



Via ODiSy

August 10, 2012

**PHILIPPINE STOCK EXCHANGE, INC.**  
3<sup>rd</sup> Floor, Philippine Stock Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: Ms. Janet A. Encarnacion  
*Head*

Ms. Christina Marie C. Fortes  
*Analyst*  
Disclosure Department

Re: Quarterly Report as of June 30, 2012  
=====

Ladies:

We transmit with this letter the quarterly report (SEC Form 17-Q) of BDO Unibank, Inc. for the period ended June 30, 2012.

Thank you.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Elmer B. Serrano'.

**ELMER B. SERRANO**  
Corporate Information Officer

# COVER SHEET

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S.E.C. Registration Number

[illegible][illegible]

(COMPANY'S FULL NAME)

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(BUSINESS ADDRESS: NO. STREET CITY/TOWN/PROVINCE)

**RUBY A. CRUZ**

Contact Person

856-7434/840-7000 loc 4575

Company Telephone Number

0	6
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Month

3	0
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Day

S	E	C	1	7	-	Q
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Form Type

Every last Friday of the month of May

Every last Friday of the month of May
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Annual Meeting

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Secondary License type, if applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

13,386

Total No.of Stockholders

### Total Amount of Borrowings

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Domestic

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Foreign

To be Accomplished by SEC Personnel concerned

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File Number

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Document I.D.

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Cashier

## Stamps

## Stamps

Remarks: Pls. Use black ink of scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES  
REGULATION CODE AND BRC RULES 17 (2) (b) THEREUNDER

1. For the quarter ended June 30, 2012.
2. Commission identification number 34001      3. BIR Tax Identification No. 000-708-174-000

BDO UNIBANK, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code (For SEC Use Only)

BDO Corporate Center, 7899 Makati Avenue, Makati City

7. Address of issuer's principal office Postal Code

856-7434/840-7000 LOC 4575

8. Issuer's Telephone number, including area code

NA

9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Section 8 and 12 of the Code of Section 4 and 8  
of the RSA

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
<b>Common stock</b>	<b>2,685,656,496</b>	

11. Are any or all of the securities listed on a stock exchange?

Yes ☒ No. ☐

If yes, state the name of such stock exchange and the class/es of securities listed  
therein: Philippine Stock Exchange -Common Stock

12. Indicate by check mark whether the registrant:

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

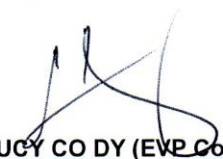
Yes ☒ No. ☐

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

Yes ☒ No. ☐

SEC FORM 17-Q

I hereby certify that all the information set forth in the above report are true and correct  
of my own knowledge.

  
**LUCY CO DY (EVP. Comptroller)**  
Authorized Signatory  
(PRINTED NAME & DESIGNATION) *gmc* *W*

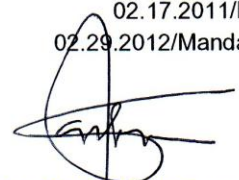
REPUBLIC OF THE PHILIPPINES }  
CITY OF MAKATI } S.S.

SUBSCRIBED AND SWORN TO before me this AUG 09 2012 day of August,

2012, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport - EB1933736 CTC - 9866095	02.17.2011/Manila 02.29.2012/Mandaluyong City

Doc. No. 307  
Page No. 43  
Book No. 1  
Series of 2012

  
Notary Public **SANDRA SHEILA R. TUBORO**  
Notary Public for Makati City, Philippines  
until 31 December 2013  
Appointment No. M-333  
19/F BDO North Tower BDO Corporate Center  
7899 Makati Avenue, Makati City  
Ref No. 1000000000  
IBP Lifetime No. 0000000000, PPLM  
PTR No. 3180483, 1/5/2012, Makati City  
MCLE Compliance No. III-0013406, 3/30/2010


\* To be signed by any of the following officers pursuant to a Board Resolution filed with the Commission

1. Chief Operating Officer
2. Chief Financial Officer
3. Comptroller or Treasurer

## SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer..... BDO UNIBANK, INC.

Signature and Title.....  
  
LUCY CODY  
EVP/COMPTROLLER *for* *rec*

Date..... August 6, 2012 *HY*

Principal Financial /Accounting  
Officer/Comptroller..... LUCY CODY

Signature and Title.....  
  
EVP/COMPTROLLER

Date..... August 6, 2012

BDO UNIBANK, INC. & SUBSIDIARIES  
BDO Corporate Center, 7899 Makati Avenue, Makati City

CONDENSED STATEMENTS OF FINANCIAL POSITION  
(Amounts in Millions of Pesos)

	As of June 30, 2012	Audited As of December 31, 2011
<b>RESOURCES</b>		
CASH AND OTHER CASH ITEMS	P 14,603	P 33,129
DUE FROM BANGKO SENTRAL NG PILIPINAS	144,422	124,894
DUE FROM OTHER BANKS	17,657	24,719
INVESTMENT SECURITIES		
At Fair Value Through Profit or Loss	9,493	4,823
Available-for-Sale – net	117,497	89,925
Held-to-Maturity – net	94,401	93,670
LOANS AND OTHER RECEIVABLES—net	724,002	673,927
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net	15,576	15,690
INVESTMENT PROPERTIES	9,056	10,137
EQUITY INVESTMENTS – net	4,282	4,187
DEFERRED TAX ASSETS	5,393	5,485
OTHER RESOURCES - net	15,295	16,763
<b>TOTAL RESOURCES</b>	<b>P 1,171,677</b>	<b>P 1,097,349</b>
<b>LIABILITIES AND CAPITAL FUNDS</b>		
DEPOSIT LIABILITIES	P	P
Demand	46,919	48,499
Savings	499,483	482,517
Time	322,087	327,553
Total Deposit Liabilities	868,489	858,569
BILLS PAYABLE	66,045	59,474
SUBORDINATED NOTES PAYABLE	38,255	38,255
OTHER LIABILITIES	95,495	44,089
Total Liabilities	1,068,284	1,000,387
<b>EQUITY</b>		
Attributable to Shareholders of the Parent Company	102,749	96,329
Minority Interest	644	633
Total Equity	103,393	96,962
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P 1,171,677</b>	<b>P 1,097,349</b>
<b>CONTINGENT</b>		
Trust department accounts	P 740,179	P 711,411
Unused commercial letters of credit	32,028	33,391
Outstanding guarantees issued	746	1,220
Export L/Cs Confirmed	185	97
Bills for collection	6,510	6,029
Late deposits/payment received	2,177	2,208
Spot Exchange Bought	10,542	7,828
Spot Exchange Sold	10,121	4,457
Forward Exchange Bought	215,829	151,892
Forward Exchange Sold	230,810	188,610
Interest Rate Swap Receivable	9,614	8,832
Interest Rate Swap Payable	9,614	8,582
Other Contingent Accounts	138,847	134,460
<b>TOTAL CONTINGENT ACCOUNTS</b>	<b>P 1,407,202</b>	<b>P 1,259,017</b>

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

BDO UNIBANK, INC. & SUBSIDIARIES  
BDO Corporate Center, 7899 Makati Avenue, Makati City

CONDENSED STATEMENTS OF INCOME  
(Amounts in Millions of Pesos Except Per Share Data)

	For the six-month Period ended <u>June 30, 2012</u>	For the six-month Period ended <u>June 30, 2011</u>	For the Quarter ending <u>June 30, 2012</u>	For the Quarter ending <u>June 30, 2011</u>
INTEREST INCOME ON				
Loans and Receivables	P 20,531	P 17,841	P 10,480	P 9,058
Investment Securities	5,417	5,357	2,790	2,656
Due from Other Banks	387	1,272	141	627
Others	<u>146</u>	<u>257</u>	<u>77</u>	<u>90</u>
Total Interest Income	<u>26,481</u>	<u>24,727</u>	<u>13,488</u>	<u>12,431</u>
INTEREST EXPENSE ON				
Deposit liabilities	6,749	5,992	3,308	3,016
Bills Payable and Others	<u>2,370</u>	<u>1,679</u>	<u>1,217</u>	<u>845</u>
Total Interest Expense	<u>9,119</u>	<u>7,671</u>	<u>4,525</u>	<u>3,861</u>
NET INTEREST INCOME	<u>17,362</u>	<u>17,056</u>	<u>8,963</u>	<u>8,570</u>
IMPAIRMENT LOSSES	<u>2,522</u>	<u>3,545</u>	<u>1,225</u>	<u>1,477</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>14,840</u>	<u>13,511</u>	<u>7,738</u>	<u>7,093</u>
OTHER OPERATING INCOME				
Service Charges, Fees and Commissions	5,840	5,063	3,085	2,458
Trading Gain – net	3,769	2,593	1,413	1,095
Trust Fees	960	835	483	420
Foreign Exchange Gain/(Loss) – net	-550	696	-265	495
Miscellaneous – net	<u>1,167</u>	<u>1,229</u>	<u>678</u>	<u>598</u>
Total Other Operating Income	<u>11,186</u>	<u>10,416</u>	<u>5,394</u>	<u>5,066</u>
OTHER OPERATING EXPENSES				
Employee Benefits	7,109	6,482	4,130	3,867
Occupancy	2,191	2,111	1,091	1,063
Taxes and licenses	2,055	1,795	988	892
Security, Clerical, Messengerial and Janitorial	1,021	934	513	478
Insurance	903	826	453	415
Advertising	1,135	1,104	594	524
Litigation/Assets Acquired	375	349	193	172
Miscellaneous	<u>4,595</u>	<u>4,397</u>	<u>1,775</u>	<u>1,748</u>
Total Other Operating Expenses	<u>19,384</u>	<u>17,998</u>	<u>9,737</u>	<u>9,159</u>
INCOME BEFORE TAX	<u>6,642</u>	<u>5,929</u>	<u>3,395</u>	<u>3,000</u>
TAX EXPENSE (INCOME)	<u>812</u>	<u>877</u>	<u>389</u>	<u>408</u>
NET INCOME AFTER TAX	P <u><u>5,830</u></u>	P <u><u>5,052</u></u>	P <u><u>3,006</u></u>	P <u><u>2,592</u></u>
ATTRIBUTABLE TO:				
Equity holders of the parent	P 5,800	P 5,025	P 2,990	P 2,581
Minority Interest	<u>30</u>	<u>27</u>	<u>16</u>	<u>11</u>
	P <u><u>5,830</u></u>	P <u><u>5,052</u></u>	P <u><u>3,006</u></u>	P <u><u>2,592</u></u>
AVERAGE COMMON STOCK	2,686	2,607	2,686	2,607
INCOME PER SHARE (See annex A)				
Basic	2.04	1.80	1.11	0.99
Diluted	2.04	1.80	1.10	0.97

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)

BDO UNIBANK, INC. & SUBSIDIARIES  
BDO Corporate Center, 7899 Makati Avenue, Makati City

STATEMENTS OF COMPREHENSIVE INCOME  
*(Amounts in Millions of Pesos)*

	For the six-month period ending June 30, 2012	For the six-month period ending June 30, 2011
NET PROFIT	<u>5,830</u>	<u>5,052</u>
OTHER COMPREHENSIVE INCOME(LOSS)		
Net unrealized fair value gains(losses) on available-for-sale securities	994	(1,249)
Translation adjustment related to foreign operations	<u>(47)</u>	<u>(10)</u>
Other Comprehensive Income, net of tax	<u>947</u>	<u>(1,259)</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u><u>6,777</u></u>	<u><u>3,793</u></u>
Attributable To:		
Shareholders of the Parent Bank	6,753	3,796
Non-controlling Interest	<u>24</u>	<u>(3)</u>
	<u><u>6,777</u></u>	<u><u>3,793</u></u>

Note: This Financial Statement is in accordance with Philippine Financial Reporting Standards(PFRS)



BDO UNIBANK, INC. & SUBSIDIARIES  
CASH FLOW STATEMENTS  
FOR THE PERIODS ENDED JUNE 30, 2012 AND 2011  
(Amounts in Millions of Pesos)

	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	6,642	5,929
Adjustments for:		
Interest income	(26,481)	(24,727)
Interest received	25,985	25,521
Interest expense	9,119	7,671
Interest paid	(8,991)	(7,978)
Impairment losses	2,522	3,545
Depreciation and amortization	1,255	1,242
Fair value loss (gain)	(372)	(324)
Operating loss before changes in operating resources and liabilities	9,679	10,879
Decrease (increase) in financial assets at fair value through profit or loss	(4,281)	1,235
Decrease (increase) in loans and other receivables	(52,342)	(63,548)
Decrease (increase) in investment properties	909	287
Decrease (increase) in other resources	1,292	(1,090)
Increase (decrease) in deposit liabilities	9,971	20,161
Increase (decrease) in other liabilities	51,217	12,662
Cash generated from (used in) operations	16,445	(19,414)
Cash paid for income tax	(624)	(701)
Net Cash From (Used in) Operating Activities	15,821	(20,115)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net acquisitions of bank premises, furniture, fixtures and equipment	(956)	(690)
Net decrease (increase) in equity investment	(95)	(401)
Net decrease (increase) in held-to-maturity investments	(767)	4,655
Net decrease (increase) in available-for-sale financial assets	(26,112)	(1,182)
Net Cash From (Used in) Investing Activities	(27,930)	2,382
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from (payments of) bills payable	6,393	(822)
Dividends paid	(344)	(2,937)
Net Cash From (Used in) Financing Activities	6,049	(3,759)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(6,060)	(21,492)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		
Cash and other cash items	33,129	26,673
Due from Bangko Sentral ng Pilipinas	124,894	138,482
Due from other banks	24,719	21,777
	182,742	186,932
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>		
Cash and other cash items	14,603	19,392
Due from Bangko Sentral ng Pilipinas	144,422	131,296
Due from other banks	17,657	14,752
	176,682	165,440

BDO UNIBANK, INC. & SUBSIDIARIES  
BDO Corporate Center, 7899 Makati Avenue, Makati City

STATEMENT OF CHANGES IN EQUITY  
COMPARATIVE PERIODS ENDED JUNE 30, 2012 AND 2011  
(Amounts in Millions of Pesos)

	Common Stock	Preferred Stock	Common Stock Options	Treasury Shares at Cost	Additional Paid-in Capital	Surplus Reserves	Surplus Free	Net Unrealized Fair Value Gain(Losses) on Available-for- sale Securities	Revaluation Increment	Accumulated Translation Adjustment	Total Attributable to Shareholders of the Parent Bank	Non- Controlling Interest	Total Equity
Balance at January, 2012	P 26,074	P 5,000	P -	P -	P 25,175	P 1,696	P 33,271	P 4,360	P 1,118	(P 365)	P 96,329	P 633	P 96,962
Transactions with owners													
Issuance of additional shares	782	150									932		932
Premium on issuance of new shares, net of listing fees					4,592						4,592		4,592
Stock dividend declaration for common & preferred stocks							(5,524)				(5,524)		(5,524)
Cash Dividends							(330)				(330)	(14)	(344)
Audit Adjustments							(3)				(3)	1	(2)
Total transactions with owners	782	150	0	0	4,592	0	(5,857)	0	0	0	(333)	(13)	(346)
Total comprehensive income							5,800	1,000		(47)	6,753	24	6,777
Transfer to/(from) Surplus Free													
Additional appropriation						424	(424)				0		0
Reversal of Unrealized Gain							73	(73)			0		0
	0	0	0	0	0	424	(351)	(73)	0	0	0	0	0
Balance at June 30, 2012	P 26,856	P 5,150	P -	P -	P 29,767	P 2,120	P 32,863	P 5,287	P 1,118	(P 412)	P 102,749	P 644	P 103,393
Balance at January, 2011	P 26,074	P 5,000	P -	P -	P 25,175	P 1,550	P 25,737	P 3,664	P 1,165	(P 356)	P 88,009	P 723	P 88,732
Transactions with owners													
Cash Dividends							(2,937)				(2,937)		(2,937)
Audit Adjustments							48				48	(37)	11
Total transactions with owners	0	0	0	0	0	0	(2,889)	0	0	0	(2,889)	(37)	(2,926)
Total comprehensive income							5,025	(1,219)		(10)	3,796	(3)	3,793
Transfer to/(from) Surplus Free													
Additional appropriation						29	(29)				0		0
Revaluation increment on land and building sold							69		(47)		22		22
	0	0	0	0	0	29	40	0	(47)	0	22	0	22
Balance at June 30, 2011	P 26,074	P 5,000	P -	P -	P 25,175	P 1,579	P 27,913	P 2,445	P 1,118	(P 366)	P 88,938	P 683	P 89,621

BDO UNIBANK, INC. & SUBSIDIARIES  
BDO Corporate Center, 7899 Makati Avenue, Makati City

AGING OF LOANS AND ACCOUNTS RECEIVABLE  
As of June 30, 2012  
(Amounts in Millions of Pesos)

TYPE OF ACCOUNTS		CURRENT		61 – 180 DAYS		181 - 360 DAYS		OVER 360 DAYS		ITEMS IN LITIGATION		TOTAL
A. INTERBANK TERM LOANS RECEIVABLES	P	17,217	P	0	P	0	P	0	P	0	P	17,217
B. LOANS AND RECEIVABLES	P	707,287	P	5,012	P	5,420	P	14,658	P	3,504	P	735,881
Loans & Discounts		599,913		3,208		4,370		4,942		2,841		615,274
Agra-Agri Loans		24,233		16		0		0		0		24,249
Bills Purchases		14,417		0		0		25		2		14,444
Customers Liability on draft under LC/TR		29,041		1		74		1,633		271		31,020
Customers Liability for this bank's acceptances		1,464		0		0		0		0		1,464
Credit Card Receivables		24,623		1,464		880		3,886		188		31,041
Restructured Loans		41		0		73		3,054		175		3,343
Other Loan & Receivables		6,008		323		23		948		27		7,329
Reverse Repurchase Agreement		3,301		0		0		0		0		3,301
Unquoted Debt Securities Classified as Loans		4,246		0		0		170		0		4,416
C. ACCOUNTS RECEIVABLE	P	2,638	P	625	P	877	P	2,302	P	4	P	6,446
TOTAL	P	727,142	P	5,637	P	6,297	P	16,960	P	3,508	P	759,544

BDO UNIBANK, INC. & SUBSIDIARIES  
7899, BDO Corporate Center, Makati Avenue, Makati City

COMPUTATION OF WEIGHTED NUMBER OF COMMON SHARES  
(Amounts in Millions of Pesos Except Per Share Data)

NO. OF SHARES – COMMON As of June	2012		2011	
	Outstanding Balance of Common Shares	Average Number of Common Shares	Outstanding Balance of Common Shares	Average Number of Common Shares
January	2,686		2,607	
February	2,686		2,607	
March	2,686		2,607	
April	2,686		2,607	
May	2,686		2,607	
June	2,686	2,686	2,607	2,607
Weighted Average		<u>2,686</u>		<u>2,607</u>
Basic Earnings per share				
Net profit attributable to shareholders of the Parent Bank		5,800		5,025
Less: Dividends on preferred shares		<u>330</u>		<u>330</u>
Net profit available to common shares		<u>5,470</u>		<u>4,695</u>
Divided by the weighted average number of outstanding common shares		<u>2,686</u>		2,607
<b>Basic Earnings per share</b>		<b><u>2.04</u></b>		<b><u>1.80</u></b>
Diluted Earnings Per Share				
Net profit attributable to shareholders of the Parent Bank		5,470		4,695
Divided by the weighted average number of outstanding common shares:				
Weighted Average number of common shares		2,686		2,607
Potential common shares from assumed conversion of preferred shares		0		0
Potential common shares from assumed conversion of stock option plan		<u>0</u>		<u>0</u>
Total weighted average number of common shares after assumed conversion of convertible preferred shares		<u>2,686</u>		<u>2,607</u>
<b>Diluted Earnings Per Share</b>		<b><u>2.04</u></b>		<b><u>1.80</u></b>

Note:

*\*Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be covered. Potential common shares from assumed conversion of these preferred shares are anti-dilutive in 2012 and 2011.*

CHECKLIST OF REQUIRED DISCLOSURES  
BANCO DE ORO UNIBANK, INC.  
For the six months ended: June 30, 2012

FINANCIAL INFORMATION

6. Disclosure that the issuer's interim financial report is in compliance with generally accepted accounting principles.

The Bank's interim financial statements are in compliance with Philippine Financial Reporting Standards except for the reclassification of certain financial assets, which was adopted in accordance with the guidelines set in Bangko Sentral ng Pilipinas (BSP) Circular No. 626, Series of 2008. The full details of the reclassification are discussed in Section 4 of this report.

The Bank has also opted not to implement early adoption of PFRS 9 for its 2011 and 2012 financial reporting. An impact evaluation was conducted this second quarter of 2012 using the audited financial data as of December 31, 2011.

- 7.a A statement that the same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements or, if those policies or methods have been changed, a description of the nature and effect of the change.

The Bank used the same accounting policies and methods of computation for the interim and latest annual financial statements.

- 7.b Explanatory comments about the seasonality or cyclicity of interim operations.

Remarks: There is no seasonality or cyclicity in the Bank's operations.

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

Remarks: NONE

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

Remarks: NONE

- 7.e Issuances, repurchases, and repayments of debt and equity securities.

On February 16, 2012, the Bank issued \$300 million 5-year Fixed Rate Senior Notes with a coupon of 4.5%. The proceeds of the Notes were used to support expansion plans and re-lending activities.

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7.f Dividends paid (aggregate or per share) separately for ordinary shares and other shares

On January 28, 2012, the Board of Directors of BDO approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P330 million. BSP approval was obtained on February 20, 2012 and the dividends were paid on March 9, 2012.

On March 22, 2012, the Bank's Board of Directors approved the declaration of stock dividends equivalent to 3% of BDO's outstanding capital stock. The stock dividend declaration was presented and approved at the BDO's Annual Shareholders' Meeting on April 20, 2012 and the dividends were paid on June 8, 2012.

7.g Segment revenue and segment result for business segments or geographical segments whichever is the issuer's primary basis of segment reporting. (This shall be provided only if the issuer is required to disclose segment information in its annual financial statements).

The Bank's comparative revenues and expenses by business segment are included as an attachment to this report.

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


The Bank successfully completed its previously announced rights offering of common shares following the close of the offering period on June 27, 2012. A total of 895,218,832 Rights Shares were issued and listed on the Philippine Stock Exchange (PSE) on July 4, 2012. After the completion of the offer, BDO now has a total of 3,580,875,328 issued and outstanding common shares. The offer increased BDO's core capital by P43.5 Billion, and puts the Bank in a better position to fulfill its medium-term growth objectives and take advantage of the positive outlook on the Philippine economy.

7.i The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings and discontinuing operations.

Remarks: NONE

7.j Changes in contingent liabilities or contingent assets from December 31, 2011.

- Total Contingent Accounts increased 12% to P1.4 trillion primarily owing to the following:
  - Trust Department Accounts grew 4% to P740.2 billion on account of a larger portfolio of managed funds.
  - Export L/Cs Confirmed went up 91% to P185 million mainly from larger volume of trade transactions.
  - Bills for Collection rose by 8% P6.5 billion due to a larger volume of outstanding bills, drafts and checks as of the cut-off date.
  - Increased treasury activities from the following:
    - Spot Exchange Bought grew 35% to P10.5 billion
    - Spot Exchange Sold rose by 127% to P10.1 billion



- Forward Exchange Bought expanded by 42% to P215.8 billion
- Forward Exchange Sold hiked 22% to P230.8 billion
- Interest Rate Swap Receivables and Interest Rate Swap Payables went up by 9% and 12% respectively to P9.6 billion apiece
- Outstanding Guarantees Issued decreased by 39% to P746 million owing to lower outstanding transactions as of the cut-off date.

## MANAGEMENT'S DISCUSSION & ANALYSIS

### I. Balance Sheet – June 2012 vs. December 2011

- Cash and Other Cash Items dropped 56% to P14.6 billion as year-end 2011 level was particularly high owing to cash deposits by clients, from sales generated during the Christmas season.
- Due from BSP rose 16% to P144.4 billion coming as a result of the new reserve requirement rules implemented by BSP starting April 2012.
- Due from Other Banks slid 29% to P17.7 billion due to lower levels of deposits and working balances with foreign correspondent banks.
- Investment Securities climbed 18% to P221.4 billion from a 97% and 31% increase in Financial Assets at Fair Value Through Profit or Loss (FVTPL) as well as Available for Sale Securities (AFS), respectively.
- Net Loans and Other Receivables grew by 7% to P724.0 billion primarily owing to a 7% hike in customer loans and a 135% increase in Interbank Loans. On the other hand, Securities Purchased Under Reverse Repurchase Agreements (SPURRA), Unquoted Debt Securities Classified as Loans (UDSCL) and other receivables slid 34%, 49% and 9%, respectively.
- Investment Properties dropped 11% to P9.1 billion as the Bank continued with its ROPA disposal programs.
- Other Resources went down 9% to P15.3 billion owing to lower levels of float items and miscellaneous assets.
- Bills Payable climbed 11% to P66.0 billion as a result of the Senior Notes issuance.
- Other Liabilities temporarily doubled to P95.5 billion due to subscriptions received for the Bank's stock rights offer.
- Total Equity increased by 7% to P103.4 billion from the Bank's profitable operations.

### II. Balance Sheet – June 2012 vs. June 2011

- Total Resources expanded 13% to P1.2 trillion primarily owing to a growth in customer loans and investment securities funded by deposits and other liabilities.
- Cash and Other Cash Items went down by 25% due to the new rules on reserve requirements.
- Due from BSP hiked 10% on account of increased deposit levels as well as the new reserve requirement rules.
- Due from Other Banks went up 20% from higher levels volume of placements and working balances with foreign correspondent banks year-on-year.
- Investment Securities was up by 16% resulting from a larger portfolio of FVTPL and AFS Securities.

  
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- Net Loans and Other Receivables climbed 16% following an 18% expansion in customer receivables, a 57% increase in SPURRA and a 39% growth in other receivables. The growth was tempered by year-on-year reductions in Interbank Loans and UDSCL.
- Bank Premises rose 5% to P15.6 billion due to expansion and upgrades in the Bank's distribution network.
- Equity Investments grew 13% to P4.3 billion owing to earnings from investments in associates engaged in real estate and insurance.
- Investment Properties fell 21% on sustained ROPA disposals.
- Deposit Liabilities increased 8% to P868.5 billion on account of aggressive deposit marketing efforts. Demand, Savings as well as Time Deposits grew by 20%, 7% and 8%, respectively.
- Subordinated Notes Payable hiked 21% to P38.3 billion owing to a P6.5 billion Tier 2 issuance in October 2011.
- Other Liabilities grew 113% to P95.5 billion from a temporary booking related to the Bank's stock rights offer.
- Total Equity expanded by 15% from bottomline profits.

### III. Income Statement – June 2012 vs. June 2011

- Net Income attributable to Equity holders of the Parent Company jumped 15% to P5.8 billion for the first half of 2012, compared to P5.0 billion for the same period last year.
- Net Interest Income slightly improved by 2% primarily owing to an expansion in earning assets portfolio.
- The Bank continued its conservative provisioning by setting aside P2.5 billion in Provision for Impairment Losses for loans, securities, ROPA and other assets.
- Other income went up 7% to P11.2 billion on account of the following:
  - Trading Gain soared 45% to P3.8 billion as the Bank capitalized on market opportunities.
  - Service Charges and Fees rose 15% to P5.8 billion due to increased business volumes from major business lines.
  - Trust Fees grew 15% to P960 million owing to a larger portfolio of managed funds.
  - Foreign Exchange (FX) Loss registered at P550 million from an FX Gain of P696 million for the same period last year.
  - Miscellaneous Income slid 5% due to on-off items in the previous year's income.
- Operating Expenses increased 8% to P19.4 billion as a result of the following:
  - Employee Benefits grew 10% from a higher manpower count owing to business volume expansion.
  - Taxes and Licenses climbed 14% due to gross receipts taxes on interest and fee-based income as well as documentary stamp tax on higher time deposit levels and the senior debt issuance.
  - Insurance expenses rose 9% on account of continued deposit growth.
  - Security, Clerical, Messengerial & Janitorial increased by 9% owing to business volume expansion.
  - Litigation/Assets Acquired expenses increased 8% owing to ROPA-related maintenance and disposal expenses.
- Tax Expense went down by 7% to P812 million from a lower corresponding taxable income.

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#### IV. Comprehensive Income – June 2012 vs. June 2011

- From a Net Income of P5.8 billion, Total Comprehensive Income for the first half of 2012 registered at P6.8 billion including a P994 million growth in unrealized mark-to-market gain on AFS Securities and a negative P47 million translation adjustment related to foreign operations.
- The Total Comprehensive Income represents a 79% jump from the Total Comprehensive Income of P3.8 billion for the same period last year. Last year's Comprehensive Income consisted of Net Income of P5.1 billion, a decrease in unrealized gain on AFS Securities of P1.2 billion and a negative P10 million translation adjustment related to foreign operations.

#### 1. Key Performance Indicators

Indicator	6M 2012	6M 2011	Inc/(Dec)
Return on Average Common Equity	11.93%	11.64%	0.29%
Return on Average Assets	1.03%	0.99%	0.04%
Net Interest Margin	3.32%	3.65%	-0.33%
Capital Adequacy Ratio	15.35%	14.79%	0.56%
Basic Earnings per Share	2.04	1.80	0.24

#### 2. Discussion of the company's five (5) key performance indicators. It shall include a discussion of the manner by which the company calculates or identifies the indicators presented on a comparable basis.

- Annualized return on average common equity improved to 11.93% from 11.64%, owing to higher bottomline profits.
- Annualized return on average assets inched up 0.04% to 1.03% resulting from profit growth outpacing asset base expansion.
- Net interest margin slid to 3.32% due to competitive pricing pressures.
- Capital Adequacy Ratio, covering credit, market and operations risk, went up by 0.56% from profitable operations.
- Basic earnings per share grew by P0.24 owing to improved net income.

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

Remarks: NONE

#### 3.b Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

Remarks: NONE

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

Remarks: NONE



- 3.d Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures.

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

- 3.g The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item;

The term "material" in this section shall refer to changes of items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

#### Vertical Analysis-Material Changes

- I. Balance Sheet – June 2012 vs. December 2011

Remarks: NONE

- II. Balance Sheet – June 2012 vs. June 2011

Remarks: NONE


- III. Income Statement – June 2012 vs. June 2011

- Interest income from loans and receivables went up 5.4% to 77.5% of total interest income mainly due to the expansion in customer loan portfolio.
- Provision for Impairment Losses registered at 14.5% of Net Interest Income compared to 20.8% last year.
- Trading Gain as a percentage of Other Income increased to 33.7% from 24.9%, as the Bank capitalized on market opportunities.
- FX Loss, on the other hand, represented -4.9% of Other Income coming from an FX Gain registered by the Bank for the same period last year.

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

Remarks: NONE

4. The details of reclassification of financial assets are stated below:

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- a. The financial assets reclassified into and from each category

As of September 30, 2008, the Bank reclassified certain FVTPL, AFS and credit-linked transactions booked in Due from Other Banks to HTM and UDSCL.

- b. For each reporting period until derecognition, the carrying amounts and fair values of all financial assets reclassified in the current reporting period and previous reporting periods.

in US\$ mil	Carrying Amount	Fair Value
HTM	423.5	504.3
UDSCL	79.7	82.2
Total	503.2	586.5

- c. In the reporting period to which financial assets are reclassified, the fair value of the gains or losses of those assets as recognized either in profit or loss, or in equity (other comprehensive income) in that reporting period and previous reporting periods.

in US\$ mil	P&L Impact	Equity Impact
HTM	2.1	17.2
UDSCL	11.6	27.5
Adjustment of BV	(3.1)	(18.0)
Total	10.6	26.7

- d. For the remainder of the instruments' lives, the gains or losses that would have been recognized in profit or loss, or equity had they not been reclassified, together with the gains, losses, income and expenses now recognized.

in US\$ mil	Impact
HTM	11.6
UDSCL	(9.6)
Total	(2.0)

- e. As at that date of reclassification, the effective interest rates and estimated amounts of cash flows the company expects to recover.

The effective interest rates of the reclassified securities range from 3.82% to 12.54%. The Bank expects cashflows amounting to US\$1.5 billion from these financial assets.

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BDO Unibank, Inc. & Subsidiaries  
Balances by Segment  
As of June 30, 2012  
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Others	Total	Eliminations	Group
<b>Statement of Income</b>							
Total Interest Income							
External	25,291	41	511	638	26,481	0	26,481
Inter-Segment	59	3	1	8	71	(71)	0
	<u>25,350</u>	<u>44</u>	<u>512</u>	<u>646</u>	<u>26,552</u>	<u>(71)</u>	<u>26,481</u>
Total Interest Expense							
External	8,780	0	158	181	9,119	0	9,119
Inter-Segment	10	21	0	39	70	(70)	0
	<u>8,790</u>	<u>21</u>	<u>158</u>	<u>220</u>	<u>9,189</u>	<u>(70)</u>	<u>9,119</u>
Net Interest Income	<u>16,560</u>	<u>23</u>	<u>354</u>	<u>426</u>	<u>17,363</u>	<u>(1)</u>	<u>17,362</u>
Other Operating Income							
Investment Banking Fees	0	479	0	0	479	0	479
Others	9,570	70	279	1,037	10,956	(249)	10,707
	<u>9,570</u>	<u>549</u>	<u>279</u>	<u>1,037</u>	<u>11,435</u>	<u>(249)</u>	<u>11,186</u>
Other Operating Expenses							
Depreciation and Amortization	1,136	2	18	99	1,255	0	1,255
Impairment Losses	2,464	0	0	58	2,522	0	2,522
Others	17,067	160	350	606	18,183	(54)	18,129
	<u>20,667</u>	<u>162</u>	<u>368</u>	<u>763</u>	<u>21,960</u>	<u>(54)</u>	<u>21,906</u>
Profit before Tax	<u>5,463</u>	<u>410</u>	<u>265</u>	<u>700</u>	<u>6,838</u>	<u>(196)</u>	<u>6,642</u>
Tax Expense	<u>545</u>	<u>113</u>	<u>41</u>	<u>113</u>	<u>812</u>	<u>0</u>	<u>812</u>
Net Profit	<u>4,918</u>	<u>297</u>	<u>224</u>	<u>587</u>	<u>6,026</u>	<u>(196)</u>	<u>5,830</u>
<b>Statements of Financial Position</b>							
Total Resources							
Segment Assets	1,124,340	49,967	22,757	27,379	1,224,443	(58,699)	1,165,744
Intangible Assets	521	10	8	1	540	0	540
Deferred Tax Assets	5,548	(41)	4	(118)	5,393	0	5,393
	<u>1,130,409</u>	<u>49,936</u>	<u>22,769</u>	<u>27,262</u>	<u>1,230,376</u>	<u>(58,699)</u>	<u>1,171,677</u>
Total Liabilities	<u>1,033,639</u>	<u>47,994</u>	<u>17,537</u>	<u>16,101</u>	<u>1,115,271</u>	<u>(46,987)</u>	<u>1,068,284</u>
<b>Other Segment Information</b>							
Capital expenditures	816	3	39	155	1,013	0	1,013
Investment in associate under equity method	4,823	18	0	0	4,841	0	4,841
Share in the Profit of associates	178	18	0	0	196	0	196

BDO Unibank, Inc. & Subsidiaries  
Balances by Segment  
As of June 30, 2011  
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Others	Total	Eliminations	Group
<b>Statement of Income</b>							
Total Interest Income							
External	23,490	18	492	727	24,727	0	24,727
Inter-Segment	36	5	45	8	94	(94)	0
	<u>23,526</u>	<u>23</u>	<u>537</u>	<u>735</u>	<u>24,821</u>	<u>(94)</u>	<u>24,727</u>
Total Interest Expense							
External	7,330	0	199	142	7,671	0	7,671
Inter-Segment	13	8	0	28	49	(49)	0
	<u>7,343</u>	<u>8</u>	<u>199</u>	<u>170</u>	<u>7,720</u>	<u>(49)</u>	<u>7,671</u>
Net Interest Income	<u>16,183</u>	<u>15</u>	<u>338</u>	<u>565</u>	<u>17,101</u>	<u>(45)</u>	<u>17,056</u>
Other Operating Income							
Investment Banking Fees	0	350	0	0	350	0	350
Others	8,917	116	371	791	10,195	(129)	10,066
	<u>8,917</u>	<u>466</u>	<u>371</u>	<u>791</u>	<u>10,545</u>	<u>(129)</u>	<u>10,416</u>
Other Operating Expenses							
Depreciation and Amortization	1,069	2	9	162	1,242	0	1,242
Impairment Losses	3,430	0	29	86	3,545	0	3,545
Others	15,776	133	308	574	16,791	(35)	16,756
	<u>20,275</u>	<u>135</u>	<u>346</u>	<u>822</u>	<u>21,578</u>	<u>(35)</u>	<u>21,543</u>
Profit before Tax	<u>4,825</u>	<u>346</u>	<u>363</u>	<u>534</u>	<u>6,068</u>	<u>(139)</u>	<u>5,929</u>
Tax Expense	<u>664</u>	<u>91</u>	<u>36</u>	<u>86</u>	<u>877</u>	<u>0</u>	<u>877</u>
Net Profit	<u>4,161</u>	<u>255</u>	<u>327</u>	<u>448</u>	<u>5,191</u>	<u>(139)</u>	<u>5,052</u>
<b>Statements of Financial Position</b>							
Total Resources							
Segment Assets	995,408	2,763	22,400	24,134	1,044,705	(17,349)	1,027,356
Intangible Assets	657	10	1	1	669	0	669
Deferred Tax Assets	5,686	(28)	29	(84)	5,603	0	5,603
	<u>1,001,751</u>	<u>2,745</u>	<u>22,430</u>	<u>24,051</u>	<u>1,050,977</u>	<u>(17,349)</u>	<u>1,033,628</u>
Total Liabilities	<u>917,306</u>	<u>1,330</u>	<u>17,609</u>	<u>17,396</u>	<u>953,641</u>	<u>(9,634)</u>	<u>944,007</u>
<b>Other Segment Information</b>							
Capital expenditures	881	0	6	204	1,091	0	1,091
Investment in associate under equity method	4,328	0	0	0	4,328	0	4,328
Share in the Profit of associates	174	0	0	0	174	0	174