Inc.)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010, 2009 AND 2008
(Amounts in Millions of Philippine Pesos)

	Notes	Group			Parent Company		
		2010	2009	2008	2010	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES							
Profit before tax		P 408.6	P 454.4	P 530.6	P 395.0	P 440.4	P 438.5
Adjustments for:							
Interest income	8	(1,028.8)	(864.9)	(1,012.5)	(1,027.2)	(892.5)	(1,018.5)
Interest received		1,001.6	891.3	1,014.1	999.2	891.1	957.9
Interest and financing charges	12, 14	330.9	275.6	284.5	299.6	206.5	255.2
Interest and financing charges paid		(331.8)	(285.7)	(283.2)	(300.7)	(208.4)	(171.2)
Depreciation and amortization	9, 10, 11	835.8	1,064.6	195.8	36.2	31.1	23.4
Impairment and credit losses	8, 11	104.2	94.5	75.0	104.2	94.5	75.0
Fair value loss (gain)		(1.9)	(69.9)	(51.1)	0.6	(62.2)	(1.5)
Gain on sale of investment properties	10	(12.4)	(7.2)	(3.9)	(12.4)	(7.2)	(3.9)
Loss (gain) on sale of property and equipment	9	(0.7)	(10.7)	0.1	-	-	0.1
Operating profit before changes in operating assets and liabilities		1,305.5	1,542.0	749.4	494.5	493.3	555.0
Decrease (increase) in loans and other receivables		(2,888.2)	(1,545.1)	391.5	(2,907.9)	(897.6)	(199.1)
Increase in other assets		(35.5)	(57.3)	(89.1)	(16.2)	(27.6)	(26.9)
Increase (decrease) in accounts payable and other liabilities		340.0	(12.0)	75.2	312.4	46.3	(49.9)
Increase in lease deposits		281.4	316.4	489.9	269.0	260.0	192.8
Cash generated from (used in) operations		(996.8)	244.0	1,616.9	(1,848.2)	(125.6)	471.9
Cash paid for income tax		(128.0)	(86.1)	(231.4)	(114.2)	(76.3)	(212.8)
Net Cash From (Used in) Operating Activities <i>(Carried Forward)</i>		(P 1,124.8)	P 157.9	P 1,385.5	(P 1,962.4)	(P 201.9)	P 259.1

	Notes	Group			Parent Company		
		2010	2009	2008	2010	2009	2008
Net Cash From (Used in) Operating Activities <i>(Brought Forward)</i>		(P 1,124.8)	P 157.9	P 1,385.5	(P 1,962.4)	(P 201.9)	P 259.1
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisitions of property and equipment	8	(223.2)	(847.5)	(1,525.6)	(11.8)	(14.6)	(14.0)
Proceeds from disposal of available-for-sale financial assets	7	30.5	-	-	30.5	-	-
Net decrease (increase) in investment properties	10	25.1	(19.1)	(50.1)	25.1	(19.1)	(50.1)
Proceeds from disposal of property and equipment	8	5.3	25.9	8.5	-	-	1.9
Acquisition of available-for-sale financial assets	7	-	(1,299.8)	-	-	(1,299.8)	-
Additional investment in a subsidiary	11	-	-	-	(162.5)	(197.5)	(6.9)
Net Cash Used in Investing Activities		(162.3)	(2,140.5)	(1,567.2)	(118.7)	(1,531.0)	(69.1)
CASH FLOWS FROM FINANCING ACTIVITIES							
Availments of bills payable		55,709.0	32,503.1	7,638.0	53,873.3	26,352.1	6,240.2
Payments of bills payable	1	(54,474.3)	(30,041.7)	(7,480.4)	(51,791.3)	(24,182.2)	(6,463.0)
Payments of cash dividends	15	(108.1)	(432.5)	-	(108.1)	(432.5)	-
Net Cash From (Used in) Financing Activities		1,126.6	2,028.9	157.6	1,973.9	1,737.4	222.8
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(160.5)	46.3	(24.1)	(107.2)	4.5	(32.8)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		232.4	186.1	210.2	176.4	171.9	204.7
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	P 71.9	P 232.4	P 186.1	P 69.2	P 176.4	P 171.9

Supplemental Information on Non-cash Investing Activities

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

- a. Additions to investment properties in settlement of loans and receivables amounted to P31.5, P38.6 and P114.7 in 2010, 2009 and 2008, respectively (see Note 10, page 52).
- b. Additions to repossessed chattels and other equipment in settlement of loans and other receivables amounted to P43.0, P6.1 and P28.9 in 2010, 2009 and 2008, respectively (see Note 11, page 54).

See Notes to Financial Statements.