



Via ODiSy

April 12, 2013

**PHILIPPINE STOCK EXCHANGE, INC.**

Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue  
Makati City

Attention: **Ms. Janet A. Encarnacion**  
*Head, Disclosures Department*

**Ms. Christina Marie C. Fortes**  
*Assistant Manager, Disclosure Department*

Re: SEC Form 17-A (Annual Report)  
=====

Ladies:

We transmit with this letter the SEC Form 17-A or the Annual Report of BDO Unibank, Inc. submitted today to the Securities and Exchange Commission.

Thank you.

Very truly yours,

A handwritten signature in blue ink, appearing to read 'Elmer B. Serrano', written over a horizontal line.

**ELMER B. SERRANO**  
Corporate Information Officer

# COVER SHEET

				3	4	0	0	1
		S.E.C. Registration Number						

[illegible][illegible]

(Company's Full Name)

[illegible]

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(Business Address: No. Street/ City/ Town/ Province)

**ATTY. ELMER B. SERRANO**

### Contact Person

	687-1195 to 96
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Company Telephone Number

1	2
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3	1
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Month: Day:  
Fiscal Year:

**SEC17-A**

FORM TYPE

**Last Friday  
of May**

Month Day  
Annual Meeting

\_\_\_\_\_

Secondary License Type, If Applicable

C	F	D
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Dept. Requiring this Doc.

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Amended Articles Number/Section

[illegible]**Total No. of Stockholders**

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Domestic

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Foreign

To be accompanied by SEC Personnel concerned

[illegible]

File Number

[illegible]

Document I.D.

## STAMPS

## STAMPS

**SEC FORM 17-A**

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended: 31 December 2012
2. SEC Identification Number: 34001 3. BIR Tax Identification No. 000-708-174-000
4. Exact name of registrant as specified in its charter: BDO UNIBANK, INC.
5. Manila 6.   (SEC Use Only)  
Province, Country or other jurisdiction of Industry Classification Code:  
incorporation or organization
7. BDO Corporate Center, 7899 Makati Avenue, Makati City 0726  
Address of principal office Postal Code
8. (632) 840-7000  
Issuer's telephone number, including area code
9. N.A  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common Stock, ₱10.00 par value	3,580,875,328
Preferred Stock, ₱10.00 par value	515,000,000

11. Are any or all of these securities listed on a Stock Exchange.

Yes [X] No [ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange 3,580,875,328 Common Shares



12. Check whether the issuer:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes ☒ [X]

No ☐ [ ]

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

Yes ☒ [X]

No ☐ [ ]

13. Aggregate market value of the voting stock held by non-affiliates: ₱111,862,736,521.60

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### **EXHIBITS & ANNEXES**

## Part I – Business and General information

### Item 1. Business

#### 1) Business Development

##### (a) Form and Year of Organization

BDO Unibank, Inc. (BDO or the “Bank”), originally known as Acme Savings Bank, was acquired by the SM Group in 1976. The SM Group is one of the largest conglomerates in the Philippines, with substantial interests in financial services, real estate development, and tourism and entertainment, founded around its core business in commercial centers and retailing. BDO listed its shares on the Philippine Stock Exchange (PSE) on 21 May 2002.

BDO is now the market leader in most of its core business lines following its merger with Equitable PCI Bank (EPCI) in May 2007. The Bank offers a complete array of products and services, i.e. Retail Banking, Lending (Corporate, Commercial, Consumer, and SME), Treasury, Trust, Credit Cards, Corporate Cash Management and Remittances. Through its subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Bancassurance, Insurance Brokerage and Stock Brokerage services. It has one of the largest branch networks, with 762 operating branches and 1,877 ATMs as of 31 December 2012.

Over the past several years, the Bank has experienced significant growth. This resulted from organic growth arising from a wider array of products and services, as well as through mergers and acquisitions of banks. Sustaining earlier gains, the Bank is currently the largest bank in the Philippines in terms of assets, loans, deposits and trust assets as of the end of the fourth quarter of 2012. BDO's market shares of the commercial banking sector are as follows:

- Assets – 16%
- Assets Under Management (Trusts) – 26%
- Customer Loans – 21% and
- Deposits – 17%

BDO reported a net income of P14.3 billion for the year 2012. Total resources climbed by 13% year-on-year to P1.2 trillion owing to an expansion in customer receivables. Net Loans and Other Receivables grew 13% with gross customer receivables expanding by 15% buoyed by continued demand for corporate and consumer loans. Total Deposit Liabilities went up by 9% on aggressive marketing efforts for low-cost deposits supported by additional branch redeployments. Trust Assets under Management likewise expanded 15% year-on-year to P816.9 billion. Meanwhile, Total

Equity grew 62% to P157.3 billion from a Stock Rights issuance as well as the Bank's profitable operations.

BDO's diverse subsidiaries and investments in allied undertakings provide an extensive range of banking and other financial services. The Bank's subsidiaries and associates are as follows:

<b>Philippine Subsidiaries</b>	<b>% Interest Held</b>
BDO Private Bank, Inc. (BDO Private)	100%
BDO Strategic Holdings, Inc. (BDOSHI, formerly EBCII)	100%
BDO Leasing and Finance, Inc.	87%
BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.)	99%
BDO Capital & Investment Corporation (BDO Capital)	100%
Equimark – NFC Development Corp.	60%
PCIB Securities, Inc.	100%
PCI Realty Corporation	100%
BDO Insurance Brokers, Inc. (BDI)	100%
PCI Insurance Brokers, Inc. (PCI Insurance)	100%
MJB Land, Inc.	100%
<b>Foreign Subsidiaries</b>	<b>% Interest Held</b>
Express Padala HK Ltd.	100%
BDO Remittance (USA), Inc.	100%
PCIB Europe, S.P.A	100%
Express Padala Frankfurt GmbH	100%
BDORO Europe Ltd.	100%
<b>Associates</b>	<b>% Interest Held</b>
Manila North Tollways Corporation (MNTC)	12%
SM Keppel Land, Inc.	50%
Generali Pilipinas Holdings, Inc.	40%
Northpine Land Incorporated	20%
Taal Land	33%

## 2) Business of Issuer

### (i) Principal Products and Services

#### Deposits

BDO offers a wide array of Peso, Dollar, and Third Currency deposit products and services catering to a broad and diversified client base. These products cut across age groups (to include the young, teen, and senior generations) and customer profiles (such as OFWs and US

Government pensioners and their beneficiaries]. Further details on the Bank's various deposit products can be accessed at its website [www.bdo.com.ph](http://www.bdo.com.ph).

### **Remittance Services**

BDO's strength in providing top remittance services lies in its extensive international reach spanning Asia, Europe, North America, and the Middle East. On the distribution side, a strong domestic coverage consisting of the Bank's wide branch network and remittance partners that include, among others, ShoeMart (SM), thrift banks, pawnshops, as well as other financial service partners, complements the Bank's international presence. BDO also has tie-ups with SM and its partner establishments, as well as food outlets (like Jollibee and Max's) that provide clients with unique value-added services such as gift and food remittance delivery.

### **Trust Services**

In addition to investment management and wealth advisory services, BDO offers a good mix of ready-made products such as the Unit Investment Trust Funds (UITFs) for individual and corporate clients; customized portfolios targeted at corporate and institutional accounts; as well as specialized trust services and directed accounts.

### **Treasury Dealership and Brokering Services**

The Bank offers a broad range of treasury services to corporate, institutional and individual clients with specific needs and varied risk profiles. These services include the purchase and sale of foreign exchange, fixed-income securities investments, and derivatives, for which the Bank's competence has been recognized through several awards for securities dealership and as a foreign exchange services provider. Exclusive economic briefings and forums in regional centers are also conducted on a periodic basis to enhance clients' awareness of prevailing financial market conditions.

### **Transaction Banking**

BDO's transaction-based services provide high value-added cash management solutions to various market segments that include large corporations, financial institutions, government entities, and small- and medium-enterprises (SMEs). The Bank's electronic banking services, which include the Bank's over 1,900 ATMs nationwide, as well as the internet, mobile, and phone banking facilities, allow customers to access their accounts and perform an extensive range of banking transactions at their convenience, anytime, anywhere. Meanwhile, the Bank's debit card facility lets customers enjoy the convenience of hassle-free cashless payment and easy cash access with just one card.

### **Credit Cards**

The Bank offers an extensive array of locally- and internationally-accepted credit cards bearing the BDO Shopmore, American Express, JCB, MasterCard, Union Pay, and Visa brands, as well as

other co-brand tie-ups (Amex, Cathay Pacific, Forever 21 and Bench). BDO credit cards likewise cover a broad market spectrum across different age groups ranging from the young upwardly mobile generation (with Amex Blue) to high net worth individuals (Elite cards).

### **Investment Banking**

Through its subsidiary, BDO Capital & Investment Corp., the Bank provides expertise and optimal solutions to address the capital raising needs of corporations, government entities, and sophisticated investors. The Bank's strong origination and structuring capabilities, robust distribution network, dominant presence in both the equities and capital markets, and established track record all highlight BDO's brand of investment banking.

### **Insurance**

The Bank provides its clients property and casualty insurance through BDO Insurance Brokers, Inc., a wholly-owned subsidiary. In partnership with Generali Pilipinas Holding, the Bank also acquired a bancassurance license that permits it to market and sell both life and non-life insurance products through its nationwide network of more than 760 branches, permitting customers access to a wide array of insurance products.

### **Trade Services**

The Bank offers a complete range of trade finance products and services, ranging from letters of credit to inventory financing that respond to the specific trade- and international requirements of its corporate customers.

### **Wholesale Lending and International Desks**

BDO offers structured and trade finance services to suit the specialized business requirements of companies from within the region and around the globe, namely, Japanese, Mainland Chinese, Taiwanese, Singaporean, Korean, and other Asian companies, as well as North American and European commercial interests in the Philippines. The Bank also provides cross-border finance supported by export credit agencies, rated export-import banks, and other foreign banks from member countries of the Organization for Economic Development and Cooperation (OECD) and multilateral organizations. Wholesale funds from government financial institutions are also available for specialized financing purposes.

### **Private Banking**

BDO provides high value investment, financial, and estate advisory services to a niche market of emerging affluent and high net worth individuals, as well as corporate and institutional clients through its wholly-owned subsidiary, BDO Private Bank, Inc.. BDO Private Bank Inc.'s open architecture platform allows it to provide bespoke or custom-made structures to address clients' specific financial needs.

## **Leasing**

BDO Leasing and Finance, Inc. offers comprehensive leasing and financing solutions to commercial clients across various industries.

From the above mentioned products and services, the Bank's revenues are divided into two major categories, namely, (1) interest income from the Bank's deposit taking, lending and investing activities which accounts for 71% of revenues, and (2) other income which includes service charges, fees & commissions, trading gain, foreign exchange gains, trust fees, income from sale of acquired assets and other miscellaneous income which account for 29% of revenues. Of all the revenue accounts, the following contributes more than 10% to total revenues:

<b>Income Accounts</b>	<b>% to Total Income</b>
1. Interest Income on Loans & Other Receivables	53.8%
2. Interest Income on Investment & Trading Securities	14.0%
3. Service Charges, Fees and Commissions	14.6%

### **(ii) Distribution Methods of Products or Services**

The Bank's products and services are available mainly through the branches, but select services are also accessible through other channels such as call centers, mobile and landline telephones, internet, and point-of-sale terminals. The Bank's extensive distribution network provides it good market coverage that is superior to many of its competitors. Aside from a branch in Hong Kong and a consolidated domestic network of 762 operating branches, the Bank has 1,877 ATMs as of 31 December 2012.

### **(iii) Status of Publicly Announced New Products or Service**

On 25 November 2011, the BDO Institutional Cash Reserve Fund was launched and is now fully operational.

### **(iv) Competition**

The Philippine commercial banking sector consists of 37 commercial banks, 18 of which are private domestic banks, 16 are branches/subsidiaries of foreign commercial banks and 3 are government-controlled banks. Of the 37 commercial banks, 21 are universal banks, of which 6 are branches of foreign banks.

Based on consolidated published statements of condition, the total assets of the commercial banking system as of 31 December 2012 reached P7.7 trillion. The five largest banks, namely, BDO, Metropolitan Bank and Trust Company, Bank of the Philippine Islands, Land Bank of the Philippines and Rizal Commercial Banking Corp., accounted for 56% of total system assets.

As of 31 December 2012, the loans and receivables (net) of the commercial banking system amounted to P3.9 trillion, while total deposits was at P5.5 trillion. The total capital accounts of the commercial banking system amounted to P861 billion as of December 2012.

*Note: All the data used in the discussion above are based on consolidated published statements of condition of all commercial banks.*

**(v) Transactions with and/or Dependence on Related Parties**

In the ordinary course of business, the Bank has loans, deposits and other transactions with its related parties, and with certain directors, officers, stockholders and related interest (DOSRI). These loans and other transactions are made on the same terms as with other individuals and businesses of comparable risks and in compliance with all regulatory requirements.

**(vi) Patents, Trademarks, Licenses, Franchises, Concession, Royalty Agreement or labor contracts including duration**

The Bank has registered the following trademarks with the Intellectual Property Office of the Philippines:

Trademark	Duration
Express Padala	17 March 2008 to 17 March 2018
We find ways	7 April 2008 to 7 April 2018

**(vii) Governmental Approval of Principal Products or Services**

The Bank secures approval from the Bangko Sentral ng Pilipinas (BSP) for all its products and services, as required.

**(viii) Effect of Existing or Probable Governmental Regulations on the Business**

Being a banking institution subject to the General Banking Law and banking regulations, BDO is under the supervision of the BSP, whose approval BDO requires to undertake certain activities. BDO strictly complies with the BSP requirements in terms of reserves, liquidity position, limits on loan exposure, cap on foreign exchange holdings, provision for losses, anti-money laundering provisions and other regulatory requirements.

**(ix) Estimate of Amount Spent for Research and Development Activities**

This is not applicable to the Bank.



**(x) Total Number of Employees**

The Bank has a total of 21,746 employees as of 31 December 2012 broken down as follows:

	Non-Officers	Officers	Executives	TOTAL
Total Head Office	3,270	4,374	629	8,273
Branches	9,093	3,353	200	12,651
Total for Subsidiaries	312	409	101	822
<b>TOTAL EMPLOYEES</b>	<b>12,675</b>	<b>8,141</b>	<b>930</b>	<b>21,746</b>

The Bank has an existing collective bargaining agreement (CBA) with the Banco de Oro National Union of Bank Employees covering substantially all of the Bank's staff level employees, except those expressly excluded under the new CBA. This agreement is effective for a period of five (5) years from 1 November 2010 to 31 October 2015, in so far as the representation aspect is concerned, while all other provisions are effective for a period of three (3) years until 31 October 2013. The Bank has not suffered any strike in the past 25 years, and the Bank considers its relations with its employees and the Union to be good.

**(xi) Risk Management**

Risk management at BDO begins at the highest level of the organization. At the helm of the risk management infrastructure is the Board of Directors who is responsible for establishing and maintaining a sound risk management system. The Board of Directors assumes oversight over the entire risk management process.

The Board of Directors has the ultimate responsibility for all risks taken by the Bank. It regularly reviews and approves the institution's tolerance for risks, as well as, the business strategy and risk philosophy of the Bank. It takes the lead in disseminating the institution's risk philosophy and control culture throughout the organization. It approves strategies and implementing policies affecting the management of all types of risks relating to the Bank's activities. It sets the risk-based organizational structure that will implement and ensure the effectiveness of the overall risk control system of the Bank. Towards this end, it is regularly updated on developments that could materially affect the Bank's liquidity position or the value of its resources. Likewise, the Board is responsible for overseeing the investment and credit activities of the Bank.

The Board of Directors has created committees tasked with key functions in the over-all risk framework of the Bank. The Risk Management Committee (RMC) is responsible for the development and oversight of the Bank's risk management program. The Executive Committee (EXCOM) has responsibility over the approval processes of the Bank's loans and investments, property-related proposals, as well as, other credit-related issues over a prescribed amount delegated by the Board of Directors. The Asset and Liability Committee (ALCO) is tasked with managing the Bank's balance sheet and off-balance sheet activities, maintaining adequate liquidity, ensuring sufficient capital and appropriate funding to meet all business requirements within regulatory limits.

The Bank operates an integrated risk management system to address the risks it faces in its banking activities, including credit, market, liquidity, and operational risks. The Bank's Risk Management Committee has overall responsibility for the Bank's risk management systems and sets risk management policies across the full range of risks to which the Bank is exposed. The Risk Management Committee is a Board-Level committee composed of three members of the Board of Directors including an independent director and the President.

The Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the overall risk profile of the Bank's activities across the different risk areas (i.e. credit, market, liquidity, and operational risks) to optimize the risk-reward balance and maximize return on capital.

The Risk Management Committee is responsible for the development of the Bank's risk policies, defines the appropriate strategies for identifying, quantifying, managing and controlling risk exposures including preventing and/or minimizing the impact of losses when they occur. It oversees the implementation and review of the risk management plan on an integrated enterprise-wide basis, system of limits of management's discretionary authority delegated by the Board and takes immediate corrective actions when breached. It is also responsible to reassess the continued relevance, comprehensiveness and effectiveness of the risk management plan and revise it when needed.

The Committee is composed of: Jones M. Castro, Jr. (Independent) as Chairman, Nestor V. Tan and Josefina N. Tan as members, and Christopher Bell-Knight as Adviser.

## Item 2 – Properties

### Description of Property

#### 1) Principal Properties Owned

Presented below is a list of the Bank's real properties as of 31 December 2012 owned by the Bank and utilized as BDO branches.

A list of these owned properties is as follows:

#### (a) Metro Manila Branches

BDO BANK OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
1	ADB Avenue Ortigas	Robinson's FCIBank Tower, ADB Avenue, Ortigas Center, Pasig City
2	Airport Road	Airport Road corner Quirino Avenue, Baclaran, Parañaque City

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
3	Alfaro - Salcedo Village	GF PCCI Bldg. , 118 Leviste Street (Formerly Alfaro St.) , Salcedo Village, Makati City
4	Arranque - T. Alonzo	733 T. Alonzo St., Manila
5	Asia Tower - Paseo	G/F Asia Tower corner Paseo De Roxas & Benavides St., Makati City
6	Aurora Blvd - Notre Dame	0137 Aurora Blvd. corner Notre Dame St., Cubac, Quezon City
7	Aurora Blvd - Yale	Aurora Boulevard corner Yale Street, Cubac, Quezon City
8	A. Santos - St. James	8406 A. Santos Ave., Sucat, Parañaque City
9	Baclaran - Redemptorist Road	Redemptorist Road, Baclaran, Parañaque City
10	Bagtikan - Chino Roces Avenue	Unit 102 G/F Pryce Center Condominium, 1179 Chino Roces Avenue corner Bagtikan St., San Antonio Village, Makati City
11	BDO Corporate Center	BDC Corporate Center , Makati Avenue, Makati City
12	Bel Air - Gil Puyat	Ccountry Space 1 Condo. Building, Sen. Gil Puyat Avenue, Bel-Air Village, Makati City
13	Binondo	411 Quintin Paredes Street, Binondo, Manila
14	Blumentritt	2325 Riza Avenue corner Antipolo Street, Sta. Cruz, Manila
15	Blumentritt - San Juan	Lot 11-B, Bk. 127 Blumentritt corner Sto. Toribio St., San Juan, Metro Manila
16	Boni - Maysilo	74 Maysilo Circle corner Boni Avenue, Mandaluyong City
17	Caloocan - Sangandaan	No. 628 A. Mabini St., 1408 Sangandaan, Caloocan City
18	Capitol-Pasig	125 Shaw Blvd. corner Danny Floro St., Pasig City
19	Corinthian Gardens	BDO Leasing Center, Ortigas Ave., Quezon City
20	C. Palanca - Quiapo	132 Carlos Palanca St., Quiapo, Manila
21	C. M. Recto	C. M. Recto Avenue corner Nicanor Reyes St., Manila
22	C. M. Recto - San Sebastian	2070 C.M. Recto St., Sampaloc, Manila
23	Dasmariñas St. - Binondo	PCIBank Bldg., Dasmariñas St., Binondo, Manila
24	Dian - Gil Puyat	G/F EPCIB Bldg., Sen. Gil Puyat Avenue corner Dian St., Makati City
25	E. Rodriguez	1162 E. Rodriguez Sr. Avenue, New Manila, Quezon City
26	Edsa - Reliance St.	G/F Paragon Plaza, corner Reliance St., Mandaluyong City
27	Fairview	Don Mariano Marcos Avenue, Barangay Fairview, Quezon City
28	Grace Park - 8th Avenue	Rizal Avenue Extension, Grace Park, Caloocan City
29	Grace Park - 9th Avenue	414 Rizal Avenue Extension, Grace Park, Caloocan City
30	Greenhills - Roosevelt	E3C Bldg. Ortigas Avenue corner Roosevelt Avenue, Greenhills, San Juan, Metro Manila
31	Ilaya - M. De Santos	632 M. De Santos Street, Manila
32	Kalentong	MRDC Bldg., Shaw Boulevard corner Gen. Kalentong Street, Mandaluyong City

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
33	Las Piñas - Pamplona	A abang-Zapote Road, Pamplona, Las Piñas City
34	Las Piñas - Philamlife Avenue	A abang-Zapote Road, Pamplona Tres, 1740 Las Pinas, Metro Manila
35	Leveriza - Libertad	212 Libertad St., Pasay City, Metro Manila
36	Luneta - T.M. Kalaw	707 T.M. Kalaw St. corner Churruc St., Ermita, Manila
37	Makati Avenue - Ayala	L.V. Locsin Bldg., Ayala Avenue corner Makati Avenue, 1228 Makati City
38	Makati Cinema Square	Makati Cinema Square, Pasong Tamo, 1229 Makati City
39	Malabon - Rizal Avenue	694 Rizal Ave., 1470 Malabon, Metro Manila
40	Marikina - Bayanbayan	No. 48 Bayanbayan Avenue, Brgy. Concepcion Uno, Marikina City
41	Marikina - Concepcion	17 Bayan-bayan Avenue, Barangay Concepcion 1, Marikina City
42	Marikina - Sumulong Highway	Corner E. Dela Paz Street Amang Rodriguez Avenue, Sto. Nino, Marikina City
43	Marulas - McArthur Highway	Lot 16 & 17 McArthur Highway, Valenzuela, Metro Manila
44	Mayon	GF, Alpha Building, 174 Mayon Street, La Loma, Quezon City
45	Medical Plaza - Legaspi Village	Unit 101, G/F Medical Plaza Makati, Amorsolo Street corner Dela Rosa Street, Legaspi Village, Makati City
46	Novaliches - Forest Hills	Lot 2 D 1 Quirino Ave., Novaliches, Quezon City
47	Ortigas Avenue	209 Ortigas Avenue, Greenhills, San Juan, Metro Manila
48	Ortigas - Exchange Road	G/F, PSE Center, Exchange Road, Ortigas Commercial Complex, Pasig City
49	Ortigas - San Juan	Units 102-103 Sunrise Condo., Ortigas Ave., 1500 San Juan, Metro Manila
50	Paco - A. Linao	1635-1641 A. Linao St., Paco, Manila
51	Padre Faura - A. Mabini	A. Mabini Cor. Padre Faura Sts., 1000 Ermita, Manila
52	Pasay	Libertad corner Colayco Streets, Pasay City
53	Pasay Road	845 Corporate Plaza Bldg., Pasay Road, Makati City
54	Paseo - Gil Puyat	EBC Bldg., Paseo de Roxas corner Gil Puyat Avenue, Makati City
55	Paseo Tower - Makati	Equitable Bank Tower, 8751 Paseo de Roxas, Makati City
56	Pasig - Manggahan	Amang Rodriguez Avenue, Barangay Manggahan, Pasig City
57	Perea - Paseo	G/F Universal Re Bldg., 106 Paseo De Roxas, 1228 Makati City
58	Pitimini - Roosevelt	EBC Bldg. Roosevelt Avenue corner Pitimini St., SFDM, Quezon City
59	Plaza Sta. Cruz - Dasmariñas St.	377 Plaza Sta. Cruz, 1003 Sta. Cruz, Manila
60	Potrero	110 MacArthur Highway corner Riverside St., Potrero, Malabon
61	President's Avenue - BF Paranaque	President's Ave. corner J. Elizalde St., BF Homes Paranaque, Metro Manila

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
62	Quezon Avenue - Heroes Hill	1052 Quezon Avenue, 1103 Quezon City
63	Reposo - Makati	EBC Bldg. JP Rizal corner N. Garcia, Makati City
64	Rizal Avenue	2502-2504 Rizal Avenue corner Cavite St., Sta. Cruz, Manila
65	Rockwell Center - Makati	Lot 3, Block 7, Rockwell Drive, Rockwell Center, Poblacion, Makati City
66	Shaw Blvd.	BDO Bldg., Shaw Blvd. corner Stanford St., Mandaluyong City
67	Shaw Blvd. - Stanford	EBC Bldg., Shaw Blvd. corner Stanford St., Mandaluyong City
68	St. Ignatius - Katipunan	137 Katipunan Avenue, St. Ignatius Village, Quezon City
69	Strata 100 - Ortigas	G/F Strata 100 Bldg., Don Francisco Ortigas Jr., Pasig City
70	Taft - Vito Cruz	Bankard Bldg., 2422 Taft Ave., 1004 Malate, Manila
71	Tomas Morato - Kamuning	Corner Kamuning & Tomas Morato, Quezon City
72	U.N. Avenue - J. Bocobo	EBC Bldg., UN Avenue corner J. Bocobo St., Ermita, Manila
73	V. A. Rufino	GF Catham House, Herrera St. corner Valero and San Agustin St., Salcedo Village, Makati City
74	West Trade Center - West Avenue	Unit # 1, G/F West Trade Center, West Avenue, Quezon City
75	Yakal - Chino Roces Avenue	Avida Tower 2, Yakal St., San Antonio Village, Makati City

(b) Provincial Branches

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
1	Angeles City - Miranda	PCIB Bldg., Miranda St., 2009 Angeles City, Pampanga
2	Antique	Corner Gov. V Ilavert St. and Gov. Gella St., San Jose, Antique
3	Bacolod - Capitol Shopping	Benigno Aquino Drive, Capitol Shopping, 6100 Bacolod City, Negros Occidental
4	Bacolod - Gatuslao	26 & 28 Gov. V. Gatuslao St., Bacolod City, Negros Occidental
5	Bacolod - Lacson	Lacson cor. Galo Sts., 6100 Bacolod City, Negros Occidental
6	Bacolod Plaza	Araneta corner Gonzaga Sts., 6100 Bacolod City, Negros Occidental
7	Bacolod - Rosario Lacson	Lot 296-B-7, Lacson St. cor. Rosario St., Bacolod City, Negros Occidental
8	Balanga - A. Banzon	A. Banzon St., City of Balanga, 2100 Bataan
9	Baliwag - J. P. Rizal	J.P. Rizal St., San Jose, Baliwag, Bulacan
10	Batangas City - Rizal Avenue	Rizal Avenue corner P. Burgos St., 4200 Batangas, Batangas City
11	Batangas - Nasugbu	JP Laurel St., Barangay Poblacion, Nasugbu, Batangas
12	Batangas - Sto. Tomas	Maharlika Highway, San Antonio, Sto. Tomas, Batangas
13	Bifan	A. Bonifacio Street, Barrio Canlalay, Bifan, Laguna

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
14	Bukidnon - Valencia	M. L. Quezon St. cor. G. Laviña Ave., Valencia City, Bukidnon
15	Cabanatuan - Maharlika Road	Maharlika Road near cor. Sanciango St., Cabanatuan City
16	Cagayan - Aparri	Rizal St. cor. R.F. Balisi St., Aparri, Cagayan
17	Cagayan de Oro - Lapasan	CM Recto Highway, Lapasan, 9000 Cagayan de Oro City, Misamis Oriental
18	Cagayan de Oro - Velez	Velez Road corner Abejuela Street, Cagayan de Oro
19	Calamba Crossing - North	Calamba Crossing, National Highway, 4027 Calamba, Laguna
20	Cavite City - P. Burgos	Corner P. Burgos & P. Julio St., Caridad, 4100 Cavite City
21	Cavite - Dasmarinas Technopark	Governor's Drive, B-gy. Paliparan I, Dasmarinas, Cavite
22	Cavite - General Trias Gateway	Gateway Business Park, C. Delos Reyes Ave., 4107 Gen. Trias, Cavite
23	Cavite - Imus Anabu	Gen. Aguinaldo corner Ambrosia Road, Anabu I, Imus, Cavite
24	Cebu - Borromeo	Magallanes corner Borromeo St., Cebu City
25	Cebu - F. Gonzales	F. Gonzales corner Magallanes St., Cebu City
26	Cebu - Fuente Circle	Fuente Osmena Roundabout, Cebu City
27	Cebu - Gorordo	Gorordo Avenue, Lahug, 6000 Cebu City, Cebu
28	Cebu - Magallanes Plaridel	Magallanes corner Plaridel Sts., 6000 Cebu City
29	Cebu - North Mandaue	National Highway, Mandaue City
30	Cebu - North Reclamation	Blk.20-A cor. Port Centre Ave. and Juan Luna Ave., North Reclamation Area, Cebu City
31	Cotabato - Kidapawan	Quezon Blvd., 9400 Kidapawan, North Cotabato
32	Cotabato - Makakua	Makakua St., 9600 Cotabato City, Maguindanao
33	Dagupan - Fernandez	A.B. Fernandez Ave., 2400 Dagupan City, Pangasinan
34	Davao - Claveria	BDO Building No. 30 C.M. Recto Avenue, Poblacion, Davao City
35	Davao - C.M. Recto	383 Claro M. Recto St., Davao City
36	Davao - Digos	Rizal Avenue, Zone II, Digos, Davao del Sur
37	Davao JP Laurel	Landco-PDCP Corporate Center, JP Laurel Avenue, Davao City
38	Davao - Mati	Rizal cor. Mabini Sts., 8200 Mati, Davao Oriental
39	Davao - Tagum	577 Rizal St., 8100 Tagum, Davao Del Norte
40	Davao - Toril	Agton St., Toril, Davao City
41	Dipolog	Quezon Ave, 7100 Dipolog City, Zamboanga Del Norte
42	Dumaguete	Colón St. fronting Bldg. V of City Public Market, Poblacion 003, Dumaguete City
43	General Santos - Pioneer	Pioneer Avenue, General Santos City, 9500
44	General Santos - Santiago St.	Ireneo Santiago Blvd., 9500 Gen. Santos St., South Cotabato
45	Iligan - Del Pilar	BC Labao corner Del Pilar St., Iligan City
46	Iloilo - Iznart	Iznart St., 5030 Iloilo City, Iloilo

BDO BANK-OWNED PROPERTIES UTILIZED AS BRANCHES		
No	BRANCH	ADDRESS
47	Iloilo - Valeria	Valeria Street, Iloilo City
48	Isabela - Roxas	23 Osmeña Rd., Bantug, Mallig Plain, 3320 Roxas, Isabela
49	Isabela - Santiago Centro	BDO Building City Rd. cor. Guzman St., Calao West, Santiago City, Isabela
50	Isabela - Santiago Maharlika Highway	BDO Bldg., No. 57 Maharlika Highway corner Quezon Avenue St., Santiago City, Isabela
51	Laoag - Balintawak	Cor. Rizal & Balintawak Sts., 2900 Laoag City, Ilocos Norte
52	La Union San Fernando - Q. Avenue	Quezon Ave., 2500 San Fernando, La Union
53	Leyte - Ormoc	Corner Burgos & Rizal St., 6541 Ormoc City, Leyte
54	Lipa - C. M. Recto	131 C. M. Recto St, 4217 Lipa City, Batangas
55	Lipa - Rotonda	C.M. Recto Avenue, Lipa City
56	Malolos - Congreso	Paseo Del Congreso, San Agustin 3000 Malolos, Bulacan
57	Meycauayan - Zamora	Zamora St., Barrio Calvario, Meycauayan, Bulacan
58	Negros Occ - Cadiz	Cabahug St., 6121 Cadiz, Negros Occidental
59	Negros Occ - Escalante	National Highway, Escalante City, 6124 Negros Occidental
60	Negros Occ - Kabankalan	Guanzon St., Kabankalan, 6111 Negros Occidental
61	Nueva Ecija - Gapan	Tinio St., 3105 Gapan, Nueva Ecija
62	Nueva Ecija - Guimba	Afan Salvador St., 3115 Guimba, Nueva Ecija
63	Nueva Ecija - Muñoz	T. Delos Santos St., Science City of Munoz, Nueva Ecija
64	Ozamiz	Cebedo St. corner Gallardo St., Centro, Ozamiz City, Misamis Occidental
65	Pagadian	F. S. Pajaras Ave., Pagadian City, 7016 Zamboanga Del Sur
66	Pampanga - Guagua	Lot 4876 Plaza Brgcs St., Guagua, Pampanga
67	Puerto Princesa	261 Rizal Ave., 5300 Puerto Princesa City, Palawan
68	Quezon - Candelaria	Rizal corner Valle St., Candelaria, Quezon
69	Roxas - Roxas Avenue	Roxas Avenue, Roxas City, Capiz
70	San Pablo - Rizal St	2nd Floor, Equitable PCI Bldg., Rizal St. cor. P. Alcantara, San Pablo City, Laguna
71	Silay - Figueroa	Figueroa cor. Rizal St., Silay City, 6116 Negros Occidental
72	South Cotabato - Koronadal	R. Alunan Ave. cor. Osmeña St., 9506 Koronadal, South Cotabato
73	Sta. Rosa - South Expressway	National Road, Pulong Sta. Cruz, 4026 Sta Rosa, Laguna
74	Sultan Kudarat - Isulan	075 National Highway, Kalawag 2, Isulan, Sultan Kudarat
75	Sultan Kudarat - Tacurong	Alunan Highway, 9800 Tacurong, Sultan Kudarat
76	Tarlac - J. Luna	J. Luna St. near corner Mc Arthur, Tarlac, Tarlac
77	Tarlac - Luisita	MacArthur Highway, Barangay San Miguel, Tarlac City
78	Tuguegarao - Bonifacio St	Bonifacio Street, Tuguegarao, Cagayan
79	Urdaneta - Alexander	Alexander St., Urdaneta City, Pangasinan
80	Vigan - Quezon Avenue	Corner Bonifacio St. & Quezon Ave., 2900 Vigan, Ilocos Sur



BDO BANK OWNED PROPERTIES UTILIZED AS BRANCHES		
No.	BRANCH	ADDRESS
81	Zamboanga - Rizal St.	Rizal St. Zamboanga City, 7000, Zamboanga Del Sur

## 2) Leased Properties

The BDO Unibank Group leases the premises of most of its branch offices for periods ranging from one to 15 years from the date of the contracts; terms are renewable upon the mutual agreement of the parties. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the statements of income, amounted to P2,024 million in 2012, P1,889 million in 2011 and P1,759 million in 2010 in the BDO Unibank Group's financial statements and P1,972 million in 2012, P1,812 million in 2011 and P1,659 million in 2010 in the Parent Bank's financial statements.

A list of these leased properties is as follows:

### (a) Metro Manila Branches

#### 1. Lot leased

No.	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
1	Better Living	Doña Soledad Avenue corner France Street, Better Living, Parañaque City	Dec 01, 2006	-	Nov 30, 2026
2	Congressional - Mindanao Avenue	Congressional Avenue Ext. corner Mindanao Avenue, Quezon City	Oct 01, 2004	-	Apr 30, 2017
3	EDSA - Pasay	537 EDSA corner E. Garcia St., 1300 Pasay City	Apr 16, 1993	-	Apr 15, 2013
4	Isidora Hills	BDO Bldg., Pook Ligaya Riding Ground, Interneighborhood Road, Isidora Hills Subdivision, Barangay Holy Spirit, Quezon City	May 07, 1998	-	May 06, 2018
5	JAS-Recto	1174 J. Abad Santos Avenue, Tondo, Manila	Oct 01, 1995	-	Sep 30, 2020
6	J. P. Rizal	872 JP Rizal St., Barangay Poblacion, Makati City	Jun 15, 1998	-	Jun 14, 2013
7	Las Piñas - BF Resor.	BDO Bldg., BF Resort Drive, Phase 4, BF Resort Village, Las Piñas City	May 15, 2003	-	May 14, 2018
8	Malanday - McArthur Highway	KM 17 MacArthur Highway, Malanday, 1444 Valenzuela, Metro Manila	Apr 02, 1999	-	Apr 02, 2019
9	Marikina - Tañong	A. Bonifacio Avenue, Brgy. Tañong, Marikina City	Jun 01, 2012	-	May 31, 2037
10	Novaliches	1016 Quirino Highway Town Proper, Brgy. Monica, Novaliches, Quezon City	Sep 01, 1991	-	Aug 31, 2016
11	Novaliches - Lagro	Lot 2-B-6 233 (LRC) PSD 341349, Quirino Highway, Lagro, Novaliches, Quezon City	Apr 15, 2009	-	Apr 14, 2029
12	Projec. 8 - Shorthorn	BDO Bldg., No. 41 Shorthorn Street, Brgy. Tero, Project 8, Quezon City	Oct 01, 1999	-	Sep 30, 2019



NO	BRANCH	ADDRESS	Lease Effectivity	Lease Expiry
13	Quezon Avenue - Cordillera	Quezon Avenue corner Cordillera St., Quezon City	Apr 15, 2000	- Apr 14, 2015
14	Shaw Blvd.-Yulo	285 Shaw Blvd. corner L. Cruz Street, Mandaluyong City	Jan 01, 2006	- Dec 31, 2012
15	Visayas Avenue - Project 6	57 Visayas Avenue (Near Sanville Subdivision), Quezon City	Sep 01, 1998	- Aug 31, 2013

## 2. Building leased

NO	BRANCH	ADDRESS	Lease Effectivity	Lease Expiry
1	ABS - CBN Mother Ignacia St.	Stall No. 25 South Wing, G/F ELJCC Bldg., Sgt. E.A. Esguerra Avenue corner Mother Ignacia St., Quezon City	Aug 05, 2012	- Aug 04, 2017
2	Acropolis - E. Rodriguez Jr.	G/F ACO Bldg., 191 E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	May 01, 2008	- Apr 30, 2013
3	Alabang Hills	RBC Corporate Centre, Dona Jesus Blvd., Barangay Cupang, Muntinlupa	Aug 01, 2004	- Jul 31, 2014
4	Alabang - Madrigal Avenue	Units 5 & 6, Molito Commercial Complex, Madrigal Business Park, Madrigal Avenue, Alabang, Muntinlupa City	Jun 01, 2010	- May 31, 2015
5	Alabang - Muntinlupa	Yellow 1 Bldg., South Station Bargain Center, Filinvest Corporate City, Alabang-Zapote Road, Alabang, Muntinlupa	Oct 01, 2012	- Oct 31, 2017
6	Anonas - Kamias	Security Bank Bldg., Anonas St. corner K-6 St., East Kamias, 1102 Quezon City	Sep 01, 2011	- Aug 31, 2016
7	Arranque	1359-1361 Soler St., Sta. Cruz, Manila	Sep 01, 2011	- Aug 31, 2017
8	Aurora Blvd. - Anonas	Mananan Bldg., Aurora Blvd. corner Anonas Avenue, Quezon City	Dec 01, 2008	- Nov 30, 2018
9	Aurora Blvd - Broadway Centrum	Broadway Centrum Cond., Aurora Blvd. cor. Dona Juan Rodriguez St., Valencia, QC	Jan 01, 2011	- Dec 31, 2013
10	Aurora Blvd - Hemady	708 Aurora Blvd. corner Hemady St., New Manila, 1110 Quezon City	Jun 01, 2012	- May 31, 2013
11	Ayala Alabang	G/F Unioil Center Bldg., Acacia Avenue corner Commerce Avenue, Ayala Alabang, Muntinlupa	Aug 01, 2011	- Jul 31, 2016
12	Ayala Alabang - Richville Center	Richville Center, 1314 Commerce Avenue Extension, Madrigal Business Park, Ayala Alabang, Muntinlupa	Jul 01, 1997	- Jul 01, 2013
13	Ayala Avenue	6805 Multinational Bancorporation Bldg., Ayala Avenue, Makati City	Nov 01, 2011	- Oct 31, 2016
14	Ayala Avenue - People's Support	G/F People Support Center, Amorsolo St. corner Ayala Avenue, Makati City	Dec 16, 2010	- Jan 31, 2015
15	Ayala Avenue - SGV 1 Bldg.	G/F SGV 1 Building, 6760 Ayala Avenue, Makati City	May 01, 2012	- Apr 30, 2022

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
16	Ayala - Rufino	G/F Rufino Bldg., Ayala Avenue corner Herrera St., 1226 Makati City	Feb 01, 2012	-	Jan 31, 2032
17	Ayala Triangle 1	GM-B G/F Tower 1, Ayala Triangle, Ayala Avenue, Makati City	May 01, 2011	-	Apr 30, 2016
18	A. Arnaiz - San Lorenzo Village	L & R Bldg., 1018 A. Arnaiz Avenue, Makati City	Nov 13, 2008	-	Nov 12, 2013
19	A. Bonifacio Ave. - Balintawak	960 A. Bonifacio Avenue, Balintawak, Quezon City	Jun 01, 2010	-	May 31, 2020
20	A. Santos - South Expressway	Units E & F, 8385 Dr. A. Santos Avenue, Parañaque, Metro Manila	Feb 01, 2005	-	Jan 31, 2015
21	Baclaran	2987 Taft Avenue Extension, Pasay City	Oct 01, 2002	-	Sep 30, 2017
22	Banawe - Agno	202-204 Banawe corner Agno St., 1103 Quezon City	Mar 01, 2010	-	Feb 28, 2015
23	Banawe - Amoranto	650 N. S. Amoranto Avenue corner Banawe St., Quezon City	Jan 01, 2011	-	Dec 31, 2015
24	Banawe - Kitanlad	23-25 Banawe corner Kitanlad, Quezon City	Sep. 16, 2012	-	Sep. 15, 2017
25	Banawe - N. Roxas	71 Nicanor Roxas St. corner Banawe St., Quezon City	Dec 01, 2012	-	Nov 30, 2017
26	Bel Air	G/F SM Makati Cyberzone, Sen. Gil Puyat Avenue, Makati City	Sep 15, 2008	-	Sep 14, 2013
27	Better Living - Bicutan	43 Doña Soledad Avenue, Better Living Subdivision, Don Bosco, Parañaque, Metro Manila	Mar 24, 2007	-	Mar 23, 2017
28	BF Homes - Aguirre	RGM Bldg., 326 Aguirre Avenue, BF Homes, Parañaque	Feb 16, 2008	-	Feb 15, 2018
29	BF Homes - Parañaque	65 President's Avenue Plaza near corner Aguirre Avenue, BF Homes, Parañaque City	Dec 01, 2011	-	Nov 30, 2016
30	Bicutan - South Super Highway	Columbian Motors Compound, Km 16 West Service Road, South Super Highway, Bicutan, 1700 Parañaque, Metro Manila	Month	-	Month
31	Boni - Ligaya	654 Boni Avenue, 1550 Mandaluyong City	Sep 01, 2011	-	Aug 31, 2017
32	Bonifacio Global City - Burgos Circle	Unit 1-F & 1-E G/F, Crescent Park Residences, 2nd Avenue corner Burgos Circle, Bonifacio Global City, Taguig City	Oct 01, 2010	-	Sep 30, 2020
33	Bonifacio Global City - Fort Legends	G/F Fort Legends Tower corner 31st St. & 3rd Avenue, Bonifacio Global City, Taguig City	Mar 15, 2009	-	Mar 14, 2019
34	Bonifacio Global City - Grand Hamptons Tower	GF, Grand Hamptons Tower, 1st Avenue corner 31st St., Bonifacio Global City, Taguig City	Aug 01, 2012	-	Jul 31, 2022
35	Bonifacio Global City - Market Market	Space No. 101, Market Market, Bonifacio Global City, Fort Bonifacio, Taguig, Metro Manila	Oct 01, 2008	-	Sep 30, 2013
36	Bonifacio Global City - MC Home Depot	G/F MC Home Depot, 32nd St. corner Bonifacio Avenue, Bonifacio Global City,	Jun 08, 2008	-	Jun 07, 2013

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Taguig			
37	Bonifacio Global City - One McKinley Place	G/F One McKinley Place, 4th Avenue corner 25th St., Bonifacio Global City, Taguig	Aug 16, 2010	-	Aug 15, 2020
38	Bonifacio Global City - Picadilly Star	G/F Picadilly Star Corporate Center, 4th Avenue corner 27th St., Bonifacio Global City, Taguig	Sep 01, 2009	-	Aug 31, 2019
39	Bonifacio Global City - St. Luke's	St. Luke's Medical Center, Rizal Drive corner 5th Avenue & 32nd St., Fort Bonifacio Global City, Taguig	Aug. 28, 2009	-	Aug. 27, 2019
40	Bonifacio Global City - University Parkway	G/F Aveceshires Center, 132 University Parkway, Bonifacio North Triangle, Bonifacio Global City, Taguig	Apr 16, 2010	-	Apr 15, 2015
41	Buendia - Taft	317 Sen. Gil Puyat Avenue, Pasay City	Sep 01, 2012	-	Aug 31, 2013
42	C5 - Taguig	G/F Ridgewood Square, C5-Avenue, Ususan, Taguig City	Feb 15, 2008	-	Feb 14, 2013
43	Caloocan	Rizal Avenue Extension near corner 11th Avenue, Grace Park, Caloocan City	Sep 01, 2008	-	Aug 31, 2018
44	Caloocan - A. Mabini	G/F Corazon Bldg., 432 A. Mabini St., Poblacion, Caloocan City	Oct 15, 2005	-	Oct 14, 2015
45	Caloocan 7th ave.	Rizal Avenue Extension corner 7th Avenue, Caloocan City	May 01, 2011	-	Apr 30, 2016
46	Carmen Planas	812 O' Rourke Bldg., Carmen Planas St., Divisoria, Manila	Month	-	Month
47	Carmen Planas - Padre Rada	1033-1035 C. Planas St., 1012 Tondo, Manila	Jul 14, 2003	-	Jul 13, 2018
48	Carmen Planas - Zaragosa	921 Carmen Planas St. corner Zaragosa St., Tondo, Manila	Aug 01, 2005	-	Jul 31, 2015
49	Cash & Carry	G/F Unit No. G01A, Cash & Carry Mall, South Super Highway & Filmore St., Makati City	Oct 01, 2012	-	Sep 30, 2017
50	Central Market - V. Fugoso	1724 V. Fugoso St., Brgy. 311 Zone 31, District 3 Sta. Cruz, Manila	May 01, 2012	-	Apr 30, 2022
51	Chino Roces Avenue	Units 3 & 4 La Fuerza Plaza, Chino Roces, Makati City	May 01, 2008	-	Apr 30, 2018
52	C. M. Recto - Reina Regente	1059 CM Recto Avenue corner Reina Regente St., Binondo, Manila	Aug 01, 2010	-	Jul 31, 2020
53	Commonwealth	G/F Teresita Bldg., Holy Spirit Drive, Don Antonio Heights, Quezon City	Nov 01, 2005	-	Oct 31, 2015
54	Commonwealth - Don Antonio	Don Antonio Sports Center, Don Antonio (former Holy Spirit Drive), Don Antonio Heights Subdivision, Quezon City	Dec 01, 2009	-	Nov 30, 2014
55	Congressional Avenue	The Exceland System I, Congressional Avenue, Quezon City	May 15, 1998	-	Jul 15, 2013
56	Connecticut	53 Connecticut St., Fox Square Bldg., North East Greenhills, San Juan	Nov 01, 2008	-	Oct 31, 2013

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
57	Cubao - General Araneta	G/F Philamlife Cubao Bldg., Aurora Blvd. cor. Gen. Araneta Malvar Avenue, Cubao, Quezon City	Feb 01, 2008	-	Jan 31, 2018
58	Dapitan St. - A. H. Lacson Ave.	Dioresa Plaza, Dapitan St. corner A.H. Lacson Avenue, Sampaloc, Manila	Jul 01, 2010	-	Jun 30, 2015
59	BDO Dela Rosa - Rada	Ace Bldg., corner Dela Rosa & Rada St., Legaspi Village, 1229 Makati City	May 01, 2008	-	Apr 30, 2013
60	BDO Del Monte - Araneta Avenue	641 Del Monte Avenue, San Francisco Del Monte, Quezon City	Oct 01, 2011	-	Mar 31, 2022
61	Del Monte Avenue	63 Del Monte Avenue, Barangay Manresa, Quezon City	Mar 01, 2008	-	Feb 28, 2018
62	Del Monte - Sienna	409 Del Monte Avenue, Quezon City 1105	Oct 16, 2007	-	Oct 15, 2017
63	Diliman Capitol Hills	16 Capitol Hills Drive, Old Balara, Diliman, Quezon City	Dec 01, 2008	-	Nov 30, 2018
64	Diliman - Matalino	G/F J & L Bldg., Matalino St., Diliman, Quezon City	Jan 01, 2008	-	Dec 31, 2012
65	Divisoria	744 - 746 Ilaya St. Tondo, Manila	Apr 01, 2003	-	Mar 31, 2013
66	Dr. A Santos Ave.	LT Bldg. Dr. A. Santos Avenue, Paranaque City	Jun 01, 2003	-	May 31, 2013
67	Eastwood City - E. Rodriguez Jr. Avenue	Magnitude Commercial Arcade, E. Rodriguez Jr. Avenue, Bagumbayan, Quezon City	Jun 16, 2012	-	Jun 15, 2022
68	Eastwood City - IBM Plaza	G/F IBM Plaza, Eastwood City, E. Rodriguez Jr., Avenue, Bagumbayan, Quezon City	Apr 15, 2009	-	Jun 14, 2014
69	Eastwood City - Olympic Heights	G/F Olympic Heights, Eastwood City Cyberpark, Bagumbayan, Quezon City	Aug 01, 2011	-	Jul 31, 2016
70	Echague	No. 116-120 C. Palanca St. Quiapo, Manila	Mar 16, 2005	-	Mar 15, 2015
71	EDSA - A. de Jesus	474 EDSA corner B. Serrano & A. De Jesus St, 1403 Caloocan City	Mar 01, 2012	-	Feb 28, 2022
72	EDSA - Balintawak	Unit 17-19, ANPN Plaza, KM. 12, EDSA, Balintawak, Quezon City	Jan 01, 2013	-	Dec 31, 2013
73	EDSA - Bangkal	No. 3 EDSA, Barangay Bangkal, Makati City	May 16, 2011	-	May 15, 2021
74	Edsa Cubao	596 Simeon Medalla Bldg., corner Ger. McArthur Avenue, EDSA, Quezon City	Feb 01, 2011	-	Jan 31, 2016
75	EDSA - East Avenue	G/F Macdouton Building, 738 Edsa near cor. East Avenue, Brgy. Pinyahan, Cubao, Quezon City	Oct 01, 2012	-	Sep 30, 2022
76	EDSA East - Caloocan	L & E Bldg. EDSA corner Gen. Concepcion St, Caloocan City	Sep 01, 2007	-	Nov 30, 2014
77	EDSA New Farmers Plaza	Unit 1-B, G/F New Farmers Plaza, General Roxas Avenue, Araneta Center, Cubao, Quezon City	Jul 18, 2010	-	Jul 17, 2020
78	EDSA - New York	EDSA corner New York St., Cubao 1111 Quezon City	Sep 01, 2008	-	Aug 31, 2013
79	EDSA POEA	POEA Bldg., EDSA corner Ortigas Avenue,	Jul 01, 2008	-	Jun 30, 2013

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Mandaluyong City			
80	Elcano	SHC Tower 619 Elcano St San Nicolas, Manila	Nov 01, 2008	-	Oct 31, 2013
81	Emerald Avenue	G/F Unit 101 Taipan Place, Don Francisco Ortigas Jr. Road, Pasig	Jul 16, 2009	-	Jul 15, 2014
82	E. Rodriguez - Welcome Rotonda	G/F AEK Bldg., 40 E. Rodriguez Sr. Avenue, Don Manuel, Quezon City	Nov 01, 2008	-	Oct 31, 2018
83	BDO España	Carmen Bldg. Espana corner G. Tolentino St. Sampaloc, Manila	Jul 03, 2008	-	Jul 02, 2013
84	España Blumentritt	2101-2103 España Avenue corner Blumentritt St 1008 Sampaloc, Manila	Feb 01, 2012	-	Jan 31, 2017
85	España - M. Dela Fuente	Esperanza Place, España Blvd. corner M. Dela Fuente St., Sampaloc, Manila	Apr 01, 2009	-	Mar 31, 2019
86	Evangelista - Makati	1695 Evangelista St corner Gen. Lacuna St. Bangkal, Makati City 1233	Jan 01, 2013	-	Dec 31, 2022
87	Filinvest - Alabang	G/F Insular Life Corporate Centre, Corporate Avenue, Filinvest Corporate City, Alabang, 1781 Muntinlupa City	Mar 15, 2008	-	May 14, 2018
88	Fort Bonifacio - Bayani Road	Bayani Road corner M. Roxas St., Fort Bonifacio, Taguig	Jun 01, 2010	-	May 31, 2020
89	Fort Bonifacio - McKinley Hill	G/F Three World Square, McKinley Hill, Fort Bonifacio, Taguig	Sep 21, 2009	-	Sep 30, 2014
90	Gandara	811-813 Sabino Padilla St. (formerly Gandara St.) Sta. Cruz, Manila	Feb 01, 2012	-	Jan 31, 2017
91	Gandara - Soler	1268 Soler St. corner S. Padilla St., 1006 Binondo, Manila	Mar 01, 2013	-	Feb 28, 2028
92	GC Corporate Plaza - Legaspi St.	150 GC Corporate Plaza, Legaspi St., Legaspi Village, Makati City	Jan 01, 2011	-	Dec 31, 2015
93	General Luis	297 Gen. Luis Street, Bo. Kaybiga, Caloocan City	Sep 01, 2012	-	Aug 31, 2027
94	Gil J. Puyat	Union Ajinomoto Building, Sen. Gil Puyat Avenue, Makati City	Jan 01, 2013	-	Dec 31, 2013
95	Grace Park	GF A & R Bldg., 213 Riza Avenue Extension, Grace Park, Caloocan City	Mar 01, 2009	-	Feb 28, 2014
96	Grace Park - 11th Avenue	1619 Rizal Avenue, Extension corner 11th Avenue, 1400 Caloocan City	Dec 16, 2003	-	Dec 15, 2013
97	Greenbelt	GF 108 Legaspi St corner Paseo De Roxas, Pioneer House Bldg., Legaspi Village, Makati City	Nov 01, 2011	-	Oct 31, 2016
98	Greenhills	Greenhills Shopping Complex, Ortigas Avenue, San Juan, Metro Manila	Jan 01, 2011	-	Dec 31, 2013
99	Greenhills - Annapolis	Unit 101, GF Vasquez Madrigal Plaza, Annapolis St., Greenhills, San Juan	Jun 01, 2010	-	May 31, 2015
100	Greenhills Shopping Center	GF Jeweller Center, Greenhills Shopping Center, Ortigas Avenue, San Juan, Metro	Jan 01, 2012	-	Dec 31, 2013

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Manila			
101	Greenhills - West	101 Limketkai Bldg., Ortigas Avenue, San Juan, Metro Manila	Mar 01, 2012	-	Feb 28, 2017
102	Greenhills - Wilson	227 Wilson Street corner Don Miguel Street, San Juan, Metro Manila	Jul 01, 2005	-	Jun 30, 2015
103	G. Araneta - Brixton Hill	GF ILO Bldg., 195 G. Araneta Avenue, Quezon City	Jul 01, 2005	-	Jun 30, 2015
104	Harrison Plaza	Unit R-5 LRD Building, Harrison Plaza Shopping Complex, F. B. Harrison, Malate, Manila	Mar. 01, 2012	-	Feb. 28, 2017
105	Herrera	V.A. Rufino Street corner Sotto Street, Legaspi Village Makati City	May. 15, 2012	-	May. 14, 2018
106	H.V. Dela Costa	120 Westgate Plaza Condominium, Salcedo Village, Makati City	Feb 01, 2008	-	Jan 31, 2013
107	Ilaya	1049-1051 Ilaya Street, Divisoria, Manila	Jun 01, 2012	-	May 31, 2018
108	Ilaya - Padre Rada	940-942 Ilaya St., Tondo, Manila	Mar 01, 2005	-	Feb 28, 2015
109	Intramuros	GF Chamber of Commerce Bldg., 3 Magallanes Drive, Intramuros, Manila	Dec 16, 1997	-	Dec 15, 2017
110	J. Abad Santos	GF Ching Leong Temple, J. Abad Santos Avenue, Tondo, Manila	Sep 01, 2005	-	Aug 31, 2015
111	JAS - Antipolo	GF Intercast Corp. Tower, Jose Abad Santos Avenue, Tondo, Manila	Aug 01, 2006	-	Jul 31, 2016
112	Juan Luna	262 Juan Luna Street, Binondo, Manila	Jul 01, 2009	-	Dec 31, 2014
113	Julia Vargas	IBP Building, Julia Vargas Avenue, Ortigas, Pasig City	Jan 01, 2012	-	Dec 31, 2016
114	Jupiter - Reposo	GF CEI Headquarters, 158 Jupiter Street corner N. Garcia Street, Bel-Air Village, Makati City	Aug 01, 2009	-	Jul 31, 2019
115	Kamagong	2567 P. Ocampo (Vito Cruz Ext.) corner Madre Perla Street, Manila	Jan 12, 2012	-	Dec 31, 2013
116	Kamias Road	Trinidad Bldg., Kamias Road corner K-J St., Quezon City	Aug 01, 2007	-	Jul 31, 2017
117	Karrivin Plaza - Chino Roces Avenue Ext.	G/F Building A, Karrivin Plaza, 2316 Chino Roces Avenue Extension, Makati City	Feb 01, 2012	-	Jan 31, 2022
118	Karuhatan - MacArthur Highway	KM. 13 MacArthur Highway, 1441 Karuhatan, Valenzuela, Metro Manila	May 01, 2012	-	Apr 30, 2022
119	Katipunan	Regis Center, No. 327 Katipunan Avenue corner F. dela Rosa St., Loyola Heights, Quezon City	Oct 01, 2011	-	Sep 30, 2021
120	Katipunan - Xavierville Avenue	G/F Xavierville Square Condominium, 38 Xavierville Avenue, Loyola Heights, Quezon City	Nov 01, 2008	-	Oct 31, 2018
121	Las Piñas - Almanza	Alabang Zapote Road, Almanza Uno, Las Piñas, Metro Manila	Aug 31, 2006	-	Aug 30, 2016

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
122	Las Piñas - Naga Road	Near corner Naga Road and Main Access Road, E.T. Homes 2, Pulanglupa 2, Las Piñas City	May 16, 2011	-	May 15, 2021
123	Las Piñas - Talon	GF MotionTrade Bldg, Alabang-Zapote Road, Talon, Las Piñas City	Jan 01, 2006	-	Dec 31, 2015
124	Lavezares	321-325 Garden City Condominium corner Lavezares & Camba Street., Binondo, Manila	Jan 16, 2009	-	Jan 15, 2019
125	Legaspi Village - C. Palanca	G/F Colonade Residences, No. 132 Legaspi Village, Makati City	Nov 01, 2010	-	Oct 31, 2020
126	Legaspi Village - Salcedo St.,	EBC Bldg. 203 Salcedo St., Legaspi Village, Makati City	Apr 01, 2012	-	Mar 31, 2017
127	Loyola Heights - Berkeley Residences	G/F Berkeley Residences, Katipunan Ave. corner Escaler St., Loyola Heights, Quezon City	Nov 19, 2010	-	Nov 18, 2020
128	Magallanes Village	Unit 104, The Gate Way Center, Paseo de Magallanes, Magallanes Village, Makati City	Aug 01, 2003	-	Jul 31, 2013
129	Makati Avenue - Zuellig	G/F Zuellig Building, Paseo de Roxas corner Makati Avenue, Makati City	Dec 19, 2012	-	Dec 18, 2017
130	Makati - Esteban	GF A & V Crystal Tower, 105 Esteban St., Legaspi Village, Makati City	Jun 01, 2010	-	May 31, 2015
131	Makati Medical Center	G/F Makati Medical Center Bldg., Salcedo St. corner Dela Rosa St., Legaspi Village, Makati City	May 31, 2011	-	May 30, 2021
132	Makati Shangri-la Hotel	Unit 191 Shangri-la Hotel Manila, Ayala Center, Makati City	May 01, 2010	-	Apr 30, 2015
133	Malabon	685 JP Rizal St., Brgy. San Agustin, Malabon City	Oct 01, 2008	-	Sep 30, 2013
134	Malabon - Gov. Pascual	GF MGC Veranda Bldg., 31 Gov. Pascual Avenue, Tenejeros, Malabon City	Aug 16, 2008	-	Aug 15, 2018
135	Malate - Adriatico	Adriatico Executive Center, Adriatico Street, Ermita, Manila	Mar 16, 2008	-	Mar 15, 2013
136	Mandaluyong - Calbayog	DMG Center, Libertad Street corner M. Cruz, Mandaluyong City	Jan 01, 2009	-	Dec 31, 2018
137	Mandaluyong - Dansalan	G/F Exbonytz, Inc. Bldg. Boni Avenue corner M. Vicenter St., (formerly Dansalan St), Mandaluyong City	Jul 01, 2011	-	Jun 30, 2021
138	Mandaluyong - Libertad	Sierra Madre Street corner Libertad Street, Mandaluyong City	Jun 01, 2009	-	May 31, 2019
139	Manila - Otis	1763 Paz Mendoza Guanzon St., Paco, Manila	Jan 01, 2013	-	Dec 31, 2022
140	Marikina - Calumpang	Florida 1 Bldg., JP Rizal corner M. A. Roxas Sts., Calumpang, Marikina City	Jul 16, 2008	-	Jul 15, 2018
141	Marikina - Gil Fernando Avenue	Gil Fernando Avenue corner Dragon Street, Marikina City	Oct 01, 2007	-	Sep 30, 2017
142	Marikina - J.P. Rizal	265 Jose Rizal St., Sta. Elena 1800, Marikina City	Mar 01, 2008	-	Feb 28, 2018



NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
143	Marikina - Katipunan	G/F 107 GJerdon Commercial Center, Katipunan Avenue corner Rainbow St., Brgy. Concepcion Dos, Marikina City	Sep 01, 2012	-	Aug 31, 2022
144	Marikina - Lamuan	J. P. Rizal St. near corner Malaya St., Barangay Lamuan, Marikina City	May 01, 2009	-	Apr 30, 2019
145	Marikina - Nangka	Unit 1A-GF Bldg 2, Citi Centre Nangka, J.P. Rizal Avenue corner Puerto Rico St., Marikina City	Jun 01, 2010	-	May 31, 2020
146	Marikina - Parang	No. 65 G. Del Pilar St., Parang, Marikina City	Jan 01, 2009	-	Dec 31, 2013
147	Masangkay	Lung Hong Townmates Association Bldg., 1226 Masangkay, Sta. Cruz, Manila	May 01, 2004	-	Apr 30, 2014
148	Masangkay - CM Recto	1029-1031 JP. Bldg., Masangkay corner Tronqued St., Sta. Cruz, Manila	Apr 01, 2011	-	Mar 31, 2021
149	Masangkay - Luzon St.	907 Luzon St. corner Masangkay St., Tondo, Manila	Jun 01, 2012	-	May 31, 2022
150	Mayon - Amoranto	489 Units A & B, Mayon Street, Sta. Mesa Heights, Quezon City	Oct 01, 2008	-	Sep 30, 2018
151	Mayon - N. Roxas	No. 241 Mayon Avenue corner Nicanor Roxas St., 1111 Quezon City	Aug 01, 2004	-	Jul 31, 2014
152	Meralco - Ortigas	Meralco Compound, Ortigas Avenue, 1604 Pasig City	Jan 01, 2013	-	Dec 31, 2017
153	Metropolitan Avenue	GF Metropolitan Terraces, Metropolitan Avenue corner Sacred Heart (formerly Dao St), Makati City	Jul 01, 2011	-	Jun 30, 2016
154	Mezza Residences	G/F Mezza Residences, Aurora Blvd. corner Araneta Avenue, Guirayan St., Barangay Doña Imelda, Quezon City	Mar 05, 2009	-	Apr 30, 2014
155	Monumento	MacArthur Highway corner Calle Uno, Caloocan City	Oct 01, 1992	-	Sep 30, 2012
156	Munoz - Roosevelt	No. 328 Mesa Holding Bldg., Roosevelt Avenue, SFD, Quezon City	Apr 21, 2005	-	Apr 20, 2015
157	Muntinlupa - Poblacion	GF Elizabeth Center Bldg., National Road Poblacion, Muntinlupa City	Dec 01, 2008	-	Sep 01, 2018
158	Nagtahan	GF Elizabeth Center Bldg., National Road Poblacion, Muntinlupa City	Aug 28, 2008	-	Oct 31, 2013
159	NAIA	Arrival Area, Nincy Aquino Intl. Airport, Ninoy Aquino Avenue, 1705 NAIA, Parañaque City	Dec 01, 2011	-	Nov 30, 2012
160	Navotas	Seafront Commercial Bldg., North Bay Blvd., Navotas, Metro Manila	Jan 01, 2008	-	Dec 31, 2017
161	Neptune - Makati Avenue	101 Neptune St. corner Makati Avenue, 1209 Makati City	May 01, 2010	-	Apr 30, 2015
162	New Manila - E. Rodriguez Sr.	Unit 1G & 2E 284 Dona Anita Bldg., E. Rodriguez Sr. Avenue, Quezon City	Mar 01, 2011	-	Feb 28, 2016
163	Newport City	GF Newport Office Building 1, Newport City, Pasay City	Sep 21, 2009	-	Sep 30, 2014



NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
164	Northbay - Virgo Drive	Melandrea III Bldg. Northbay Blvc. near cor. Virgo Drive, Navotas, Metro Manila	Mar 31, 2008	-	Mar 30, 2013
165	Novaliches - Zabarte	G/F C.I. Plaza, 1151 Quirino Highway corner Zabarte Road, Barangay Kaligayahar, Novaliches, Quezon City	May 24, 2010	-	May 23, 2020
166	Cld Sta. Mesa - Albina	Newton Plaza, Old Sta. Mesa corner Albina Street, Sampaloc, Manila	May 16, 2010	-	May 15, 2020
167	OneE-com Center	GF OneE-comCenter, Palm Coast Avenue, Mall of Asia Complex, Pasay City	Feb 12, 2008	-	Feb 11, 2013
168	Ongpin	Unit ABC Imperial Sky Garden, Ongpin Street corner T. Pinpin, Binondo, Manila	Oct 01, 2007	-	Sep 30, 2012
169	Ongpin - T. Alonzo	Unit 564 and 566 Gel Tower, T. Alonzo St., Sta. Cruz, Manila	Jan 01, 2010	-	Dec 31, 2014
170	Ongpin-Tomas Mapua	1004-1006 Ongpin Street, Sta. Cruz, Manila	Mar 01, 2011	-	Feb 29, 2016
171	Ortigas Avenue Ext.- Pasig	Along Ortigas Avenue Extension, Rosario, Pasig City	Jul 16, 2008	-	Jul 15, 2013
172	Ortigas Avenue Ext. - St. Joseph	15 A, Ortigas Avenue Extension corner Monaco St., Pasig City	Jan 01, 2008	-	Dec 31, 2017
173	Ortigas Center	UGF SM Megamall Bldg. A, Ortigas Center, Mandaluyong City	Aug 16, 2009	-	Oct 31, 2014
*	Ortigas - Exchange Road (Add'l. Space)	G/F, PSE Center, Exchange Road, Ortigas Commercial Complex, Pasig City (Expansion Space)	Oct 01, 2008	-	Sep 30, 2013
174	Ortigas - Octagon Center	GF Octagon Center, San Miguel Avenue, Ortigas Center, Pasig City	Mar 01, 2009	-	Feb 28, 2014
175	Pablo Ocampo Sr. St. - Arellano Avenue	Barko Bldg., P. Ocampo Sr. St. corner Arellano Avenue & Enriquez St., Malate, Manila	Jun 16, 2010	-	Jun 15, 2020
176	Pacific Star - Makati	GF Pacific Star Bldg., Sen. Gil Puyat Avenue corner Makati Avenue, Makati City	Mar 01, 2011	-	Feb 28, 2016
177	Paco	1054-1060 Pedro Gi St., Paco, Manila	Jun 01, 2009	-	May 31, 2019
178	Padre Rada	Gosiupo Bldg., 480-482 Padre Rada Corner Elcano St., Tondo, Manila	Jan 01, 2013	-	Dec 31, 2022
179	Parañaque - La Huerta	0422 Quirino Avenue corner J. Ferrer St., La Huerta, Parañaque City	Apr 26, 2005	-	Apr 25, 2015
180	Parañaque - Moonwalk	G/F Seal I Bldg., Armstrong Avenue corner Yosemite St., Moonwalk Subdivision, Parañaque City	Apr 01, 2009	-	Mar 31, 2014
181	Parañaque - N. Aquino Avenue	JJM Bldg., 2 N. Aquino Ave. Sto. Niño, Parañaque City	Jun 16, 1998	-	Jun 15, 2013
182	Parañaque - Pascor Drive	Sky Freight Bldg., Ninoy Aquino Avenue near corner Pascor Drive, St. Niño, Parañaque City	Mar 01, 2008	-	Feb 28, 2013

NO	BRANCH	ADDRESS	Lease Effectivity	Lease Expiry
183	Pasay - Domestic Road	Caltex Compound (PDSC/ Park 'N Fly Bldg.), NAIA corner Domestic Road, 1300, Pasay City	Oct 01, 2010	- Sep 30, 2015
*	Pasay Road (Expansion Space)	845 Corporate Plaza Bldg., Pasay Road, Makati City	Mar 01, 2005	- Feb 28, 2015
184	Pasay - Two Shopping Center	2nd Level. Retail Shcps Area, Two Shopping Center, Taft Avenue, Pasay City	Nov 15, 2011	- Nov 14, 2021
185	Paseo de Roxas 2	GF BDO Plaza, 8737 Paseo de Roxas St., Makati City	Dec 16, 2007	Dec 15, 2017
186	Pasig Caruncho	SG Bldg. Caruncho Avenue corner Market Avenue, Pasig City	Apr 01, 2010	- Mar 31, 2020
187	Pasig - C. Raymundo Ave.	JEMCO Bldg., Raymundo Avenue corner Bernal St., Rosario, Pasig City	Jun 11, 2012	- Jun 10, 2027
188	Pasig - Kapasigan	Mariposa Arcade, A. Mabini cor. Dr. Pilapil St., Pasig City	Jan 01, 2004	- Dec 31, 2013
189	Pasig - Kapitolyo	GF AB Sandoval Bldg., Shaw Blvd. corner Oranbo Drive, Pasig City	Oct 01, 2012	- Sep 30, 2017
190	Pasig - Meralco Avenue	GF One Corporate Bldg., Julia Vargas Avenue corner Meralco Avenue, Pasig City	Jun 01, 2010	- May 31, 2020
191	Pasig - Mercedes Avenue	No. 628 MK Building, Mercedes Avenue, Brgy. San Miguel, Pasig City	Oct 16, 2012	- Oct 15, 2022
192	Pasig - Pioneer	Pioneer Centre, Pioneer St. corner Brixton and United Streets, Pasig City	Dec 16, 2008	- Dec 15, 2018
193	Pasig - Valle Verde	Reliance Center, 99 E. Rodriguez Jr. Avenue, Barrio Ugong, Pasig City	Jun 01, 2010	- May 31, 2020
194	Paso de Blas - North Expressway	97 Paso De Blas, 1442 Valenzuela, Metro Manila	Sep 01, 2012	- Aug 31, 2017
195	Pasong Tamo Ext.	GF Allegro Center, Pasong Tamo Extension, Makati City	Dec 01, 2011	- Nov 30, 2016
196	Pateros - Elisco Road	East Mansion Homes, Phase 1, Eliseo Road, Sto. Rosario, Pateros, Metro Manila	Aug 01, 2008	- Jul 31, 2013
197	Pateros - Poblacion	GF Milaor Bldg., No. 509 M. Almeda St., Poblacion, Pateros	Oct 01, 2008	- Sep 30, 2018
198	Pedro Gil - Adriatico	Adriatico near corner Pedro Gil St., Malate, Manila	Oct 01, 2010	- Sep 30, 2020
199	Pedro Gil - A. Mabini	1567-1571 Salud Bldg., Pedro Gil corner A. Mabini St., Ermita, Manila	Feb 16, 2011	- Feb 15, 2014
200	Philam Tower-Valero	GF, Philam Tower, 8767 Paseo de Roxas, Makati City	Dec 16, 2008	- Dec 15, 2013
201	Pioneer Highlands - Madison	Unit 01 (facing Madison St.) LG/F Globe Telecom Plaza 1 Bldg., Pioneer St. Corner Madison St., Mandaluyong City	Jan 01, 2013	- Dec 31, 2017
202	Plaza Calderon - Pedro Gil	GF Unit C, Harmonic Seven Bldg., 2332-2334 Pedro Gil corner Vesta St., Sta. Ana, Manila	Jan 21, 2012	- Jan 21, 2022

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203	Port Area - South Harbor	GF Velco Centre, RS Oca Corner A. C. Delgado Streets, Port Area, Manila	May 01, 2008	-	Apr 30, 2016
204	Q. I. - E. Rodriguez Sr.	GF Ablaza Bldg., 117 E. Rodriguez Ave., Quezon City	May 01, 2012	-	Apr 30, 2017
205	Quezon Avenue - Araneta	103 Aries Building, Quezon Avenue, Q.C	Mar 07, 2011	-	Mar 06, 2021
206	Quiapo - Quezon Blvd.	Quezon Blvd., 1001 Quiapo, Manila	Jun 01, 2012	-	May 31, 2022
207	Quiapo - Quinta Market	Quezon Blvd. corner C. Palanca St., Quiapo, Manila	Jan 16, 2008	-	Jan 15, 2018
208	Quintin Paredes	524 Enterprise Bldg., Quintin Paredes St. corner Carvajal St., Bironde, Manila	Jul 01, 2007	-	Jun 30, 2017
209	Quirino Paco	CRS Tower Center, Perdigon Street, Pres. Quirino Avenue, Paco, Manila	Mar 01, 2011	-	Feb 28, 2021
210	Rada	GF One Legaspi Place, Rada Street, Legaspi Village, Makati City	Sep 01, 2011	-	Aug 31, 2016
211	Resorts World Manila	Newport Blvd., Newport City, Pasay City	Jun 08, 2010	-	May 31, 2015
212	Rizal Avenue - Bambang	1607 Alvarez St. corner Rizal Avenue, Sta. Cruz, 1003 Manila	Nov 01, 2011	-	Oct 31, 2021
213	Rizal Avenue - Batangas St.	2200 Rizal Avenue corner Batangas St., Sta. Cruz, Manila	Sep 01, 1998	-	Aug 31, 2013
214	Robinsons Galleria - Ortigas	Robinson's Galleria, Ortigas Avenue, 1602 Quezon City	Nov 01, 2008	-	Oct 31, 2013
215	Robinson's - Metro East	Level 1 (L1 160 & 162), Robinsons Metro East, Marcos Highway, Pasig City	May 01, 2012	-	Apr 30, 2017
216	Robinson's Place - Manila	G/F Robinson's Mall corner Pedro Gil M. Orosa St., Ermita, Manila	Aug 16, 2008	-	Aug 15, 2013
217	Rockwell	GF Power Plant Mall, Rockwell Centre, Amapola corner Estrella St., Makati City	May 15, 2009	-	Oct 31, 2015
218	Rockwell - Ortigas	Level 1, Tower 2 The Rockwell Business Center, Ortigas Avenue, Pasig City	Oct 01, 2009	-	Sep 30, 2014
219	Roxas Blvd. - R. Salas	S & L Bldg., Roxas Blvd. St. corner Romero Salas St., Ermita, Manila	Mar 01, 2005	-	Feb 28, 2015
220	Rustan's Cubao	RC-01A, Times Square Ave. near corner Gen. Roxas St., Araneta Center, 1109 QC	Oct 01, 2012	-	Dec 31, 2013
221	Salcedo	Golden Rock Bldg., 168 Salcedo St., Legaspi Village, Makati City	Jan 01, 2009	-	Dec 31, 2013
222	Salcedo - Gamboa	Optima Building along Salcedo St. near corner Gamboa St., Legaspi Village, Makati City	Jul 01, 2012	-	Jun 30, 2022
223	Sales St. - Raon	545 Sales St. cor. G. Puyat St. (Raon), 1016 Sta. Cruz, Manila	Jun 01, 2011	-	May 31, 2021
224	Samson Road	GF Unit G Ma. Cristina Bldg., Samson Road corner UE Tech, Caloocan City	Aug 01, 2007	-	Jul 31, 2017
225	San Andres	San Andres corner A. Linao St., Malate, Manila	Jul 01, 2012	-	Jun 30, 2022

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226	San Juan	88 N. Domingo Street, San Juan	Sep 01, 2012	-	Aug 31, 2017
227	Savemore - Amang Rodriguez	G/F Savemore Amang Rodriguez, GBU Bldg. Amang Rodriguez Avenue corner Evangelista St., Barangay Santoian, Pasig City	Jul 29, 2010	-	Jul 28, 2015
228	Savemore Novaliches	Savemore Novaliches, General Luis St., Novaliches Quezon City	Jan 01, 2010	-	Dec 31, 2014
229	Scout Limbaga - T. Morato	102 & 103 The Forum, Tomas Morato Avenue corner Sgt. Limbaga Street, 1103, Quezon City	Dec 03, 2003	-	Dec 02, 2013
230	Scout Albano - Quezon Avenue	1488 Quezon Avenue, 1103 South Triangle, Quezon City	Apr 01, 2009	-	Mar 31, 2014
231	Shangri-la Plaza Mall - EDSA	Unit 12S-A Level 1 Shangri-la Plaza Mall, EDSA corner Shaw Blvd., Mandaluyong City	Jun 01, 2010	-	Mar 31, 2015
232	Shaw Blvd. - Beacon Plaza	UG 105-UG 106 Beacon Plaza, Shaw Blvd. corner Idea St., Mandaluyong City	Oct 15, 2003	-	Oct 14, 2013
233	Shaw Blvd. - Escrivá Drive	Amber Square, Shaw Blvd. near Escrivá Drive, Pasig City	Apr 01, 2010	-	Mar 31, 2015
234	Shaw Blvd. - Liberty Center	G/F Units 1 & 2 Bldg. B, Liberty Center, Shaw Blvd., Mandaluyong City	Mar 16, 2011	-	Mar 15, 2021
235	Shaw - Pasig Blvd.	145 Shaw Boulevard, Pasig City	Mar 01, 2010	-	Feb 29, 2020
236	Silver City - Pasig	L1-012 L1-013 & L1-C14, Level 1, Auto Mall, Frontera Verde Drive corner Julia Vargas St., Ortigas, Pasig City	Sep 08, 2012	-	Sep 07, 2013
237	Sixto Antonio - Pasig	Sixto Antonio Avenue corner R. Bedaña St., Pasig City	Oct 27, 2004	-	Oct 26, 2014
238	SM Center Las Piñas	LGF SM Center Las Piñas, Alabang-Zapote Road, Barangay Pamplona Dos, Las Piñas City	Oct 02, 2009	-	Oct 31, 2014
239	SM Center Valenzuela	Unit 126 G/F SM Center Valenzuela, McArthur Highway, Karunungan Valenzuela City	Nov 01, 2012	-	Oct 31, 2017
240	SM City Bicutan	LG/F SM City Bicutan, Dona Soledad Avenue corner West Service Road, Paranaque City	Feb 01, 2010	-	Jan 31, 2015
241	SM City Fairview A	Quirino Highway corner Regalado St. Fairview, Quezon City	Aug 01, 2009	-	Jul 31, 2014
242	SM City Fairview B	SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City	Nov 01, 2010	-	Oct 31, 2015
243	SM City Fairview C	LGF, Annex 2, SM City Fairview, Quirino Highway corner Regalado Avenue, Fairview, Quezon City	Jan 15, 2009	-	Jan 31, 2014
244	SM City Manila	LG/F SM City Manila Concepcion corner Arroceros and San Marcelino St. Manila	Aug 01, 2010	-	Jul 31, 2015
245	SM City Marikina	G/F SM City Marikina, Barangay Calumpang, Marikina City	Sep 05, 2008	-	Jul 31, 2013
246	SM City North Edsa A	G/F The Block SM City North EDSA corner North Avenue, Quezon City	Aug 01, 2008	-	Jul 31, 2013

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247	SM City North Edsa B	SM City North EDSA Annex I Bldg., North Avenue corner EDSA, Quezon City	Dec 12, 2008	-	Jan 31, 2014
248	SM North EDSA C	SM Center Complex North EDSA, 1105 Quezon City	Mar 01, 2008	-	Jan 31, 2013
249	SM City Novaliches	G/F SM City Novaliches, Quezon Highway, Novaliches, Quezon City	Oct 22, 2010	-	Oct 31, 2015
250	SM City San Lazaro	Felix Huertas corner A.H. Lacson St. Sta. Cruz, Manila	Aug 01, 2012	-	Jul 31, 2017
251	SM City Sta. Mesa	SM City Sta. Mesa Annex Bldg. Aurora Blvd. Quezon City	Feb 01, 2009	-	Jan 31, 2014
252	SM City Sucat A	G/F SM Supercenter Sucat, Parañaque City	Nov 01, 2009	-	Oct 31, 2014
253	SM City Sucat B	GF Annex Bldg. B SM City Sucat, Dr. A Santos Avenue, Parañaque City	Nov 01, 2008	-	Oct 31, 2013
254	SM Corporate Offices	Bldg. D, J.W. Diokno Blvd., Mall of Asia Complex, Pasay City	Feb 01, 2010	-	Jan 31, 2013
255	SM Cubao	GF SM Cubao, Cubao, Quezon City	Oct 13, 2008	-	Oct 31, 2013
256	SM Hypermarket Adriatico	GF SM Hypermarket Adriatico, M. Adriatico St., Manila	Jul 01, 2010	-	Jun 30, 2015
257	SM Hypermarket Cubao	EDSA corner Main Street, Cubao, Quezon City	Sep 16, 2010	-	Sep 15, 2015
258	SM Hypermarket Makati	SM Hypermarket Makati, 5560 Osmeña Highway corner Finlandia St. San Isidro, Makati City	Jun 29, 2010	-	Jun 28, 2015
259	SM Makati	Shoemart Annex Building, Ayala Center, Makati City	Aug 01, 2012	-	Jul 31, 2017
260	SM Mall Of Asia A	GF Main Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall of Asia Complex, Pasay City	May 01, 2010	-	Apr 30, 2015
261	SM Mall of Asia B	G/F Entertainment Mall, SM Mall of Asia, J.W. Diokno Blvd., Mall of Asia Complex, Pasay City	May 01, 2010	-	Apr 30, 2012
262	SM Megamall A	GF SM Megamall Bldg. A, Ortigas Center, Mandaluyong City	Nov 01, 2012	-	Oct 31, 2017
263	SM Megamall B	UGF & LGF SM Megamall Bldg. B, Ortigas Center, Mandaluyong City	Nov 01, 2012	-	Oct 31, 2017
264	SM Southmall A	UGF & LGF SM Southmall, Alabang - Zapote Road, Las Piñas City	Feb 01, 2011	-	Jan 31, 2016
265	SM Southmall B	GF SM Southmall, Alabang - Zapote Road, Las Piñas City	Dec 24, 2012	-	Jan 31, 2013
266	SM Supercenter Muntinlupa	UGF Supercenter Muntinlupa, Barangay Tunasan, National Road, Muntinlupa City	Nov 16, 2007	-	Jan 31, 2013
267	SM Supercenter Pasig	GF SM Supercenter Pasig, Frontera Verde, Ortigas Center, Pasig	Aug 01, 2009	-	Jul 31, 2014
268	Soler	U-1118 & 1120 Gracetown Building corner Soler & Alvarado Sts., Binondo, Manila	Mar 15, 1997	-	Mar 14, 2017
269	Soler - Reina Regente	1087 Soler St., Binondo, Manila	Jan 01, 2012	-	Dec 31, 2014

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270	Southgate Mall - EDSA	GF Southgate Mall, EDSA corner Pasong Tamo Extension, Makati City	Aug 14, 2009	-	Aug 13, 2014
271	Starmall - Alabang	Unit G33 Manuela Metropolis, South Super Highway, Alabang Interchange, Muntinlupa City	Dec 01, 1996	-	Dec 01, 2016
272	Sto. Cristo	475-477 Kim Siu Ching Foundation Building, Sto. Cristo St., Binondo, Manila	Mar 01, 2009	-	Feb 28, 2015
273	Sto. Cristo - Comercio	No. 686 Sto Cristo St., Binondo, Manila	May 01, 2010	-	Apr 30, 2013
274	Sto Domingoc	6 Sto. Domingo Avenue, Quezon City	Mar 01, 2011	-	Feb 28, 2021
275	Sto. Niño St. - Roosevelt	284 Roosevelt Avenue, San Francisco Del Monte, 1105 San Antonio, Quezon City	Oct 16, 2008	-	Oct 15, 2018
276	Sucac	Parañaque Cable TV Bldg., 8210 Dr. A Santos Avenue, Parañaque City	Oct 01, 2012	-	Sep 30, 2017
277	Sucac - Villa Mendoza	Dr. A. Santos Avenue corner Villa Mendoza Subd., Sucac Road, Parañaque City	Oct 01, 2007	-	Sep 30, 2017
278	Tabora	859-861 L & J Building, Tabara Street, Divisoria, Manila	Apr 01, 2008	-	Mar 31, 2013
279	Taft Avenue - J. Nakpil	1747 Taft Avenue Corner J. Nakpil Street, Manila	Feb 01, 2004	-	Jan 31, 2014
280	Taft - Libertad	MCF Building, 2250 Taft Avenue corner College Road, Pasay City	May 25, 2004	-	May 24, 2014
281	Taft - Pedro Gil	1430 Taft Avenue, Manila	Mar 01, 2012	-	Feb 28, 2022
282	Taft Avenue - Pres. Quirino	Ground Floor, FFW Bldg., 1943 Taft Avenue, Malate, Manila	Sep 01, 2011	-	Aug 31, 2016
283	Tandang Sora	Tandang Sora Avenue corner Marcel Road, Quezon City	Oct 01, 2007	-	Sep 30, 2017
284	Tandang Sora - Tagumpay	M & J Bldg., 578 Tandang Sora Avenue corner Tagumpay, Brgy. New Era, Quezon City	Jan 01, 2009	-	Dec 31, 2018
285	Tayuman	GF Delton Bldg., 1808 Rizal Avenue, Sta. Cruz, Manila	Apr 01, 1996	-	Mar 31, 2016
286	Teacher's Village	GF Luisa 2 Bldg., 107 Maginhawa Street, Teacher's Village, Quezon City	Aug 12, 1999	-	Aug 11, 2014
287	Tierra Nueva - Alabang	Sycamore Arcade, Alabang-Zapote National Road, 1702 Alabang, Muntinlupa City	Apr 01, 2009	-	Mar 31, 2014
288	Timog	26 Cedar Executive Building, Timog Avenue corner Scout Tobias St., Quezon City	Jan 01, 2010	-	Dec 31, 2014
289	Timog - Rotonda	GF Imperial Palace Suites, Tomas Morato corner Timog Avenue, South Triangle, Quezon City	Jan 16, 2003	-	Sep 15, 2014
290	Timog - Victoria Towers	Unit F-2 & F-3 Victoria Towers, Timog Avenue corner Panay Avenue, Quezon City	Jun 15, 2008	-	Jun 14, 2013
291	Tondo - Gagalangin	Juan Luna St. corner Paez St., Gagalangin, Tondo, Manila	Dec 16, 2010	-	Dec 15, 2020
292	Tondo - Pritil	1815 N. Zamora St., 1012 Tondo, Manila	Dec 02, 2010	-	Apr 30, 2021

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
293	Tordesillas	GF MME Bldg., 103 Tordesillas St. corner Gallardo St., Salcedo Village, Makati City	May 01, 2009	-	Apr 30, 2019
294	Trident - Gil Puyat	GF Trident Tower Bldg., 312 Sen. Gil. Puyat Avenue, Makati City	Feb 01, 2009	-	Jan 31, 2014
295	Tutuban	DS-17-18 Tutuban Prime Block, Tutuban Center, CM Recto, Manila City	Sep 17, 1996	-	Aug 22, 2014
296	Tutuban Centermall	M1-B055 B, Ground Floor, Centermall Bldg., Tutuban Center, CM Recto Avenue, Manila	Oct 22, 2004	-	Oct 21, 2013
297	UN Avenue	Puso ng Maynila Bldg., UN Avenue corner A. Mabini Street, Ermita, Manila	Jul 01, 2012	-	Jun 30, 2022
298	UN Avenue - Philamlife	GF & MF Philamlife U. N. Ave. Bldg., U.N. Avenue corner Orosa St., Ermita, Manila	Feb 01, 2008	-	Jan 31, 2018
299	Valenzuela	Km. 15 MacArthur Highway, Dalandanan Valenzuela	Mar 05, 2010	-	Mar 31, 2030
300	Valenzuela - Gen. T. De Leon	Gen. T. De Leon Street, Valenzuela City	Sep 20, 2006	-	Sep 19, 2016
301	Valero	GF Pearl Center, 145 Valero Street, Salcedo Village, Makati City	Nov 16, 2011	-	Nov 15, 2014
302	V.A. Rufino - Tuscan	GF Tuscan Building, 114 V. A Rufino St., Legaspi Village, Makati City	Jun 01, 2010	-	May 31, 2020
303	Villar - Salcedo Village	Eurovilla III Condominium, 154 Villar St. corner L.P. Leviste St., Salcedo Village, Makati City	Jun 15, 2010	-	Jun 14, 2016
304	V - Mall	GF New V- Mall, Greenhills Shopping Center, San Juan, Metro Manila	Jan 16, 2011	-	Jan 15, 2013
305	Visayas Avenue	M & L Bldg., Visayas Avenue corner Road 1, Brgy. Vasra, Quezon City	Oct 01, 2012	-	Sep 30, 2017
306	Walter Mart - North EDSA	GF Walter Mart Center - North EDSA, Dangay St., Veterans Village, Quezon City	Feb 08, 2008	-	Feb 07, 2013
307	Waltermart - Sucat	G/F Waltermart Sucat, Dr. A Santos Ave, Paranaque City	Jan 31, 2012	-	Jan 30, 2017
308	Washington - Gil Puyat	G/F Keystore Bldg., 220 Gil Puyat Avenue, Makati City	May 05, 2008	-	May 04, 2018
309	West Avenue	68 Carbal Bldg., West Avenue, Quezon City	Apr 01, 2010	-	Mar 31, 2015
310	West Avenue - Baler	No. 118 Jafe Bldg. West Avenue, Quezon City	Feb 11, 2011	-	Feb 10, 2016
311	West Avenue - Del Monte	No. 40 West Ave., 1104 West Triangle, Q.C	Jan 01, 2012	-	Dec 31, 2016
312	West Avenue-East Maya	160 West Avenue corner East- Maya Drive, Quezon City	Jul 01, 2011	-	Jun 30, 2016
313	Zurbaran	Rizal Avenue corner Fugoso Street, Sta. Cruz, Manila	Jan 01, 2011	-	Dec 31, 2015

(b) Provincial Branches:



1. Lot leased

NO	BRANCH	ADDRESS	Lease Effectivity	Lease Expiry
1	Albay - Daraga	Rizal St., 4501 Daraga, Albay	May 08, 2012	- May 07, 2017
2	Antipolo - Sumulong Highway	BDO Bldg. Sumulong Highway, Masinag Highway, Mayamot, Antipolo	May 01, 1998	- Apr 30, 2018
3	Baliuag - Tagle	Corner Rizal & Tagle St., Baliuag, Bulacan	Feb 18, 2006	- Sep 30, 2016
4	Batangas - Bauan	Kap. Porso St., Bauan, Batangas	Jul 01, 1994	- Jun 30, 2014
5	Batangas - Rosario	BDO Bldg. G. Carandang St. corner Barangay Poblacion, Rosario, Batangas	May 01, 2011	- Apr 30, 2036
6	Bulacan - Obando	JP Rizal St., Barangay Catanghalan, 3021 Obando, Bulacan	Month	- Month
7	Cabanatuan - Sanciango	Sanciango St., Cabanatuan City	Apr 30, 2001	- Apr 29, 2021
8	Cavite - Carmona	Governor's Drive, Barangay Maduya, 4116 Carmona, Cavite	Dec 15, 1996	- Dec 14, 2013
9	Cavite - EPZA	Cavite EPZA Compound, 4106 Rosario, Cavite	Aug 14, 2007	- Aug 13, 2017
10	Cavite - Dasmariñas Aguinaldo Highway	Gen. Emilio Aguinaldo Highway corner Natividad St., Dasmariñas, Cavite	May 16, 2011	- May 15, 2031
11	Cavite - Dasmariñas FCIE	Governor's Drive, 3rgy. Langkaan, Dasmariñas, Cavite	Jan 01, 2013	- Dec 31, 2022
12	Cavite - Naic	Gov. Drive corner Soriano Highway, Naic, Cavite City	Nov 01, 2009	- Oct 31, 2029
13	Iloilo Central	Iznart St. Lot 317-3-2-A-1, 5000, Iloilo City, Iloilo	May 29, 2002	- May 28, 2022
14	Iloilo - Molo	M.H. Del Pilar St. corner Jocson St., Molo, Iloilo City	Feb 01, 2010	- Jan 31, 2030
15	Kawit - Binakayan	1497 National Road, Binakayan, 4104 Kawit, Cavite	Jun 25, 1992	- Jun 24, 2007
16	Legazpi City - Rotonca	Rizal St., 4500 Legaspi City, Albay	Jul 01, 1995	- Jun 30, 2015
17	Mactan - EPZA	Mactan - EPZA Compound, 6000 Lapu-Lapu City, Cebu	May 27, 2007	- May 26, 2017
18	Negros Occ - Binalbagan	Biscom Compound, Binalbagan, Negros Occidental	Dec 01, 2005	- Nov 30, 2020
19	Pangasinan - Carmen	Macarthur Highway, Carmen East, 2441 Rosales, Pangasinan	Jun 11, 1999	- Jun 10, 2014
20	Pangasinan - Lingayen	80 Avenida Rizal East, Lingayen, Pangasinan	Mar 31, 2001	- Apr 30, 2016
21	Pangasinan - San Carlos	Polaris St., 2420 San Carlos City, Pangasinan	Mar 22, 1993	- Mar 21, 2013
22	San Pedro - Rosario Complex 1	Lots 11 & 12, Rosario Avenue Complex 1, San Pedro, Laguna	May 01, 2011	- Apr 30, 2031
23	Tarlac - Paniqui	M. H. Del Pilar St., McArthur H-way 2307, Paniqui, Tarlac	Oct 09, 1997	- Oct 08, 2017



NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
24	Taytay - Manila East Road	BDO Bldg., East Road, Taytay, Rizal	Jul 09, 1998	-	Jul 08, 2018

## 2. Building leased

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
1	Abra - Bangued	Unit 12 the Rosaric Bldg., Taft St. corner Magallanes St., 2800 Benguet, Abra	Feb 01, 2011	-	Jan 31, 2016
2	Aklan - Kalibo	Along XIX Martyrs Street, Kalibo, Aklan	Feb 01, 2006	-	Jan 31, 2016
3	Albay - Polanqui	Provincial Road corner Brgy. Road, Brgy. Ubaliw, Polangui, Albay	Apr 14, 2010	-	Apr 13, 2025
4	Albay - Tabaco	Along Ziga Avenue, Tabaco, Albay	Sep 16, 2005	-	Sep 15, 2015
5	Angeles - Balibago	GF Lawrence Plaza, Macarthur Highway near cor. Charlot St., Balibago, Angeles City, Pampanga	Jun 10, 2000	-	Jun 09, 2015
6	Angeles - MacArthur Highway	GF Excelsior Bldg., 314 Macarthur Highway, Brgy. CM Recto, Angeles City, Pampanga	Dec 01, 2011	-	Nov 30, 2016
7	Angeles City - Nepo Mart	GF, NTEC Bldg., Teresa Ave., Nepo Mart Complex, Brgy. Cutcut, Angeles City, Pampanga	Sep 01, 2012	-	Aug 31, 2022
8	Angeles - Sto. Rosario	Plaza Rafael 1, 1151- D. Sto. Rosario St., Sto. Domingo, Angeles City	May 16, 2008	-	May 15, 2018
9	Angono - M.L. Quezon	G/F AB Commercial Plaza, M.L. Quezon Avenue, Barangay San Isidro, Angono, Rizal	Nov 16, 2010	-	Nov 15, 2020
10	Angono - National Highway	Aurora Bldg., Manila East Road corner Duhat St., Angono, Rizal	Jun 01, 2010	-	May 31, 2020
11	Antipolo - Circumferential Road	Circumferential Road corner F. Manalo St., Antipolo City	Jun 16, 2005	-	Jun 15, 2015
12	Antipolo - B. V. Soliven	Blk 24, Lot 1, Benito V. Soliven Avenue, Greenheights Subdivision, Barangay Mayamot, Antipolo City	May 01, 2010	-	Apr 30, 2020
13	Antipolo Plaza	Gatsby Bldg II, M. L. Quezon St., Antipolo	Aug 15, 1996	-	Aug 14, 2016
14	Bacolod - Araneta	Cineplex Complex, Araneta St., Bacolod City	Aug 15, 1999	-	Aug 14, 2014
15	Bacolod - Goldenfield	Goldenfield Comm'l Complex, Sincang Araneta St., Bacolod City 6100	May 01, 2004	-	Apr 30, 2014
16	Bacolod - Gonzaga	Gonzaga - Lopez Enterprise Building Gonzaga Street, Bacolod City	May 01, 2012	-	Apr 30, 2022
17	Bacolod - Hilado	Hilado corner F. Y. Manalo Sts., 6100 Bacolod City, Negros Occidental	Nov 01, 2007	-	Oct 31, 2017
18	Bacolod - Libertad	Corner Hernaez St. & Lopez Jaena St., Bacolod City, Negros Occidental	Apr 16, 2011	-	Apr 15, 2021
19	Bacolod - Lopue's East	Unit 24 & 25 Lopue's East Center, Annex Bldg., Carlos Hilado National Highway, Brgy.	Oct 01, 2011	-	Sep 30, 2016

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Villamonte, Bacolod City			
20	Bacolod - Mandalagan	GF Sta. Clara Estate Building, Lacson St., Mandalagan, Bacolod City	Oct 01, 2010	-	Sep 30, 2020
21	Bacoor - Aguinaldo Highway	Gen. E. Aguinaldo Highway, Panapaan, Bacoor, Cavite	Aug 01, 2009	-	Jul 31, 2024
22	Bacoor - Zapote	Zapote Centre, Aguinaldo Highway, Zapote Road, Barangay Zapote 4, Bacoor, Cavite	Oct 01, 2011	-	Sep 30, 2021
23	Baguio - Luneta	Luneta Hill corner Governor Pack Road, Session Road, Baguio City	May 01, 2007	-	Apr 30, 2010
24	Baguio - Abanao Square	Abanao Square, Abanao corner Zanduetta Sts., Baguio City	Aug 01, 2007	-	Jul 31, 2014
25	Baguio - Legarda	Our Lady of Fatima Building, Yandoc St. Kayang Extension, Baguio City	Feb 01, 2008	-	Sep 30, 2018
26	Baguio - Session Road	GF National Life Bldg., Session Road, Baguio City	Apr 01, 2009	-	Mar 31, 2014
27	Batangas - Balayan	Antorcha St., Balayan, Batangas	Aug 01, 2003	-	Jul 31, 2013
28	Batangas - Kumintang	Along National Highway, Brgy. Kumintang Ilaya, Batangas City	Aug 01, 2008	-	May 31, 2018
29	Batangas - Lemery	Ilustre Avenue corner Lakandula St., Lemery, Batangas	Jan 01, 2008	-	Dec 31, 2017
30	Batangas - Pallocan West	Manuel Pastor Avenue, Pallocan West, Batangas City	May 05, 2005	-	May 04, 2015
31	Batangas - San Juan	Marasigan corner Kalayaan Sts., San Juan, Batangas	Jun 01, 2008	-	May 31, 2018
32	Batangas - P. Burgos	P. Burgos St. corner Evangelista St., Barangay Poblacion, Batangas City	Dec 16, 2009	-	Dec 15, 2019
33	Benguet - La Trinidad	G/F VC Arcadain Bldg., Km. 5, La Trinidad, Benguet	Mar 01, 2011	-	Feb 28, 2021
34	Biñan - A. Mabini	Rey Bldg., A. Mabini St. Poblacion, 4024 Biñan, Laguna	Mar 01, 2011	-	Feb 28, 2021
35	Biñan Central Mall	G/F Biñan Central Mall, Units 8 & 9, Malvar St. corner Old National Highway, Biñan, Laguna	Dec 01, 2011	-	Nov 30, 2021
36	Bohol - Tagbilaran	CP Garcia Avenue., 56300 Tagbilaran City, Bohol	Jun 25, 2006	-	Jun 24, 2016
37	Bulacan - Balagtas	McArthur Highway, Barangay San Juan, 3016 Balagtas, Bulacan	Oct 01, 2012	-	Sep 30, 2017
38	Bulacan - Bocaue	MacArthur Highway, Brgy. Biñang 1st, Bocaue, Bulacan	Apr 01, 2007	-	Mar 31, 2017
39	Bulacan - Hagonoy	GF Ang Puso ng Hagonoy Shopping Center Plaza, Hagonoy, Bulacan	Dec 01, 2009	-	Nov 30, 2019
40	Bulacan - Paridel	Along Cagayan Valley Road, Banga, Paridel, Bulacan	Feb 01, 2009	-	Jan 31, 2019
41	Bulacan - Pulilan	Dña Remedios Trinidad Highway, Sto. Cristo, Pulilan, Bulacan	Jun 30, 2004	-	Jun 29, 2014

NO	BRANCH	ADDRESS	Lease Effectivity	Lease Expiry
42	Bulacan - San Jose Del Monte	National Highway (Quirino Highway), Tungkong Mangga, San Jose Del Monte City, Bulacan	Jun 01, 2010	- Dec 31, 2019
43	Bulacan - San Rafael	KM 60 Cagayan Valley Road, Cruz na Daan, San Rafael, Bulacan	Apr 01, 2011	- Mar 31, 2021
44	Bulacan - Sta. Maria M.G. De Leon	M. De Leon St., Poblacion, 3022 Sta. Maria, Bulacan	Mar 15, 1993	- Mar 14, 2013
45	Bulacan - Sta. Maria Gov. F. Halili	NEM Bldg., Gov. F. Halili Avenue, Bagbaguin, Sta. Maria, Bulacan	Feb 01, 2013	- Jan 31, 2023
46	Butuan - J.C. Aquino Avenue	D & V Plaza II Bldg, JC Aquino Avenue, Butuan City	Feb 18, 2006	- Feb 17, 2012
47	Butuan - Montilla	Montilla Blvd. near corner Lopez Jaena St., Butuan City, Agusan Del Norte	Aug 16, 2012	- Aug 15, 2027
48	Cabanatuan - Maharlika Highway North	G/F DGS Bldg., Along Maharlika Road, Bitas, Cabanatuan City	Aug 01, 2011	- Jul 31, 2021
49	Cabanatuan - Paco Roman	Along Paco Roman Street, Cabanatuan City	Aug 01, 2010	- Jul 31, 2020
50	Cabanatuan - Megacenter Mall	Unit 49- B and Unit 3 UGF Megacenter, The Mall, Gen. Tinio & Melencio Sts. Cabanatuan City	Oct 01, 1998	- Sep 30, 2018
51	Cabanatuan - NE Pacific Mall	G/F Unit PA 5 & 6, NE Pacific Mall, Maharlika Highway, Cabanatuan City	Nov 30, 2009	- Nov 29, 2014
52	Cagayan de Oro - Carmen	Max Y. Surriel St. corner V Neri St., Carmen, Cagayan de Oro	Jul 01, 2008	- Jun 30, 2018
53	Cagayan de Oro - R.N. Pelaez Blvd.	Georgetown Cyber Mall, Rodolfo N. Pelaez Blvd., Kaswagan, Cagayan de Oro City	Apr 16, 2009	- Apr 15, 2014
54	Cagayan de Oro - Cogon	J. R Borja Street, Cagayan De Oro City	May 01, 2004	- Apr 30, 2014
55	Cagayan de Oro - Hayes	GF Trendline Dept. Store, Arch James Hayes St., Cogon, Cagayan de Oro City	Sep 01, 2008	- Aug 31, 2018
56	Cagayan de Oro - Osmeña	Pres. S. Osmena corner Ramon Chavez St., Cogon 9000, Cagayan de Oro, Misamis Oriental	Oct 01, 2009	- Sep 30, 2019
57	Cagayan De Oro - Xavier	Library Annex Building Corrales Avenue, Cagayan de Oro City	Jun 01, 2012	- May 31, 2018
58	Cainta Junction	Hipolito Bldg. Ortigas Avenue Extension Cainta Junction, Cainta, Rizal	Feb 01, 2004	- Jan 31, 2014
59	Cainta - A. Bonifacio Ave.	Ledor Commercial Center, A. Bonifacio Avenue corner Samonte St., Barangay San Juan, Cainta, Rizal	Jan 01, 2012	- Dec 31, 2016
60	Calamba - Paseo Uno	GF Paseo Uno de Calamba, National Highway, Barangay Paciano, Calamba City, Laguna	Dec 01, 2010	- Nov 30, 2020
61	Camarines Norte - Daet	J. Lukban Street corner Moreno Street Poblacion, Daet, Camarines Norte	Mar 07, 2005	- Mar 06, 2015

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
62	Camarines Sur - Pili	Santiago, Pili, Camarines Sur	Oct 01, 2008	-	Sep 30, 2018
63	Canlubang iMall	Don Bosco Ave. corner Silangan Industrial Park Road, Brgy. Canlubang, Calamba City, Laguna	Apr 17, 2012	-	Apr 16, 2022
64	Catanduanes - Virac	San Juan corner Rizal Sts., 4800 Virac, Catanduanes	Jun 01, 2012	-	May 31, 2013
65	Cavite - Dasmariñas Central Mall	Central Mall Dasmariñas, Emilio Aguinaldo Highway cor. Salitran St., Dasmariñas, Cavite	May 01, 2012	-	Apr 30, 2022
66	Cavite - Imus Aguinaldo Highway	GF DCR Building, Aguinaldo Highway, 4103 Imus, Cavite	Nov 01, 2008	-	Oct 31, 2018
67	Cavite - Imus-Nueno Avenue	358 Exodus Building, Nueno, Imus, Cavite	Feb 01, 2011	-	Jan 31, 2016
68	Cavite - Puregold Tanza	GF Puregold Tanza, Provincial Road, Tanza, Cavite	Oct 07, 2010	-	Oct 06, 2015
69	Cavite - Silang	194 J. Rizal corner M. Belen Street, Silang, Cavite	Aug 01, 2010	-	Jul 31, 2020
70	Cavite - Trece Martires	El Paseo Arcade, Iradang, Trece Road near corner Gov. Drive, Trece Martires City	Jul 16, 2008	-	Jul 15, 2018
71	Cebu - Asiatown IT Park	GF TGU Tower, Salinas Drive corner J. M. Del Mar St., Asiatown IT Park, Apas, Cebu City	Jul 01, 2009	-	Jun 30, 2014
72	Cebu - A. S. Fortuna	GF Tanaka Bldg., 839 A. S. Fortuna Banilad, Mandaue City	Jan 01, 2011	-	Jun 02, 2020
73	Cebu - Ayala Business Park	GF Cebu Towers, Mindanao corner Bohol Avenue, Cebu Business Park, Cebu City	Jun 15, 2012	-	Jun 14, 2017
74	Cebu - Ayala Mall	Stall 286A Level 2, West Entry, Ayala Center Mall Cebu, Cebu Business Park, Cebu City	Aug 01, 2012	-	Jun 30, 2015
75	Cebu - Banilad	TPE Bldg., Governor Cuenco Avenue, Banilad, Cebu City	Oct 01, 2010	-	Sep 30, 2020
76	Cebu - Bogó	P. Rodriguez corner San Vicente Sts., 6010 Bogó, Cebu City	Jun 18, 2007	-	Jun 17, 2017
77	Cebu - Capitol	Osmeña Blvd. corner Ma. Cristina St., 6000 Cebu City	Jan 01, 2011	-	Dec 31, 2015
78	Cebu - Consolacion	GF Annex Bldg. Fooda Saversmart, Consolacion, Cebu	Jul 23, 2008	-	Jul 22, 2013
79	Cebu - Elizabeth Mall	G/F Elizabeth Mall, Leon Kilat corner South Expressway, Cebu City	Dec 05, 2008	-	Dec 04, 2013
80	Cebu Escario	Cebu Escario St., Cebu City	Jul 01, 2009	-	Jun 30, 2012
81	Cebu - F. Ramos	134 Borromeo Bldg., F. Ramos corner Arlington Pond, Cebu City 6000	Jan 01, 2005	-	Dec 31, 2014
82	Cebu - Gaisano Minglanilla	UG/F Gaisano Grand Mall Minglanilla, Poblacion, Minglanilla, Cebu City	Apr 15, 2011	-	Apr 14, 2021
83	Cebu - Guadalupe	R. Duterte Corner V Rama Sts. Guadalupe, Cebu City	Jul 01, 2010	-	Jun 30, 2020

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
84	Cebu - Insular Life Business Centre	G/F Insular Life Cebu Business Centre, Mindanao Avenue corner Biliran Road, Cebu Business Park, Cebu City	Jan 24, 2011	-	Jan 23, 2021
85	Cebu - J. Mall	National Highway, 6014 Mandaue City, Cebu	Sep 30, 2011	-	Sep 29, 2021
86	Cebu - Lapu Lapu	Unit 9, The Arcade, ML Quezon Highway, Pajo, Lapu Lapu City	Jun 01, 2010	-	May 31, 2015
87	Cebu Legaspi	Legaspi corner Zamora Street, Cebu City	Dec 16, 2012	-	Dec 15, 2022
88	Cebu Magallanes	Plaridel Street corner Magallanes St., Cebu City	Jun 01, 2011	-	May 31, 2016
89	Cebu - Mambaling	Grand Orchard Commercial Building, C. Padilla Street, Mambaling, Cebu City	May 16, 2010	-	May 15, 2020
90	Cebu Mandaue	La Fuerza Building, Subangdaku, Mandaue City	Sep 01, 2006	-	Aug 31, 2021
91	Cebu - MEZ II	Unit 204 NGA Bulicing 2, Pueblo Verde MEZ II, Basak, Lapu Lapu City	Sep 01, 2010	-	Aug 31, 2021
92	Cebu - North Road	National Highway, Labogon, Mandaue City, Cebu	Jan 01, 2008	-	Dec 31, 2017
93	Cebu Osmeña	JR Martinez Bldg., Osmeña Blvd., Sta. Cruz, Cebu City	Jun 01, 2012	-	May 31, 2022
94	Cebu - Parkmall	Unit 29 - 31 Parkmall, No. 168 Ouano Avenue, Mandaue Reclamation Road, Mandaue City, Cebu	Mar 26, 2008	-	Mar 25, 2013
95	Cebu - Plaridel	21 Dy Bldg., Plaridel St., Cebu City	Aug 01, 2012	-	Jul 31, 2022
96	Cebu - Tabo-an	T. Abella St., San Nicolas Central, Cebu City	May 01, 2012	-	Apr 30, 2017
97	Cebu Tabunok	PBS Bldg., 2668 National Highway Tabunok, Talisay, Cebu City	Oct 16, 2003	-	Oct 15, 2018
98	Clark SEZ - Centennial	Centennial Road, Clark Special Eco. Zone, Clarkfield, Pampanga	Jan 01, 2007	-	Jan 01, 2022
99	Cotabato - Kabacan	Rizal Avenue, National Highway, 9407 Kabacan, North Cotabato	May 01, 2012	-	Apr 30, 2017
100	Cotabato - Midsayap	Jaycee St., 9410 Midsayap, North Cotabato	May 01, 2008	-	Apr 30, 2018
101	Dagupan - Perez	386 Perez Boulevard, Dagupan City	Jul 01, 2010	-	Jun 30, 2016
102	Dagupan - Tapuac	Unit 8-10 Mother Goose Play House Bldg., MacArthur Highway, Tapuac District, Dagupan City, Pangasinan	Feb 09, 2008	-	Feb 08, 2016
103	Davao - Agdao	Lapu- Lapu St., 8000 Agdao, Davao City	Aug 22, 2003	-	Aug 21, 2013
104	Davao - Bangoy	R. Magsaysay Avenue corner C. Bangoy St., 8000 Davao City	Jul 01, 2012	-	Jun 30, 2015
105	Davao - Buhangin	Carlos P. Garcia Highway, Buhangin Diversion Road, Davao City	Dec 01, 2008	-	Nov 30, 2018
106	Davao Magsaysay	R. Magsaysay Avenue, Davao City	Dec 16, 2007	-	Dec 15, 2017
107	Davao - Narra	Tomas Monteverde Avenue corner Narra St.,	Nov 01, 2008	-	Oct 31, 2018

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Davao City			
108	Davao - Lanang	SJRDC Building, Insular Village 1 Commercial Area, Lanang Davao City	May 01, 2007	-	Apr 30, 2017
109	Davao - Lizada	Ramon Magsaysay Avenue corner Lizada St., 8000 Davao City, Davao del Sur	Aug 07, 2003	-	Aug 06, 2013
110	Davao - Monteverde	GF Sequoia Inn, Monteverde Avenue, Davao City	Sep 01, 2008	-	Aug 31, 2018
111	Davao - Quirino Avenue	Nicolas 1 Bldg. Quirino Ave., Davao City	Aug 01, 2012	-	Aug 31, 2022
112	Davao - Rizal	Caritas Building Rizal Street corner Pelayo Street, Davao City	Feb. 16, 2009	-	Jun 15, 2016
113	Davao - Sta. Ana	Monteverde corner F. Bangoy Sts., 8000 Davao City, Davao del Sur	Oct 01, 2011	-	Sep 30, 2016
114	General Santos	Santiago Boulevard corner JP Laurel Street, General Santos City	Jun 16, 2011	-	Jun 15, 2021
115	General Santos - Pendatun	GF Sydney Hotel, corner Pioneer and Pendatun Avenue, General Santos City 9500	Mar 19, 2010	-	Mar 18, 2020
116	Iligan - Quezon Avenue	Quezon Avenue, 9200 Iligan City, Lanao, Del Norte	Mar 01, 2008	-	Feb 28, 2018
117	Ilocos Norte - Batac	Aoigan Bldg., Washington St. Batac 2906, Ilocos Norte	Oct 01, 2007	-	Sep 30, 2017
118	Ilocos Sur - Candon	National Highway corner Abaya St., 2710 Candon, Ilocos Sur	May 01, 2012		Apr 30, 2022
119	Iloilo - Gen. Luna	48 LPHTP Bldg Gen. Luna St., Iloilo City	Jun 01, 2009	-	May 31, 2019
120	Iloilo - Jaro	NB Bldg., Lopez Jaena Street, Jaro, Iloilo City	Jul 15, 1998	-	Jul 14, 2013
121	Iloilo - JM Basa	JM Basa Street, Iloilo City	Mar 01, 2008	-	Feb 28, 2018
122	Iloilo - La Paz	GF INJAP Bldg., corner Luna St & Huervana St., La Paz, Iloilo City	Jan 01, 2011	-	Dec 31, 2020
123	Iloilo - Ledesma	GF Esther Building, Ledesma Street, Iloilo City	Apr 01, 2008	-	Mar 31, 2018
124	Iloilo - Quezon St.	Lots 3 & 5, Quezon St., Iloilo City	Jan 01, 2008	-	Dec 31, 2017
125	Iloilo - Tabuc Suba	Roger's Bldg., MacArthur Highway, Tabuc Suba, Iloilo City	Aug 01, 2005	-	Jul 31, 2015
126	Iriga City	Iriga Plaza Hotel, Msgr. Laraza St., San Francisco, Iriga City, Camarines Sur	Apr 21, 2008	-	Apr 20, 2018
127	Isabela - Cauayan	Along National Highway, Cauayan, Isabela	Jan 01, 2008	-	Dec 31, 2022
128	Isabela - Ilagan	Along Maharlika Highway, Calamagui 2nd, Ilagan, Isabela	Mar 28, 2011	-	Sep 30, 2017
129	Isabela - Tumauni	National Highway, Brgy. San Pedro, Tumauni, Isabela	Dec 01, 2012	-	Nov 30, 2027
130	Laguna - Cabuyao	GF Lim-Bell Business Center, JP Rizal St., Cabuyao, Laguna	Oct 01, 2010	-	Sep 30, 2015
131	Laguna - Pagsanjan	J P Rizal Street corner F. De San Juan St., Barangay Dos, Poblacion, Pagsanjan,	May 11, 2010	-	May 10, 2020

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
		Laguna			
132	Laguna - Sta. Cruz	Along Regidor Street, Sta. Cruz, Laguna	Jul 01, 2008	-	Jun 30, 2018
133	Laguna - Technopark	GF Laguna Technopark Admin. Bldg. 1, North Main Avenue, Laguna Technopark Biñan, Laguna	Dec 01, 2008	-	Nov 30, 2013
134	Laoag - Castro	Pichay Bldg., JP Rizal corner A. Castro St., Laoag City	Nov 01, 2012	-	Oct 31, 2017
135	La Union, Agoo	Along National Highway, Barangay San Nicolas, Agoo, La Union	May 16, 2009	-	May 15, 2019
136	La Union San Fernando - Rizal Avenue	Rizal Avenue corner Ortega Street, San Fernando, La Union	Dec 16, 2007	-	Dec 15, 2017
137	Legazpi City - Rizal St.	Rizal corner Gov. Imperial Street, Legaspi City	May 01, 2003	-	Apr 30, 2013
138	Legazpi City - Tahao	AGR Building, Alternate Road, Tahao, Legazpi City	Nov 01, 2012	-	Oct 31, 2022
139	Leyte - Maasin	Tomas Oppus Street, 6600 Maasin, Southern Leyte	Aug 01, 2011	-	Jul 31, 2014
140	Lipa - Ayala Highway	Casa Esperanza Building, Pres. JP Laurel Highway, Mataas na Lupa, Lipa City	Oct 01, 2003	-	Sep 30, 2013
141	Lipa - Robinson's Place	Level 1, Space L1- 177, Robinson's Place-Lipa, Lipa Highway, Lipa City, Batangas	Oct 29, 2008	-	Oct 28, 2013
142	Los Baños	Olivarez Plaza Cinema & Supermarket Complex, along National Highway, Brgy. Batong Malake, Los Baños	Apr 15, 1999	-	Apr 15, 2014
143	Lucena - Merchan	Merchan Street corner San Fernando Street, Lucena City	Apr 02, 2003	-	Apr 01, 2013
144	Lucena - Enriquez	Enriquez corner Evangelista St., Quezon	Nov 20, 2012	-	Nov 19, 2022
145	Lucena - Gulang Gulang	No. 505 Quezon Avenue Extension, Brgy. Gulang Gulang, Lucena City	Aug 01, 2008	-	Jul 31, 2018
146	Lucena - Quezon Avenue	Quezon Avenue corner Profugo St., Lucena City, Quezon	Sep 20, 2010	-	Sep 19, 2015
147	Malolos - MacArthur Highway	S1 Cabana Space A, The Cabanas Mall, MacArthur Highway, Malolos City	Sep 01, 2008	-	Aug 31, 2018
148	Marcos Highway	Town & Country Commercial Arcade, Marcos Highway corner Narra, Cainta, Rizal	Oct 01, 2008	-	Sep 30, 2018
149	Marcos - Sumulong Highway	Kingsville Commercial Arcade, Marcos Highway, Antipolo	Jul 07, 1992	-	Jul 07, 2017
150	Marilao - MacArthur Highway	Unit 1-3 Cecilia Commercial Complex, Abangan Norte, MacArthur Highway, 3019 Marilao, Bulacan	Mar 15, 2003	-	Mar 14, 2013
151	Meycauayan - MacArthur Highway	Liberty Building, MacArthur Highway Calvario, Meycauayan, Bulacan	Jun 01, 2011	-	May 31, 2016
152	Meycauayan -	Brgy. Northern Hills, Malhacan, Meycauayan,	May 16, 2012	-	May 15, 2027



NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
	Malhacan	Bulacan			
153	Mindoro - Calapan	JP Rizal St., 5203 Calapan, Oriental Mindoro	Jul 15, 2012	-	Jul 14, 2014
154	Misamis Occ. - Oroquieta	Mayor A. Enerio St., Oroquieta City, 7207 Misamis Occidental	Aug 01, 2007	-	Jul 31, 2017
155	Misamis Oriental - Gingoog	National Highway, Gingoog City, Misamis Oriental	Sep 01, 2008	-	Aug 31, 2018
156	Naga - Elias Angeles	Chua O. Co Bldg., Elias Angeles St., Brgy. San Francisco, Naga City, Camarines Sur	Jul 01, 2012	-	Jun 30, 2022
157	Naga - San Francisco	Brgy. San Francisco Peñafrancia Avenue, Naga City	Dec 01, 2003	-	Nov 30, 2013
158	Naga - General Luna	Nos. 80-82 Gen. Luna Street, Daga, Naga City	Feb 15, 2006	-	Feb 14, 2016
159	Naga - Magsaysay Avenue	Magsaysay Avenue, Naga City	May 12, 2008	-	May 11, 2018
160	Negros Occ - Hinigaran	Aguinaldo corner Rizal St., Hinigaran 6106, Negros Occidental	Jun 23, 2008	-	Jun 22, 2018
161	Negros Occ - San Carlos	S. Carmona St. corner Rizal St., San Carlos City, Negros Occidental	Aug 01, 2005	-	Jul 31, 2015
162	Negros Occ - Victorias	Osmeña Avenue, Victorias City, Negros Occidental, 6119	Mar 01, 2009	-	Feb 28, 2019
163	Nueva Ecija - Sta. Rosa	Along Maharlika Highway, Sta. Rosa, Nueva Ecija	Dec 01, 2008	-	Nov 30, 2018
164	Nueva Ecija - San Jose	Maharlika Road, 3121 San Jose City, Nueva Ecija	Jun 19, 2011	-	Jun 18, 2021
165	Nueva Ecija - Talavera	Maharlika Highway, Marcos District, Talavera, Nueva Ecija	Dec 16, 2011	-	Sep 15, 2017
166	Nueva Vizcaya - Solano	National Highway, Solano, Nueva Vizcaya	Sep 15, 1998	-	Sep 14, 2013
167	Olongapo	GF & 2F KT Tower, Rizal Avenue East corner 18th St., Bajah, Olongapo City	Jan 16, 2008	-	Jan 15, 2018
168	Ortigas Avenue Ext. - Cainta	Units 7-9 Philfoam Furnishing Bldg., Km 23 Ortigas Avenue Extension, Cainta, Rizal	Nov 28, 2003	-	Nov 27, 2013
169	Pampanga - Apalit	GF Quintos Bldg., MacArthur Highway, San Vicente, Apalit, Pampanga	Aug 28, 2001	-	Aug 27, 2021
170	Pampanga - Lubao	Olongapo-Gapan Road, Lubao, Pampanga	Jul 01, 2010	-	Jun 30, 2020
171	Pampanga - Magalang	Poblacion San Pedro, Magalang, Pampanga	May 01, 2009	-	Apr 30, 2014
172	Pampanga - San Fernando Dolores	McArthur Highway, Dolores, 2000 City of San Fernando, Pampanga	Jul 01, 2009	-	Jun 30, 2019
173	Pampanga-San Fernando MacArthur Highway	GF Doña Isafel Building II, Dolores, City of San Fernando, Pampanga	Oct 01, 2007	-	Sep 30, 2017



NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
174	Pampanga-San Fernando Sindalan	Palm Building, McArthur Highway, Sindalan, San Fernando City, Pampanga	Jan 01, 2013	-	Dec 31, 2022
175	Pangasinan - Alaminos	Marcos Avenue, Palamis, 2404 Alaminos, Pangasinan	Jun 01, 2010	-	May 31, 2015
176	Pangasinan - Calasiao	GF Señor Tesoro Academy Bldg., San Miguel, Calasiao, Pangasinan	Jun 01, 2008	-	May 31, 2018
177	Pangasinan - Mangaldan	Along Rizal Avenue, Poblacion, Mangaldan, Pangasinan	Mar 01, 2012	-	Feb 28, 2022
178	Pangasinan - Tayug	Along Quezon Blvd., Poblacion Tayug, Pangasinan	Jan 01, 2011	-	Dec 31, 2020
179	Rizal - Montalban	G/F Montalban Town Center, Rodriguez Highway corner Lardizabal St., Barangay San Jose, Rodriguez, Rizal	Jun 16, 2010	-	Jun 15, 2020
180	Rizal - Tanay	Tanay Town Center, Sampaloc Road corner F.T. Catapusan St., Plaza Aldea, Tanay, Rizal	May 16, 2010	-	May 15, 2020
181	Robinson's Dumaguete	Robinsons Dumaguete, Dumaguete Business Park, South Road, Calindagan, Dumaguete City	Mar 15, 2010	-	Mar 14, 2015
182	Robinson's Place - San Nicolas	Unit 1-0144, Robinson's Place, San Nicolas, Ilocos Norte	Nov 01, 2010	-	Oct 31, 2015
183	Samar - Catbalogan	Del Rosario St. corner Allen Avenue, 6700 Catbalogan, Samar	Jun 17, 2008	-	Jun 16, 2018
184	San Pablo - Maharlika Highway	GF Bien Paz Arcade, Maharlika Highway Junction, San Rafael, San Pablo City	Jun 01, 2008	-	May 31, 2018
185	San Pablo - Paulino	M. Paulino St., San Pablo City	Mar 01, 2013	-	Feb 28, 2023
186	San Pedro	Tayao Eus. Ctr. Bldg., A Mabini St., San Pedro, Laguna	Mar 01, 2011	-	Feb 28, 2021
187	San Pedro - National Highway	Mega Building, National Highway, San Pedro, Laguna	Jan 01, 2011	-	Dec 31, 2017
188	San Pedro - Pacita	GF M. Allen Bldg., Km 31, Old National, National Highway, San Pedro, Laguna	Jan 16, 2008	-	Jan 15, 2020
189	SM Center Molino	G/F (Units 127-130) SM Center Molino, Molino Road, Bacoor, Cavite	Sep 28, 2009	-	Oct 31, 2014
190	SM City Bacolod	GF Southwing Bldg., SM City Bacolod, Poblacion Reclamation Area, Bacolod City	Feb 01, 2009	-	Jan 31, 2014
191	SM City Bacoor	UG/F SM City Bacoor Gen. Aguinaldo Highway corner Tirona Highway Bacoor, Cavite	Aug. 01, 2009	-	Jul. 31, 2014
192	SM City Baguio	UGF SM City Baguio, upper Session Road, Baguio City	Feb 01, 2010	-	Jan 31, 2011
193	SM City Baliwag	GF SM City Baliwag, Barangay Sto. Cristo, Baliwag, Bulacan	Dec 12, 2008	-	Oct 31, 2013
194	SM City Batangas	GF SM City Batangas, Barangay Pallocan West, Batangas City	Nov 01, 2009	-	Oct 31, 2014

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
195	SM City Cagayan De Oro	GF SM City Cagayan de Oro, Pueblo de Oro Business Park, Upper Canituan, Cagayan de Oro, Misamis Oriental	Apr 01, 2008	-	Jan 31, 2013
196	SM City Calamba	GF SM City Calamba, National Highway, Barangay Real, Calamba City	Oct 15, 2010	-	Oct 31, 2015
197	SM City Cebu	SM City Cebu North Reclamation Area, Cebu City	May 01, 2010	-	Apr 30, 2015
198	SM City Cebu B	UGF, The North wing - SM City Cebu, North Reclamation Area, San Jose de la Montaña corner M.J. Cuenco Avenue, Cebu City	Nov 01, 2009	-	Oct 31, 2014
199	SM City Clark	GF SM City Clark, Clark Field, Pampanga	Aug 01, 2008	-	Jul 31, 2013
200	SM City Consolacion Cebu	G/F SM City Consolacion Cebu, Cebu North Road, Brgy. Lamac, Consolacion, Cebu	Jun 01, 2012	-	Apr 30, 2017
201	SM City Dasmariñas	SM City Dasmariñas, Bo. Pala-Pala, Dasmariñas, Cavite	Aug 01, 2009	-	Jul 31, 2014
202	SM City Davao	UGF SM City Davao, Brgy. Matina, Davao City	Nov 01, 2011	-	Oct 31, 2016
203	SM City General Santos	G/F SM City General Santos, Santiago Boulevard corner San Miguel St., General Santos City	Aug 10, 2012	-	Aug 31, 2017
204	SM City Iloilo	UGF SM City Iloilo, Benigno Aquino Avenue, Mandurriao, Iloilo City	Aug 01, 2010	-	Jul 31, 2015
205	SM City Lipa	GF SM City Lipa, Ayala Highway, Lipa City, Batangas	Aug 01, 2008	-	Jul 31, 2013
206	SM City Lucena	GF SM City Lucena (LC - 177- 178), Pagbilao National Road, Lucena City	Jul 01, 2008	-	Jul 31, 2013
207	SM City Marilao	GF SM City Marilao, MacArthur Highway, Marilao, Bulacan	Feb 01, 2008	-	Jan 31, 2013
208	SM City Masinag	G/F SM City Masinag, Marcos Highway, Mayamot, Antipolo City	May 06, 2011	-	Jul 31, 2016
209	SM City Naga	GF SM City Naga, Brgy. Triangulo, Central Business District II, Naga City	May 01, 2009	-	Apr 30, 2014
210	SM City Olongapo	G/F SM City Olongapo, Magsaysay Drive corner Gordon Avenue, Brgy. Pag-asa, Olongapo City, Zambales	Feb 06, 2012	-	Jan 31, 2017
211	SM City Pampanga A	GF SM City Pampanga, San Fernando, Mexico, Pampanga	Aug 01, 2012	-	Jul 31, 2017
212	SM City Pampanga B	GF SM City Pampanga Annex Bldg. 4, San Fernando, Pampanga	Nov 01, 2012	-	Oct 31, 2017
213	SM City Rosales	SM City Rosales, Carmen East, Rosales, Pangasinan	Nov 28, 2008	-	Jan 31, 2014
214	SM City Rosario	GF SM City Rosario, General Trias Drive, Brgy. Tejero, Rosario, Cavite	Nov 20, 2009	-	Oct 31, 2014

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
215	SM City San Fernando	G/F SM City San Fernando, V. Tomico St., Brgy. Poblacion, San Fernando, Pampanga	Jul 20, 2012	-	Jul 31, 2017
216	SM City San Pablo	GF SM City San Pablo, National Highway, Barangay San Rafael, San Pablo City, Laguna	Oct 01, 2010	-	Oct 31, 2015
217	SM City Sta. Rosa	GF SM City Sta. Rosa, Barrio Tagapo, Sta. Rosa, Laguna	May 01, 2011	-	Apr 30, 2016
218	SM City Tarlac	UGF & LGF, SM City Tarlac, MacArthur Highway, Barangay San Roque, Tarlac City	Apr 23, 2010	-	Jul 31, 2015
219	SM City Taytay	G/F Bldg. A, SM City Taytay, Manila East Road, Barangay Dolores, Taytay, Rizal	Nov 01, 2012	-	Oct 31, 2017
220	SM Delgado	GF SM Delgado Building, Valeria Street, Iloilo City	Feb 01, 2010	-	Jan 31, 2014
221	SM Hypermarket Cainta	Makro Cainta, Felix Avenue, Cainta, Rizal	Oct 09, 2012	-	Dec 31, 2017
222	SM Hypermarket Mabalacat	G/F SM Hypermarket Pampanga, MacArthur Highway, Brgy. Camchiles, Dau, Mabalacat, Pampanga	Apr 05, 2012	-	Apr 04, 2017
223	SM Lanang Premier	UGF SM Lanang Premier, J.P. Laurel Avenue, Brgy. San Antonio, Lanang, Davao City	Sep 28, 2012	-	Oct 31, 2017
224	SM Market Mall Dasmariñas	G/F Dasmariñas Bagong Bayan Resettlement Project Area B (DBB-B), Congressional Road, Kadiwa, Dasmariñas, Cavite	Oct 28, 2011	-	Oct 31, 2016
225	Sorsogon City	Son Bldg., R. Magsaysay Avenue, Sorsogon City	Feb 14, 2007	-	Feb 13, 2017
226	Sta. Lucia East - Cainta	Sta. Lucia East Grand Mall, Marcos Hi-Way corner Felix Avenue, 1900 Cainta, Rizal	Jan 01, 2013	-	Dec 31, 2013
227	Sta. Lucia East-Felix Avenue	G/F Phase 1, Sta. Lucia Grand Mall, Marcos Highway corner Felix Avenue, Cainta	Jul 01, 2012	-	Jun 30, 2013
228	Sta. Rosa - Don Jose	PCC Bldg., Sta. Rosa Tagaytay Road, Brgy. Don Jose, Sta. Rosa, Laguna	May 01, 2009	-	Apr 30, 2014
229	Subic - Times Square	420 Rizal Highway, Subic Bay Freeport Zone, 2200 Olongapo City, Zambales	Mar 16, 2009	-	Mar 15, 2019
230	Surigao	Magallanes corner San Nicolas St., 8400 Surigao City	Mar 01, 2008	-	Feb 28, 2013
231	Tacloban - Zamora	Carlos Chan Bldg. P. Zamora Street, Tacloban City	Aug 02, 2014	-	Aug 01, 2014
232	Tacloban - Justice Romualdez	Philamlife Bldg., Justice Romualdez St. corner P. Paterno St., Tacloban City	Jul 01, 2012	-	Jun 30, 2017
233	Tacloban - Rizal Avenue	Roson Building, Rizal Avenue corner P. Burgos St., 6500 Tacloban City, Leyte	Jul 01, 2012	-	Jun 30, 2014
234	Tagaytay - Mendez	Along National Road, Barangay Mendez	Mar 01, 2011	-	Feb 28, 2021

NO	BRANCH	ADDRESS	Lease Effectivity	-	Lease Expiry
	Junction	Junction, Tagaytay City			
235	Tagaytay - Rotonda	Frablyn Tower (Tolentino Bldg.), Emilio Aguinaldo Highway, Tagaytay	Oct 21, 2005	-	Oct 20, 2015
236	Tanauan - A. Mabini	A Mabini St., Tanauan, 4232 Batangas	Apr 01, 2008	-	Mar 31, 2018
237	Tanauan - JP Laurel Highway	Pres. J. P. Laurel Highway corner Sixto Castillo St., Poblacion, Tanauan, Batangas	Dec 16, 2007	-	Dec 15, 2017
238	Tarlac - Camiling	Romulo St., Brgy. Poblacion, A. Camiling, Tarlac	Jun 16, 2009	-	Jun 15, 2019
239	Tarlac - Capas	Sto. Rosario St., Capas, Tarlac	Feb 01, 2011	-	Jan 31, 2016
240	Tarlac - Concepcion	L. Jaena cor. L. Cortes Sts., San Nicolas, 2316 Concepcion, Tarlac	Aug 01, 1998	-	Jul 31, 2013
241	Tarlac - F. Tañedo	F. Tanedo cor. Juan Luna St., Tarlac City	Jun 21, 2004	-	Jun 20, 2014
242	Tarlac - Moncada	Poblacion 1, Moncada, Tarlac	Feb 01, 2009	-	Jan 31, 2019
243	Taytay National Highway	Korte Rosario Restaurant, Taytay National Highway, Ilcg Pugad, Barangay San Juan, Taytay Riza	Oct 27, 2004	-	Oct 26, 2014
244	Urdaneta - MacArthur Highway	182 LIS Bldg., MacArthur Highway, San Vicente, Urdaneta	Jun 01, 2008	-	May 31, 2018
245	Vigan - Plaza Maestro	GF Plaza Maestro Commercial Complex, Burgos & Florentino Sts., Vigan City, Ilocos Sur	Apr 01, 2003	-	Mar 31, 2013
246	Waltermart Center - Makiling	G/F Waltermart Center Makiling, National Highway, Brgy. Makiling, Calamba, Laguna	Jul 26, 2011	-	Jul 25, 2016
247	Waltermart - Guiguinto	Waltermart Guiguinto Bulacan, MacArthur Highway, Brgy. Ilang-ilang, Guiguinto, Bulacan	Sep 29, 2012	-	Sep 28, 2017
248	Waltermart - Pampanga	G/F Waltermart Pampanga MacArthur Highway, San Agustin, San Ferrando, Pampanga	Jan 07, 2011	-	Jan 06, 2016
249	Waltermart - Sta. Maria	GF Sta. Maria Provincial Road corner By Pass Road, Brgy. Sta. Clara, Sta. Maria, Bulacan	Jan 08, 2009	-	Jan 07, 2014
250	Waltermart - Sta. Rosa	San Lorenzo Drive Corner Balibago Road, Brgy. Balibago, 4026 Sta. Rosa, Laguna	Oct 01, 2012	-	Sep 30, 2013
251	Zambales - Iba	Zambales - Pangasinan Provincial Road, Brgy. Sagapan, Iba, Zambales	Oct 01, 2011	-	Sep 30, 2021
252	Zamboanga	Grand Astoria Hotel Annex Building, M. D. Jaldon Street, Zamboanga City	Jun 01, 2006	-	May 31, 2014
253	Zamboanga - Ipil	National Highway, Ipil, 7001 Zamboanga Del Sur	Apr 01, 2010	-	Mar 31, 2015
254	Zamboanga - Mayor Jaldon	Mayor Jaldon Avenue, Brgy. Canselar, Zamboanga City	Nov 01, 2006	-	Oct 31, 2016

### 3) Limitations on Property

Other than the properties owned by the Bank, the other properties utilized by the Bank are subject to the respective terms of lease.

### 4) Properties to be acquired

The Bank does not have any current plans to acquire any property within the next twelve (12) months.

## Item 3. Legal Proceedings

The Bank is a party to various legal proceedings which arise in the ordinary course of its operations. Following existing regulatory requirements, no such legal proceedings, either individually or in the aggregate, are expected to have a material adverse effect on the Bank or its consolidated financial condition. A discussion of the other legal proceedings of the Bank is found in the Notes to the Audited Financial Statements as of the year ended 31 December 2012.

### Others

The Group is also a defendant in various cases pending in courts for alleged claims against the Group, the outcome of which are not fully determinable at present. As of 31 December 2012, management believes that liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of the Group and will be taken up if and when a final resolution by the courts is made on each claim.

## Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted during the fourth quarter of the fiscal year covered by this report to a vote of security holders.

## Part II Operational and Financial Information

### Item 5. Market for Issuers Common Equity and Related Stockholder Matters

#### 1) Stock Prices

The Bank's common shares are traded at the PSE. The high and low sales prices for each quarter within the last two (2) fiscal years are as follows:

	High	Low
First Quarter 2011	59.00	45.80
Second Quarter 2011	59.50	51.50

Third Quarter 2011	64.50	46.00
Fourth Quarter 2011	59.40	47.50
First Quarter 2012	70.00	57.30
Second Quarter 2012	70.50	60.00
Third Quarter 2012	64.90	58.90
Fourth Quarter 2012	77.10	62.00

Source: www.pse.com.ph

As of 1 April 2013, the closing price of the Bank's common shares is ₱89.60.

## 2) Holders of Securities

The number of common shareholders of record as of 31 December 2012 was 13,223. Common shares outstanding as of 31 December 2012 stood at 3,580,875,328. The top twenty (20) common shareholders are as follows:

Rank	Name of Stockholder	Nationality	No. of Shares Owned	% of Ownership
1	SM Investments Corp.	Filipino	1,463,657,368	40.87%
2	PCD Nominee Corp.	Non-Filipino	997,480,807	27.86%
3	PCD Nominee Corp.	Filipino	479,935,622	13.40%
4	Multi-Realty Development Corporation	Filipino	315,302,317	8.81%
5	Sybase Equity Investments Corporation	Filipino	183,958,132	5.14%
6	Shoemart, Inc.	Filipino	75,254,191	2.10%
7	Sysmart Corporation	Filipino	4,879,484	0.14%
8	Edilberto Narciso	Filipino	2,615,452	0.07%
9	DHS Investment	Filipino	2,337,769	0.07%
10	Keng Koc Co &/or Mary D. Co	Filipino	2,041,105	0.06%
11	Lily S. Lim	Filipino	1,251,450	0.03%
12	Mary Dee Co &/or Co Keng Koc	Filipino	1,205,399	0.03%
13	Simeon Tan	Filipino	1,180,868	0.03%
14	Andrew L. Tan	Filipino	1,046,520	0.03%
15	Ernest Lee Go	Filipino	1,042,124	0.03%
16	Violeta O. Luym	Filipino	976,217	0.03%
17	Hong Eng Tan	Filipino	863,500	0.02%
18	Lucky Securities, Inc.	Filipino	700,000	0.02%
19	Teresita O. Tan	Filipino	647,020	0.02%
20	Tristan Matthew T. Sze	Filipino	618,000	0.02%
	<b>Sub-Total</b>		<b>3,536,993,345</b>	<b>98.77%</b>
	Others		43,881,983	1.23%
	<b>Total Outstanding Shares</b>		<b>3,580,875,328</b>	<b>100.00%</b>

As of 31 December 2012, the Bank has a public float level of 42.91%.

### **3) Dividends**

The Bank's Board of Directors is authorized to declare dividends annually. Stock Dividend declarations require further approval of stockholders representing not less than two-thirds (2/3) of all stocks outstanding and entitled to vote. Such stockholders' approval may be given at a general or special meeting duly called for the purpose. Dividends may be declared only from surplus profits after making proper provisions for necessary reserves in accordance with applicable laws and the regulations of the BSP.

On January 9, 2010, the Board approved the declaration of annual cash dividends on peso denominated preferred shares at the rate of 6.5% per annum amounting to P330 million. The declaration was approved by BSP on February 19, 2010 and was paid on March 19, 2010.

On May 28, 2010, the Board approved the declaration of cash dividends amounting to P0.80 per common share or a total of P2.1 billion payable to stockholders of record as of August 17, 2010. The cash dividends were approved by BSP on July 1, 2010 and were paid to the stockholders on August 27, 2010.

On January 29, 2011, the Board approved the declaration of annual dividends on peso denominated preferred shares at the rate of 6.5% per annum for a total dividend of P330 million. The declaration was approved by BSP on March 3, 2011 and was paid on March 15, 2011.

On May 27, 2011, the Board approved the declaration of cash dividends amounting to P1.00 per common share or a total of P2.6 billion payable to stockholders of record as of August 16, 2011. The cash dividend declaration was approved by BSP on June 23, 2011 and was paid on August 26, 2011.

On January 28, 2012, the Board 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 Board approved the declaration of stock dividends equivalent to 3% of BDO's outstanding capital stock. The stock dividend declaration was presented and approved at BDO's Annual Shareholders' Meeting on April 20, 2012 and the dividends were distributed on June 8, 2012.

### **4) Recent Sales of Unregistered Securities (within 3 years)**

On October 15, 2012, the Bank issued P5.0 billion 7-year Long-Term Negotiable Certificates of Deposits ("LTNCDs") with a coupon rate of 5.25%, pursuant to the authority granted by the BSP on 9 May 2012, the provisions of BSP Circular No. 304, Series of 2001, and Section X233.9 of the Manual of Regulations for Banks.

The LTNCDs constitute direct, unconditional, unsecured, and unsubordinated obligations of the Bank, and are insured with the Philippine Deposit Insurance Corporation. The LTNCDs are intended to support its business expansion plans. The issuance was approved by the Board on January 7, 2012.

On July 4, 2012, the Bank completed its Stock Rights offering where a total of 895,218,832 common shares were issued at a price of P48.60. The offer raised gross proceeds of P43.5 billion. The Bank received the Securities and Exchange Commission's confirmation dated May 10, 2012 that the Stock Rights offering is an exempt transaction under Section 10.1(e) and 10.1(l) of the Securities Regulation Code.

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

On June 27, 2011, the Bank issued P8.5 billion unsecured subordinated notes eligible as Lower Tier 2 Capital due on September 27, 2021, callable in 2016 (the Series 4 Notes) bearing an interest rate of 6.50% per annum, pursuant to the authority granted by the BSP on April 7, 2011 and BSP Circular No. 280 Series of 2001, as amended, and BSP Circular No. 709 Series of 2011. The issuance was approved by the Board on August 28, 2010.

On October 7, 2011, the Bank issued P6.5 billion unsecured subordinated notes eligible as Lower Tier 2 Capital due on January 7, 2022, callable in 2016 (the Series 5 Notes) bearing an interest rate of 6.375% per annum, pursuant to the authority granted by the BSP on April 7, 2011 and BSP Circular No. 280 Series of 2001, as amended, and BSP Circular No. 709 Series of 2011. The issuance was approved by the Board on August 28, 2010.

On October 22, 2010, the Bank completed a US\$300 million Fixed Rate Senior Note Issue. The notes represent direct, unsecured obligations of BDO with a coupon of 3.875% and a yield of 3.95%. Proceeds of the Senior Notes were used to support the Bank's business expansion plans and for re-lending purposes.

## **Item 6 – Management's Discussion and Analysis or Plan of Operations**

### **1) Management's Discussion and Analysis**

#### **Balance Sheet – 2012 vs. 2011**

Total Resources climbed 13% to P1.2 trillion as Gross Customer Loans and Investment Securities expanded 15% and 26%, respectively. The asset growth was funded by a 9% increase in Total Deposits and the P43.1 billion proceeds from the Stock Rights Offering in July 2012.



Cash and Other Cash Items slid 35% to P21.5 billion while Due from BSP rose 25% to P156.6 billion on account of the new reserve requirement rules implemented by BSP starting April 2012. Due from Other Banks dropped 49% to P12.6 billion from lower levels of placements and working balances with counterparty banks.

Investment Securities went up by 26% to P237.3 billion as Financial Assets at Fair Value through Profit or Loss as well as Available for Sale (AFS) Securities jumped 90% and 46% to P9.2 billion and P131.2 billion, respectively.

Net Loans and Other Receivables grew 13% to P760.5 billion as Gross Customer Loans rose 15% buoyed by continued demand for corporate and consumer loans. On the other hand, Interbank Loans, Securities Purchased Under Reverse Repurchase Agreements and Unquoted Debt Securities Classified as Loans fell by 46%, 81% and 33%, respectively.

Equity Investments went up by 6% to P4.4 billion owing to earnings from investments in associates engaged in real estate and insurance. Investment Properties declined by 10% to P9.1 billion due to continued ROPA disposal programs. Deferred Tax Assets went down by 7% to P5.0 billion corresponding to write-offs of fully-provided Non-Performing Loans. Other Resources climbed 24% to P20.8 billion mainly owing to higher levels of miscellaneous assets consistent with growing business volumes.

Total Deposits increased by 9% to P931.6 billion as Savings Deposits expanded by 13% from continued growth in low-cost deposits.

Bills Payable rose 21% to P72.2 billion mainly owing to the Senior Notes Issuance in February 2012. Subordinated Notes Payable slid 26% to P28.2 billion due to the early redemption of Series 1 Tier 2 Notes in November 2012.

Other Liabilities increased by 25% to P55.2 billion as a result primarily of higher levels of bills purchased-contra account, accounts payable and accrued expenses.

Total Equity jumped 62% to P157.3 billion on account of the Stock Rights issuance as well as the Bank's profitable operations.

#### **Contingent Accounts – 2012 vs. 2011**

Total Contingent Accounts inched up 3% to P1.3 trillion on account of the following:

- Trust Department Accounts grew 15% to P817.0 billion on a larger portfolio of managed funds.
- Export L/Cs Confirmed increased 25% to P121 million from higher levels of trade transactions.

- Late Deposits and Payments Received went up by 11% to P2.5 billion due to a larger volume of transactions as of the cut-off date.
- Spot Exchange Bought, Forward Exchange Bought, Forward Exchange Sold and Interest Rate Swap Receivable went down by 55%, 5%, 18% and 5% respectively
- Unused Letters of Credit, Outstanding Guarantees Issued and Bills for Collection dropped 15%, 45% and 11%, respectively, owing to lower levels of transactions as of year-end 2012.
- Other Contingent Accounts likewise declined 12% on lower levels of committed credit lines.

### **Income Statement – For the years Ended December 31, 2012 vs. 2011**

Net Income attributable to Equity holders of the Parent Company expanded by 36% to P14.3 billion from P10.5 billion for the previous year.

Net Interest Income increased 7% to P36.2 billion on a larger loan portfolio and improved funding mix. The Bank maintained its conservative provisioning by setting aside P5.0 billion in Provision for Impairment Losses for loans, securities, ROPA and other assets.

Other Income went up 17% to P24.4 billion on higher recurring fee-based income from the Bank's major business lines. Trading Gain likewise surged 116% to P8.4 billion. On the other hand, Miscellaneous Income dropped 9% to P2.8 billion and Foreign Exchange Loss was recorded at P212 million representing partial offsetting of Trading Gains in some trading positions of the Bank.

Operating Expenses showed a 10% growth settling at P39.8 billion for the year. The changes were primarily from the following accounts:

- Employee Benefits went up 15% due to salary increases and a higher manpower head count.
- Occupancy rose 8% owing to expansion and upgrades in the Bank's distribution network.
- Taxes and Licenses grew 10% mainly from gross receipts taxes on interest and fee-based income.
- Insurance expenses went up 10% corresponding to higher deposit levels.
- Advertising expenses grew 9% from continued marketing campaigns.
- Security, Clerical and Janitorial expenses increased 9% due to higher business volumes and expanded operations.
- Litigation/Assets Acquired expenses declined by 5% on a smaller ROPA portfolio.

Tax Expense dropped 9% as deductible expenses outpaced the growth in taxable income.

### Comprehensive Income – For the years Ended December 31, 2012 vs. 2011

From a Net Income of P14.3 billion, Total Comprehensive Income for 2012 stood at P17.6 billion due to an increase in unrealized gains on AFS Securities of P3.3 billion and a translation adjustment related to foreign operations amounting to negative P62 million.

The Total Comprehensive Income represented a 57% growth from P11.2 billion in 2011, owing to improved profitability and significant improvement in unrealized gains on AFS Securities in 2012.

### Key Performance Indicators – 2012 vs. 2011

	2012	2011	Inc/(Dec)
Return on Average Common Equity	11.5%	11.7%	-0.2%
Return on Average Equity	11.3%	11.4%	-0.1%
Return on Average Assets	1.2%	1.0%	0.2%
Net Interest Margin	3.4%	3.5%	-0.1%
Capital to Risk Assets	19.2%	15.8%	3.4%
Basic Earnings Per Share	4.46	3.80	0.66
Liquidity Ratio	35.3%	35.7%	-0.4%
Solvency Ratio (Debt-to-Equity)	691.3%	1031.7%	-340.4%
Asset-to-Equity Ratio	791.3%	1131.7%	-340.4%
Interest Rate Coverage Ratio	188.8%	173.2%	15.6%
Profit Margin	18.3%	14.8%	3.5%

Return on Average Common Equity and Return on Average Equity went down to 11.5% and 11.3%, respectively, as total equity expanded with the Stock Rights issuance.

Return on Average Assets inched up 0.2% to 1.2% as the increase in bottomline profits outpaced asset growth.

Net Interest Margin slightly declined by 0.1% to 3.4% owing to competitive pricing pressures and new reserve requirement rules.

Capital to Risk Assets increased by 3.4% to 19.2% on account of profitable operations as well as the Stock Rights issuance.

Basic Earnings Per Share climbed P0.66 to P4.46 owing to Net Income growth.

Liquidity Ratio was slightly down by 0.4% to 35.3% primarily due to a hike in customer loans.

Solvency Ratio and Asset-to-Equity Ratio dropped 340.4% apiece to 691.3% and 791.3%, respectively, due to the Stock Rights issuance.

Interest Rate Coverage Ratio and Profit Margin improved to 188.8% and 18.3%, respectively, due to more profitable operations year-on-year.

### **Balance Sheet – 2011 vs. 2010**

Total Resources expanded by 10% settling at P1.1 trillion on account of a 24% surge in gross customer loans.

Cash and Other Cash Items grew 24% to P33.1 billion from higher levels of deposit liabilities. Due from BSP, on the other hand, declined 10% to P124.9 billion as excess liquidity was used to fund loan growth. Due from Other Banks was up 14% to P24.7 billion from increased levels of placements and working balances with counterparty banks.

Investment Securities slid slightly by 5% to P188.4 billion. Financial Assets at Fair Value through Profit or Loss as well as Held-to-Maturity Securities went down by 35% to P4.8 billion and by 10% to P93.7 billion, respectively. On the other hand, Available for Sale (AFS) Securities rose 5% to P69.9 billion.

Net Loans and Other Receivables expanded by 19% to P673.9 billion as continued demand for corporate and consumer loans pushed gross customer receivables up by 24%. Securities Purchased Under Reverse Repurchase Agreements and Other Receivables likewise grew by 71% and 29%, respectively. On the other hand, Interbank Loans and Unquoted Debt Securities Classified as Loans fell by 72% and 37%, respectively.

Equity Investments climbed 24% to P4.2 billion due to earnings from investments in associates engaged in real estate and insurance. Investment Properties dropped 15% to P10.1 billion on account of continued ROPA disposal programs. Other Resources went up 15% to P16.8 billion mainly owing to higher levels of miscellaneous assets consistent with growing business volumes.

Total Deposits expanded by 10% to P558.6 billion from aggressive marketing efforts for low cost deposits. Demand and Savings Deposits rose by 7% and 13%, respectively, to P48.5 billion and P482.5 billion as Time Deposits went up by 5% to P327.6 billion.

Bills Payable contracted by 10% to P59.5 billion following lower levels of interbank borrowings. Subordinated Notes Payable increased 65% to P38.3 billion owing to an P8.5 billion issuance in June 2011 and a P6.5 billion issuance in October 2011.

Other Liabilities went up 9% to P44.1 billion mainly from increased levels of outstanding checks, accounts payable and accrued expenses.

Total Equity grew by 9% to P97.0 billion owing to the Bank's profitable operations.

## **Contingent Accounts – 2011 vs. 2010**

Total Contingent Accounts climbed 16% to P1.3 trillion on account of the following:

- Trust Department Accounts increased 25% to P711.4 billion from a larger portfolio of funds managed.
- Unused Letters of Credit and Outstanding Guarantees Issued rose 8% and 42% to P33.4 billion and P1.2 billion, respectively, owing to higher volume of trade transactions.
- Bills for Collection and Late Deposits and Payments Received grew by 9% and 44% to P6.0 billion and P2.2 billion, respectively, due to a larger volume of outstanding transactions as of year-end 2011.
- Increased treasury activities brought about the following:
  - Spot Exchange Bought surged 116% to P7.8 billion
  - Spot Exchange Sold rose by 7% to P4.5 billion
  - Forward Exchange Bought went up by 6% to P151.9 billion
  - Forward Exchange Sold grew 16% to P188.6 billion
- Other Contingent Accounts expanded 18% to P133.1 billion primarily from an increase in committed credit card lines on account of a larger cardholder customer base.

Export L/Cs Confirmed declined 25% to P97 million from reduced levels outstanding as of the cut-off date. Likewise, Interest Rate Swap Receivable and Interest Rate Swap Payable dropped 66% and 67% to P8.8 billion and P8.6 billion, respectively.

## **Income Statement – For the years Ended December 31, 2011 vs. 2010**

Net Income attributable to Equity holders of the Parent Company improved 19% to P10.5 billion primarily owing to higher fee-based income and foreign exchange gains.

Net Interest Income was slightly down by 1% to P33.8 billion as higher loan volumes and an improvement in funding mix coming from an expansion in low cost deposits, were tempered by declining market rates and competitive pricing pressures. The Bank continued with its conservative asset approach setting aside P6.1 billion in Provision for Impairment Losses for loans, securities and other assets.

Other Income grew by 17% to P20.9 billion led by increases in recurring fee-based income from Trust, credit cards, electronic banking and payments as well as capital markets businesses. Foreign Exchange Gain also soared to P1.7 billion due to increased trade transactions, OFW remittances as well as treasury trading activities. On the other hand, Trading Gain was down 30% to P3.9 billion owing to less favorable market conditions in 2011.

Operating Expenses were prudently managed, showing a growth of 4% ending at P36.3 billion. The increases were mainly from the following accounts:

- Insurance expenses rose 12% owing to higher deposit levels.
- Advertising expenses went up 7% from continued advertising, marketing and promotional campaigns.
- Litigation/Assets Acquired expenses increased 24% due to ROPA-related maintenance and disposal expenses.

### **Comprehensive Income – For the years Ended December 31, 2011 vs. 2010**

From a Net Income of P10.6 billion, Total Comprehensive Income for 2011 registered at P11.2 billion owing to unrealized fair value gains on AFS Securities of P637 million and a translation adjustment related to foreign operations amounting to negative P9 million.

The Total Comprehensive Income was 9% lower compared to 2010, which included a P3.8 billion unrealized gains on AFS Securities and a negative P350 million translation adjustment related to foreign operations.

### **Key Performance Indicators – 2011 vs. 2010**

	<b>2011</b>	<b>2010</b>	<b>Inc/(Dec)</b>
<b>Return on Average Common Equity</b>	11.7%	11.7%	0.0%
<b>Return on Average Equity</b>	11.4%	11.3%	0.1%
<b>Return on Average Assets</b>	1.0%	1.0%	0.0%
<b>Net Interest Margin</b>	3.5%	4.1%	-0.6%
<b>Capital to Risk Assets</b>	15.8%	13.8%	2.0%
<b>Basic Earnings Per Share</b>	3.80	3.26	0.54
<b>Liquidity Ratio</b>	35.7%	42.6%	-6.9%
<b>Solvency Ratio (Debt-to-Equity)</b>	1031.7%	1028.0%	3.7%
<b>Asset-to-Equity Ratio</b>	1131.7%	1128.0%	3.7%
<b>Interest Rate Coverage Ratio</b>	173.2%	166.7%	6.5%
<b>Profit Margin</b>	14.8%	13.1%	1.7%

Return on Average Common Equity was steadfast at 11.7% while Return on Average Equity inched up to 11.4%, as the higher bottomline profits were set against an also higher equity base.

Return on Average Assets was likewise steady at 1.0% due to a similar increase in the Bank's asset base.

Net Interest Margin went down to 3.5% due to margin compression arising from prevailing system liquidity and competitive pricing pressures.

Capital to Risk Assets rose by 2.0% to 15.8% on account of profitable operations and the two issuances of Unsecured Subordinated Notes totaling P15.0 billion.

Basic Earnings Per Share grew by P0.54 to P3.80 owing to the increase in bottomline profits.

Liquidity Ratio declined to 35.7% owing to the expansion in customer loans.

Solvency Ratio and Asset-to-Equity Ratio moved up to 1031.7% and 1131.7%, respectively as growth in deposits and other liabilities outpaced the increase in total equity.

Interest Rate Coverage and Profit Margin rose to 173.2% and 14.8%, respectively, from more profitable operations.

## **2) Past and Future Financial Condition and Results of Operations**

The Bank reported an audited Net Income of P14.3 billion in 2012, 35% higher than 2011 bottomline profits of P10.6 billion. Customer loan portfolio grew 15% while low-cost deposits increased its share in total funding. Spreads have started to stabilize going into the second half of the year despite new reserve requirement rules removing the yield on regulatory reserves. The continued robust growth is a reflection of the Bank's strong customer and product franchise in its major business lines. Sound financial fundamentals as well as upgraded information technology infrastructure and expanded distribution networks ensured the Bank's success in 2012

In 2012, the Bank undertook several funding and capital initiatives:

- In February, the Bank issued \$300 million 5-year Fixed Rate Senior Notes with a coupon of 4.5%.
- In July, the Bank increased its core capital by P43.1 billion through a Stock Rights offering. A total of 895,218,832 common shares were issued and listed on the Philippine Stock Exchange bringing BDO's total issued and outstanding shares to 3,580,875,328.
- In October, the Bank issued P5.0 billion worth of 7-year Long-Term Negotiable Certificates of Deposits with a coupon rate of 5.25%.
- In November, the Bank exercised its early redemption option on its P10.0 billion Series 1 Tier 2 Notes.

These activities helped ensure that the Bank is in the best position to meet upcoming regulatory changes while having the ability to fulfill its growth objectives and take advantage of the positive outlook on the Philippine economy.

### **Prospects for the Future/Plans of Operation**

For 2013, the Philippines is expected to move forward as its resilience, owing to strong domestic consumption and favorable demographics, will be supported by moderate inflation and sustained OFW and BPO income flows. The banking industry is expected to have continued consolidation amid stringent regulatory changes from the upcoming Basel 3 and IFRS 9 implementation.

Amid this operating environment, the Bank aims to better its 2012 performance by capitalizing on its strong business franchise and expanded market reach.

### **3) Material Changes**

#### **(a) Any Known Trends, Events or Uncertainties (material impact on Liquidity)**

Trends, events or uncertainties, which can have a material impact on liquidity, are explained under item 6(2) of SEC 17-A of the Bank.

#### **(b) Internal and External Sources of Liquidity**

The internal and external sources of liquidity are herein discussed under item 6(2) of SEC Form 17-A of the Bank.

#### **(c) Any Material Commitments for Capital Expenditure and Expected Funds**

None.

#### **(d) Any Known Trends, Events or Uncertainties (material impact on sales)**

Trends, events or uncertainties, which can have a material impact on sales, are explained under item 6(2) of SEC 17-A of the Bank.

#### **(e) Causes for any Material Changes from Period to Period of Financial Statements**

The causes for any material changes from 2011-2012 are explained in item 6(1) of SEC Form 17-A of the Bank.

#### **(f) Seasonal Aspects that has material Effect on the Financial Statements**

None.



## **Item 7. Financial Statements**

The consolidated financial statements and schedules are filed as part of this Form 17-A.

## **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure (updated)**

The financial statements of the Bank for the years ending 31 December 2011 and 31 December 2012 have been audited by Punongbayan and Araullo, in accordance with generally accepted accounting principles. The Bank has not had any disagreements with any of its former or present accountants on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which led to a change in external auditors and it not resolved to the satisfaction of any of these accountants, would have caused the latter to make reference to the subject matter of the disagreement in connection with its report.

## **Part III – CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

#### **1) Directors and Executive Officers**

The Board is collectively responsible for the long-term shareholder value of the Bank. It is responsible to approve, oversee and review the implementation of strategic objectives, financial plans and annual budgets, key operational initiatives, major funding and investment proposals, compliance and accountability systems, enterprise risk strategy and financial performance reviews to ensure the success of the Group and sustain its industry leading position.

It leads in establishing the tone and practices of good corporate governance at the top. It sets the Group's corporate values and high ethical standards of business conduct for itself and all members of the Group. The Board also appoints the Bank's President, approves the appointment of Directors and succession planning for senior management. Through its oversight, monitoring and review functions, the Board ensures that the Group is being run in a sound and prudent manner on a going concern basis in order to fulfill its obligations to all majority and minority shareholders while upholding and protecting the interests of different constituencies. It approves specifically matters such as issue of shares, dividend declaration, transactions exceeding threshold limits, related party transactions, acquisition and disposal of investments. The Board also delegates authority and powers to the Board Committees to better carry out its stewardship and fiduciary responsibilities.

It is also responsible for the proper administration and management of the Bank's trust business. In 2012, the Board met 14 times to review financial performance, approve corporate strategies, extension of corporate life, issuance of new shares, capital raising plans and significant operational matters. During those meetings, the Board was also updated by management on the economic

environment, changes in tax and corporate governance regulations that would have an impact on the Bank's operations.

### ***Director Orientation and Continuing Education***

All new directors joining the Board are required to undergo an orientation program within 3 months from date of election or appointment. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and Committees, the Bank's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in the continuing education programs conducted by the Bank to promote efficiency. In 2012, Board members of the Bank and subsidiaries attended the training on Effective Risk Governance conducted by Ernst & Young.

The following is the list of the members of the Board and the corporate officers:

**Teresita T. Sy**, 62, Filipino, is the Chairperson of BDO and was first elected to the Board in 1997. Concurrently, she serves as the Chairperson, Vice Chairperson, and/or Director of various subsidiaries and affiliates of BDO such as BDO Private Bank, Inc., BDO Leasing & 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., Inc. Ms. Sy is the Vice Chairperson of SM Investments Corporation and adviser to the Board of SM Prime Holdings, Inc. She also sits as Chairperson, 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 and finance, retail merchandising, mall and real estate development.

**Jesus A. Jacinto, Jr.**, 65, Filipino, was elected Vice Chairman of BDO in May 1996, and is concurrently the Chairman and President of BDO Insurance Brokers, Inc. He also heads Jaces Corp. as Chairman and President; and Janil Realty, Inc. and JAJ Holdings, Inc. as President. He is likewise Director of Bayer Phil., Inc. Formerly, he was Director and Executive Vice President of CityTrust Banking Corp.; Director of CityTrust Investments Phil. and CityTrust Finance Corp.; and Vice President and Managing Partner of Citibank N.A. He holds a Bachelor's degree in Business Administration from Fordham University in New York City and MBA (International Business) from Columbia University, New York.

**Nestor V. Tan**, 54, Filipino, was elected President of the Bank 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 Leasing and Finance, Inc., BDO Private Bank, Inc., BDO Remit (USA), Inc., Generali Pilipinas Life Assurance Company, Inc., and SM Keppel Land, Inc. He also concurrently holds chairmanship of BDO Strategic Holdings, Inc. and Megalink, Inc. He is Director and Treasurer of Generali Pilipinas Insurance Co.,

and Trustee of BDO Foundation, Inc. He is also a director of the Bankers Association of the Philippines. Mr. Tan had a fifteen-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. Prior to joining the Bank, he was the Chief Operating Officer for the Financial Institution Services of BZW, the investment banking subsidiary of the Barclays Group. He holds a Bachelor's degree in Commerce from De La Salle University and received his MBA from Wharton School, University of Pennsylvania.

**Farida Khambata**, 63, Canadian, was elected Director of BDO in September 2010. She is the global strategist at Cartica Capital, an asset management company focused exclusively on emerging markets. Prior to joining Cartica, she was IFC's Regional Vice President heading IFC's operations in East Asia and the Pacific, South Asia, and Latin America and the Caribbean. She was responsible for the Corporation's strategy, financial products, and advisory services in member countries in these regions. Previously, she served as Vice President for Portfolio and Risk Management, with responsibility for the Corporation's portfolio (about \$14 billion) and risk management operations, as well as for information technology, controller's and financial reporting, budgeting, and back-office functions. Prior to being named Vice President, Mrs. Khambata was Director of IFC's Treasury Department. Mrs. Khambata has been a Non-Executive Director of Dragon Capital Group since 2007. In 2009 and 2010, she joined the Advisory Board of Bancroft and the ADM CEECAT Recovery Fund, respectively. She is also a Non-Executive Director of Vietnam Enterprise Investments Limited (VEIL) since April 2012. Mrs. Khambata holds post-graduate degrees in Economics and Business Management from Cambridge University and the London Business School. A Certified Financial Analyst, she has also participated in the Executive Development Program at Wharton Business School.

**Cheo Chai Hong**, 60, Singaporean, was elected Director of BDO in May 2010. He currently sits as Director of United Overseas Bank Philippines (UOB Philippines), UOB Global Capital Private Limited, United Overseas Bank (Thai) Public Company Limited, UOB Asset Management and the Anglo-Chinese Schools Foundation Ltd. He is Managing Director of Group Credit and Head of Corporate Planning and Strategy Department of UOB Singapore. He was formerly the Executive Vice President of Group Credit (Middle Market & STCF) Department of UOB Singapore. He holds an Honor's Degree in Business Administration from the University of Singapore.

**Teodoro B. Montecillo**, 78, Filipino, was first appointed Independent Director of BDO in August 2004. He is also currently an Independent Director of Citibank Savings, Inc. He was appointed by former President Fidel V. Ramos as a member of the Monetary Board of the Bangko Sentral ng Pilipinas from 1996 to 2002, and appointed by former President Joseph Estrada as Chairman of the Central Bank Board of Liquidators from 1999 to 2002. He was an Advisor and Consultant to Governor Rafael B. Buenaventura from 2002 to 2004. In addition, he held various positions in areas of operations, credit and external debt management in Citibank, N.A. (Manila) and Citibank Head Office (New York) from 1965 to 1996. He holds a Bachelor of Science in Education degree from University of the East, Bachelor of Science degree in Business Administration from the University of the Philippines, and received his MBA from Northwestern University, Chicago, USA.

**Antonio C. Pacis**, 72, Filipino, currently serves both BDO and BDO Capital & Investment Corporation as a director. He has been in law practice since 1967 counseling bank and corporate clients in the areas of regulatory, business, corporate and trust law, and individuals in the areas of family law and estate plans. In the course of his practice, he has served in various capacities in companies upon invitation of clients. He holds degrees from the Ateneo de Manila University (AB), from the Ateneo School of Law (LLB) and from the Harvard Law School (LLM).

**Josefina N. Tan**, 67, Filipino, was elected Director of BDO in July 2007. Concurrently, she serves as President of BDO Private Bank, Inc. She is also the Chairman of the Board of Miriam College and a Trustee in of Development Center for Finance, Laura Vicuña Foundation and Finex Foundation. She was a Director of Banco de Oro Universal Bank from 2001 to August 2005. She was also Executive Vice President of the former Far East Bank & Trust Co.; Director and President of FEB Leasing & Finance Corp.; Executive Director and Trustee of FEB Foundation, Inc.; and Executive Vice President of FEB Investments, Inc. until 2000. She was a Director of Equitable PCI Bank, Inc. from September 2005 until its merger with BDO in May 2007.

**Henry T. Sy, Jr.**, 59, Filipino, is presently Director of BDO. He is also the Vice Chairman of the Board of Directors of SM Investments Corporation (SMIC), Vice Chairman and Chief Executive Officer of SM Development Corporation (SMDC); and Vice Chairman & President of Highlands Prime, Inc., SM Land, Inc.; and Director of SM Prime Holdings, Inc. (SMPHI). He is likewise the President of National Grid Corporation of the Philippines (NGCP). He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation, and negotiation of potential sites as well as the input of design ideas. He graduated with a management degree from De La Salle University. He also holds board positions in several companies within the SM Group.

**Jimmy T. Tang**, 77, Filipino, has been an Independent Director of BDO since July 27, 2002. He served as a regular director of BDO from 1984 until his election as Independent Director. He is the President and Chairman of the Board of the AVESCO Group of Companies. He is currently an Honorary President of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII), and was FFCCCII President for two terms from 1993 to 1997. In addition, he is presently an Honorary Adviser of the Federation of Electrical & Electronics Suppliers & Manufacturers of the Philippines, Inc. (PESA) and PESA Foundation. He was the ninth President of PESA and the first Chairman of the PESA Foundation, which he served for seven (7) years. He obtained his Bachelor of Science degree in Electrical Engineering from the Mapua Institute of Technology which conferred him the "Top Outstanding Mapuan for Entrepreneurship" award in 1987.

**Jones M. Castro, Jr.**, 63, Filipino and American, is an independent director of the Bank since April 20, 2012. Mr. Castro has 39 years of banking expertise, with 32 years of international banking experience. From 2009 to 2011, Mr. Castro was the Area Head for South and Southeast Asia of the Wells Fargo Bank, San Francisco. As Area Head, Mr. Castro managed 12 countries, 11 overseas offices, 102 team members and US\$3 Billion in loans. From 2006 to 2009, Mr. Castro was Regional Head for Latin America 1, including the Caribbean, of the Wachovia Bank, Miami, and managed 25 countries, 3 overseas offices, 30 team members and US\$1.8 Billion in loans.

From 2005 to 2006, he was EVP and International Banking Group Head of the Union Bank of California, San Francisco. Mr. Castro is currently a Trustee of the PhilDev USA. Mr. Castro obtained his Bachelor's Degree in Applied Mathematics, *cum laude*, from Harvard University. He received his Masters in Business Administration, Accounting & Finance, from Stanford University.

**Edmundo L. Tan**, 66, Filipino, was appointed Corporate Secretary of BDO on July 27, 2007. He is also the Corporate Secretary of BDO Private Bank, Inc. He serves as Director and Corporate Secretary of APC Group, Inc. He is currently a director of Philippine Global Communications, Inc., Sinophil Corporation, Aragon Power & Energy Corporation, and PRC-Magma Energy Resources, Inc. Atty. Tan was formerly the Officer-in-Charge of EBC Strategic Holdings, Inc., and Chairman of the Board of EBC Investments, Inc. He is a former Director and currently an Adviser to the Board of BDO Leasing and Finance, Inc. He was elected member of the Board of Trustees of Philippine Dispute Resolution Center, Inc. (PDRCI) in 2010. He is the Managing Partner of Tan, Acut Lopez & Pison Law Offices. He was formerly Senior Partner in Ponce Enrile Cayetano Reyes & Manalastas Law Offices, and a Partner in Angara Abello Concepcion, Regala & Cruz Law Offices.

**Sabino E. Acut, Jr.**, 62, Filipino, was appointed Assistant Corporate Secretary of the Bank on July 27, 2007, a position he currently holds. He is presently a Senior Partner and Head of the Litigation Department of Tan Acut Lopez & Pison Law Offices. He was a former Senior Partner and Head of the Litigation Department of Ponce Enrile Cayetano Reyes & Manalastas Law Offices (PECABAR) and, before that, a Partner of Angara Abello Concepcion Regala & Cruz Law Offices (ACCRA). At various times, he was Corporate Secretary of Boulevard Holdings, Inc., Puerto Azul Golf & Country Club, Philippine Hospital Association, and Eastern General Reinsurance Corporation; Legal Counsel of Alabang Country Club; Trustee of Makati Law Foundation; and President of the Legal Management Council of the Philippines. He was Journal Editor of the 1971 Constitutional Convention, Special Assistant to the Director of the Bureau of National and Foreign Information, and Confidential Attorney to former Supreme Court Justice Cecilia Muñoz Palma. He is a member of the Integrated Bar of the Philippines and the Philippine Bar Association. He is currently a Director of the Philippine Global Communications, Inc. He was the Corporate Secretary of the former EPCIB until its merger with the Bank. He holds the degrees of Bachelor of Arts, *Magna Cum Laude*, from Mindanao State University; Bachelor of Laws, *Cum Laude*, from the University of the East; and Master of Laws from the University of Pennsylvania.

**Rebecca S. Torres**, 60, is Senior Vice President. She was appointed Assistant Corporate Secretary of BDO on January 1, 2011. She is concurrently the Senior Anti-Money Laundering (AML) Officer and Head of the Anti-Money Laundering Unit. She is also the Assistant Corporate Secretary of BDO Leasing and Finance, Inc., BDO Private Bank, Inc., BDO Rental, Inc., Armstrong Securities, Inc., and Equimark-NFC Development Corp. She likewise serves as Assistant Corporate Secretary and Trustee of BDO Foundation, Inc. She is the Corporate Secretary of PCIB Securities, Inc., BDO Strategic Holdings Inc., and the Sign of the Anvil, Inc. She was formerly the Chief of Staff of the President involved in project management for the Bank's merger activities. She is a CPA and a graduate of St. Theresa's College, Quezon City, with a degree of Bachelor of Science major in Accounting. She has completed the Advanced Bank Management Program of the AIM.

The independent directors of the Bank are **Teodoro B. Montecillo, Jimmy T. Tang and Jones M. Castro, Jr.**

### ***Role of the Chairperson and President***

The Board Chair and President collectively are responsible for the leadership of the company. The Chair's primary responsibility is for leading the Board and ensuring its effectiveness while the President is responsible for running the Bank's business.

The roles of the Board Chair and the Bank President are separate and distinct from each other to achieve a balance of authority, clear accountability, and capacity for independent decision-making by the Board.

### ***Senior Executive Officers of the Bank***

The members of Senior Management, subject to control and supervision of the Board, collectively have direct charge of all business activities of the Bank. They are responsible for the implementation of the policies set by the Board. The following is a list of the Bank's key officers:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Nestor V. Tan	54	President and Director
Antonio N. Cotoco	64	Senior Executive Vice President, Director -- BDO Leasing & Finance, Inc.
Walter C. Wassmer	55	Senior Executive Vice President, Head -- Institutional Banking Group; Director -- BDO Leasing and Finance, Inc.
Jaime C. Yu	54	Senior Executive Vice President, Head -- Branch Banking Group
Ador A. Abrogena	59	Executive Vice President, Head -- Trust and Investments Group
Stella L. Cabalatungan**	48	Executive Vice President, Head - BDO Private Bank, Inc.- Relationship Management
Julie Y. Chua	61	Executive Vice President, Head -- Commercial Banking (Metro Manila and Luzon)
Gerard Lee B. Co	54	Executive Vice President, Head - Commercial Banking (Visayas and Mindanao)
Lucy Co Dy	57	Executive Vice President, Comptroller and Head -- Comptrollership Group
Pedro M. Florescio III	58	Executive Vice President, Treasurer and Head -- Treasury Group
Eduardo V. Francisco	52	Executive Vice President, President/Director -- BDO Capital & Investment Corporation
Bienvenido M. Juat, Jr.	59	Executive Vice President, Treasurer - BDO Private Bank, Inc.
Ricardo V. Martin	55	Executive Vice President, Head -- Corporate Compliance, Legal Services and Internal Audit Group

Name	Age	Position
Edmundo S. Soriano	57	Executive Vice President, Head – Corporate Banking 1
Rolando C. Tanchanco	50	Executive Vice President, Head – Consumer Lending Group
Dennis B. Velasquez	59	Executive Vice President, Head – Central Operations Group
Evelyn L. Villanueva	54	Executive Vice President, Chief Risk Officer and Head – Risk Management Group, Director – BDO Leasing and Finance, Inc.
Ursula A. Alano	58	Senior Vice President, Head - Treasury Marketing
Noel L. Andrada	50	Senior Vice President, Business Development Head – Trust and Investments Group
Victor C. Arboleda	59	Senior Vice President; Chief Compliance Officer
Melanie S. Belen	52	Senior Vice President, Head – Remedial Management Unit
Gamaliel Ariel O. Benavides **	46	Senior Vice President, Head - BDO Private Bank, Inc.- Wealth Advisory and Trust Group
Rafael G. Besa	54	Senior Vice President, Head - Marketing Communications Group
Ma. Ophelia LI. Camifia	59	Senior Vice President, Head – Consumer Lending Group -Card Issuing and Operations Unit
Arthur Dee Chung	49	Senior Vice President, Head – Financial Institutions Group and Loans and Trade (Hong Kong)
Angelita O. Cortez	58	Senior Vice President, Head – Legal Services
Jonathan T. Cua **	41	Senior Vice President, Head – BDO Private Bank, Inc.- Relationship Management (Visayas and Mindanao Region)
Ramon S. David	54	Senior Vice President, Head - Branch Banking Group - Metro Manila East Region
Ma. Lourdes T. de Vera	57	Senior Vice President, Trust and Investments Group
Montiel H. de los Santos	51	Senior Vice President, Head – Treasury Group- Foreign Currency Sales
Geronimo D. Diaz	57	Senior Vice President, Region Head – Branch Banking
Jonathan C. Diokno	40	Senior Vice President, Head – Transaction Banking Group Remittance Origination
Noel D. Dizon	56	Senior Vice President, Head – BBG Region 5
Ismael G. Estela, Jr.	56	Senior Vice President, Corporate Governance Officer – Corporate Compliance, Legal Services and Internal Audit Group
Marvin V. Fausto	51	Senior Vice President, Chief Investment Officer – Trust and Investments Group
Georgiana A. Gamboa ***	56	Senior Vice President, President – BDO Leasing and Finance, Inc.
Jonathan C. B. Go	57	Senior Vice President, Asset Management Group
Marilyn K. Go	59	Senior Vice President, Assistant Treasurer

Name	Age	Position
Enrico R. Hernandez	42	Senior Vice President, Head – IT Development
L. Jerome C. Guevarra	46	Senior Vice President, Head - BDO Capital & Investment Corporation- Advisory and Mergers & Acquisitions Practice
Eleanor Lee M. Hilado	49	Senior Vice President, Head – BDO Capital & Investment Corporation- Debt Practice
Jeanette S. Javellana	53	Senior Vice President, Head - Commercial Banking (Metro Manila West, Metro Manila North)
Gabriel U. Lim *	52	Senior Vice President, Head – BDO Capital & Investment Corporation- Equities Practice Unit
Mercedes M. Limson	50	Senior Vice President, Head – Consumer Lending Group- Unsecured Sales and Distribution Unit
Manual Z. Locsin, Jr.	55	Senior Vice President, Head – Corporate Banking – Institutional Banking Group
Emerenciana H. Luistro	52	Senior Vice President, Head - Business Systems, Chief of Staff – Office of the President, Deputy Head – Remittance-Origination
Maria Corazon A. Mallillin	50	Senior Vice President, Branch Banking Group
Luis Enrique T. Mangosing	52	Senior Vice President, Central Operations Group – Special Projects Management Department
Angelita C. Manulat	51	Senior Vice President, Head - Consumer Lending Group- Home Loans Business
Dalmacio D. Martin	51	Senior Vice President, Head – Portfolio Management for Fixed Income and Derivatives
Jose Noel M. Mendoza **	50	Senior Vice President, BDO Private Bank, Inc.- Wealth Advisory and Trust Group
Ramon T. Militar	54	Senior Vice President, Region Head – Branch Banking Group
Aurea Imelda S. Montejo	50	Senior Vice President – Procurement and Premises Management – Central Operations Group
Emmanuel T. Narciso	51	Senior Vice President, Head – Transaction Banking Group
Jaime M. Nasol	48	Senior Vice President, Head – Transaction Banking Group- Cash Management Services
Annie H. Ngo	57	Senior Vice President, Region Head – Branch Banking Group
Estrellita V. Ong	56	Senior Vice President, Officer-in-Charge - Internal Audit Division
Martin B. Ordoñez	54	Senior Vice President, BDO Private Bank, Inc.- Operations Head
Maria Rhoda B. Orsolino	51	Senior Vice President, Head – Commercial Banking (North and South Luzon)
Jose Alfredo G. Pascual	50	Senior Vice President, Head – Executive Committee Secretariat
Antonio O. Peña	55	Senior Vice President, Head - Consumer Lending Group- Auto Loans



Name	Age	Position
		Business
Maria Nannette R. Regala	46	Senior Vice President, Head – Marketing Department – Consumer Lending Group
Luis S. Reyes, Jr.	55	Senior Vice President, Head – Investor Relations and Corporate Planning
Evelyn C. Salagubang	49	Senior Vice President, Group Head – Human Resources
Shirley M. Sangalang	54	Senior Vice President
Evylene C. Sison	58	Senior Vice President, Head – Asset Management
Erlaster C. Sotto *	55	Senior Vice President, Chief Operating Officer - BDO Capital and Investment Corporation
Noel B. Sugay	48	Senior Vice President, Treasury Group- Foreign Exchange Trading and Portfolio Management
Robert "Sui Gui" W. Sy	53	Senior Vice President, Region Head – Branch Banking Group
Edwin R. Tajanlangit	43	Senior Vice President, Head – Market and Liquidity Risk Management
Arthur L. Tan	47	Senior Vice President, Head - IT Operations
Lorna A. Tan	58	Chief Executive / Senior Vice President – BDO Hong Kong Branch
Maria Theresa L. Tan	44	Senior Vice President, General Manager – BDO Insurance Brokers, Inc.
Reynaldo A. Tanjangco, Jr.	46	Senior Vice President, Head – Corporate Banking Group
Rosola A. Vivas	50	Senior Vice President, Head – Marketing Communications Group- Customer Development Unit
Edward G. Wenceslao	56	Senior Vice President, Head - Corporate Banking 2
Ma. Teresita Susana L. Yap	61	Senior Vice President, Head - Commercial Banking (Metro Manila South)
Rebecca S. Torres	60	Senior Vice President, Asst. Corporate Secretary, Senior Anti-Money Laundering Officer
Edmundo L. Tan	66	Corporate Secretary
Sabino E. Acut, Jr.	62	Assistant Corporate Secretary

\* Seconded to BDO Capital and Investments Corp.

\*\* Seconded to BDO Private Bank, Inc.

\*\*\* Seconded to BDO Leasing and Finance, Inc.

**Antonio N. Cotoco**, 64, is Senior Executive Vice President and is a member of the Executive Committee. He currently serves as Director of BDO Leasing and Finance, Inc.; BDO Insurance Brokers, Inc.; BDO Remit (Macau), Ltd.; BDO Remit (USA), Inc.; BDO Remit Limited; Express Padala (Hongkong), Limited; Express Padala Frankfurt GmbH; and Chairman of BDO Rental, Inc. He has been involved in Investment Banking, Corporate Finance, Treasury, Consumer Banking,

Credit, Business and Development, and Account Management over the past thirty-two (32) years. He currently also serves as a Director of OAC Realty & Development Corporation.

**Walter C. Wassmer**, 55, is Senior Executive Vice President of the Bank's Institutional Banking Group. He is concurrently the Chairman of BDO Elite Savings Bank, Inc.; and Director of BDO Leasing and Finance, Inc.; MDB Land, Inc.; Mabuhay Vinyl Corporation; Carmen Copper Corporation; Atlas Consolidated Mining & Development Corporation; and Indophil Resources NL. He is also currently the President of L.P. Wassmer Trading, Inc. and Treasurer of WT & T, Inc.

**Jaime C. Yu**, 54, is Senior Executive Vice President. He holds a Bachelor of Arts degree in Economics from De La Salle University and is a MBA graduate from the Ateneo de Manila University. He has extensive experience in commercial, corporate, and investment banking from the International Corporate Bank and Union Bank of the Philippines, where he held various positions up to his appointment as First Vice President and Region Head for the Manila-Pasay area. He joined BDO in December 1997 and is currently the Group Head of Branch Banking where he manages the entire branch network.

**Ador A. Abrogena**, 59, is Executive Vice President and Head of Trust and Investments Group. He holds a Bachelor's degree in Chemical Engineering from De La Salle University and a Master's degree in Business Economics from the University of Asia and the Pacific. He was previously connected with First Pacific Securities, Philippines, Inc. as Vice President and with Private Development Corporation of the Philippines as Assistant Vice President.

**Stella L. Cabalatungan**, 48, is Executive Vice President. She holds a Bachelor of Science degree in Marketing Management from De La Salle University. Prior to joining BDO, she was Vice President of Banco Santander Philippines, Inc., and Head of the Personal Investment Banking Group from 2000 to 2003. She was also Vice President of Citibank, N.A. from 1998 to 2000 where she spent fifteen (15) years in retail and priority banking in Singapore and the Philippines, her last assignment being the Citigold Priority Banking Head. She is presently seconded to BDO Private Bank, Inc. as Executive Vice President - Relationship Management Head.

**Julie Y. Chua**, 61, is Executive Vice President, holds a Bachelor's degree in Commerce, major in Banking and Finance, *Cum Laude*, from the University of Santo Tomas. She has more than twenty-five (25) years of experience in branch banking and lending business. Previous to her assignment, she was connected with BPI, Far East Bank & Trust Company and Producers Bank. She is currently Commercial Banking Head of Institutional Banking Group (IBG) Metro Manila and Luzon and also Unit Head of IBG Metro Manila East.

**Gerard Lee B. Co**, 54, is Executive Vice President and Group Head for Commercial Banking (Visayas, Mindanao). He is a Director of Agencia de Calidad, Inc. and Markham One Development Corp. He served as Director PCI Leasing and Finance, Inc. and PCI Capital Corporation from 2002-2005 and of BDO Leasing and Finance, Inc. from 2010-2012. He graduated from the University of San Carlos with a Degree in Bachelor of Science in Commerce Major in Banking and Finance. He attended the Advanced Management Program for International Bankers at the Wharton School of the University of Pennsylvania, U.S.A. He likewise completed the Program for

Executive Development at IMD in Laussane, Switzerland. He joined the Bank in October 1993 as Vice President for Visayas Region.

**Lucy Co Dy**, 57, is Executive Vice President and Comptroller. She is also Director of BDO Elite Savings Bank, Inc. (formerly GE Money Bank, Inc.), BDO Remit Limited, Express Padala Hong Kong Limited, BDO Remit (Italia), S.p.A., and Express Padala Frankfurt GmbH; Director and Treasurer of BDO Strategic Holdings, Inc., and PCIB Securities, Inc.; Trustee and Treasurer of BDO Foundation, Inc.; and Chairperson and President of The Executive Banclounge, Inc. and The Sign of the Anvil, Inc. She holds a Bachelor's degree in Accounting from the University of Santo Tomas.

**Pedro M. Floresco III**, 58, is Executive Vice President and Treasurer. He is also a Director of BDO Elite Savings Bank (formerly GE Money Bank, Inc.). He holds a Bachelor's degree in Business Administration from the University of the East, Manila and had attended numerous treasury programs and trainings in major financial centers. He has more than twenty-five (25) years of experience in treasury functions within and outside the country. He was previously connected with Equitable PCI Bank, Inc., Far East & Trust Company, Dao Heng Bank Ltd. (Hong Kong), International Bank of Asia (Hong Kong), Chemical Bank (Manila), Societe Generale (Manila), European Asian Bank (Manila), and PCIBank. He was the past President of MART (The Money Market Association of the Philippines year 2005) and ACI Philippines (The Financial Markets Association of the Philippines year 1997, 1998, and 2007).

**Eduardo V. Francisco**, 52, is Executive Vice President. He is President/Director of BDO Capital & Investment Corporation, the investment house of BDO. He is also the Co-Chairman of the Capital Market Development Council (CMDC) of the Philippines; President/Director of the Management Association of the Philippines (MAP); Treasurer/Director/Trading Nominee of BDO Securities Corp.; and Treasurer/Director of the Foundation for Filipino Entrepreneurs (FFE). He also sits on the boards of the Investment Houses Association of the Philippines (IHAP), Wharton-Penn Club of the Philippines, UP-Development Center for Finance, CIBI Foundation, LGU Guarantee Corporation, and International School of Manila. He is also a fellow of the Institute of Corporate Directors (ICD); and a member of Rotary Makati West and the Bike King Triathlon Team. He was formerly the President of BDO Securities Corporation, Financial Executives Institute of the Philippines (FINEX), and Wharton-Penn Club. He was also a previous member of Capital Markets Committee of the Bankers Association of the Philippines and the Strategic Advisory Committee of the Philippine Stock Exchange and the Makati Business Development Council. He was previously on the boards of LGU Guarantee Corp. and the Investment Houses Association of the Philippines (IHAP). Mr. Francisco has worked with other financial institutions in New York and Hong Kong. He holds a Master's degree in Business Administration from the Wharton School of the University of Pennsylvania and Bachelor's degree in Business Administration from the University of the Philippines. He is also a recipient of the Distinguished Alumnus Award from the U.P. College of Business Administration.

**Bienvenido M. Juat, Jr.**, 59 is Executive Vice President. He is currently seconded as Treasurer of BDO Private Bank, Inc. (BDOPB). He holds a degree in Bachelor of Arts major in Economics and

MBA (candidate) from the Ateneo de Manila University. He joined Equitable PCI Bank, Inc. in August 2001 and upon merger, was assigned to BDOPB.

**Ricardo V. Martin**, 55, is Executive Vice President for Corporate Compliance, Legal Services and Internal Audit Group and administratively oversees the Corporate Secretary's Office, Anti-Money Laundering Unit, Legal Services, Compliance, and Internal Audit. He is also a Director of BDO Strategic Holdings, Inc., BDO Remit (Italia), S.p.A., BDO Remit (USA), Inc. and BDORO Europe Ltd. Previously, he served as Chief Finance Officer & Executive Vice President for Equitable PCI Bank, Inc. Earlier, he was the Chief Finance Officer of Solidbank Corporation.

**Edmundo S. Soriano**, 57, is Executive Vice President and Group Head for the Corporate Banking Group. He holds a Bachelor's degree in Economics (Honors) from Ateneo de Manila University. He finished his MBA (With Distinction) from Adelphi University, New York, USA. Prior to joining BDO, Mr. Soriano was President of Lightspeed Holdings, Inc., a private equity firm. He was also Vice President at JP Morgan Chase where his last assignment gave him Asia-Pacific regional responsibility for corporate and investment banking based in Hong Kong. Prior to this, he was an Assistant Vice President at First Chicago Leasing and Equipment Credit Corp., an affiliate of First National Bank of Chicago. He holds directorships in various companies. He attended continuing education programs at Euro-Insead, University of California at Berkeley and American Institute of Banking.

**Rolando C. Tanchanco**, 50, is Executive Vice President for Consumer Lending. He holds a Bachelor's degree in Business Economics from the University of the Philippines. He acquired his MBM at the Asian Institute of Management. Mr. Tanchanco joined BDO to head the BDO's Consumer Lending. Prior to his joining BDO, Mr. Tanchanco was President of Philam Savings Bank and head of AIG Credit Card. He is currently a Director of BDO Elite Savings Bank, Inc. and Trans Union Phils.

**Dennis B. Velasquez**, 59, is Executive Vice President for Central Operations. He is also a Director of the Executive Banclounge, Inc. He was Equitable PCI Bank, Inc.'s Operations Group Head from May 2006 until its merger with BDO in May 2007. He served in 2000 as the Integration Manager for Retail Banking and was Retail Banking Group Head from March 2002 to April 2006. He has been with the Bank since August 1995. He is also a Director of Philippine Clearing House Corporation, and Chairman and President of Denmar Property Managers, Inc.

**Evelyn L. Villanueva**, 54, is Executive Vice President of BDO's Risk Management Group, and is BDO's Chief Risk Officer. She is also the Chairperson and Chief Executive Officer of Mabuhay Vinyl Corporation, and Chairperson of Bayantel Monitoring Committee. She holds a Bachelor degree in Statistics from the University of the Philippines. She obtained her Master in Business Management ("MBM") degree from the Asian Institute of Management. She has over twenty-five (25) years of banking experience in credit, risk and account management. She started out as a management trainee in Citytrust Banking Corporation and was connected with HSBC as Senior Vice President for Credit Risk Management before joining BDO.

**Ursula A. Alano**, 58, is Senior Vice President and Head of Treasury Marketing Unit. She is also a Director of Albulario and Sons, Inc. She holds a Bachelor of Arts degree in Psychology from St. Theresa's College. She joined the Bank in January 2001 as Senior Vice President for Treasury Marketing Unit. Prior to joining the Bank, she was a First Vice President and Head of Treasury Marketing Group at Far East Bank & Trust Company.

**Noel L. Andrada**, 50, is Senior Vice President and Business Development Head for Trust and Investments Group. He joined BDO in 2003 as Vice President of the Group. He was formerly connected with BPI Asset Management and Trust Group as Head of Business Development for Corporate/Institutional accounts. He acquired a Master's Degree in Business Management at De La Salle University. He graduated from the same university with a degree in BS Commerce.

**Victor C. Arboleda**, 59, is Senior Vice President and Chief Compliance Officer of BDO since October 27, 2007. Mr. Arboleda, a Certified Public Accountant, has had more than thirty (30) years of extensive experience in internal audit and bank operations. He headed the Transaction Processing Division when he joined Equitable PCI Bank, Inc. (EPCIB) in January 2001 and was appointed Internal Auditor of EPCIB on March 16, 2006. He holds a degree in Bachelor of Science in Commerce, major in Accounting, from the University of Santo Tomas. He completed the Executive Development Program at the Asian Institute of Management.

**Melanie S. Belen**, 52, is Senior Vice President and Unit Head of Remedial Management Unit of BDO. She graduated from the University of Sto. Tomas with a Bachelor of Science degree in Commerce, Major in Accounting and obtained her Master's degree in Management from the Asian Institute of Management. She joined the Bank in July 2008 and prior to joining the Bank, she was a Country Head at Scholastic Inc., Philippines/Grolier International.

**Gamalielh Ariel O. Benavides**, 46, is a Senior Vice President. He is seconded to BDO Private Bank, Inc. as Senior Vice President and the Head of the Wealth Advisory and Trust Group. He has over twenty (20) years of banking experience in the areas of Treasury and Financial Markets, Capital Markets Operations, Securities Broking, Deposits and Investment Services, Securities Custody, Settlement and Trust with various financial institutions such as Citibank, N. A. Manila and Singapore Branches, Abacus Securities Corporation, Banco Santander Philippines, Inc., and BDO Private Bank. In 2005, he was conferred the "Registered Financial Consultant (RFC)" designation by the International Association of Registered Financial Consultants (IARFC), a certification organization based in the U.S. In 2010, he completed the One-Year Course on Trust Operations and Investment Management conducted by the Trust Institute Foundation of the Philippines. Mr. Benavides has a Bachelor of Science degree in Management minor in Philosophy from the Ateneo de Manila University.

**Rafael G. Besa**, 54, is Senior Vice President. He is a graduate of De La Salle University with double degree majors in Communication Arts and Marketing Management. Mr. Besa currently heads Marketing Communications, and was formerly the General Manager of Pfizer, Inc. – Consumer Healthcare Division where he was connected from 2004 to 2006.

**Ma. Ophelia LI. Camiña**, 59, is Senior Vice President and Credit Cards Business Head, Consumer Lending Group. She previously held directorship and acting President positions in Equitable Card Network, Inc., a BDO subsidiary. Prior to joining the Bank, she was Executive Vice President of SM Equicom Computer Services Inc. She holds a Bachelor's degree in Commerce from the University of San Carlos and MBA from De La Salle University.

**Marilou L. Cesario**, 57, is a Senior Vice President. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics. She also earned Masteral units in Business Administration from the Ateneo Graduate School of Business. She has more than thirty (30) years of experience in lending and is currently with Corporate Banking as Team Head.

**Arthur Vincent D. Chung**, 49, is Senior Vice President and Head of Financial Institutions Group and Loans and Trade in Hong Kong Branch. He holds a Bachelor of Science degree in Commerce major in Marketing Management from De La Salle University and a Master's degree in Business Administration from the University of Western Australia. Prior to joining BDO, he was the Chief Financial Officer of Liwayway China Ltd. Shanghai and Liwayway Marketing Corporation in Manila. He also held various positions in banking with Philippine Bank of Communications as Institutional Banking Head, Bank of America as Senior Investment Banker, and Societe Generale as Deputy Country Manager.

**Angelita O. Cortez**, 58, is Senior Vice President and Head of Legal Services. She has more than twenty-five (25) years of experience as a corporate and banking lawyer, having started her legal career as an associate at the Sycip Salazar Hernandez & Gatmaitan law firm. Prior to joining BDO, she held the position of Vice President, Legal and Compliance Officer of BPI Capital Corporation; and Director of BPI Securities Corporation. She obtained her BS Education and Bachelor of Laws degrees from the University of the Philippines.

**Jonathan T. Cua**, 41, is Senior Vice President. He is also the Regional Head for BDO Private Bank's Relationship Management in the Visayas and Mindanao region. He holds a Bachelor's degree in Commerce, Major in Legal Management from the De La Salle University. He has fifteen (15) years banking experience.

**Ramon S. David**, 54, is Senior Vice President and currently Region Head of Metro Manila East. Prior to joining the Branch Banking Group in January 2009, he was President of Equitable Savings Bank for almost five (5) years. He joined the then PCIBank in 1993 as a Division Head in Corporate Banking.

**Ma. Lourdes T. de Vera**, 57, is Senior Vice President. She holds a Bachelor's degree in Economics from the Ateneo de Manila University. She is also a graduate of the Masters in Business Management Program of the Asian Institute of Management and the Executive Development Program of the Research Institute of Management Science, Delft, Netherlands. Prior to joining BDO, she worked for the Private Development Corporation of the Philippines, holding various positions in the Trust and Investments Department, Investment Banking Group, and Economic and Corporate Research. She currently heads the Product and Market Development Unit of BDO's Trust and Investments Group. She was the past President of the Trust Officers

Association of the Philippines and Governor of the Market Governance Board of Philippine Dealing and Exchange Corporation (PDEX).

**Montiel H. de los Santos**, 51, is Senior Vice President and Head of Foreign Currency Sales, Treasury Group. He is a graduate of De La Salle University in Manila with a Bachelor of Science degree major in Management of Financial Institutions. He has thirty (30) years of banking experience in Treasury Function and Account Management.

**Geronimo D. Diaz**, 57, Senior Vice President, holds a Bachelor's degree in Accounting, *Magna Cum Laude*, from the University of the East and is a Certified Public Accountant. He joined the Bank in April 1998 as Head of the Corporate Planning & Marketing Support of the Bank. He is presently with Branch Banking as Region Head.

**Jonathan C. Diokno**, 40, is Senior Vice President and Head of Transaction Banking Group (TBG) Remittance Origination. He joined BDO in 2001 as Senior Assistant Vice President in TBG Cash Management, was transferred to TBG Remittance International Operations as Vice President, and was promoted to First Vice President last 2008. He was also a member of Association of Bank Remittance Officers Inc. He holds a Bachelor's degree in Business Administration in University of the Philippines, Diliman, Quezon City.

**Noel D. Dizon**, 56, Filipino, was appointed Region Head of Branch Banking Group in April 2010. He oversees the whole Region 5 consisting of Alabang, Bicutan, Cavite, Laguna, Las Piñas and Pasay Area. Prior to his current position, he was the Area Head of Region 3 – Manila 2 Area from 2007 – 2010. Before the merger of BDO Unibank and EPCI Bank, he was the Division Head of MM West – Transaction Banking Group for 4 years. In 35 years of banking experience, his previous employers were as follows: Equitable Bank, BPI Family Bank, Family Savings Bank and SGV & Company. He holds a Bachelor's Degree in Accountancy and is also a Certified Public Accountant. He also received his MBA from the Ateneo Graduate School of Business.

**Ismael G. Estela, Jr.**, 56, is Senior Vice President and newly-appointed Corporate Governance Officer, while he is assigned to Corporate Compliance and Legal Services & Internal Audit Group. Previously, he was Head of Transaction Banking doing cash management, electronic banking, and remittance services; and Chairman and President of Express Padala International, Inc. and Director of BDORO Europe Ltd. He is a certified public accountant ("CPA") and holds a Bachelor of Science degree in Accounting from the University of San Carlos.

**Marvin V. Fausto**, 51, is Senior Vice President and Chief Investment Officer of Trust and Investments Group. He is the founding President and Member of the Board of Advisers of the Fund Managers Association of the Philippines. He is the Adviser of the Trust Officers Association of the Philippines.

**Belinda C. Fernandez**, 43, is the Head of Product Development of the Treasury Group. She holds a Bachelor's Degree in Commerce Major in Accounting. She has been with the Bank for more than sixteen (16) years.



**Georgiana A. Gamboa**, 56, is Senior Vice President of BDO. She was appointed President of BDO Leasing and Finance, Inc. (BDOLF) on December 1, 2010. She concurrently holds the position of President of BDO Rental, Inc. She was formerly connected with City Trust Banking Corporation for sixteen (16) years and the Bank of the Philippine Islands for seven (7) years. Her banking career spanned several functions including: Branch Manager – Consumer Banking Relationship Manager – Corporate Bank (where she grew from Assistant Manager to Vice President), and Remedial Management Head. Prior to joining BDOLF, she was the President of BPI Leasing Corporation, a subsidiary of Bank of the Philippine Islands, for seven (7) years. She holds a Bachelor's Degree in Economics from De La Salle University where she finished *Summa Cum Laude* and received her Master of Arts in Economics from the University of the Philippines.

**Jonathan C. B. Go**, 57, is Senior Vice President. He is Chairman of PCIB Securities, Equiland, and Equitable Insurance Corporation. He is also a Director of Northpine Land, Inc. and President of Olympus Import Export Corporation. He is also President of HAI PIN Group Ventures, Inc. He was formerly a director of Strategic Property Holdings, Inc., The Executive Banclounge, Inc., EBC Insurance Brokerage, Inc., Jardine Equitable Finance Corporation, PCIB Properties, Inc., Property Care, Inc., and Equimark – NFC Development Corporation; a Trustee of PCI Bank Foundation, and The Sign of the Anvil, Inc.; and Executive Vice President of Equitable Savings Bank, Inc.

**Marilyn K. Go**, 59, is Senior Vice President and Assistant Treasurer of BDO. She holds a Bachelor of Arts degree in Mathematics from St. Paul's College of Manila. She joined the Bank in 1987 as Manager of the Treasury Department.

**Enrico R. Hernandez**, 42, was promoted to Senior Vice President and Head of IT Development (ITD) in 2011. He previously handled the ITD Unit responsible for Consumer Lending and served as the IT Head of BDO Private Bank Inc. He was the Applications Development Head of Banco Santander Philippines, which BDO acquired in 2003. Mr. Hernandez graduated from the Ateneo de Manila University with Bachelor of Science degrees in Chemistry and Computer Engineering.

**Lazaro Jerome C. Guevarra**, 46, is Senior Vice President. He is the Head of Advisory and Mergers & Acquisitions Practice for BDO Capital and Investment Corporation. He is a graduate of the University of the Philippines School of Economics. He has over twenty-two (22) years of experience in investment banking and financial analysis. He is currently the Treasurer of BDO Capital & Investment Corporation; and is a Director of NorthPine Land Inc., BDO Strategic Holdings, Inc., PCI Insurance Brokers, Inc., PCI Travel Corp., and PCI Management Consultants, Inc. He is also a Trustee and Corporate Secretary of BDO Foundation, Inc. and the Corporate Secretary of Equimark – NFC Development Corporation.

**Eleanor Lee M. Hilado**, 49, is Senior Vice President. She is the Debt Practice Head of BDO Capital and Investment Corporation. She is also concurrently President and Director of Armstrong Securities, Inc. She is a Bachelor of Arts in Economics graduate (*Cum Laude*) of the University of the Philippines. She was likewise a recipient of the Japan Airlines Scholarship for Asian Studies at the Sophia University in Tokyo, Japan.



**Jeanette S. Javellana**, 53, is Senior Vice President and Unit Head for Commercial Banking Metro Manila West and Metro Manila North. She joined the Bank in October 2001.

**Gabriel U. Lim**, 52, is Senior Vice President. He is the Unit Head for Equities Practice of BDO Capital and Investment Corporation. He is also Director and President of PCIB Securities, Inc. Mr. Lim's extensive twenty-six (26) year banking experience includes key participation in the Philippine Government's privatization programs on behalf of both the Government and private institutions. Mr. Lim has MBM units from the Asian Institute of Management and holds a Bachelor of Science degree in Commerce from San Beda College.

**Mercedes M. Limson**, 50 is Senior Vice President and Unsecured Sales and Distribution Head of Consumer Loans Group. She has a Masters Degree in Business Management from the Asian Institute of Management. Prior to joining BDO in November 2009, she was a Senior Vice President at GE Money Bank.

**Manuel Z. Locsin Jr.**, 55, Filipino, serves as Senior Vice President of Institutional Banking Group since February 1, 2012. He is presently Team Head of Corporate Banking. He has more than twenty (20) years of experience in credit lending. Prior to BDO, he was with the Account Management Group of Allied Banking Corporation and International Corporate Bank. He holds a Bachelor's Degree in Commerce from De La Salle University.

**Emerenciana H. Luistro**, 52, is Senior Vice President and concurrently the Chief of Staff of the Office the President and Division Head of Business Systems of BDO. She joined the Bank in November 1995 as Assistant Vice President under the Office of the COO.

**Maria Corazon A. Mallillin**, 50, is Senior Vice President. She graduated from the University of the Philippines with a Bachelor of Arts degree in Economics as well as a Bachelor of Laws degree. She joined the Bank in March of 2005 as Region Head of Branch Banking and presently heads the Branch Banking Administration of the Bank.

**Luis Enrique T. Mangosing**, 52, was appointed as a Senior Vice President of BDO on February 1, 2012 in-charge of the Special Projects Management Department, the unit created and tasked to supervise the construction/development of the Bank's corporate building assets. He was formerly connected with Philam Properties Corporation (PPC), the asset management company of the Philamlife Group, as its President and CEO. Prior to joining PPC, he was the General Manager of Landev Corporation (the Real Estate company of the House of Investments and the Yuchengco Group of Companies); Vice President of Regatta Properties, Inc. (a subsidiary of the Science Park Group); and the Senior Development Manager of San Miguel Properties Corporation, in that order. He holds a Bachelor of Arts degree major in Economics from the University of Santo Tomas and took graduate school studies at the Center for Research and Communications and De La Salle University.

**Angelita C. Manulat**, 51, is Senior Vice President for Home Loans Unit under Consumer Lending Group. Prior to the merger with Equitable PCI Bank, Inc. (EPCIB), she headed the Home Mortgage Loan Division under the same consumer lending business with EPCIB and as Product Manager in

a concurrent position for both Auto and Home Loans product for more than four (4) years. She holds a Bachelor's Degree in Accountancy from the University of San Carlos, Cebu City and earned Master's units in Business Administration from the Ateneo de Manila University.

**Dalmacio D. Martin**, 51, is Senior Vice President for Treasury. He was the Head of HSBC Markets' Institutional Sales and Delta Rates Structuring – Treasury for Philippines. From October 2007 to February 2009, he headed HSBC Market's Delta Rates Structuring – Treasury for Philippines, Vietnam, Sri Lanka, and Mauritius. He was also HSBC Markets' Derivatives Trading Head – Treasury from December 1998 until October 2007.

**Jose Noel M. Mendoza**, 50, is Senior Vice President. He is seconded to BDO Private Bank, Inc., a wholly-owned subsidiary of BDO Unibank, Inc., as Senior Vice President of the Wealth Advisory and Trust Group. He has over 20 years of research and investment advisory experience in the areas of fixed income and equity markets and have worked with institutions such as Peregrine Securities (now ATR-Kim Eng), Citibank Securities, Inc., Urbancorp Securities, Inc., and Banco Santander Philippines, Inc. which was acquired by BDO in September 2003. He was conferred the "Registered Financial Consultant (RFC)" designation by the International Association of Registered Financial Consultants (IARFC) based in the U.S. in 2004. He completed his one-year Philippine Trust Institute course with distinction in 1997. He holds a Master of Science degree in Industrial Economics from the University of the Asia and the Pacific (formerly Center for Research and Communications) and a Bachelor of Science degree in Industrial Management Engineering minor in Chemical Engineering from De La Salle University.

**Ramon T. Militar**, 54, is Senior Vice President. He is a CPA and holds a Bachelor of Science degree in Business Administration, major in Accounting, from the University of the Philippines. He is also a graduate of the Advanced Bank Management Program (Superior Performance Awardee) of the Asian Institute of Management. He is currently with Branch Banking as Region Head.

**Aurea Imelda S. Montejo**, 50, Filipino, serves as the Senior Vice President for Procurement and Premises Management Cluster of the Central Operations Group. She has been with the Bank since 1992 as Procurement Head. Prior to joining BDO, she was with SM Shoemart Inc. as Division Merchandising Manager. She is concurrently Director of The Executive Banclounge, Inc., The Sign of the Anvil, Inc., and the BDO Equitable Tower Condominium Corp. She holds a Bachelor of Arts degree major in Economics from the University of Santo Tomas.

**Emmanuel T. Narciso**, 51, Senior Vice President, was appointed Head of the Transaction Banking Group of BDO Unibank Inc. on June 27, 2011. He is concurrently a director of Prospect Place Holdings Corporation. He was formerly connected with HSBC Bank Vietnam Ltd., the Hong Kong and Shanghai Banking Corporation in the Philippines, Security Bank Corporation, Citibank N.A. Philippines, and Bank of the Philippine Islands. He holds a Bachelor's Degree in Economics, Honors Program, from the Ateneo de Manila University, and received his MBA from the Asian Institute of Management in Manila under a professional scholarship from Citibank N.A. Philippines.

**Jaime M. Nasol**, 48, is Senior Vice President and the current head of the newly reorganized Transaction Banking Group – Cash Management Services. He is a graduate of the University of

the Philippines at Los Baños with a Bachelor's degree in Agribusiness Management and also holds an MBA degree in University of the Philippines Diliman. He started his career with BDO in August 2000, where he was tasked with the establishment of the cash management services unit of the Bank.

**Annie H. Ngo**, 57, is Senior Vice President and Region Head of Metro Manila West Region under BDO's Branch Banking Group. She graduated *Magna Cum Laude* from the College of the Holy Spirit and took up MBA units at the Ateneo Graduate School of Business. She joined the Bank in October 1988.

**Estrellita V. Ong**, 56, joined BDO as Senior Vice President for the Internal Audit Division (IAD) heading Branches Audit and is currently Officer-in-Charge of IAD. She was formerly connected with Security Bank Corporation retiring as the Chief Internal Auditor (CIA). Prior to being CIA, she had held position in Security Bank as Assistant Controller and Executive Assistant to the Chairman handling the Centro Escolar University Finance portfolio. She was also formerly a Director of the 6773 Ayala Condo Corp. and Corporate Secretary of the Eastman Enterprises Corp. Prior to joining the bank mainstream, she had held Controllershship position in Evergreen Shipping Corp.'s General Agent's office and Pioneer Intercontinental Insurance. She had varied experience also in manufacturing being General Manager and Treasurer of several Import/Export businesses subcontracting for branded US luggage and apparels. She is a Certified Public Accountant graduating from the University of the East – Recto with a BSBA degree.

**Martin B. Ordoñez**, 54, Filipino, is Senior Vice President and Operations Head of BDO Private Bank, Inc., a wholly-owned subsidiary of BDO. He was appointed First Vice President of BDO Private Bank in February 2010. Prior to this, he was First Vice President and Operations Head of East West Banking Corp. from February 2008 to January 2010, Vice President and Operations Head of BDO Private Bank from August 2003 to January 2008, and Vice President and Operations Head of Banco Santander Phils. Inc. from October 1995, until it's acquisition by BDO in August 2003. He held various positions in the Bank of the Philippine Islands from December 1979 to September 1995. He is a graduate of De La Salle University with a Bachelor of Science degree Major in Management of Financial Institutions.

**Maria Rhoda B. Orsolino**, 51, is Senior Vice President for Institutional Banking Group - Commercial Banking Group, covering the provinces of North and South Luzon. She has experience in the fields of Corporate Banking, Commercial Banking, Special Accounts Management and Corporate Planning. She was formerly Education Officer/Computer Project Officer with British Council, British Embassy, Manila. Ms. Orsolino is a graduate of Bachelor of Arts in Economics from the University of the Philippines.

**Jose Alfredo G. Pascual**, 50, is Senior Vice President. He was appointed Credit Committee Secretariat Head of BDO in June 2011. Prior to this appointment, he assumed various positions related to credit risk management in PCIBank and Equitable PCI Bank, Inc. He holds a Bachelor's degree in Commerce, major in Accounting from the University of Santo Tomas. He is also a Certified Public Accountant.

**Antonio O. Peña**, 55, was appointed Senior Vice President of BDO in June 2009. He was formerly connected with the Development Bank of Singapore, Bank of Southeast Asia, Insular Savings Bank, International Corporate Bank (Interbank) and Bank of America Finance Corp. (BAFC). He holds a Bachelors' Degree in Commerce Major in Marketing from San Beda College.

**Ms. Maria Nannette R. Regala**, 46, is the Head of Marketing Department of Consumer Lending Group. She earned her Bachelor's degree in Pharmacy from the University of Santo Tomas. Ms. Regala has more than fifteen (15) years of banking experience.

**Luis S. Reyes, Jr.**, 55, is Senior Vice President for Investor Relations and Corporate Planning. He is concurrently a Director of BDO Strategic Holdings, Inc and BDO Leasing and Finance, 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 the BDO.

**Evelyn C. Salagubang**, 49, is Senior Vice President. She assumed the position of Group Head for Human Resources of the Bank in July 2011. She was formerly the Head of Human Resources of American Express Savings Bank, with oversight HR role over the American Express International, Inc., and American Express Bank Philippines. Prior to this, she was the HR Manager for Kraft Foods Philippines, Inc. She holds a degree in Psychology from Assumption College and completed a Diploma Program in Human Resource Management from the same institution.

**Shirley M. Sangalang**, 54, is Senior Vice President. She is also Adviser to the Board Audit Committee of BDO Leasing and Finance, Inc. and BDO Private Bank, Inc. She graduated from the University of the East, *Cum Laude*, with a Bachelor's degree in Commerce major in Accounting. She also completed her masters in Business Economics at the University of Asia and the Pacific where she was also appointed as Board of Trustee of the University of Asia and the Pacific Foundation Inc. (UA&PFI) in August 2012. She is a Certified Public Accountant who served as Head of BDO's Internal Audit from 1984 to 2007. Apart from being the Bank's Chief Auditor for more than two (2) decades, she spearheaded major bank undertakings such as the merger and integration of four (4) banks acquired by BDO, Bank reengineering, implementation of the Bank's core system/migration to Y2K systems, implementation of the Bank's first Internet and Phone Banking Systems, Rewards Project, Bank Management and Profitability Reporting System, and the first off-shore implementation of the Bank's core system.

**Evylene C. Sison**, 58, was hired as Senior Vice President of BDO on August 2, 2010. She holds the position of Group Head for the Asset Management Group. She was formerly connected with Security Bank as Corporate Services Group Head. She holds a degree in Bachelor of Science in Commerce – Accounting, CPA from St. Theresa's College.

**Erlaster C. Sotto**, 55, Senior Vice President, is a Bachelor of Arts and Laws graduate of the Ateneo de Manila University and a graduate with honors of the Philippine Trust Institute on Trust and Investment Management. He has completed the Strategic Business Economics Program of the University of Asia and the Pacific. Mr. Sotto is a member of the Integrated Bar of the Philippines. He is concurrently the President of BDO Securities Corp. and the Chief Operating Officer of BDO

Capital and Investment Corporation which are the securities house subsidiary and the investment house subsidiary of BDO Unibank, respectively. He has been with the investment banking and securities industry for over twenty-six (27) years. He has vast experience in corporate finance and securities underwriting, distribution and trading business. Mr. Sotto is currently a director and was previously the President of the Investment House Association of the Philippines. He was previously a professor of banking laws at the College of Law, Ateneo de Manila University.

**Noel B. Sugay**, 48, is Senior Vice President in Treasury – FX Trading and Portfolio Management since 2011. He was hired by BDO in 2004 as part of the BDO Private Bank Treasury. He transferred to BDO Universal Bank in 2005 to head the foreign exchange desk in Treasury. Prior to employment in BDO, he was connected with RCBC also as head of the bank's foreign exchange trading desk. He graduated from the Ateneo de Manila University with a Bachelor of Arts degree in Economics.

**Robert "Sui Gui" W. Sy**, 53, is Senior Vice President and Region Head of BDO's Branch Banking Group. He has been serving the Bank for more than sixteen (16) years.

**Edwin R. Tajanlangit**, 43, is Senior Vice President. He joined the Equitable PCI Bank, Inc. in 2001 as Head of Market and Liquidity Risk Management and continued to head this unit after the merger with BDO Unibank. He holds a Bachelor of Science degree in Applied Mathematics with Specialization in Statistics, *Magna Cum Laude*, from De La Salle University. He is a Chartered Financial Analyst (CFA) Charterholder from the CFA Institute, and a Certified Financial Risk Manager (FRM) from the Global Association of Risk Professionals (GARP). He is a former Faculty of De La Salle University's Mathematics Department and the Professional Schools Graduate School of Business. He is currently a member of the Bankers Association of the Philippines (BAP) Risk Management Committee and currently heads its Market Risk Sub-Committee.

**Arthur L. Tan**, 47, is Senior Vice President. He joined the Bank in 2002 as Vice President for IT Applications Development and became IT Operations Head in 2003. He was formerly with Accenture as an associate partner in the firm's technology practice, working on client projects in the communications and financial services industries. He holds a Bachelor's degree in Economics from the University of the Philippines Diliman.

**Lorna A. Tan**, 58, Filipino, is currently the Chief Executive/Senior Vice President of BDO Hong Kong Branch. Ms. Tan had a twenty-three year banking career with Solidbank and Equitable Bank. She joined the Branch Banking Group of BDO Unibank, Inc. in 2002. Ms. Tan holds degrees of Liberal Arts and Bachelor of Science in Commerce from St. Scholastica's College and received her Master in Business Management from Asian Institute of Management.

**Maria Theresa L. Tan**, 44, is Senior Vice President. She is General Manager of BDO Insurance Brokers, Inc. (BDI). She has had more than two (2) decades of experience in sales, marketing/product management, and general management in the consumer, services, and insurance industries. She graduated from the Ateneo de Manila University with a degree in Business Management minor in Marketing. Prior to joining BDO, she was the General Manager of International SOS, Philippines, Inc. She joined the Bank in July 2009.

**Reynaldo A. Tanjanco, Jr.**, 46, Filipino, is Senior Vice President and a Team Head of the Corporate Banking Group. He holds a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University. Prior to joining BDO, he was the Vice President for Corporate Banking of Banco Santander Philippines, Inc. He also held various positions in Corporate Banking with United Overseas Bank Philippines, Solidbank Corporation and Credit Lyonnais Manila Offshore Office.

**Rosola A. Vivas**, 50, Filipino, was appointed Senior Vice President of BDO in February 2011. She is currently the Head of Customer Development Unit under the Marketing Communications Group. Her unit manages and administers BDO Rewards, the Bank's loyalty program. Prior to this assignment, she was First Vice President of the Retail Banking Group of the merged Equitable PCI Bank. She joined the Bank as Assistant Vice President for Trust Banking Group of the then Equitable Banking Corporation in July 1997. She was previously connected with the Philippine Stock Exchange, Global Business Bank and the Philippine Deposit Insurance Corporation. She is a *Cum Laude* graduate of the University of Santo Tomas with a degree of Bachelors of Arts major in Behavioral Science. She was in the Dean's list at the Asian Institute of Management where she obtained her Master's degree in Management. She graduated at the top of her class in Trust Banking and Investment Course and was awarded a scholarship by the Trust Institute Foundation of the Philippines to the National Trust School at the University of Chicago in July 2000.

**Edward G. Wenceslao**, 56, is Senior Vice President and Group Head of Wholesale Lending and International Desks. From 2007 to 2011, he had supervision and management over three (3) Corporate Banking Teams. He was Group Head of Corporate Banking and a member of the Senior Credit Committee and Small Business Credit Committee if Equitable PCI Bank before the merger with BDO. He completed his elementary and high school as well as his Bachelor of Science degree in Business Management at the Ateneo de Manila University. He also completed all-academic requirements for his post-graduate studies at the Ateneo Graduate School of Business. He is currently Co-Chairman of the Membership Committee of the Financial Executives Institute of the Philippines (FINEX) and a member since 2002. He is also involved in socio-civic activities at the Rotary Club of New Manila East.

**Ma. Teresita Susana L. Yap**, 61, is Senior Vice President and Unit Head of Commercial Banking Group - Metro Manila South. She is a graduate of Assumption College and the Asian Institute of Management. She joined the Bank in August 2003 after working for two (2) large universal banks. She has over thirty-seven (37) years of experience in lending to both the corporate and commercial markets nationwide.

**NOTE:** *The Bank is not dependent on the services of any particular employee and does not have any special arrangements to ensure that any employee will remain with the Bank and will not compete upon termination.*

## ***Board and Senior Management Performance***

The Board, through the Corporate Governance Committee undertakes the evaluation of its performance as a collective body, its Committees and senior management to determine whether they are functioning effectively, pinpoint areas for improvement and ensures that the President is providing effective leadership to the Group.

The assessment criteria used cover among others the areas of leadership, stewardship, review and approval of strategic and operational plans, annual budgets, focus on strategic and long-term issues, monitoring of financial performance, management succession planning, integrity of financial reporting, review of the Bank's ethical conduct, defining roles and monitoring activities of committees.

It also conducts the Director peer evaluation survey intended to encourage improved performance and effectiveness of directors by identifying areas that need improvement. Each director is requested to rate their colleagues on the Board using the prescribed rating scale and questions. The assessment criteria used include among others the director's understanding of the strategy and vision, organizational structure and culture, business and regulatory environments, responsibilities as Director, accountability for his/her boardroom actions, contribution to board discussions, independent thinking, strategic insights and direction, active participation in committee meetings, financial literacy, time and commitment to board and committee duties, and finally, his/her overall contribution to the functioning of the Board.

Survey questionnaires were sent to all members of the Board including Advisers. Upon submission of accomplished forms, the Corporate Governance Officer tabulates the responses and prepares the final report to the Corporate Governance Committee. In turn, the Committee reviews and approves the report and submits to the Board for appropriate action. The Board then issues a resolution noting the results of the evaluation and recommendations stated in the final report.

### **2) Significant Employees**

The Bank's senior executives have been enumerated above under item 9 (1).

### **3) Family Relationships**

The Chairperson of the Board of Directors, Ms. Teresita T. Sy, and Mr. Henry T. Sy, Jr. are siblings. No other nominees to the Board have family relationships. Mr. Gabriel U. Lim, Senior Vice President, and Stella L. Cabalatungan, Executive Vice President, are siblings.

### **4) Involvement of directors/executive officers in legal proceedings**

None of the directors or executive officers is named or is involved in any legal proceedings which will have any material effect on the Bank, its operations, reputation, or financial condition.



To the knowledge of the Bank, none of its directors and senior executives has been subject of the following:

- (a) bankruptcy petition by or against any business of which such director was a general partner or executive officer either at the time of the bankruptcy or within two (2) years prior to that time;
- (b) a conviction by final judgment, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign;
- (c) 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;
- (d) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission 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

### Disclosure and Transparency

The Bank 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 Bank to attract, motivate and retain high-performing executives necessary to maintain its leadership position in the industry. To be competitive in the marketplace, the Bank offers a remuneration package composed of fixed salary, benefits and long-term incentives.

#### 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	2013(estimate)	92.32	46.35	n.a.
	2012	83.93	42.14	n.a.
	2011	74.51	37.59	n.a.



Year	Name	Position/Title
2012	Nestor V. Tan	President
	Walter C. Wassmer	SEVP
	Jaime C. Yu	SEVP
	Eduardo V. Francisco	EVP
	Rolando C. Tanchanco	EVP
2011	Nestor V. Tan	President
	Walter C. Wassmer	SEVP
	Jaime C. Yu	EVP
	Eduardo V. Francisco	EVP
	Rolando C. Tanchanco	EVP

The above compensation includes the usual bonus paid to bank officers. Except for salaries, allowances, retirement benefits provided under the Bank's retirement plan, and company-wide benefit extended to all qualified employees under the Bank's stock option plan, there is no separate stock option, stock warrant or other security compensation arrangement between the Bank and its individual officers.

## 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	2013 (estimate)	516.05	273.50	n.a.
	2012	469.14	248.64	n.a.
	2011	406.91	220.74	n.a.

## B. Directors' Fees

Each director shall receive a per diem allowance of P10,000 for attending board meetings and P5,000 for committee meetings. There is no distinction on the fee for a Committee Chairman and member. The details of the compensation of directors and key executives could be found in the Definitive Information Statement. In view of possible security risks, the Bank opted to disclose these on an aggregate basis as a group. Other than these fees, the non-executive directors do not receive any share options, profit sharing, bonus or other forms of emoluments.

As provided by law, the total compensation of directors shall not exceed ten percent (10%) of the net income before income tax of the Bank during the preceding year.

### 3) Employment Contracts and Termination of Employment and Change-in-Control Arrangements

There are no special contracts of employment between the Bank and the named directors and executive officers, as well as special compensatory plans or arrangements, including payment to be received from the Bank with respect to any named director or executive officer.

## Item 11. Security Ownership of Certain Beneficial Owners and Management

### 1) Security Ownership of Certain Record/Beneficial Owners

As of 31 December 2012, the following are known to the Bank to be directly or indirectly the record and/or beneficial owners of more than 5% of the Bank's voting Securities:

Class	Name of Beneficial Owner	No. of Shares	Percentage
1	SM Investments Corporation	1,463,657,368	40.87%
2	PCD Nominee Corp. (Non-Filipino)	997,480,807	27.86%
3	PCD Nominee Corp. (Filipino)	479,935,622	13.40%
4	Multi-Realty Development Corporation	315,302,317	8.81%
5	Sybase Equity Investments Corporation	183,958,132	5.14%
<b>Total</b>		<b>3,440,334,246</b>	<b>96.08%</b>

### 2) Security Ownership of Management

As of December 31, 2012, the total number of shares owned by the directors and management of the registrant as a group unnamed is 4,215,645 common shares, which is equivalent to 0.1177% of the total outstanding common capital stock of the registrant. The Bank's directors and officers own the following common shares of the Bank:

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares	Percent of Class
Common	Teresita T. Sy	Chairperson	Filipino	330,149	0.0092%
Common	Jesus A. Jacinto, Jr.	Vice Chairman	Filipino	350,199	0.0098%
Common	Cheo Chai Hong	Director	Singaporean	1	0.0000%
Common	Jones M. Castro, Jr.	Independent Director	Filipino	1	0.0000%
Common	Teodoro B. Montecillo	Independent Director	Filipino	659	0.0000%
Common	Farida Khambata	Director	Canadian	1	0.0000%
Common	Henry T. Sy, Jr.	Director	Filipino	181,692	0.0051%
Common	Josefina N. Tan	Director	Filipino	212,571	0.0059%

<b>Title of Class</b>	<b>Name of Beneficial Owner</b>	<b>Position</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>Percent of Class</b>
Common	Antonio C. Pacis	Director	Filipino	4,230	0.0001%
Common	Nestor V. Tan	President & Director	Filipino	453,556	0.0127%
Common	Jimmy T. Tang	Independent Director	Filipino	14,838	0.0004%
Common	Jaime C. Yu	SEVP	Filipino	84,660	0.0024%
Common	Ador A. Abrogena	EVP and Trust Officer	Filipino	77,052	0.0022%
Common	Stella L. Cabalatungan	EVP	Filipino	25,737	0.0007%
Common	Julie Y. Chua	EVP	Filipino	185,292	0.0052%
Common	Lucy Co Dy	EVP & Comptroller	Filipino	205,495	0.0057%
Common	Pedro M. Floresco III	EVP & Treasurer	Filipino	120,489	0.0034%
Common	Eduardo V. Francisco	EVP	Filipino	229,382	0.0064%
Common	Edmundo S. Soriano	EVP	Filipino	90,817	0.0025%
Common	Rolando C. Tanchanco	EVP	Filipino	193,136	0.0054%
Common	Evelyn L. Villanueva	EVP	Filipino	193,382	0.0054%
Common	Noel L. Andrada	SVP	Filipino	3,409	0.0001%
Common	Victor C. Arboleda	SVP & Chief Compliance Officer	Filipino	5,685	0.0002%
Common	Gamalielh Ariel O. Benavides	SVP	Filipino	20,902	0.0006%
Common	Ma. Ophelia Li. Camina	SVP	Filipino	1,243	0.0000%
Common	Marilou L. Cesario	SVP	Filipino	3,532	0.0001%
Common	Angelita O. Cortez	SVP	Filipino	19,435	0.0005%
Common	Ma. Lourdes T. de Vera	SVP	Filipino	132,818	0.0037%
Common	Montiel H. Delos Santos	SVP	Filipino	50,000	0.0014%
Common	Noel D. Dizon	SVP	Filipino	2,558	0.0001%
Common	Ismael G. Estela, Jr.	SVP	Filipino	100,000	0.0028%
Common	Belinda C. Fernandez	SVP	Filipino	3,428	0.0001%
Common	Jonathan C.B. Go	SVP	Filipino	11,941	0.0003%
Common	Marilyn K. Go	SVP & Assistant Treasurer	Filipino	27,085	0.0008%
Common	L. Jerome C. Guevarra	SVP	Filipino	27,424	0.0008%
Common	Enrico R. Hernandez	SVP	Filipino	9,428	0.0003%
Common	Jeanette S. Javellana	SVP	Filipino	568	0.0000%
Common	Ruby G. Lim	SVP	Filipino	86,029	0.0024%

Title of Class	Name of Beneficial Owner	Position	Citizenship	No. of Shares	Percent of Class
Common	Manuel Z. Locsin	SVP	Filipino	14,955	0.0004%
Common	Emerenciana H. Luistro	SVP	Filipino	5,144	0.0001%
Common	Ma. Corazon A. Malillan	SVP	Filipino	952	0.0000%
Common	Jose Noel M. Mendoza	SVP	Filipino	99,028	0.0028%
Common	Ramon T. Militar	SVP	Filipino	52,618	0.0015%
Common	Aurea Imelda S. Montejo	SVP	Filipino	47,459	0.0013%
Common	Jaime M. Nasol	SVP	Filipino	28,329	0.0008%
Common	Antonio O. Peña	SVP	Filipino	20,115	0.0006%
Common	Domingo A. Ramos, Jr.	SVP	Filipino	95	0.0000%
Common	Maria Nanette R. Regala	SVP	Filipino	91,181	0.0025%
Common	Luis S. Reyes, Jr.	SVP	Filipino	191,903	0.0054%
Common	Shirley M. Sangalang	SVP	Filipino	56,603	0.0016%
Common	Erlaster C. Sotto	SVP	Filipino	992	0.0000%
Common	Noel B. Sugay	SVP	Filipino	23,695	0.0007%
Common	Arthur L. Tan	SVP	Filipino	91,248	0.0025%
Common	Lorna A. Tan	SVP	Filipino	16,196	0.0005%
Common	Reynaldo A. Tanjangco, Jr.	SVP	Filipino	3,443	0.0001%
Common	Rebecca S. Torres	SVP & Asst. Corporate Secretary	Filipino	10,302	0.0003%
Common	Edmundo L. Tan	Corporate Secretary	Filipino	2,563	0.0001%
	<b>Total</b>			<b>4,215,645</b>	<b>0.1177%</b>

**(Note:** *There are no voting trust shares or shares issued pursuant to a Voting Trust Agreement registered with the Bank nor has there been any change in control of the Bank. The Bank is also not aware of any contractual arrangement or otherwise between its shareholders and/or third parties, which may result in change in control of the Bank.*)

## Item 12. Certain Relationships and Related Transactions

In the ordinary course of business, BDO has loan and other transactions and arrangements involving BDO's products and services, with its affiliates and with certain directors, officers, stockholders and related interests (DOSRI). These loans and other transactions and arrangements

involving BDO's products and services, are made on substantially the same terms as those given to other individuals and businesses of comparable risks.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions such as credit accommodations, products or services extended by BDO to directors or officers in their personal capacity or to their company. BDO's Executive Committee approves these transactions. These transactions are then elevated to the Board for independent review and confirmation. All directors, except the interested party, could scrutinize the details of the transactions to ensure that these are done on an arms-length basis and in accordance with regulations. The details of the deliberations are included in the minutes of the Board meeting. Approved related party transactions are properly tagged for monitoring and reporting of exposures. BDO then submits the related party transactions to the BSP where BSP approval is required.

The General Banking Act and BSP regulations limit the amount of the loans granted by BDO to each subsidiary or affiliate, which are not related interests of the directors, officers and/or stockholders of BDO, to not more than 10% of BDO's networth, with a further ceiling of not more than 5% of BDO's networth for unsecured loans. Total outstanding loans to all subsidiaries and affiliates shall not exceed 20% of BDO's networth.

The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the deposit and book value of their investment in BDO. In the aggregate, loans to DOSRI generally should not exceed the total capital funds or 15% of the total loan portfolio of BDO, whichever is lower.

## **PART IV - CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

BDO recognizes the importance of good corporate governance as fundamental to a well-managed organization. It commits to uphold and protect the interests of all stakeholders in conducting its business in order to maintain its solid reputation to the public. As a financial institution and a publicly listed company, the Bank is guided by the Bangko Sentral ng Pilipinas (BSP) Guidelines in Strengthening Corporate Governance in Supervised Financial Institutions, the SEC Code of Corporate Governance and the Corporate Governance Guidelines for Companies Listed on the Philippine Stock Exchange in its corporate governance practices.

In 2012, the Bank implemented various enhancements in its corporate governance regime to align with international best practices and regulatory mandates. Highlights are as follows:

- Revision of the Bank's Corporate Governance Manual which was approved by the Board and disseminated to all levels in the Group;
- Election of the third independent director to the Board on April 20, 2012;

- Definition of the roles of the Board Chair, President, Chief Compliance Officer, Chief Risk Officer, Chief Internal Auditor, External Auditor, Senior Officers and Corporate Secretary for independent checks and balances;
- An independent director replaced the President as Chairman of the Risk Management Committee while the Chief Risk Officer was made independent of executive functions and business line responsibilities;
- Annual performance review of the Board as a whole, the Committees, individual directors and senior management using enhanced assessment questionnaires to measure their effectiveness;
- Adoption and implementation of the Group Governance Oversight framework for all subsidiaries and affiliates to ensure compliance with established governance policies and practices;
- Continuing Education program for the Board on effective risk governance.

This report sets out the main corporate governance practices of the Bank in relation to the following OECD guiding principles:

### ***Rights of Shareholders***

The Bank respects the inherent rights of shareholders in accordance with law. To this end, it has put in place various practices for the convenience of shareholders to exercise their rights such as announcing in advance the venue, date, time and agenda of the annual meeting, explanation of each agenda item requiring shareholders' approval, method of voting and disclosure of voting results. It also recognizes the need for accurate and updated information of the Bank's financial condition and all matters affecting the Bank by appropriate timely disclosures in the corporate website, regulators, annual reports and announcements. Shareholders could request relevant information from the Corporate Secretary or the Investors' Relations through the contact details provided in the website.

As a matter of policy, all stockholders on record are encouraged to attend personally or by proxy the annual stockholders' meeting to ensure their participation and active involvement in the affairs of the Bank.

The Annual Stockholders Meeting was held on April 20, 2012 and was attended by the Board Chair, President, all directors and chairmen of various board committees. The shareholders were allowed to cast their votes on each director and on each agenda item presented to them for approval. They were also given the opportunity to ask questions, express opinions and make suggestions on various issues. Please refer to the Minutes of the 2012 Annual Stockholders Meeting for details.

### ***Equitable Treatment of Shareholders***

The Bank recognizes that all shareholders should be treated fairly and equally whether they are controlling or minority, local or foreign. To ensure this, the Amended By Laws of the Bank provides that all shares in each class should carry the same rights and any changes in the voting rights to

be approved by them. The Bank accepts the votes cast by nominees and custodians in behalf of the beneficial owners as valid. Shareholders could exercise their right of appraisal in case of amendment to the Articles of Incorporation that has the effect of changing or restricting their rights.

Policies and procedures have been put in place to manage potential conflicts of interests arising from related party transactions such as credit accommodations, products or services extended by the Bank to directors or officers in their personal capacity or to their company. The Executive Committee approves them. These transactions are then elevated to the Board for independent review and confirmation. All directors except the interested party could scrutinize the details of the transactions to ensure that these are done on an arms-length basis and in accordance with regulations. The details of the deliberations are included in the minutes of the Board meeting. Approved related party transactions are properly tagged for monitoring and reporting of exposures.

The Bank also instituted the Personal Trading Policy that prohibits insider trading. All directors and officers are covered by this policy that requires disclosure and reporting of trades in BDO shares within 3 days from date of transactions. The Bank imposes a 7- day trading blackout to take effect before and after the disclosure of net income figures.

### ***Roles of Stakeholders in Corporate Governance***

The Bank believes that upholding the rights of stakeholders will encourage active participation that will contribute to its long-term sustainability and prosperity. It has put in place the following practices for the protection and well-being of its stakeholders:

#### **1. Shareholders**

As owners, the Bank is committed to ensure their fair and equal treatment, the convenient exercise of their ownership rights established by law or mutual agreements and the highest possible return of their investments.

#### **2. Customers**

Our clients provide the Bank the business for which we are most thankful. BDO is committed to meet their needs by providing them with high quality customer service and relevant products and services. The Bank is continuing to expand its network of domestic branches, overseas offices, ATMs, point of sale terminals and electronic delivery channels to offer 24/7 banking convenience anywhere. This is supported by modern technology, redundant IT infrastructure, efficient systems and processes and a well functioning Customer Contact Center that manages and resolves customer complaints. The Bank is managed by seasoned executives and manned by well-trained and knowledgeable officers and staff imbibed with the "We Find Ways" service philosophy.

#### **3. Creditors**

The Bank is committed to meet its contractual obligations with depositors, holders of subordinated debt, suppliers and 3<sup>rd</sup> party service providers. In accordance with law, they will be given the priority in payment of the bank's obligations in the normal course of business and in the event of liquidation. The Bank publicly announces interest rates and clearly stipulates the terms and conditions related to its deposit taking, investment and fund raising activities. In dealing with suppliers and 3<sup>rd</sup> party service providers, the Bank has established appropriate policies that govern the accreditation, selection, bidding and approval process. For details, please refer to our corporate website at [www.bdo.com.ph](http://www.bdo.com.ph).

#### **4. Counterparties**

In the conduct of its business dealings, the Bank undertakes to honor all binding trade related agreements and conditions on the basis of widely accepted industry practices, mutual understanding and cooperation with counterparties.

#### **5. Employees**

The Bank puts very high value to its human resources. To ensure the protection and well-being of the employees, the Bank has implemented policies and programs that cover the following areas:

##### **a. Code of Conduct and Business Ethics**

The code applies to all directors, officers and staff of the Bank. It specifies the principles to guide all concerned in performing their functions to the highest standards of integrity in dealing with Bank, its customers, suppliers, competitors and the community. It covers areas such as workplace health and safety, conduct in the workplace, business conduct, protection of assets, proprietary information and intellectual property, confidentiality, conflict of interest and non-solicitation of customers and employees. This is posted in our corporate website.

##### **b. Training and Development**

The Bank provides various in-house training programs such as orientation program for new hires, job specific training courses and officers development programs to enhance the knowledge, working skills and managerial ability of its employees. The Bank allocates every year a training budget to cover internal training programs. E-learning is also being promoted initially on Anti-Money Laundering Prevention and Detection.

##### **c. Employee Welfare**

The Bank provides free healthcare benefits and health facilities such as a fitness center and 5 medical clinics manned by occupational health practitioners. In 2012, our Human Resources Group has initiated various health and safety programs that



include 20 corporate wellness lectures on various medical topics, basic life support training, evacuation and fire drill, preventive medical (vaccination) program, sports activities and a fun run participated by 4,000 employees.

## **6. Society, Community and the Environment**

Recognizing its social development role, the Bank has instituted socio-civic programs thru the BDO Foundation Inc. geared towards empowerment of marginalized communities and promoting environmental protection. It has partnered with several non-government organizations to provide decent home dwellings to indigent families, fund raising and resettlement site for typhoon victims, livelihood projects and continued advocacy on energy efficiency and water conservation. It has participated also in various undertakings to preserve the environment such as tree planting to help improve air quality and reduce carbon emission.

### ***Evaluation System***

The Bank has required in its Corporate Governance Manual (the "Manual") that all Board-created committees shall report regularly to the Board of Directors on compliance with the Manual's policies and procedures. The Bank's Board of Directors is directed to appoint a Chief Compliance Officer who shall oversee the implementation of the Bank's compliance system and program in accordance with the requirements of the BSP and monitor compliance with the provisions of the SEC's Revised Code of Corporate Governance and the Bank's Manual.

As part of its increasing focus on corporate governance, the Bank established its Board Audit Committee and Corporate Governance Committee. The Board Audit Committee provides oversight of the Bank's financial reporting and control as well as internal and external audit functions. It also provides oversight on the Bank's compliance function. The Board Audit Committee is also responsible for the setting up of the internal audit department and for the appointment of the internal auditor as well as the independent external auditor. It monitors and evaluates the adequacy and effectiveness of the Bank's internal control systems.

The Board Audit Committee (BAC) is composed of five directors (three are independent) and two advisers. The committee exercises its oversight functions over the bank's:

- Financial reporting process
- System of internal control and overall management of risks
- Internal and External Audit functions
- Compliance with applicable rules and regulations

In accordance with its Terms of Reference and aided by highly focused meeting agenda, the BAC carried out these responsibilities by conducting 12 regular meetings. Further, 2 special meetings were held where matters relating to Information Technology, Risk Management and BSP's Report on Examination were extensively discussed.

In compliance with its Terms of Reference (TOR), the BAC reports that:

- It has reviewed and discussed with Management and External Audit the annual audited financial statements and internal controls on the financial reporting process, highlighting compliance with accounting standards and tax regulations, significant adjustments as well as management actions. Similarly, quarterly unaudited financial statements were discussed with Management prior to endorsement to the Board.
- It has reviewed and discussed with Internal and External Auditors the assessment of the adequacy of internal controls and the effectiveness of information technology security. Through its tracking mechanism, the Committee constantly monitored Management's corrective action on internal control and compliance issues and on audit findings.
- It has reviewed and approved the scope and plans of Internal and External Audit and likewise discussed and evaluated reports on the results of audit.
- The BAC likewise reviewed and approved the annual plans of Compliance and Anti-Money Laundering (AML) Units and consistently monitored the timely submission of regulatory requirements.
- The BAC ensures that the Internal Audit, Compliance and AML units are adequately staffed and provided with proficiency improvement programs.

As part of their continuing education and training, the BAC attended trainings on Effective Risk Governance in October 2012 conducted by Ernst & Young.

The results of BAC's self-assessment as well as the outcome of BAC's evaluation on the performance of the Internal Audit, the Compliance and Anti-Money Laundering Units and External Audit were submitted to the Securities and Exchange Commission on September 18, 2012 and disclosed to PSE on September 25, 2012.

The External Quality Assurance Review of BDO's Internal Audit activity was completed in 2011 by SGV & Co. / Ernst & Young. BDO Internal Audit was given the highest possible rating of "Generally Conforms" to international standards on internal audit practices.

Internal Audit's Closing Report for 2012 states that:

- The Committee has accorded effective oversight of its functions based on its TOR.
- Existing controls, risk management and governance processes across BDO Unibank and its subsidiaries are generally adequate. There is strong tone at the top for resolving risk and control issues as indicated by the high resolution rate of audit findings.

The Board Audit Committee is chaired by Teodoro B. Montecillo. Its other members are Jones M. Castro, Jr., Antonio C. Pacis, Jimmy T. Tang, Jesus A. Jacinto, Jr., Corazon de la Paz-Bernardo (Adviser) and Christopher A. Bell-Knight (*from January to April 2012*).

The Corporate Governance Committee assists the Board of Directors in shaping the Bank's corporate governance policies and practices, recommending applicable guidelines and monitoring compliance with said policies and practices. It monitors the Board of Directors' effectiveness and

due observance of governance principles and guidelines. It also oversees the annual performance self-evaluation of the Board of Directors, its committees, and executive management. The Corporate Governance Committee is primarily tasked to assist the Board in formulating the policies and overseeing the implementation of the corporate governance practices of the Bank as well as its subsidiaries and affiliates. Annually, it conducts the performance self-evaluation of the Board of Directors, its committees, executive management and peer evaluation of directors. It also oversees the implementation of the Directors Orientation and Continuing Education Policy.

The Corporate Governance Committee is chaired by Teodoro B. Montecillo. Its other members are Jesus A. Jacinto Jr., Jimmy T. Tang, Antonio C. Pacis, Farida Khambata and Christopher A. Bell-Knight (Adviser).

**b) Measures on leading practices of good-corporate governance**

The Bank is constantly examining leading practices on good corporate governance, particularly by taking advantage of its partnership with the International Finance Corporation, the private arm of the World Bank, and where appropriate, adopts said practices in its Manual. On December 5, 2009, the Board approved its Manual incorporating the provisions prescribed by the SEC in the Revised Code of Corporate Governance, set forth in SEC Memo. Circular No. 6, Series of 2009.

**c) Any Deviation from the Manual**

None.

**d) Improvement**

The Bank has adopted the policy of reviewing its Manual on an annual basis at the Board level with the aim of constantly improving its corporate governance.

## **Part V – Exhibits and Schedules**

### **Item 14. List of Branches, Reports on SEC Form 17-C**

**a) Directory of Branch Offices**

A list of the Bank's branch branches are provided in Item 2 of this report.

**b) A summary of the reports on SEC Form 17-C (Current Report) filed in 2012 and the first quarter of 2013 is set forth below:**

Date	Subject
------	---------

Date	Subject
20 March 2012	Reply to request for clarification on news article published on Inquirer.net entitled "BDO expected to raise \$200M in core capital"
22 March 2012	Approval by the Board of Directors of the resolution declaring stock dividends equivalent to 3% of BDO's outstanding capital stock. And the presentation and endorsement for approval to the stockholders at BDO's annual shareholder's meeting to be held on 20 April 2012
26 March 2012	Submission of the Revised Notice and Agenda of the annual shareholder's meeting of BDO to be held on 20 April 2012
2 April 2012	Submission of statement to be released to the press on its program to raise additional core capital
20 April 2012	Submission of the press statement on the performance of BDO for 2012
20 April 2012	Submission of the result of the Annual Shareholders' Meeting and Organizational Board Meeting held on April 20, 2012 at the Makati Shangri-la
3 May 2012	Submission of the Statement of Condition of BDO Unibank, Inc. as of 31 March 2012, to be published on 4 May 2012
8 May 2012	Reply to request for clarification on a letter received by the SEC from the Philippine Deposit Insurance Corporation dated April 2012
9 May 2012	Reply to request for clarification posted on the Inquirer.net last 8 May 2012 entitled "Banco De Oro eyes takeover of shuttered bank"
10 May 2012	Reply to letter dated 9 May 2012 requiring BDO to explain why the disclosure of the Board approval of the proposed stock rights offering made by way of press release statement received by the SEC on 2 April 2012 at 4:00PM, does not constitute a violation of Rule 4.1 and 4.4 of the Revised Rules of the SEC
11 May 2012	Disclosure of the Bangko Sentral ng Pilipinas approval on the stock dividend declaration equivalent to 3% of the outstanding capital stock of the BDO
23 May 2012	Reply to letter dated 21 May 2012 with an illustrative computation on the adjusted price and adjusted number of outstanding common shares using the closing price of the shares of BDO relative to its 3% stock dividend declaration
26 May 2012	Disclosure of the memorandum of agreement, as amended, with the Rural Bank of San Juan, Inc. (RBSJI), for the acquisition by BDO of all recorded assets and assumption of all recorded liabilities of RBSJI.  Completion of the transaction no later than 31 July 2012 upon compliance with the closing conditions under the agreement.
28 May 2012	Submission of statement on the approval of the Philippine Stock Exchange of BDO's Rights Offering that will be released to the press
28 May 2012	Disclosure of the approval of BDO's Board of Directors at its regular board meeting held 26 May 2012 of the promotion of senior officers from First Vice President to Senior Vice President effective 1 February 2012
5 June 2012	Disclosure that BDO has fixed the final terms of its stock rights offering of up to 895,220,348 common shares to stockholders of record as of 24 June 2012.

Date	Subject
7 June 2012	Reply to letter dated 7 June 2012 relative to BDO's 1:3 stock rights offering with an illustrative computation on the adjusted price and adjusted number of outstanding common shares using the closing price of shares of BDO for the day.
8 June 2012	Disclosure that the SEC that BDO has issued stock dividends totaling 78,218, 589 shares to shareholder as of record date 25 May 2012 and the resulting issued and outstanding common shares total
2 July 2012	Submission of the statement to be released to the press on the result of the BDO's stock rights offering
30 July 2012	Submission of the report to be released to the press on the positive result of BDOs operations for the first half of 2012
5 August 2012	Submission of the statement to be released to the press on BDO's plans (i) to establish a USD 2B Euro Medium Term Note (EMTN) program and (ii) to retire P10 Billion of Tier 2 debt by November 2012
6 August 2012	Submission of the Statement of Conditions of BDO as of 30 June 2012 to be published on 7 August 2012
28 August 2012	Disclosure of the acceptance by BDO's Board of Directors, at its regular board meeting held last 25 August 2012, of the retirement of Ms. Lilia E. Lising, Senior Vice President for Institutional Banking Group – Corporate Banking Group/Team 7
18 September 2012	Disclosure of the Board Audit Committee's charter, its Terms of Reference and the Summary of Results of the Audit Committee's self-assessment of its 2011 performance
25 September 2012	Submission of the statement to be released to the press regarding BDO's offer to issue up to P5 billion Long Term Negotiable Certificates of Deposit
3 October 2012	Disclosure of BDO's exercise on 21 November 2012 of its option to redeem its P10B Unsecured Subordinated Notes Eligible as Tier 2 Capital due, callable in 2012.  Submission of the publication notice to the holders of the Series 1 Notes.
5 October 2012	Disclosure of the statement to be released to the press regarding the early closing of the offer period and successful conclusion of its offer to issue up to P5 billion Long Term Negotiable Certificate of Deposit
15 October 2012	Disclosure of the successful and full issuance of BDO's P5 Billion Long Term Negotiable Certificates of Deposit
5 November 2012	Disclosure of the statement to be released to the press regarding BDO's nine month profit surge to P10.5 billion
19 November 2012	Submission of the BDO's Statement of Condition as of 30 September 2012
23 November 2012	Reply to request for clarification on a news article entitled "PNB posts 92.5% growth in 9-month profit" posted on the Inquirer.net on 23 November 2012
10 December 2012	Disclosure of BDO's Board of Directors approval setting the Annual Stockholder's Meeting on 19 April 2013.  Acceptance of the retirement of Mr. Virgilio Cosio Pamatmat, Senior Vice

Date	Subject
	President for Consumer Lending Group – Secured/Business Development/Small Business Loans, effective 1 December 2012
17 December 2012	Reply to request for clarification on a news article entitled "BDO Keen on PNB Acquisition" posted on the Manila Bulletin (Internet edition) on 16 December 2012
27 December 2012	Reply to request for clarification on a news article entitled "BDO abandons non-life insurance venture with GP" posted on the Business Mirror (Internet Edition) on 26 December 2012
7 January 2013	Disclosure of BDO's Board of Directors, at its regular board meeting held last 5 January 2013, acceptance of the retirement of Ms. Ruby Gotiong Lim and Mr. Domingo Aquino Ramos, Jr., both Senior Vice President for branch Banking Group – Region 7/Visayas- Mindanao, effective 1 January 2013
10 January 2013	Report on the use of proceeds of BDO's stock rights offering of 895,218,832 common shares listed at the Exchange on July 4, 2012
28 January 2013	Disclosure of BDO's Board of Directors, at its regular meeting held last 26 January 2012, approved the following: <ol style="list-style-type: none"> <li>1. Declaration of dividends on Preferred Shares Series "A" at the rate of 6.5% per annum for a total dividend amount of P340,329,166.67, subject to BSP approval;</li> <li>2. Setting 8 March 2013 as the record date for the Annual Stockholder's Meeting of BDO to be held at the Makati Shangri-La Hotel on 19 April 2013 at 2 o'clock in the afternoon;</li> <li>3. Resignation of Ms. Edel Mary D. Vegamora, Senior Vice-President and Chief Internal Auditor, effective 1 February 2013; and,</li> <li>4. Appointment of Ms. Estrellita V. Ong, Senior Vice-President as Officer-in-Charge of Internal Audit Division, effective 1 February 2013.</li> </ol>
30 January 2013	Submission of the Statement of Conditions of BDO as of 31 December 2012 to be published on 31 January 2013
31 January 2013	Report on the use of proceeds of BDO's stock rights offering of 895,218,832 common shares listed at the Exchange on 4 July 2012
22 February 2013	Disclosure of the Notice and Agenda of the Annual Shareholder's Meeting of BDO to be held on 19 April 2013
26 February 2013	Report on the noteworthy results of BDO's operation in 2012
4 March 2013	Disclosure of the statement to be released on BDO's plan to issue up to P50billion worth of Long Term Negotiable Certificates of Deposits
7 March 2013	Disclosure of the statement to be released to the press regarding the early closing of the offer period and successful conclusion of its offer to issue up to P5 billion Long Term Negotiable Certificate of Deposit

## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this Annual Report is signed on behalf of BDO Unibank, Inc. by the undersigned, thereto duly authorized, in Makati City, Philippines on APR 17 2013

**BDO UNIBANK, INC.**

Issuer

By:



**Nestor V. Tan**

President



**Pedro M. Florescio III**

Treasurer



**Edmundo L. Tan**

Corporate Secretary

SUBSCRIBED AND SWORN to before me this APR 17 2013, affiants exhibiting to me their evidence of identity as follows:

Name	Tax Identification No.
Nestor V. Tan	TIN 903578380
Pedro M. Florescio III	TIN 115322120
Edmundo L. Tan	TIN 132173235

Doc. No.: 456;

Page No.: 99;

Book No.: 1;

Series of 2013.



**ARLEO ANTONIO R. MAGTIBAY JR.**

Appointment No. 264 (2012-2013)

Notary Public for Pasig City

Until December 31, 2013

Attorneys Roll No. 61659

Suite 2401 The Orient Square,

F. Ortigas Jr. Road, Ortigas Center Pasig City

PIR No. 8413042; 01.04.13; Pasig City

IBP No. 917063; 01.03.13; RSM

**STATEMENT OF MANAGEMENT'S  
RESPONSIBILITY**





STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS

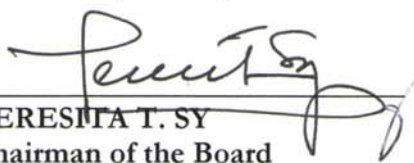
The management of **BDO Unibank, Inc.** (the Bank), is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2012, 2011 and 2010 in accordance with the financial reporting standards in the Philippines for banks, including the additional components attached therein:

- a. Supplementary schedules required under Annex 68-E of the Securities Regulation Code
- b. Reconciliation of retained earnings available for dividend declaration
- c. Map showing the relationship between and among related entities
- d. Schedule of Philippine Financial Reporting Standards and Interpretations as of December 31, 2012

Management responsibility on the financial statements includes designing and implementing internal controls 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.

The Board of Directors reviews and approves the financial statements, including the additional supplemental information, and submits the same to the stockholders.

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the financial statements of the Bank in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature :   
TERESITA T. SY  
Chairman of the Board

Signature :   
NESTOR V. TAN  
President

Signature :   
PEDRO M. FLORESCIO III  
Treasurer

Signed this 06 day of March 2013

Banco De Oro  
BDO Corporate Center  
7899 Makati Avenue  
Makati City 0726, Philippines  
Swift Code: BNORPHMM  
Tel +63(2) 840 7000

www.bdo.com.ph

We find ways



Makati City

MAR 06 2013

SUBSCRIBED and SWORN to me before this \_\_\_ day of \_\_\_, 2013 affiant exhibiting to me their Competent Evidence of Identity (CEI), as follows:

Name	CEI Number	Date & Place of Issue
1. Teresita T. Sy	Passport No. - EB0826424 CTC No. - 15870321	08.25.2010/Manila 02.08.2013/Manila
2. Nestor V. Tan	Passport No. - EB7352142 CTC No. - 10712990	02.11.2013/Manila 02.28.2013/Makati
3. Pedro M. Florescio III	Passport No. - EB1502366 CTC No. - 01372088	12.03.2010/Manila 02.19.2013/Manila

WITNESS BY HAND AND SEAL on the day first above-mentioned in Makati City

Doc. No. 284  
Page No. 58  
Book No. 111  
Series of 2013

Atty. 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  
Roll No. 54658  
IBP Lifetime No. 010488, PPLM  
PTR No. 3673329, 1/4/2013, Makati City  
MCLE Compliance No. IV 14-0010217, 12/11/2012

Banco De Oro  
BDO Corporate Center  
7899 Makati Avenue  
Makati City 0726, Philippines  
Swift Code: BNORPHMM  
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We find ways

**AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2012, 2011 AND 2010**



**Punongbayan & Araullo**

An instinct for growth™

Financial Statements and  
Independent Auditors' Report

**BDO Unibank, Inc. and Subsidiaries**

December 31, 2012, 2011 and 2010



# Punongbayan & Araullo

An instinct for growth™

## Report of Independent Auditors

19th and 20th Floors, Tower 1  
The Enterprise Center  
6766 Ayala Avenue  
1200 Makati City  
Philippines

T +63 2 886 5511  
F +63 2 886 5506  
[www.punongbayan-araullo.com](http://www.punongbayan-araullo.com)

### **The Board of Directors and Stockholders**

#### **BDO Unibank, Inc.**

BDO Corporate Center

7899 Makati Avenue, Makati City

We have audited the accompanying financial statements of the BDO Unibank, Inc. and subsidiaries (together hereinafter referred to as the BDO Unibank Group) and BDO Unibank, Inc. (the Parent Bank), which comprise the statements of financial position as at December 31, 2012 and 2011, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2012, 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 the financial reporting standards in the Philippines for banks as described in Note 2 to the financial statements, 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 the BDO Unibank Group and of the Parent Bank as at December 31, 2012 and 2011, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2012, in accordance with financial reporting standards in the Philippines for banks as described in Note 2 to the financial statements.

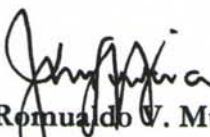




*Emphasis of a Matter*

As discussed in Note 27 to the financial statements, the Parent Bank presented the supplementary information required by the Bureau of Internal Revenue for the year ended December 31, 2012 in a supplementary schedule filed separately from the basic financial statements. Such supplementary information is the responsibility of management. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with the financial reporting standards in the Philippines for banks; it is neither a required disclosure under Philippine Securities and Exchange Commission rules and regulations covering form and content of financial statements under Securities Regulation Code 68.

**PUNONGBAYAN & ARAULLO**

  
**By: Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626

TIN 906-174-059

PTR No. 3671457, January 2, 2013, Makati City

SEC Group A Accreditation

Partner - No. 0628-AR-1 (until Aug. 25, 2013)

Firm - No. 0002-FR-3 (until Jan. 18, 2015)

BIR AN 08-002511-22-2011 (until Feb. 3, 2014)

Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 23, 2013



**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2012 AND 2011**  
*(Amounts in Millions of Philippine Pesos)*

		BDO Unibank Group		Parent Bank	
	Notes	2012	2011	2012	2011
<b><u>R E S O U R C E S</u></b>					
CASH AND OTHER CASH ITEMS	7	P 21,539	P 33,129	P 21,512	P 33,102
DUE FROM BANGKO SENTRAL NG PILIPINAS	7	156,591	124,894	151,303	115,992
DUE FROM OTHER BANKS	8	12,645	24,719	11,488	22,777
TRADING AND INVESTMENT SECURITIES	9	237,294	188,418	218,322	171,081
LOANS AND OTHER RECEIVABLES - Net	10	760,500	673,927	746,299	653,857
PREMISES, FURNITURE, FIXTURES AND EQUIPMENT - Net	11	16,390	15,690	15,616	15,074
INVESTMENT PROPERTIES - Net	12	9,089	10,137	8,609	9,371
OTHER RESOURCES - Net	13	30,360	26,435	37,535	33,804
TOTAL RESOURCES		P 1,244,408	P 1,097,349	P 1,210,684	P 1,055,258
<b><u>LIABILITIES AND EQUITY</u></b>					
DEPOSIT LIABILITIES	15	P 931,641	P 858,569	P 919,794	P 838,748
BILLS PAYABLE	16	72,179	59,474	65,177	51,378
SUBORDINATED NOTES PAYABLE	17	28,180	38,255	28,180	38,255
OTHER LIABILITIES	18	55,156	44,089	49,120	37,294
Total Liabilities		1,087,156	1,000,387	1,062,271	965,675
EQUITY	19				
Attributable to:					
Shareholders of the Parent Bank		156,595	96,329	148,413	89,583
Non-controlling Interests		657	633	-	-
		157,252	96,962	148,413	89,583
TOTAL LIABILITIES AND EQUITY		P 1,244,408	P 1,097,349	P 1,210,684	P 1,055,258

See Notes to Financial Statements.





**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Millions of Philippine Pesos Except Per Share Data)*

		<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	Notes	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>INTEREST INCOME</b>	20	<b>P 54,014</b>	P 50,467	P 49,930	<b>P 51,657</b>	P 48,024	P 46,544
<b>INTEREST EXPENSE</b>	21	<u>17,816</u>	<u>16,688</u>	<u>15,772</u>	<u>17,175</u>	<u>16,039</u>	<u>14,990</u>
<b>NET INTEREST INCOME</b>		<b>36,198</b>	33,779	34,158	<b>34,482</b>	31,985	31,554
<b>IMPAIRMENT LOSSES - Net</b>	14	<u>4,941</u>	<u>6,144</u>	<u>6,698</u>	<u>4,850</u>	<u>5,945</u>	<u>6,374</u>
<b>NET INTEREST INCOME AFTER IMPAIRMENT LOSSES</b>		<b>31,257</b>	27,635	27,460	<b>29,632</b>	26,040	25,180
<b>OTHER OPERATING INCOME</b>	22	<u>24,427</u>	<u>20,899</u>	<u>17,841</u>	<u>21,703</u>	<u>17,976</u>	<u>16,404</u>
<b>OTHER OPERATING EXPENSES</b>	22	<u>39,857</u>	<u>36,316</u>	<u>34,789</u>	<u>37,443</u>	<u>33,863</u>	<u>31,854</u>
<b>PROFIT BEFORE TAX</b>		<b>15,827</b>	12,218	10,512	<b>13,892</b>	10,153	9,730
<b>TAX EXPENSE</b>	27	<u>1,485</u>	<u>1,630</u>	<u>1,631</u>	<u>1,036</u>	<u>1,199</u>	<u>1,297</u>
<b>NET PROFIT</b>		<b><u>P 14,342</u></b>	<b><u>P 10,588</u></b>	<b><u>P 8,881</u></b>	<b><u>P 12,856</u></b>	<b><u>P 8,954</u></b>	<b><u>P 8,433</u></b>
<b>Attributable To:</b>							
Shareholders of the Parent Bank		<b>P 14,283</b>	P 10,531	P 8,825			
Non-controlling Interests		<u>59</u>	<u>57</u>	<u>56</u>			
		<b><u>P 14,342</u></b>	<b><u>P 10,588</u></b>	<b><u>P 8,881</u></b>			
<b>Earnings Per Share:</b>	28						
Basic		<b><u>P 4.46</u></b>	<u>P 3.80</u>	<u>P 3.26</u>	<b><u>P 4.00</u></b>	<u>P 3.21</u>	<u>P 3.11</u>
Diluted		<b><u>P 4.46</u></b>	<u>P 3.80</u>	<u>P 3.26</u>	<b><u>P 4.00</u></b>	<u>P 3.21</u>	<u>P 3.11</u>

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Millions of Philippine Pesos)*

		<b>BDO Unibank Group</b>			<b>Parent Bank</b>		
	<u>Note</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>NET PROFIT</b>		<b><u>P 14,342</u></b>	<b><u>P 10,588</u></b>	<b><u>P 8,881</u></b>	<b><u>P 12,856</u></b>	<b><u>P 8,954</u></b>	<b><u>P 8,433</u></b>
<b>OTHER COMPREHENSIVE INCOME</b>							
Unrealized fair value gains on available-for-sale securities	9	2,813	846	3,020	2,774	1,096	1,951
Transfer of realized fair value losses (gains) on available-for-sale securities to statements of income		<u>471</u>	( <u>209</u> )	<u>768</u>	<u>468</u>	( <u>118</u> )	<u>1,352</u>
Net fair value gains on available for sale securities		3,284	637	3,788	3,242	978	3,303
Translation adjustment related to foreign operations		( <u>62</u> )	( <u>9</u> )	( <u>350</u> )	( <u>32</u> )	-	( <u>317</u> )
Total Other Comprehensive Income, Net of Tax		<u>3,222</u>	<u>628</u>	<u>3,438</u>	<u>3,210</u>	<u>978</u>	<u>2,986</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b><u>P 17,564</u></b>	<b><u>P 11,216</u></b>	<b><u>P 12,319</u></b>	<b><u>P 16,066</u></b>	<b><u>P 9,932</u></b>	<b><u>P 11,419</u></b>
<b>Attributable To:</b>							
Shareholders of the Parent Bank		<u>P 17,502</u>	<u>P 11,218</u>	<u>P 12,231</u>			
Non-controlling Interests		<u>62</u>	( <u>2</u> )	<u>88</u>			
		<b><u>P 17,564</u></b>	<b><u>P 11,216</u></b>	<b><u>P 12,319</u></b>			

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY**  
*(Amounts in Millions of Philippine Pesos)*  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**

Notes	BDO Unibank Group																					
	Common Stock	Preferred Stock	Common Stock Options	Additional Paid-in Capital	Surplus Reserves	Surplus Free	Net Unrealized Gains (Losses) on Available-for-sale Securities	Revaluation Increment	Accumulated Translation Adjustment	Total Attributable to Shareholders of the Parent Bank	Non-controlling Interests	Total Equity										
	P	5,000	P	-	P	25,175	P	1,606	P	33,271	P	4,560	P	1,118	(P)	365	P	96,329	P	633	P	96,962

Parent Bank										
Notes	Common Stock	Preferred Stock	Common Stock Options	Additional Paid-in Capital	Surplus Reserves	Surplus Free	Net Unrealized Fair Value Gains (Losses) on Available-for-sale Securities	Revaluation Increment	Accumulated Translation Adjustment	Total Equity
BALANCE AT JANUARY 1, 2012	P 26,074	P 5,000	P -	P 25,156	P 1,295	P 27,095	P 4,165	P 1,115	( P 317 )	P 89,583
Transactions with owners										
Stock rights issuance	19 8,952	-	-	34,147	-	-	-	-	-	43,099
Cash dividends	19 -	-	-	-	-	( 330 )	-	-	-	330
Stock dividends	19 782	150	-	4,586	-	( 5,524 )	-	-	-	6
Total transaction with owners	9,734	150	-	38,733	-	( 5,854 )	-	-	-	42,763
Total comprehensive income	-	-	-	-	-	12,856	3,242	-	( 32 )	16,066
Transfer to (from) Surplus Free										
Trust reserve	25 -	-	-	-	119	( 119 )	-	-	-	-
Revaluation increment on land written-off	-	-	-	-	-	3	-	( 2 )	-	1
	-	-	-	-	119	( 116 )	-	( 2 )	-	1
<b>BALANCE AT DECEMBER 31, 2012</b>	<b>P 35,808</b>	<b>P 5,150</b>	<b>P -</b>	<b>P 63,889</b>	<b>P 1,414</b>	<b>P 33,981</b>	<b>P 7,407</b>	<b>P 1,113</b>	<b>( P 349 )</b>	<b>P 148,413</b>
BALANCE AT JANUARY 1, 2011	P 26,074	P 5,000	P -	P 25,156	P 1,189	P 21,098	P 3,187	P 1,162	( P 317 )	P 82,549
Transactions with owners										
Cash dividends	19 -	-	-	-	-	( 2,937 )	-	-	-	( 2,937 )
Total comprehensive income	-	-	-	-	-	8,954	978	-	-	9,932
Transfer to (from) Surplus Free										
Trust reserve	25 -	-	-	-	106	( 106 )	-	-	-	-
Revaluation increment on land and building sold	-	-	-	-	-	86	-	( 47 )	-	39
	-	-	-	-	106	( 20 )	-	( 47 )	-	39
BALANCE AT DECEMBER 31, 2011	P 26,074	P 5,000	P -	P 25,156	P 1,295	P 27,095	P 4,165	P 1,115	( P 317 )	P 89,583
BALANCE AT JANUARY 1, 2010	P 23,397	P 5,000	P 7	P 16,839	P 1,100	P 15,169	( P 116 )	P 1,176	P -	P 62,572
Transactions with owners										
Issuance of additional shares	19 2,677	-	-	-	-	-	-	-	-	2,677
Premium on issuance of shares, net of listing fees	19 -	-	-	8,317	-	-	-	-	-	8,317
Cash dividends	19 -	-	-	-	-	( 2,415 )	-	-	-	( 2,415 )
Contribution to stock options, net of recognition	-	-	( 7 )	-	-	-	-	-	-	( 7 )
Total transactions with owners	2,677	-	( 7 )	8,317	-	( 2,415 )	-	-	-	8,572
Total comprehensive income	-	-	-	-	-	8,433	3,303	-	( 317 )	11,419
Transfer to (from) Surplus Free										
Trust reserve	-	-	-	-	89	( 89 )	-	-	-	-
Revaluation increment on land and building sold	-	-	-	-	-	-	-	( 14 )	-	( 14 )
	-	-	-	-	89	( 89 )	-	( 14 )	-	( 14 )
BALANCE AT DECEMBER 31, 2010	P 26,074	P 5,000	P -	P 25,156	P 1,189	P 21,098	P 3,187	P 1,162	( P 317 )	P 82,549

See Notes to Financial Statements.

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Millions of Philippine Pesos)*

	Notes	BDO Unibank Group			Parent Bank		
		2012	2011	2010	2012	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Profit before tax		P 15,827	P 12,218	P 10,512	P 13,892	P 10,153	P 9,730
Adjustments for:							
Interest income	20	( 54,014 )	( 50,467 )	( 49,930 )	( 51,657 )	( 48,024 )	( 46,544 )
Interest received		53,495	47,288	49,859	51,153	45,336	46,384
Interest expense	21	17,816	16,688	15,772	17,175	16,039	14,990
Interest paid		( 17,625 )	( 16,519 )	( 16,657 )	( 16,953 )	( 15,944 )	( 15,291 )
Impairment losses	14	4,941	6,144	6,698	4,850	5,945	6,374
Depreciation and amortization	11, 12, 13	3,059	2,850	2,880	2,798	2,503	1,986
Share in net profit of associates	13	( 470 )	( 681 )	( 16 )	-	-	-
Fair value loss (gain)	9	( 178 )	587	131	( 269 )	392	270
Operating profit before changes in operating resources and liabilities		22,851	18,108	19,249	20,989	16,400	17,899
Decrease (increase) in financial assets at fair value through profit or loss		( 4,134 )	1,969	1,126	( 2,385 )	1,578	1,950
Increase in loans and other receivables		( 91,202 )	( 113,511 )	( 57,878 )	( 97,006 )	( 115,467 )	( 66,108 )
Decrease in investment properties		1,188	1,498	1,235	1,130	1,266	992
Decrease (increase) in other resources		( 5,600 )	( 4,006 )	5,737	( 5,513 )	214	( 31 )
Increase in deposit liabilities		72,945	75,929	91,969	80,874	76,094	95,896
Increase (decrease) in other liabilities		11,763	5,192	( 6,157 )	11,919	2,233	( 5,507 )
Cash generated from (used in) operations		7,811	( 14,821 )	55,281	10,008	( 17,682 )	45,091
Cash paid for income tax		( 1,346 )	( 1,687 )	( 1,846 )	( 630 )	( 1,090 )	( 1,329 )
Net Cash From (Used in) Operating Activities		6,465	( 16,508 )	53,435	9,378	( 18,772 )	43,762
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Acquisitions of available-for-sale securities		( 428,794 )	( 400,320 )	( 487,648 )	( 424,254 )	( 397,304 )	( 485,044 )
Proceeds from disposals of available-for-sale securities		391,344	399,775	451,319	387,278	395,919	452,441
Acquisitions of held-to-maturity investments		( 24,411 )	( 12,205 )	( 25,446 )	( 24,410 )	( 10,589 )	( 22,632 )
Maturities and disposals of held-to-maturity investments		21,094	22,099	45,163	20,565	21,016	41,706
Acquisitions of premises, furniture, fixtures and equipment	11	( 2,975 )	( 3,089 )	( 2,461 )	( 2,571 )	( 2,749 )	( 2,200 )
Proceeds from disposals of premises, furniture, fixtures and equipment		32	531	222	22	151	95
Acquisitions of equity investments	13	-	-	( 1,405 )	-	-	( 1,405 )
Net Cash From (Used in) Investing Activities		( 43,710 )	6,791	( 20,256 )	( 43,370 )	6,444	( 17,039 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>							
Net proceeds from issuance of stock rights	19	43,099	-	-	43,099	-	-
Proceeds from issuance of senior notes payable	16	12,790	-	13,105	12,790	-	13,105
Proceeds from (payment of) unsecured subordinated notes	17	( 10,000 )	14,905	-	( 10,000 )	14,905	-
Dividends paid	19	( 368 )	( 3,025 )	( 2,447 )	( 330 )	( 2,937 )	( 2,415 )
Net proceeds from (payments of) bills payable		( 237 )	( 6,353 )	19,993	871	( 4,580 )	20,564
Transaction costs paid from issuance of stock dividends	19	( 6 )	-	-	( 6 )	-	-
Proceeds from issuance of common shares		-	-	10,993	-	-	10,994
Net Cash From Financing Activities		45,278	5,527	41,644	46,424	7,388	42,248
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (Carried Forward)</b>							
	P	8,033	( P 4,190 )	P 74,823	P 12,432	( P 4,940 )	P 68,972

	Notes	BDO Unibank Group			Parent Bank		
		2012	2011	2010	2012	2011	2010
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (<i>Brought Forward</i>)</b>		<b>P 8,033</b>	<b>( P 4,190 )</b>	<b>P 74,823</b>	<b>P 12,432</b>	<b>( P 4,940 )</b>	<b>P 68,971</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>							
Cash and other cash items	7	33,129	26,673	30,544	33,102	26,660	30,365
Due from Bangko Sentral ng Pilipinas	7	124,894	138,482	64,833	115,992	129,718	62,864
Due from other banks	8	24,719	21,777	16,732	22,777	20,433	14,611
		<b>182,742</b>	<b>186,932</b>	<b>112,109</b>	<b>171,871</b>	<b>176,811</b>	<b>107,840</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>							
Cash and other cash items	7	21,539	33,129	26,673	21,512	33,102	26,660
Due from Bangko Sentral ng Pilipinas	7	156,591	124,894	138,482	151,303	115,992	129,718
Due from other banks	8	12,645	24,719	21,777	11,488	22,777	20,433
		<b>P 190,775</b>	<b>P 182,742</b>	<b>P 186,932</b>	<b>P 184,303</b>	<b>P 171,871</b>	<b>P 176,811</b>

#### Supplemental Information on Noncash Financing and Investing Activities

The following are the significant noncash transactions:

- On March 22, 2012, the Parent Bank declared 3% stock dividends on its outstanding common and preferred shares, equivalent to 78,218,589 common shares at P68.70 per share and 15,000,000 preferred shares at par. The declaration resulted in the recognition of additional paid-in capital of P4,586, net of issue costs (see Note 19.5). The dividends were distributed on June 8, 2012.
- On July 24, 2012, the Parent Bank acquired Rural Bank of San Juan, Inc.'s assets amounting to P695 and assumed the liabilities amounting to P1,320 which resulted in the recognition of branch licenses of P481 and goodwill of P144 (see Note 13.5).
- In 2011, the Parent Bank agreed to transfer, code and convey absolutely to SM Keppel Land, Inc. (SM Keppel) the outstanding advances totalling P364 recognized as part of Other receivables under Loans and Other Receivables in exchange for 36,401,500 preferred shares of SM Keppel for a subscription price of P364 (see Note 13).
- On April 30, 2011, the Board of Directors approved the five-way merger (the Merger) of wholly-owned subsidiaries: BDO Strategic Holdings, Inc. (BDOSHI), Equitable Card Network, Inc., EBC Strategic Holdings Corporation (ESHC), BDO Technology Center, Inc. and Strategic Property Holdings, Inc. with BDOSHI as the surviving corporation. The Merger was approved by the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission on November 29, 2011 and December 29, 2011, respectively. As a consideration for the Merger, the Bank invested additional P4,580 in BDOSHI through dacion en pago by ESHC of its 3,621,159 preferred shares and 2,000,001 common shares and conversion of advances to the subsidiaries (see Note 26.1).
- In 2010, the BDO Unibank Group and the Parent Bank participated in the Global Bond Exchange by exchanging Republic of the Philippines bonds recognized under Financial Assets at Fair Value through Profit or Loss amounting to US\$1.3 million of the Parent Bank and Held-to-maturity (HTM) Investments amounting to US\$111.5 million and US\$75.4 million of the BDO Unibank Group and Parent Bank, respectively (see Note 9.3). This resulted in a gain of P77 and P63 for BDO Unibank Group and Parent Bank, respectively, shown as part of Trading gain - net under Other Operating Income (see Note 22) and P615 and P545 for HTM by the BDO Unibank Group and Parent Bank, respectively, shown as part of Unearned income under Other Liabilities (see Note 18).

*See Notes to Financial Statements.*

**BDO UNIBANK, INC. AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012, 2011 AND 2010**  
*(Amounts in Millions of Philippine Pesos, Except Per Share Data or As Indicated)*

**1. CORPORATE MATTERS**

***1.1 Incorporation and Operations***

BDO Unibank, Inc. (BDO Unibank or the Parent Bank) was incorporated in the Philippines on August 16, 1967 to engage in the business of banking. It was authorized to engage in trust operations on January 5, 1988 and in foreign currency deposit operations on November 23, 1990. The Bangko Sentral ng Pilipinas (BSP) granted approval to the Parent Bank to operate as an expanded commercial bank on August 5, 1996. The Parent Bank commenced operations as such in September of the same year. The Parent Bank and its subsidiaries (collectively referred to as BDO Unibank Group or the Group) offer a wide range of commercial, investment, private and other banking services. These services include traditional loan and deposit products, as well as treasury, asset management, realty management, leasing and finance, remittance, trade services, retail cash cards, insurance, credit card services, stockbrokerage, trust and others.

On January 29, 2011, the Parent Bank's Board of Directors (BOD) approved the change in BDO Unibank's registered name from Banco De Oro Unibank, Inc. to BDO Unibank, Inc. The change in BDO Unibank's registered name was approved by the Philippine Securities and Exchange Commission (SEC) on November 4, 2011.

As a banking institution, BDO Unibank Group's operations are regulated and supervised by the BSP. In this regard, BDO Unibank Group is required to comply with the rules and regulations of the BSP such as those relating to maintenance of reserve requirements on deposit liabilities and deposit substitutes and those relating to the adoption and use of safe and sound banking practices, among others, as promulgated by the BSP. BDO Unibank Group is subject to the provisions of the General Banking Law of 2000 Republic Act (RA) No. 8791.

The Parent Bank's common shares are listed in the Philippine Stock Exchange (PSE). As of December 31, 2012, the Parent Bank has 763 branches (including one foreign branch) and 1,054 on-site and 823 off-site automated teller machines (ATM). The Parent Bank's registered address is at BDO Corporate Center, 7899 Makati Avenue, Makati City.

BDO Unibank Group operates mainly within the Philippines with a banking branch in Hong Kong and various remittance subsidiaries operating in Asia, Europe and the United States. In 2012, 2011 and 2010, these foreign operations accounted for 0.7%, 0.5% and 0.4%, respectively, of BDO Unibank Group's total revenues and 0.5%, 1.1% and 0.1%, respectively, of BDO Unibank Group's total resources. BDO Unibank Group's subsidiaries and associates are shown in Note 13.1.

### ***1.2 Approval of Financial Statements***

The financial statements of BDO Unibank Group and the Parent Bank for the year ended December 31, 2012 (with comparatives for the years ended December 31, 2011 and 2010) were approved and authorized for issue by the Parent Bank's BOD on February 23, 2013.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### ***2.1 Basis of Preparation of Consolidated Financial Statements***

#### ***(a) Statement of Compliance with Financial Reporting Standards in the Philippines for Banks***

The consolidated financial statements of BDO Unibank Group and the separate financial statements of the Parent Bank have been prepared in accordance with the financial reporting standards in the Philippines (FRSP) for banks. FRSP for banks and Philippine Financial Reporting Standards (PFRS) are similar except for the reclassification of credit-linked notes (CLNs) that are linked to Republic of the Philippines (ROP) bonds (without bifurcating the related embedded derivative) from fair value through profit or loss (FVTPL) to unquoted debt securities classified as loans or UDSCL (included as part of Loans and Other Receivables), that are outstanding as of the effective date of reclassification, which is permitted by the BSP for prudential reporting, and by the SEC for financial reporting.

PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

The financial statements have been prepared using the measurement bases specified by PFRS for each type of resources, liabilities, income and expense. The measurement bases are more fully described in the accounting policies that follow.

The reconciliations and explanatory notes thereto in the succeeding pages describe the difference on the statements of financial position under FRSP and PFRS.



- (i) The reconciliations of the equity reported under FRSP to equity under PFRS as of December 31 follow:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Equity under FRSP</b>	<b>P 157,252</b>	<b>P 96,962</b>	<b>P 148,413</b>	<b>P 89,583</b>
Prior year reconciling items	<u>22</u>	<u>311</u>	<u>22</u>	<u>240</u>
Current year reconciling items:				
Amortization of premium/discount due to change in effective interest rates	59	( 16)	59	( 16)
Amortization of negative fair value of embedded derivatives on CLNs reclassified to loans and other receivables	-	9	-	-
Reversal of net adjustments to equity due to:				
Unrealized mark-to-market gain (loss) on embedded derivatives on CLNs reclassified to loans and other receivables	( 59)	202	( 59)	202
Unwinding of CLNs	<u>-</u>	<u>80</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>( 289)</u>	<u>-</u>	<u>( 218)</u>
Total adjustments to equity	<u>22</u>	<u>22</u>	<u>22</u>	<u>22</u>
<b>Equity under PFRS</b>	<b>P 157,274</b>	<b>P 96,984</b>	<b>P 148,435</b>	<b>P 89,605</b>

- (ii) Differences in the measurement of items in the statements of financial position as of December 31 are summarized below.

**BDO Unibank Group**

	<u>2012</u>		
	<u>FRSP</u>	<u>Difference</u>	<u>PFRS</u>
<b>Changes in resources:</b>			
Trading and investment securities	P 237,294	P -	P 237,294
Loans and other receivables	<u>760,500</u>	<u>22</u>	<u>760,522</u>
	<u>P 997,794</u>		<u>P 997,816</u>
<b>Total adjustments to equity</b>		<u>P 22</u>	
	<u>2011</u>		
	<u>FRSP</u>	<u>Difference</u>	<u>PFRS</u>
<b>Changes in resources:</b>			
Trading and investment securities	P 188,418	(P 218)	P 188,200
Loans and other receivables	<u>673,927</u>	<u>240</u>	<u>674,167</u>
	<u>P 862,345</u>		<u>P 862,367</u>
<b>Total adjustments to equity</b>		<u>P 22</u>	

**Parent Bank**

<u>2012</u>			
	<u>FRSP</u>	<u>Difference</u>	<u>PFRS</u>
<b>Changes in resources:</b>			
Trading and investment securities	P 218,322	P -	P 218,322
Loans and other receivables	<u>746,299</u>	<u>22</u>	<u>746,321</u>
	<u>P 964,621</u>		<u>P 964,643</u>
<b>Total adjustments to equity</b>		<u>P 22</u>	
<u>2011</u>			
	<u>FRSP</u>	<u>Difference</u>	<u>PFRS</u>
<b>Changes in resources:</b>			
Trading and investment securities	P 171,081	(P 218)	P 170,863
Loans and other receivables	<u>653,857</u>	<u>240</u>	<u>654,097</u>
	<u>P 824,938</u>		<u>P 824,960</u>
<b>Total adjustments to equity</b>		<u>P 22</u>	

(iii) The reconciliations of net profit reported under FRSP to net profit under PFRS for the years ended December 31 follow:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b>Net profit under FRSP</b>	<u>P 14,342</u>	<u>P 10,588</u>	<u>P 12,856</u>	<u>P 8,954</u>
Unrealized mark-to-market loss on embedded derivatives on CLNs reclassified to loans and other receivables	( 59)	( 202)	( 59)	( 202)
Amortization of premium/discount due to change in effective interest rates	59	( 16)	59	( 16)
Reversal of net adjustments to equity due to unwinding of CLNs	-	( 80)	-	-
Amortization of negative fair value of embedded derivatives on CLNs reclassified to loans and receivables	-	9	-	-
	<u>-</u>	<u>( 289)</u>	<u>-</u>	<u>( 218)</u>
<b>Net profit under PFRS</b>	<u>P 14,342</u>	<u>P 10,299</u>	<u>P 12,856</u>	<u>P 8,736</u>

(b) *Presentation of Financial Statements*

The financial statements are presented in accordance with Philippine Accounting Standards (PAS) 1, *Presentation of Financial Statements*. BDO Unibank Group presents the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income.

Two comparative periods are presented for the statement of financial position when BDO Unibank Group applies an accounting policy retrospectively, makes retrospective restatement of items in its financial statements, or reclassifies items in the financial statements.

(c) *Functional and Presentation Currency*

These financial statements are presented in Philippine pesos, BDO Unibank Group's functional and presentation currency, and all values represent absolute amounts, except when otherwise indicated (see also Note 2.26). The financial statements of the foreign currency deposit units (FCDUs) of BDO Unibank Group and foreign subsidiaries are translated at the prevailing current exchange rates (for statement of financial position accounts) and average exchange rate during the period (for statement of income accounts) for consolidation purposes.

Items included in the financial statements of BDO Unibank Group are measured using its functional currency. Functional currency is the currency of the primary economic environment in which BDO Unibank Group operates.

**2.2 Adoption of New and Amended PFRS**

(a) *Effective in 2012 that are Relevant to BDO Unibank Group*

In 2012, BDO Unibank Group adopted the following amendments to PFRS that are relevant to the Group and effective for financial statements for the annual period beginning on or after July 1, 2011 or January 1, 2012:

PFRS 7 (Amendment)	: Financial Instruments: Disclosures – Transfers of Financial Assets
PAS 12 (Amendment)	: Income Taxes – Deferred Taxes: Recovery of Underlying Assets

Discussed below are the relevant information about these amended standards.

- (i) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Transfers of Financial Assets*. The amendment requires additional disclosures that will allow users of financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and, to evaluate the nature of, and risk associated with any continuing involvement of the reporting entity in financial assets that are derecognized in their entirety. BDO Unibank Group did not usually enter into this type of arrangement with regard to transfer of any financial asset. Hence, the amendment did not result in any significant change in BDO Unibank Group's disclosures in its financial statements.

- (ii) PAS 12 (Amendment), *Income Taxes – Deferred Tax: Recovery of Underlying Assets*. The amendment introduces a rebuttable presumption that the measurement of a deferred tax liability or asset that arises from investment property measured at fair value under PAS 40, *Investment Property* should reflect the tax consequence of recovering the carrying amount of the asset entirely through sale. The presumption is rebutted for depreciable investment property (e.g., building) that is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the asset over time, rather than through sale. Moreover, Standing Interpretation Committee (SIC) 21, *Income Taxes – Recovery of Revalued Non-Depreciable Assets*, is accordingly withdrawn and is incorporated under PAS 12 requiring that deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property, Plant and Equipment* should always be measured on a sale basis of the asset. The amendment has no significant impact on BDO Unibank Group's financial statements as the Group's investment properties and land classified as premises, furniture, fixtures and equipment are measured at cost. Nonetheless, certain land classified as premises, furniture, fixtures and equipment revalued in accordance with PFRS 1, *First-time Adoption of PFRS*, are taxable with the same rate regardless of whether these assets will be sold or used in operation.

(b) *Effective in 2012 that is not Relevant to BDO Unibank Group*

PFRS 1, *First-time Adoption of PFRS*, was amended to provide relief for first-time adopters of PFRS from having to reconstruct transactions that occurred before the date of transition to PFRS and to provide guidance for entities emerging from severe hyperinflation either to resume presenting PFRS financial statements or to present PFRS financial statements for the first time. The amendment became effective for annual periods beginning on or after July 1, 2011 but is not relevant to BDO Unibank Group's financial statements.

(c) *Effective Subsequent to 2012 but not Adopted Early*

There are new PFRS, amendments, annual improvements and interpretations to existing standards that are effective for periods subsequent to 2012. Management has initially determined the following pronouncements, which BDO Unibank Group will apply in accordance with their transitional provisions, to be relevant to its financial statements:

- (i) PAS 1 (Amendment), *Financial Statements Presentation – Presentation of Items of Other Comprehensive Income* (effective from July 1, 2012). The amendment requires an entity to group items presented in other comprehensive income into those that, in accordance with other PFRSs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. BDO Unibank Group's management expects that this will change the current presentation of items in other comprehensive income (i.e., segregation of revaluation reserve on premises, furniture, fixtures and equipment, unrealized fair value gains and losses on available-for-sale (AFS) securities and translation adjustment of foreign operation).

(ii) PAS 19 (Revised), *Employee Benefits* (effective from January 1, 2013). The revision made a number of changes as part of the improvements throughout the standard. The main changes relate to defined benefit plans as follows:

- eliminates the corridor approach under the existing guidance of PAS 19 and requires an entity to recognize all actuarial gains and losses arising in the reporting period;
- streamlines the presentation of changes in plan assets and liabilities resulting in the disaggregation of changes into three main components of service costs, net interest on net defined benefit obligation or asset, and remeasurement; and,
- enhances disclosure requirements, including information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

Currently, BDO Unibank Group is using the corridor approach. The unrecognized actuarial losses of BDO Unibank Group and the Parent Bank as of December 31, 2012 amounted to P4,116 and P3,874, respectively (see Note 23.2), which will be recognized in 2013 in other comprehensive income applied retrospectively.

(iii) Consolidation Standards

BDO Unibank Group is currently reviewing the impact on its financial statements of the following consolidation standards which will be effective from January 1, 2013:

- PFRS 10, *Consolidated Financial Statements*. This standard builds on existing principles of consolidation by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard also provides additional guidance to assist in determining control where this is difficult to assess.
- PFRS 12, *Disclosure of Interests in Other Entities*. This standard integrates and makes consistent the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and unconsolidated structured entities. This also introduces new disclosure requirements about the risks to which an entity is exposed from its involvement with structured entities.
- PAS 27 (Amendment), *Separate Financial Statements*. This revised standard now covers the requirements pertaining solely to separate financial statements after the relevant discussions on control and consolidated financial statements have been transferred and included in PFRS 10. No new major changes relating to separate financial statements have been introduced as a result of the revision.

- PAS 28 (Amendment), *Investments in Associate and Joint Venture*. This revised standard includes the requirements for joint ventures, as well as associates, to be accounted for using equity method following the issuance of PFRS 11, *Joint Arrangement*.

Subsequent to the issuance of the foregoing consolidation standards, the IASB made some changes to the transitional provisions in International Financial Reporting Standards (IFRS) 10, IFRS 11 and IFRS 12, which were also adopted by the FRSC. The guidance confirms that an entity is not required to apply PFRS 10 retrospectively in certain circumstances and clarifies the requirements to present adjusted comparatives. The guidance also made changes to PFRS 10 and PFRS 12 which provide similar relief from the presentation or adjustment of comparative information for periods prior to the immediately preceding period. Further, it provides relief by removing the requirement to present comparatives for disclosures relating to unconsolidated structured entities for any period before the first annual period for which PFRS 12 is applied.

- (iv) PFRS 7 (Amendment), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2013). The amendment requires qualitative and quantitative disclosures relating to gross and net amounts of recognized financial instruments that are set-off in accordance with PAS 32, *Financial Instruments: Presentation*. The amendment also requires disclosure of information about recognized financial instruments subject to enforceable master netting arrangements or similar agreements, even if they are not set-off in the statement of financial position, including those which do not meet some or all of the offsetting criteria under PAS 32, and amounts related to a financial collateral. These disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with recognized financial assets and financial liabilities on the entity's financial position. BDO Unibank Group is currently assessing the impact of the amendment on its financial statements.
- (v) PFRS 13, *Fair Value Measurement* (effective from January 1, 2013). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across PFRS. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. Management is in the process of reviewing its valuation methodologies for conformity with the new requirements and has yet to assess the impact of the new standard on BDO Unibank Group's financial statements.

- (vi) PAS 32 (Amendment), *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective from January 1, 2014). The amendment provides guidance to address inconsistencies in applying the criteria for offsetting financial assets and financial liabilities. It clarifies that a right of set-off is required to be legally enforceable, in the normal course of business, in the event of default and in the event of insolvency or bankruptcy of the entity and all of the counterparties. The amendment also clarifies the principle behind net settlement and includes an example of a gross settlement system with characteristics that would satisfy the criterion for net settlement. BDO Unibank Group is currently assessing the impact of the amendment on BDO Unibank Group's financial statements.
- (vii) PFRS 9, *Financial Instruments: Classification and Measurement* (effective from January 1, 2015). This is the first part of a new standard on financial instruments that will replace PAS 39, *Financial Instruments: Recognition and Measurement* in its entirety. This chapter covers the classification and measurement of financial assets and financial liabilities and it deals with two measurement categories for financial assets: amortized cost and fair value. All equity instruments will be measured at fair value while debt instruments will be measured at amortized cost only if the entity is holding it to collect contractual cash flows which represent payment of principal and interest. The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related and, in most arrangement, does not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in case where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

To date, other chapters of PFRS 9 dealing with impairment methodology and hedge accounting are still being completed.

Further, in November 2011, the IASB tentatively decided to consider making limited modifications to IFRS 9's financial asset classification model to address certain application issues.

BDO Unibank Group does not expect to implement and adopt PFRS 9 until its effective date or until all chapters of this new standard have been published. In addition, management is currently assessing the impact of PFRS 9 on the financial statements of BDO Unibank Group and it plans to conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) 2009-2011 Annual Improvements to PFRS. Annual improvements to PFRS (2009-2011 Cycle) made minor amendments to a number of PFRS, which are effective for annual period beginning on or after January 1, 2013. Among those improvements, the following amendments are relevant to BDO Unibank Group but management does not expect a material impact on BDO Unibank Group's financial statements:

(a) PAS 1 (Amendment), *Presentation of Financial Statements – Clarification of the Requirements for Comparative Information*. The amendment clarifies the requirements for presenting comparative information for the following:

- Requirements for opening statement of financial position

If an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period (i.e., opening statement of financial position), it shall present such third statement of financial position.

Other than disclosure of certain specified information in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

- Requirements for additional comparative information beyond minimum requirements

If an entity presented comparative information in the financial statements beyond the minimum comparative information requirements, the additional financial statements information should be presented in accordance with PFRS including disclosure of comparative information in the related notes for that additional information. Presenting additional comparative information voluntarily would not trigger a requirement to provide a complete set of financial statements.

(b) PAS 32 (Amendment), *Financial Instruments – Presentation – Tax Effect of Distributions to Holders of Equity Instruments*. The amendment clarifies that the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with PAS 12. Accordingly, income tax relating to distributions to holders of an equity instrument is recognized in profit or loss while income tax related to the transaction costs of an equity transaction is recognized in equity.



### ***2.3 Presentation of Consolidated Financial Statements***

The consolidated financial statements are presented in accordance with PAS 1. BDO Unibank Group has elected to present the statement of comprehensive income in two statements: a statement of income and a statement of comprehensive income.

Two comparative periods are presented for the statements of financial position when BDO Unibank Group:

- (a) applies an accounting policy retrospectively;
- (b) makes a retrospective restatement of items in its financial statements; or,
- (c) reclassifies items in the financial statements.

### ***2.4 Basis of Consolidation***

BDO Unibank Group obtains and exercises control through voting rights. BDO Unibank Group's consolidated financial statements comprise the accounts of the Parent Bank and its subsidiaries as enumerated in Note 13.1, after the elimination of material intercompany transactions. All significant intercompany balances and transactions with subsidiaries, including income, expenses and dividends, are eliminated in full. Unrealized profits and losses from intercompany transactions that are recognized in assets are also eliminated in full. Intercompany losses that indicate impairment are recognized in BDO Unibank Group's financial statements.

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Bank, using consistent accounting principles.

BDO Unibank Group accounts for its investments in subsidiaries and transactions with non-controlling interest as follows:

#### ***(a) Investments in Subsidiaries***

Subsidiaries are all entities over which BDO Unibank Group has the power to control the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. BDO Unibank Group obtains and exercises control over subsidiaries through voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether BDO Unibank Group controls another entity. Subsidiaries are consolidated from the date BDO Unibank Group obtains control until such time that such control ceases.

Except as otherwise indicated, the acquisition of subsidiaries are accounted for using the acquisition method (see Note 2.14). Acquisition method requires recognizing and measuring the identifiable resources acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Parent Bank, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, BDO Unibank Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of the Group's share of the identifiable net assets acquired is recognized as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly as a gain in profit or loss (see Note 2.14).

On the other hand, business combinations arising from transfers of interests in entities that are under the common control of the shareholder that controls BDO Unibank Group are accounted for under the pooling-of-interests method and reflected in the financial statements as if the business combination had occurred at the beginning of the earliest comparative period presented, or if later, at the date that common control was established; for this purpose, comparative periods presented are restated. The resources and liabilities acquired are recognized in BDO Unibank Group's financial statements at their carrying amounts. The components of equity of the acquired entities are added to the same components within BDO Unibank Group's equity.

*(b) Transactions with Non-controlling Interests*

BDO Unibank Group's transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of BDO Unibank Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the subsidiary's net assets is recognized in equity. Disposals of equity investments to non-controlling interests which result in gains or losses for BDO Unibank Group are also recognized in equity.

When BDO Unibank Group ceases to have control, any interest retained in the subsidiary is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. The initial carrying amount for the purposes of subsequently accounting for the interest retained as an associate, joint venture or financial asset is the fair value. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if BDO Unibank Group had directly disposed of the related resources or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

In BDO Unibank Group's financial statements, the non-controlling interest component is shown in its statement of changes in equity, and in its statement of income and statement of comprehensive income for the share of profit or loss and movement of other comprehensive income, respectively, during the year. Non-controlling interests in 2012, 2011 and 2010 represent the interests not held by BDO Unibank Group in BDO Leasing and Finance, Inc. (BDO Leasing), BDO Elite Savings Bank, Inc. (BDO Elite) and Equimark – NFC Development Corporation (Equimark).

## ***2.5 Segment Reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to BDO Unibank Group's chief operating decision-maker. The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally follows BDO Unibank Group's products and services as disclosed in Note 5, which represent the main products and services provided by BDO Unibank Group.

Each of these operating segments is managed separately as each of these services requires different technologies and resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies of BDO Unibank Group uses for segment reporting under PFRS 8, *Operating Segments*, is the same as those used in its financial statements. In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

BDO Unibank Group's operations are organized according to the nature of the products and services provided. Financial information on operating segments is presented in Note 5.

## ***2.6 Financial Assets***

Financial assets, which are recognized when BDO Unibank Group becomes a party to contractual terms of the financial instrument, include cash and other financial instruments. Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity (HTM) investments and AFS securities. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired. Except for derivative financial instruments and financial assets designated at FVTPL, the designation of financial assets is re-evaluated at the end of each reporting period at which date a choice of classification or accounting treatment is available, subject to compliance with specific provisions of applicable accounting standards.

Regular purchases and sales of financial assets are recognized on their settlement date. All financial assets that are not classified as at FVTPL are initially recognized at fair value, plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and transaction costs related to it are recognized in profit or loss.

A more detailed description of the four categories of financial assets is as follows:

*(a) Financial Assets at FVTPL*

This category includes derivative financial instruments and financial assets that are either classified as held for trading (HFT) or that meets certain conditions and are designated by BDO Unibank Group to be carried at FVTPL upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling it in the near term or if so designated by management. Derivatives are also categorized as “held for trading” unless they are designated and effective as hedging instrument.

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be subsequently reclassified out of FVTPL category:

- (i)* only in rare circumstances and if there is a change in intention (i.e., the financial asset is no longer held for the purpose of selling or repurchasing it in the near future);
- (ii)* if the financial asset would have met the definition of loans receivables and if the financial asset had not been required to be classified as HFT at initial recognition and the entity has the intention and ability to hold the financial asset for the foreseeable future or until maturity; and,
- (iii)* for CLNs and derivatives embedded in CLNs linked to ROP bonds as permitted by the BSP for prudential reporting and by the SEC for financial reporting.

*(b) Loans and Receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These arise when BDO Unibank Group provides money, goods or services directly to the debtor with no intention of trading the receivables. Included in this category are financial assets arising from direct loans to customers, interbank loans receivables, sales contract receivables and all receivables from customers and other banks. Loans and receivables also include the aggregate rental on finance lease transactions. Unearned income on finance lease transactions is shown as a deduction from loans and receivables.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment losses, if any. Any change in the value of loans and receivables is recognized in profit or loss, except for reclassified financial assets under PAS 39 and PFRS 7. Increases in estimates of future cash receipts from financial assets that have been reclassified in accordance with PAS 39 and PFRS 7 shall be recognized as an adjustment to the effective interest rate from the date of the change in estimate. Securities Purchased Under Reverse Repurchase Agreement (SPURRA), wherein BDO Unibank Group enters into short-term purchases of securities under reverse repurchase agreements of substantially identical securities with the BSP, are included in this category. The difference between the sale and repurchase price is recognized as interest and accrued over the life of the agreements using the straight line method.

BDO Unibank Group's financial assets categorized as loans and receivables are presented as Cash and cash equivalents and Loans and Other Receivables in the statement of financial position. Cash and cash equivalents consist of cash and non-restricted balances with the BSP and amounts due from other banks. For purposes of reporting cash flows, cash and cash equivalents include cash and other cash items, amounts due from BSP and other banks, interbank call loans receivable and SPURRA with original maturities of three months or less from placement date.

Impairment loss is the estimated amount of loss in BDO Unibank Group's loan portfolio, based on the evaluation of the estimated future cash flows discounted at the loan's original effective interest rate or the last repricing rate for loans issued at variable rates (see Note 2.24). Impairment is established through an allowance account which is charged to expense. Loans and receivables are written off against the allowance for impairment when management believes that the collectibility of the principal is unlikely, subject to BSP regulations.

(c) *HTM Investments*

This category includes non-derivative financial assets with fixed or determinable payments and a fixed date of maturity that BDO Unibank Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included under this category.

HTM investments consist of government and private debt securities. If BDO Unibank Group were to sell other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS securities. The tainting provision will not apply if the sales or reclassifications of HTM investments: (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on its fair value; (ii) occur after BDO Unibank Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of BDO Unibank Group, is nonrecurring and could not have been reasonably anticipated by BDO Unibank Group.

Subsequent to initial recognition, HTM investments are measured at amortized costs using effective interest method, less impairment losses, if any. Impairment loss, which is the difference between the carrying value and the present value of estimated cash flows of the investment, is recognized when there is objective evidence that the investment has been impaired. Any changes to the carrying amount of the investment due to impairment are recognized in profit or loss.

*(d) AFS Securities*

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

Non-derivative financial asset classified as AFS securities may be reclassified to loans and receivables category if that financial asset would have met the definition of loans and receivables and if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in other comprehensive income, net of any effects arising from income taxes. Cumulative gains and losses arising from securities classified as AFS securities are reclassified from other comprehensive income to profit or loss when these are sold or when the investments are impaired; and such is presented as a reclassification adjustment within other comprehensive income.

Reversal of impairment losses is recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

The fair values of quoted investments in active markets are based on current closing prices. If the market for a financial asset is not active and for unlisted securities, BDO Unibank Group establishes the fair value by using valuation techniques, which include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Gains and losses arising from changes in the fair value of the financial assets at FVTPL category are reported as part of Trading gain under Other Operating Income account in the statement of income in the period in which these arise. Gains and losses arising from changes in the fair value of AFS securities are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified to profit or loss. However, interest calculated using the effective interest method is recognized in profit or loss.

Non-compounding interest, dividend income and other cash flows resulting from holding impaired financial assets are recognized in profit or loss when received, regardless of how the related carrying amount of financial assets is measured.

The financial assets are derecognized when the contractual rights to receive cash flows from the financial instruments expire or when the financial assets are transferred and all substantial risks and rewards of ownership have been transferred.

## ***2.7 Derivative Financial Instruments and Hedge Accounting***

BDO Unibank Group is a party to various foreign-currency forwards and cross-currency and interest rate swaps. These contracts are entered into as a service to customers and as a means of reducing or managing BDO Unibank Group's foreign exchange and interest rate exposures, as well as for trading purposes.

Derivatives are initially recognized at fair value on the date on which derivative contract is entered into and are subsequently measured at their fair value (except for the embedded derivatives in CLNs linked to ROP bonds which BDO Unibank Group reclassified to loans and other receivables together with the host CLN). Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, BDO Unibank Group recognizes profit or loss at initial recognition.

For more complex instruments, BDO Unibank Group uses proprietary models, which usually are developed from recognized valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions. When entering into a transaction, the financial instrument is recognized initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price. This initial difference in fair value indicated by valuation techniques is recognized as profit or loss depending upon the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation technique is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value in the statement of financial position.

Certain derivatives embedded in other financial instruments are considered as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are bifurcated from the host contracts and are measured at fair value with changes in fair value recognized in profit or loss (except for the embedded derivatives in CLNs linked to ROP bonds which were not bifurcated from the host contracts and were reclassified to loans and other receivables as permitted by the BSP and SEC). Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies contractual cash flows.

Certain derivatives may be designated as either: (i) hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedge); or, (ii) hedges of highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge). Changes in the fair value of derivatives are recognized in profit or loss. The method of recognizing the resulting fair value gain or loss on derivatives that qualify as hedging instrument depends on the hedging relationship designated by BDO Unibank Group.

## ***2.8 Non-current Assets Held for Sale***

Assets held for sale include real and other properties acquired through repossession or foreclosure that BDO Unibank Group intends to sell within one year from the date of classification as held for sale.

BDO Unibank Group classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. In the event that the sale of the asset is extended beyond one year, the extension of the period required to complete the sale does not preclude an asset from being classified as held for sale if the delay is caused by events or circumstances beyond BDO Unibank Group's control and there is sufficient evidence that BDO Unibank Group remains committed to its plan to sell the asset.

Assets classified as held for sale are measured at the lower of their carrying amounts immediately prior to their classification as assets held for sale and their fair value less costs to sell. Assets classified as held for sale are not subject to depreciation or amortization. The profit or loss arising from the sale of assets held for sale is included as part of Income from assets sold or exchanged under Other Operating Income account in profit or loss.

## ***2.9 Investment Properties***

Investment properties are stated at cost. The cost of an investment property comprises its purchase price and directly attributable costs incurred. This also includes land and building acquired by BDO Unibank Group from defaulting borrowers not held for sale in the next 12 months. For these assets, the cost is recognized initially at fair value. Investment properties except land are depreciated on a straight-line basis over a period of 10 years.

BDO Unibank Group adopted the cost model in measuring its investment properties; hence, these are carried at cost less accumulated depreciation and any impairment in value. Depreciation and impairment loss are recognized in the same manner as in premises, furniture, fixtures and equipment (see Note 2.25).



Investment properties are derecognized upon disposal or when permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the retirement or disposal of an investment property is recognized in profit or loss is presented as part of Income from assets sold or exchanged under Other Operating Income in the year of retirement or disposal.

### ***2.10 Real Properties for Development and Sale***

Real properties for development and sale (included as part of Other Resources account) consist of subdivision land for sale and development, and land acquired for home building, home development, and other types of real estate development. These are carried at the lower of aggregate cost and net realizable value (NRV). Costs, which is determined through specific identification, include acquisition costs and costs incurred for development, improvement and construction of subdivision land. NRV is the selling price less estimated cost to complete, commissions and other marketing costs.

Land acquired for home building, home development and other types of real estate development is also carried at the lower of aggregate cost and NRV. Costs include acquisition costs and, once real estate development commences, the cost of these properties, including development costs incurred, will be reclassified to Real Properties for Development and Sale and is presented as part of Other Resources in the statement of financial position.

### ***2.11 Equity Investments***

In BDO Unibank Group's financial statements, investments in associates (presented as Equity Investments under Other Resources account) are accounted for under the equity method of accounting and are initially recognized at cost less allowance for impairment, if any (see Note 2.25). Associates are all entities over which BDO Unibank Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

BDO Unibank Group's share of its associates' post-acquisition profits or losses is recognized in profit or loss, and its share of post-acquisition movements in reserves is recognized in reserves as part of statement of changes in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When BDO Unibank Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, BDO Unibank Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between BDO Unibank Group and its associates are eliminated to the extent of BDO Unibank Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by BDO Unibank Group.

In the Parent Bank's financial statements, the investments in subsidiaries and associates (presented as Equity Investments under Other Resources account) are carried at cost, less any impairment in value.

### ***2.12 Prepayments and Other Resources***

Prepayments and other resources pertain to other assets that are controlled by BDO Unibank Group as a result of past events. These are recognized in the financial statements when it is probable that the future economic benefits will flow to BDO Unibank Group and the asset has a cost or value that can be measured reliably.

### ***2.13 Premises, Furniture, Fixtures and Equipment***

Premises, furniture, fixtures and equipment are carried at acquisition cost less accumulated depreciation and amortization and any impairment in value. Property items of the former Equitable PCI Bank (EPCIB) stated at appraised values were included in BDO Unibank Group balances at their deemed costs at the date of transition to PFRS in 2005. The revaluation increment is credited to Revaluation Increment account in the Equity section, net of applicable deferred tax.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on a straight-line basis over the estimated useful lives of the depreciable assets as follows:

Buildings	10 - 50 years
Leasehold rights and improvements	5 years
Furniture, fixtures and equipment	3 - 5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.25).

The residual values and estimated useful lives of premises, furniture, fixtures and equipment are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of premises, furniture, fixtures and equipment, including the related accumulated depreciation, amortization and any impairment loss, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period the item is derecognized.

### ***2.14 Business Combination***

Except as indicated otherwise, business acquisitions are accounted for using the acquisition method of accounting.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of a business combination over BDO Unibank Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired (see Note 2.25).

Impairment losses on goodwill are not reversed. Negative goodwill, if any, which is the excess of BDO Unibank Group's interest in the net fair value of acquired identifiable assets, liabilities and contingent liabilities over cost is recognized directly in profit or loss.

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segments.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of goodwill relating to it.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

Any contingent consideration to be transferred by BDO Unibank Group is recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Transfers of assets between commonly-controlled entities are accounted for under historical cost accounting or pooling-of-interest method.

### ***2.15 Intangible Assets***

Intangible assets include goodwill, branch licenses and computer software licenses.

Goodwill represents the excess of the cost of acquisition over the fair value of the net assets acquired and branch licenses at the date of acquisition. Goodwill is classified as intangible asset with indefinite useful life, and thus, not subject to amortization but to an annual test for impairment (see Note 2.25). Goodwill is subsequently carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash generating units is represented by each primary reporting segment.

Branch licenses, on the other hand, represent the rights given to BDO Unibank Group to establish certain number of branches as an incentive in acquiring distressed banks. Branch licenses are not subject to amortization but to an annual test of impairment.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. These costs are amortized on straight-line basis over the expected useful life of five years. Costs associated with maintaining computer software are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

## ***2.16 Financial Liabilities***

Financial liabilities include deposit liabilities, bills payable, subordinated notes payable and other liabilities (including derivatives with negative fair values, except withholding taxes payable, unearned income and capitalized interest and other charges).

Financial liabilities are recognized when BDO Unibank Group becomes a party to the contractual terms of the instrument.

Deposit liabilities and other liabilities are recognized initially at fair value and subsequently measured at amortized cost less settlement payments.

Bills payable and subordinated notes payable, except for government financial assistance, are recognized initially at fair value, equivalent to the issue proceeds (fair value of consideration received), net of direct issue costs. Bills payable and subordinated notes payable are subsequently measured at amortized cost; any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Financial assistance from the Philippine Deposit Insurance Corporation (PDIC), arising from the acquisition of First e-Bank in 2002, is accounted for under PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, whereby the loan received is initially recorded at the amount borrowed with no re-measurement to fair value or imputation of market interest. Financial assistance from the PDIC is recorded as part of Bills Payable in the 2011 statement of financial position.

Derivatives with negative fair values are recognized initially and subsequently measured at fair value with changes in fair value recognized in profit or loss.

Lease deposits from operating and finance leases (presented as Lease deposits under Other Liabilities account in the statement of financial position) are initially recognized at fair value. The excess of the principal amount of the deposits over its fair or present value is immediately recognized as day one gain and is included as part of Miscellaneous under Other Operating Income account in the statement of income. Meanwhile, interest expense on the subsequent amortization of the lease deposits is accrued using the effective interest method and is included as part of Interest Expense in the statement of income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by BDO Unibank Group and are subject for approval by the BSP.

Financial liabilities are derecognized in the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

### ***2.17 Offsetting Financial Instruments***

Financial assets and liabilities are offset and the resulting net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

### ***2.18 Terminal Value of Leased Assets and Guaranty Deposits on Finance Lease***

The terminal value of leased assets, which approximates the amount of guaranty deposit paid by the lessee at the inception of the lease, is the estimated proceeds from the disposal of the leased asset at the end of the lease term. At the end of the lease term, the residual value of the leased asset is generally applied against the guaranty deposit of the lessee.

### ***2.19 Related Party Transactions***

Related party transactions are transfers of resources, services or obligations between BDO Unibank Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with BDO Unibank Group; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of BDO Unibank Group that gives them significant influence over BDO Unibank Group and close members of the family of any such individual; and, (d) BDO Unibank Group's retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

### ***2.20 Equity***

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premiums received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Surplus reserves pertain to a portion of BDO Unibank Group's income from trust operations set-up on a yearly basis in compliance with BSP regulations. Surplus reserves also consist of reserve for additional working capital for underwriting and equity trading securities and reserve fund requirement for subsidiaries engaged in the security brokerage business (see Note 19.6).

Surplus free includes all current and prior period results as disclosed in profit or loss and which are available and not restricted for use by BDO Unibank Group, reduced by the amounts of dividends declared.

Net unrealized fair value gains (losses) on AFS securities pertain to cumulative mark-to-market valuation of AFS securities.

Revaluation increment consists of gains arising from the revaluation of land under premises, furniture, fixtures and equipment.

Accumulated translation adjustment pertains to exchange differences arising on translation of the resources and liabilities of foreign subsidiaries and overseas branch that are taken up in other comprehensive income (see Note 2.26).

Non-controlling interests represent the portion of the net resources and profit or loss not attributable to BDO Unibank Group which are presented separately in BDO Unibank Group's statement of income and within the equity in BDO Unibank Group's statements of financial position and changes in equity.

### ***2.21 Revenue and Expense Recognition***

Revenue is recognized to the extent that the revenue can be reliably measured; it is probable that future economic benefits will flow to BDO Unibank Group; and the expenses and costs incurred and to be incurred can be measured reliably. Expenses and costs, if any, are recognized in profit or loss upon utilization of the assets or services or at the date these are incurred. The following specific recognition criteria of income and expenses must also be met before revenue and expense are recognized:

- (a) *Interest* – Interest income and expenses are recognized in profit or loss for all financial assets or liabilities using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, BDO Unibank Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

- (b) *Service charges, fees and commissions* – Service charges, fees and commissions are generally recognized when the service has been provided. These include the following accounts:
  - (i) *Loan syndication fees* are recognized as revenue when the syndication has been completed and that BDO Unibank Group retained no part of the loan package for itself or retained a part at the same effective interest rate for the other participants.

- (ii) *Commission and fees* arising from negotiating, or participating in the negotiation of a transaction for a third party such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses are recognized at the completion of the underlying transaction.
- (iii) *Portfolio and other management advisory and service fees* are recognized based on the applicable service contracts, usually on a time-proportionate basis.
- (iv) *Trust fees* related to investment funds are recognized ratably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.
- (v) *Commissions earned on credit cards* – Commissions earned on credit cards are taken up as income upon receipt from member establishments of charges arising from credit availments by credit cardholders. These commissions are computed based on certain agreed rates and are deducted from amounts remittable to member establishments
- (c) *Trading gain* – Trading gain is recognized when the ownership of the securities is transferred to the buyer (at an amount equal to the excess of the selling price over the carrying amount of securities) and as a result of the mark-to-market valuation of the securities at year-end. Only trading gain arising from mark-to-market valuation of financial assets at FVTPL is recognized in profit or loss by BDO Unibank Group.
- (d) *Income from assets sold or exchanged* – Income from assets sold or exchanged is recognized when the title to the assets is transferred to the buyer or when the collectability of the entire sales price is reasonably assured. This is included in profit or loss as part of Other Operating Income.
- (e) *Dividend* – Dividend income is recognized when BDO Unibank Group's right to receive dividend is established.
- (f) *Rental income* – Rental income arising from leased properties accounted for as operating lease is recognized on a straight-line basis over the lease terms and is recorded in profit or loss as part of Miscellaneous – net under Other Operating Income (see Note 2.23).
- (g) *Income on direct financing leases and receivables financed* – Income on loans and receivables financed with short-term maturities is recognized using the effective interest method. Interest and finance fees on loans and receivables financed with long-term maturities and the excess of the aggregate lease rental plus the estimated terminal value of the leased equipment accounted for as finance lease over its cost are credited to unearned discount and amortized over the term of the note or lease using the effective interest method. Unearned income ceases to be amortized when receivables become past due.
- (h) *Real property sales* – Revenue is accounted for using the full accrual method. Under this method, sale is recognized when the earning process is virtually complete and collectability of the entire sales price is reasonably assured.

Collections from accounts which did not qualify from revenue recognition are treated as customers' deposit included in Accounts Payable under Other Liabilities in the statement of financial position.

BDO Unibank Group records its revenue at gross and separately recognizes an expense and liability relative to the fair value of the reward points earned by clients and customers (see Note 3.2) since such points are redeemable significantly from the goods or services provided by a third party participating in the program, for example, SM Group (a related party) and rewards partners of the Parent Bank.

## ***2.22 Provisions and Contingencies***

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and these can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events (e.g. legal disputes or onerous contracts).

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values using a pretax rate that reflects market assessment and the risks specific to the obligation, where time value of money is material.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. On the other hand, any reimbursement expected to be received in the course of settlement of the present obligation is recognized, if virtually certain, as a separate asset, not exceeding the amount of the related provision. Similarly, probable inflows of economic benefits that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the financial statements.

## ***2.23 Leases***

BDO Unibank Group accounts for its leases as follows:

### ***(a) BDO Unibank Group as Lessor***

Leases, wherein BDO Unibank Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item, are classified as finance leases and are presented as receivable at an amount equal to BDO Unibank Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on BDO Unibank Group's net investment outstanding in respect of the finance lease.



Leases, which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset, are classified as operating leases. Operating lease collections are recognized as income in profit or loss on a straight-line basis over the lease term.

*(b) BDO Unibank Group as Lessee*

Leases, which do not transfer to BDO Unibank Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in profit or loss on a straight-line basis over the lease term.

BDO Unibank Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

**2.24 Impairment of Financial Assets**

BDO Unibank Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of BDO Unibank Group about certain loss events, including, among others: *(i)* significant financial difficulty of the issuer or debtor; *(ii)* a breach of contract, such as a default or delinquency in interest or principal payments; *(iii)* the probability that the borrower will enter bankruptcy or other financial reorganization; *(iv)* the disappearance of an active market for that financial asset because of financial difficulties; or, *(v)* observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

*(a) Assets carried at amortized cost.*

BDO Unibank Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If BDO Unibank Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, BDO Unibank Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss on loans and receivables or HTM investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan and receivable or HTM investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practicable, BDO Unibank Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosures less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics, i.e., on the basis of BDO Unibank Group's or BSP's grading process that considers asset type, industry, collateral type, status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of assets should reflect and be consistent with changes in related observable data from period to period. The methodologies and assumptions used for estimating future cash flows are reviewed regularly by BDO Unibank Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after all the necessary procedures, including approval from the management and the BOD, have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment loss in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognized in profit or loss.

When possible, BDO Unibank Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews restructured loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loans' original effective interest rate. The difference between the recorded sale of the original loan and the present value of the restructured cash flows, discounted at the original effective interest rate, is recognized in profit or loss as part of Impairment Losses.

In addition, under Section 9(f) of the Rules and Regulations to implement the provisions of Republic Act No. 8556, *The Financing Company Act of 1998*, a 100% allowance is also set up by BDO Leasing, a subsidiary, for the following:

- (i) clean loans and advances past due for a period of more than six months;
- (ii) past due loans secured by collateral such as inventories, receivables, equipment and other chattels that have declined in value by more than 50%, without the borrower offering additional collateral for the loans;
- (iii) past due loans secured by real estate mortgage the title to which is subject to an adverse claim rendering settlement through foreclosure doubtful;
- (iv) when the borrower, and his co-maker or guarantor, is insolvent or where their whereabouts is unknown, or their earning power is permanently impaired;
- (v) accrued interest receivable that remains uncollected after six months from the maturity date of the loan to which it accrues; and
- (vi) accounts receivable past due for 361 days or more.

These requirements and conditions were accordingly considered by BDO Unibank Group in the determination of impairment loss provision on assets carried at amortized cost particularly loans and other receivables related to financing.

(b) *Assets carried at fair value with changes recognized in other comprehensive income.*

In the case of investments classified as AFS securities, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists for AFS securities, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income as part of equity – is reclassified from other comprehensive income to profit or loss as a reclassification adjustment. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through profit or loss.

*(c) Assets carried at cost.*

BDO Unibank Group assesses at the end of each reporting period whether there is objective evidence that any of the unquoted equity securities and derivative assets linked to and required to be settled in such unquoted equity instruments, which are carried at cost, may be impaired. The amount of impairment loss is the difference between the carrying amount of the equity security and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset. Impairment losses on assets carried at cost cannot be reversed.

***2.25 Impairment of Non-financial Assets***

BDO Unibank Group's real properties for development and sale, equity investments, goodwill, branch licenses (recorded as part of Other Resources), premises, furniture, fixtures and equipment and investment properties are subject to impairment testing. Intangible assets with an indefinite useful life, such as goodwill are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

An impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

***2.26 Foreign Currency Transactions and Translations***

*(a) Foreign Currency Transactions*

The financial statements of the FCDUs of BDO Unibank Group are translated at the prevailing current exchange rates (for statement of financial position accounts) and average exchange rate during the period (for statement of income accounts) for consolidation purposes.

Foreign exchange gains and losses resulting from the settlement of foreign currency denominated transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

*(b) Foreign Currency Translation*

The accounting records of BDO Unibank Group are maintained in Philippine pesos except for the FCDUs and foreign branch and subsidiaries which are maintained in US dollars or European Union Euro (Euro). BDO Remittance, an overseas branch, and Express Padala HK are maintained in Hong Kong dollars.

The operating results and financial position of foreign subsidiaries and an overseas branch, which are measured using the US dollars or Euro and Hong Kong dollars, respectively, are translated to Philippine pesos, BDO Unibank Group's functional currency, as follows:

- i. Resources and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- ii. Income and expenses for each statement of income are translated at the monthly average exchange rates (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,
- iii. All resulting exchange differences are recognized as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign subsidiaries and an overseas branch is recognized in other comprehensive income as part of Accumulated Translation Adjustment (see Note 2.20). When a foreign operation is sold, the cumulative amount of exchange differences are recognized in profit or loss.

The translation of the financial statements into Philippine peso should not be construed as a representation that the US dollar, Euro or Hong Kong dollar amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

**2.27 Compensation and Benefits Expense**

Post-employment benefits are provided to employees through a defined benefit plan, as well as a defined contribution plan.

*(a) Post-employment Defined Benefit*

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and expected rate of salary increases. The legal obligation for any benefits from this kind of post-employment plan remains with BDO Unibank Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. BDO Unibank Group's defined benefit post-employment plan covers all regular full-time employees. The post-employment plan is tax-qualified, noncontributory and administered by a trustee.

The asset recognized in the statement of financial position for defined benefit post-employment plans is the fair value of plan assets at the end of reporting period less the present value of the defined benefit obligation (DBO), together with adjustments for unrecognized actuarial gains or losses and past service costs. The DBO is calculated by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the weighted average yields of government bonds as published by Philippine Dealing Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Actuarial gains and losses are not recognized as an expense unless the total unrecognized gain or loss exceeds 10% of the greater of the obligation and related plan assets. The amount exceeding this 10% corridor is charged or credited to profit or loss over the employees' expected average remaining working lives. Actuarial gains and losses within the 10% corridor are disclosed separately. Past service costs are recognized immediately in profit or loss, unless the changes to the post-employment plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortized on a straight-line basis over the vesting period.

*(b) Defined Contribution Plan*

A defined contribution plan is a post-employment plan under which BDO Unibank Group pays fixed contributions into an independent entity, such as the Social Security System (SSS). BDO Unibank Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred.

*(c) Termination Benefits*

Termination benefits are payable when employment is terminated by BDO Unibank Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. BDO Unibank Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or, (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of reporting period are discounted to present value.

*(d) Bonus Plans*

BDO Unibank Group recognizes a liability and an expense for bonuses based on the Group's bonus policy. A provision is recognized by BDO Unibank Group where it is contractually obliged to pay the benefits.

(e) *Executive Stock Option Plan*

BDO Unibank Group grants stock option plan to its senior officers (from vice-president up) for their contribution to BDO Unibank Group's performance and attainment of team goals. The amount of stock option allocated to the qualified officers is based on the performance of the individual officers as determined by the management and is determined based on BDO Unibank Group's performance in the preceding year and amortized over five years starting from the date of the approval of the BOD. The number of officers qualified at the grant date is regularly evaluated during the vesting period (at least annually) and the amount of stock option is decreased in case there are changes in the number of qualified employees arising from resignation or disqualification. The annual amortization of stock option is included as part of Compensation and benefits expense in profit or loss.

(f) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of reporting period. These are included in Other Liabilities account at the undiscounted amount that BDO Unibank Group expects to pay as a result of the unused entitlement.

**2.28 Income Taxes**

Tax expense recognized in profit or loss comprise the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for, using the liability method on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deferred tax asset can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates and tax laws have been enacted or substantively enacted at the end of each reporting period.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in the statement of income. Only changes in deferred tax assets or liabilities that relate to a change in value of resources or liabilities relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if BDO Unibank Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred taxes relate to the same entity and the same taxation authority.

### ***2.29 Earnings Per Share***

Basic earnings per share is determined by dividing net profit by the weighted average number of common shares issued and outstanding during the period, after retroactive adjustment for any stock dividend declared in the current period.

The diluted earnings per share is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of potentially dilutive convertible preferred shares and stock option plan granted by BDO Unibank Group to the qualified officers. Convertible preferred shares are deemed to have been converted to common shares at the issuance of preferred shares. The stock option plan is deemed to have been converted into common stock in the year the stock option is granted.

### ***2.30 Trust Activities***

BDO Unibank Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. Resources and income arising thereon are excluded from these financial statements, as these are neither resources nor income of BDO Unibank Group.

### ***2.31 Events After the End of the Reporting Period***

Any post-year-end event that provides additional information about BDO Unibank Group's financial position at the end of reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

## **3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

BDO Unibank Group's financial statements prepared in accordance with FRSP for banks require management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates and the differences could be significant.



### ***3.1 Critical Management Judgments in Applying Accounting Policies***

In the process of applying BDO Unibank Group's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts recognized in the financial statements:

#### ***(a) Classifying Financial Assets as HTM Investments***

BDO Unibank Group follows the guidance of PAS 39 in classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as HTM. This classification requires significant judgment. In making this judgment, BDO Unibank Group considers its intention and ability to hold such investments to maturity. Management has confirmed its intention and determined its ability to hold the investments up to maturity.

If BDO Unibank Group fails to keep these investments at maturity (other than for the allowed specific circumstances, e.g., selling more than an insignificant amount close to maturity), it will be required to reclassify the entire class to AFS securities. The investments would therefore be measured at fair value and not at amortized cost.

However, the tainting provision will not apply if the sales or reclassifications of HTM investments: (i) are so close to maturity or the financial asset's call date that changes in the market rate of interest would not have a significant effect on the financial asset's fair value; (ii) occur after BDO Unibank Group has collected substantially all of the financial asset's original principal through scheduled payments or prepayments; or, (iii) are attributable to an isolated event that is beyond the control of BDO Unibank Group, is nonrecurring and could not have been reasonably anticipated by BDO Unibank Group.

#### ***(b) Impairment of AFS Securities***

BDO Unibank Group follows the guidance of PAS 39 in determining when an investment is permanently impaired. This determination requires significant judgment. In making this judgment, BDO Unibank Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow. For investments issued by counterparty under bankruptcy or financial distress, BDO Unibank Group determines permanent impairment based on the price of the most recent transaction and on latest indications obtained from reputable counterparties (which regularly quote prices for distressed securities) since current bid prices are no longer available.

#### ***(c) Distinction between Investment Properties and Owner-occupied Properties***

BDO Unibank Group determines whether a property qualifies as investment property. In making its judgment, BDO Unibank Group considers whether the property generates cash flows largely independent of the other assets held by BDO Unibank Group. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other resources used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production and supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), BDO Unibank Group accounts for those portions separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. BDO Unibank Group considers each property separately in making its judgment.

*(d) Distinction between Operating and Finance Leases*

BDO Unibank Group has entered into various lease agreements either as a lessor or lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risks and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of resources and liabilities.

*(e) Classification of Acquired Properties and Fair Value Determination for Non-current Assets Held for Sale, Investment Properties and Other Properties*

BDO Unibank Group classifies its acquired properties as Premises, Furniture, Fixtures and Equipment if used in operations, as Non-current Assets Held for Sale if expected to be recovered through sale rather than use, as Investment Properties if intended to be held for capital appreciation, as Financial Assets if qualified as such in accordance with PAS 39 or as Other properties if held for sale but the depreciable properties are not yet disposed within three years. At initial recognition, BDO Unibank Group determines the fair value of the acquired properties through internally or externally generated appraisal. The appraised value is determined based on the current economic and market conditions as well as the physical condition of the properties.

*(f) Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 2.22 and relevant disclosures are presented in Note 31.

### ***3.2 Key Sources of Estimation Uncertainty***

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of resources and liabilities within the next financial year:

*(a) Impairment Losses on Financial Assets (AFS Securities, HTM Investments and Loans and Other Receivables)*

BDO Unibank Group reviews its AFS securities, HTM investments and loans and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in profit or loss, BDO Unibank Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset or a portfolio of similar financial assets. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers or issuers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

BDO Unibank Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if BDO Unibank Group had utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit or loss and other comprehensive income.

The total impairment losses on financial assets recognized in profit or loss is presented in Note 14.

(b) *Fair Value of Financial Assets and Liabilities*

As at December 31, the following table summarizes the comparison of the carrying amounts and fair values of financial resources and liabilities not presented in the statements of financial position at their fair value.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>Carrying</u>		<u>Carrying</u>	
	<u>Value</u>	<u>Fair Value</u>	<u>Value</u>	<u>Fair Value</u>
<b><u>December 31, 2012</u></b>				
Financial Assets:				
Cash and other cash items	P 21,539	P 21,539	P 21,512	P 21,512
Due from other banks and BSP	169,236	169,236	162,791	162,792
AFS securities – unquoted – net	783	*	270	*
HTM investments	96,963	114,165	89,606	106,357
Loans and other receivables	760,500	768,445	746,299	757,513
Other resources – net	2,126	2,126	2,114	2,114
Financial Liabilities:				
Deposit liabilities	931,641	932,370	919,794	920,522
Bills payable	72,179	72,997	65,177	66,043
Subordinated notes payable	28,180	31,359	28,180	31,359
Other liabilities	52,305	52,305	46,553	46,553
<b><u>December 31, 2011</u></b>				
Financial Assets:				
Cash and other cash items	P 33,129	P 33,129	P 33,102	P 33,102
Due from other banks and BSP	149,613	149,655	138,769	138,811
AFS securities – unquoted – net	570	*	310	*
HTM investments	93,670	106,032	85,742	97,761
Loans and other receivables	673,927	680,546	653,857	663,057
Other resources – net	2,427	2,427	2,318	2,318
Financial Liabilities:				
Deposit liabilities	858,569	861,289	838,748	841,447
Bills payable	59,474	59,495	51,378	51,460
Subordinated notes payable	38,255	41,549	38,255	41,549
Other liabilities	41,494	41,494	34,930	34,930

\* Data not available

(i) *Due from Other Banks and BSP*

Due from BSP pertains to deposits made by BDO Unibank Group to the BSP for clearing and reserve requirements. Due from other banks includes interbank placements and items in the course of collection. The fair value of floating rate placements and overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money market interest rates for debts with similar credit risk and remaining maturity, which for short-term deposits approximate the nominal value.

*(ii) AFS Securities*

The fair value of AFS securities is determined by direct reference to published price quoted in an active market for traded securities. On the other hand, unquoted AFS securities are carried at cost because the fair value cannot be reliably determined either by reference to similar financial instruments or through valuation technique.

Currently, there is no available market to sell the unquoted equity AFS securities. BDO Unibank will hold into the investments until management decides to sell them when there will be offers to buy out such investments on the appearance of an available market where the investments can be sold.

*(iii) HTM Investments*

The fair value for HTM investments is based on market prices. Where this information is not available, the fair value has been estimated using quoted market prices for securities with similar credit, maturity and yield characteristics or through valuation techniques using discounted cash flow analysis.

*(iv) Loans and Other Receivables*

Loans and other receivables are net of provisions for impairment. The estimated fair value of loans and receivables represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

*(v) Deposits and Borrowings*

The estimated fair value of demand deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand. The estimated fair value of long-term fixed interest-bearing deposits and other borrowings without quoted market price is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

*(vi) Other Resources and Liabilities*

Due to their short duration, the carrying amounts of other resources and liabilities in the statement of financial position are considered to be reasonable approximation of their fair values.

*(c) Fair Value of Derivatives*

The fair value of derivative financial instruments that are not quoted in an active market is determined through valuation techniques using the net present value computation.

Valuation techniques are used to determine fair values which are validated and periodically reviewed. To the extent practicable, models use observable data, however, areas such as counterparty credit risk, volatilities and correlations require management to make estimates. Changes in assumptions could affect the reported fair value of financial instruments. BDO Unibank Group uses judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

*(d) Financial Instruments Measured at Fair Value*

Financial assets and liabilities measured at fair value are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The financial assets and liabilities measured at fair value in the statements of financial position as of December 31, 2012 and 2011 are grouped into the fair value hierarchy as presented in the following table. For the purpose of this disclosure, the investments in unquoted equity securities classified as AFS amounting to P783 and P570 in 2012 and 2011, respectively, in BDO Unibank Group financial statements and P270 and P310 in 2012 and 2011, respectively, in the Parent Bank financial statements are measured at cost less impairment charges because the fair value cannot be reliably measured and therefore are not included. Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies.

**BDO Unibank Group**

	Notes	Level 1	Level 2	Total
<b><u>December 31, 2012</u></b>				
Resources				
Financial assets at FVTPL	9.1			
Derivative financial assets		P 12	P 4,792	P 4,804
Government bonds		2,239	-	2,239
Other debt securities		1,986	-	1,986
Equity securities – quoted		<u>148</u>	<u>-</u>	<u>148</u>
		<u>4,385</u>	<u>4,792</u>	<u>9,177</u>
AFS securities	9.2			
Government debt securities		78,186	25	78,211
Other debt securities – quoted		43,396	-	43,396
Equity securities		<u>8,291</u>	<u>473</u>	<u>8,764</u>
		<u>129,873</u>	<u>498</u>	<u>130,371</u>
		<u>P 134,258</u>	<u>P 5,290</u>	<u>P 139,548</u>
Liabilities				
Derivatives with negative fair values	18	<u>P 109</u>	<u>P 4,136</u>	<u>P 4,245</u>
<b><u>December 31, 2011</u></b>				
Resources				
Financial assets at FVTPL	9.1			
Derivative financial assets		P 40	P 3,699	P 3,739
Government bonds		949	-	949
Other debt securities		58	-	58
Equity securities – quoted		<u>77</u>	<u>-</u>	<u>77</u>
		<u>1,124</u>	<u>3,699</u>	<u>4,823</u>
AFS securities	9.2			
Government debt securities		55,065	56	55,121
Other debt securities-quoted		28,279	-	28,279
Equity securities		<u>5,516</u>	<u>439</u>	<u>5,955</u>
		<u>88,860</u>	<u>495</u>	<u>89,355</u>
		<u>P 89,984</u>	<u>P 4,194</u>	<u>P 94,178</u>
Liabilities				
Derivatives with negative fair values	18	<u>P 59</u>	<u>P 3,261</u>	<u>P 3,320</u>

**Parent Bank**

	<u>Notes</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
<b><u>December 31, 2012</u></b>				
Resources				
Financial assets at FVTPL	9.1			
Derivative financial assets		P 12	P 2,877	P 2,889
Government bonds		<u>2,194</u>	<u>-</u>	<u>2,194</u>
		<u>2,206</u>	<u>2,877</u>	<u>5,083</u>
AFS securities	9.2			
Government debt securities		76,014	25	76,039
Other debt securities – quoted		41,981	-	41,981
Equity securities		<u>4,870</u>	<u>473</u>	<u>5,343</u>
		<u>122,865</u>	<u>498</u>	<u>123,363</u>
		<u>P 125,071</u>	<u>P 3,375</u>	<u>P 128,446</u>
Liabilities				
Derivatives with negative fair values	18	<u>P 108</u>	<u>P 2,547</u>	<u>P 2,655</u>
<b><u>December 31, 2011</u></b>				
Resources				
Financial assets at FVTPL	9.1			
Derivative financial assets		P 40	P 1,850	P 1,890
Government bonds		<u>518</u>	<u>-</u>	<u>518</u>
		<u>558</u>	<u>1,850</u>	<u>2,408</u>
AFS securities	9.2			
Government debt securities		52,527	56	52,583
Other debt securities – quoted		27,722	-	27,722
Equity securities		<u>1,877</u>	<u>439</u>	<u>2,316</u>
		<u>82,126</u>	<u>495</u>	<u>82,621</u>
		<u>P 82,684</u>	<u>P 2,345</u>	<u>P 85,029</u>
Liabilities				
Derivatives with negative fair values	18	<u>P 59</u>	<u>P 1,818</u>	<u>P 1,877</u>

BDO Unibank Group and Parent Bank have no financial instrument as of December 31, 2012 and 2011 whose fair value was measured under Level 3. The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting periods.

There have been no significant transfers among Levels 1 and 2 in the reporting periods.



(e) *Estimating Useful Lives of Premises, Furniture, Fixtures and Equipment, Investment Properties and Other Properties*

BDO Unibank Group estimates the useful lives of premises, furniture, fixtures and equipment, investment properties and other properties based on the period over which the assets are expected to be available for use. The estimated useful lives of premises, furniture, fixtures and equipment and investment properties are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. The carrying amounts of premises, furniture, fixtures and equipment are analyzed in Note 11, investment properties are analyzed in Note 12, and other properties are analyzed in Note 13. Based on management's assessment as at December 31, 2012 and 2011, there is no change in estimated useful lives of premises, furniture, fixtures and equipment, investment properties and certain other resources during those years. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

(f) *Principal Assumptions for Management's Estimation of Fair Value*

Investment Properties are measured using the cost model. The fair value disclosed in Note 12 to the financial statements as determined by BDO Unibank Group and the Parent Bank using the discounted cash flows valuation technique which are mainly based on existing market conditions and actual transactions at each reporting period, such as: selling price under installment sales; expected timing of sale; and appropriate discount rates. The expected selling price is determined on the basis of current appraised values of the properties or similar properties in the same location and condition.

For financial assets and liabilities, fair value determination is discussed in Note 3.2 (b).

(g) *Determining Realizable Amount of Deferred Tax Assets*

BDO Unibank Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The carrying value of deferred tax assets, which management assessed to be utilized within the next two to three years, as of December 31, 2012 and 2011 is disclosed in Note 27.1.

*(b) Impairment of Non-financial Assets*

Except for intangible assets with indefinite useful lives, PFRS requires that an impairment review be performed when certain impairment indicators are present. BDO Unibank Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.25. Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment losses recognized in profit or loss are disclosed in Note 14.

*(i) Valuation of Post-employment Defined Benefit*

The determination of BDO Unibank Group's obligation and cost of post-employment and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 23 and include, among others, discount rates, expected rate of return on plan assets and salary increase rates. In accordance with PFRS, actual results that differ from the assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The retirement benefit asset and net unrecognized actuarial losses of BDO Unibank Group amounted to P4,430 and P4,116, respectively, in 2012 and P1,492 and P4,518, respectively, in 2011. On the other hand, the retirement benefit asset and net unrecognized actuarial losses of the Parent Bank amounted to P4,170 and P3,874, respectively, in 2012 and P1,519 and P4,252, respectively, in 2011 (see Note 23.2).

*(j) Recognition of Reward Points*

BDO Unibank Group provides rewards points to its banking clients and customers each time they avail of the pre-identified products and services of the Parent Bank and the companies which the Parent Bank has identified as partners in the rewards program. Reward points are redeemable in a wide selection of reward categories, including travel, merchandise of third parties, reward credits and gift certificates. Certain loyalty points for credit card have no expiration date unless the credit card is cancelled but for other rewards program, unredeemed points may expire at some future date.

BDO Unibank Group establishes reserves to cover the cost of future reward redemptions for points earned to date. The provision for the cost of rewards is based upon points earned by the clients and the current cost per point of redemption. The estimated points to be redeemed are measured and adjusted based on many factors including but not limited to past redemption behavior of the clients, product type on which the points are earned and their ultimate redemption rate on the points earned to date but not yet redeemed.

BDO Unibank Group continually evaluates its reserve methodology for rewards based on developments in redemption patterns, cost per point redeemed and other factors. The reserve for unredeemed points is impacted over time by enrollment levels, amount of points earned and redeemed, weighted-average cost per point, redemption choices made by the clients and other membership rewards program changes. The calculation is most sensitive to changes in the estimated ultimate redemption rate. This rate is based on the expectation that a large majority of all points earned will eventually be redeemed and the rewards will be redeemed through goods or services supplied by a third party based on BDO Unibank Group's past experience.

The carrying value of the rewards points accrued by BDO Unibank Group and the Parent Bank is presented as part of Accrued expenses under Other Liabilities in the statements of financial position as disclosed in Note 18.

#### **4. RISK MANAGEMENT**

By their nature, BDO Unibank Group's activities are principally related to the use of financial instruments including derivatives. BDO Unibank Group accepts deposits from customers at fixed and floating rates for various periods, and seeks to earn above average interest margins by investing these funds in high-quality assets. BDO Unibank Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. BDO Unibank Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equities and bonds and in currency and interest rate prices.

To manage the risk for holding financial resources and liabilities, BDO Unibank Group operates an integrated risk management system to address the risks it faces in its banking activities, including liquidity, market (foreign exchange, interest rate, price and credit risks) and operational risks. BDO Unibank Group's risk management objective is to adequately and consistently evaluate, manage, control, and monitor the risk profile of BDO Unibank Group's statements of financial position to optimize the risk-reward balance and maximize return on BDO Unibank Group's capital. BDO Unibank Group's Risk Management Committee (RMC) has overall responsibility for BDO Unibank Group's risk management systems and sets risk management policies across the full range of risks to which BDO Unibank Group is exposed. Specifically, BDO Unibank Group's RMC places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposures associated with these derivatives are normally offset by entering into counterbalancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

Within BDO Unibank Group's overall risk management system is the Assets and Liabilities Committee (ALCO) which is responsible for managing BDO Unibank Group's statement of financial position, including BDO Unibank Group's liquidity, interest rate and foreign exchange related risks. In addition, ALCO formulates investment and financial policies by determining the asset allocation and funding mix strategies that are likely to yield the targeted financial results.

Separately, the Risk Management Group (RMG) is mandated to adequately and consistently evaluate, manage, control, and monitor the over-all risk profile of the BDO Unibank Group's activities across the different risk areas (i.e., credit, market, liquidity, and operational) to optimize the risk-reward balance and maximize return on capital.

RMG has responsibility for the setting of risk policies across the full range of risks to which BDO Unibank Group is exposed to.

In the performance of its function, RMG observes the following framework:

- It is responsible for policy formulation in coordination with the relevant businesses/functions and ensures that proper approval for the manuals/policies is obtained from the appropriate body.
- It disseminates the approved policies to the relevant businesses/functions after which, pertinent authorities are delegated down to the businesses/functions to guide them in the conduct of their businesses/functions. RMG then performs compliance monitoring and review to ensure approved policies are adhered to.
- It is responsible for clarifying interpretations of risk policies/guidelines raised by the Business Heads/Units.
- When adverse trends are observed in the account/portfolio, RMG is responsible for flagging these trends and ensuring relevant policies for problem accounts/portfolio management are properly applied.
- RMG is responsible for the direct management of accounts in BDO Unibank Group's Non-Performing Loan (NPL)/property-related items in litigations portfolio and ensures that appropriate strategies are formulated to maximize collection and/or recovery of these assets.
- It is also responsible for regular review and monitoring of accounts under its supervision and ensuring that the account's loan classification is assessed timely and accurately.

#### ***4.1 Liquidity Risk***

Liquidity risk is the risk that there could be insufficient funds available to adequately meet the credit demands of BDO Unibank Group's customers and repay deposits on maturity. BDO Unibank Group manages liquidity risk by holding sufficient liquid assets of appropriate quality to ensure short-term funding requirements are met and by maintaining a balanced loan portfolio which is repriced on a regular basis. In addition, BDO Unibank Group seeks to maintain sufficient liquidity to take advantage of interest rate and exchange rate opportunities when they arise.

The analysis of the maturity groupings of resources, liabilities and off-book items as of December 31, 2012 and 2011 in accordance with account classification of the BSP, are presented subsequently. The amounts disclosed in the maturity analysis are the contractual cash flows using the primary contractual maturities or behavioral assumptions on core levels (e.g., core deposit liabilities and core deposit substitutes with maturities within one year have been classified in the more than three years category), if the latter is more relevant for purposes of profiling the liquidity gap.

**BDO Unibank Group**

		2012				
		One to three months	More than three months to one year	More than one year to three years	More than three years	Total
Resources:						
Cash and other cash items	P	21,539	P -	P -	P -	P 21,539
Due from BSP/ other banks		169,236	-	-	-	169,236
Loans and other receivables		218,869	94,877	119,906	326,848	760,500
Trading and investment securities		16,757	8,357	22,849	189,331	237,294
Other resources		-	5,189	1,396	49,254	55,839
Total Resources		426,401	108,423	144,151	565,433	1,244,408
Liabilities and Equity:						
Deposit liabilities		189,462	7,630	6,459	728,090	931,641
Bills and subordinated notes payable		37,481	12,632	6,592	43,654	100,359
Other liabilities		7,257	39,769	3,723	4,407	55,156
Total Liabilities		234,200	60,031	16,774	776,151	1,087,156
Equity		-	-	-	157,252	157,252
Total Liabilities and Equity		234,200	60,031	16,774	933,403	1,244,408
On-book gap		192,201	48,392	127,377	( 367,970)	-
Cumulative on-book gap		192,201	240,593	367,970	-	-
Contingent assets		193,002	47,662	8,779	13,335	262,778
Contingent liabilities		216,485	47,814	8,666	13,260	286,225
Off-book gap	(	23,483)	( 152)	113	75	( 23,447)
Net Periodic Gap		168,718	48,240	127,490	( 367,895)	-
Cumulative Total Gap	<b>P</b>	<b>168,718</b>	<b>P 216,958</b>	<b>P 344,448</b>	<b>(P 23,447)</b>	<b>P -</b>

**BDO Unibank Group**

		2011				
		One to three months	More than three months to one year	More than one year to three years	More than three years	Total
Resources:						
Cash and other cash items	P	33,129	P -	P -	P -	P 33,129
Due from BSP/ other banks		149,613	-	-	-	149,613
Loans and other receivables		196,509	79,198	110,138	288,082	673,927
Trading and investment securities		6,248	9,576	25,382	147,212	188,418
Other resources		<u>-</u>	<u>6,772</u>	<u>-</u>	<u>45,490</u>	<u>52,262</u>
Total Resources		<u>385,499</u>	<u>95,546</u>	<u>135,520</u>	<u>480,784</u>	<u>1,097,349</u>
Liabilities and Equity:						
Deposit liabilities		247,847	7,954	5,957	596,811	858,569
Bills and subordinated notes payable		31,613	16,983	20,309	28,824	97,729
Other liabilities		<u>6,793</u>	<u>29,158</u>	<u>2,951</u>	<u>5,187</u>	<u>44,089</u>
Total Liabilities		286,253	54,095	29,217	630,822	1,000,387
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>96,962</u>	<u>96,962</u>
Total Liabilities and Equity		<u>286,253</u>	<u>54,095</u>	<u>29,217</u>	<u>727,784</u>	<u>1,097,349</u>
On-book gap		<u>99,246</u>	<u>41,451</u>	<u>106,303</u>	<u>( 247,000)</u>	<u>-</u>
Cumulative on-book gap		<u>99,246</u>	<u>140,697</u>	<u>247,000</u>	<u>-</u>	<u>-</u>
Contingent assets		236,326	38,544	23,717	15,321	313,908
Contingent liabilities		<u>251,414</u>	<u>38,495</u>	<u>23,627</u>	<u>15,232</u>	<u>328,768</u>
Off-book gap	(	<u>15,088)</u>	<u>49</u>	<u>90</u>	<u>89</u>	<u>( 14,860)</u>
Net Periodic Gap		<u>84,158</u>	<u>41,500</u>	<u>106,393</u>	<u>( 246,911)</u>	<u>( 14,860)</u>
Cumulative Total Gap	<b>P</b>	<b><u>84,158</u></b>	<b>P <u>125,658</u></b>	<b>P <u>232,051</u></b>	<b>(P <u>14,860)</u></b>	<b>P <u>-</u></b>

**Parent Bank**

		2012				
		<u>One to three months</u>	<u>More than three months to one year</u>	<u>More than one year to three years</u>	<u>More than three years</u>	<u>Total</u>
Resources:						
Cash and other cash items	P	21,512	P -	P -	P -	P 21,512
Due from BSP/ other banks	`	162,791	-	-	-	162,791
Loans and other receivables		215,829	90,804	112,294	327,372	746,299
Trading and investment securities		12,983	7,810	21,652	175,877	218,322
Other resources		<u>-</u>	<u>5,189</u>	<u>1,396</u>	<u>55,175</u>	<u>61,760</u>
Total Resources		<u>413,115</u>	<u>103,803</u>	<u>135,342</u>	<u>558,424</u>	<u>1,210,684</u>
Liabilities and Equity:						
Deposit liabilities		186,446	6,209	4,577	722,562	919,794
Bills and subordinated notes payable		35,315	11,321	3,067	43,654	93,357
Other liabilities		<u>6,625</u>	<u>39,727</u>	<u>2,188</u>	<u>580</u>	<u>49,120</u>
Total Liabilities		228,386	57,257	9,832	766,796	1,062,271
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>148,413</u>	<u>148,413</u>
Total Liabilities and Equity		<u>228,386</u>	<u>57,257</u>	<u>9,832</u>	<u>915,209</u>	<u>1,210,684</u>
On-book gap		<u>184,729</u>	<u>46,546</u>	<u>125,510</u>	<u>( 356,785)</u>	<u>-</u>
Cumulative on-book gap		<u>184,729</u>	<u>231,275</u>	<u>356,785</u>	<u>-</u>	<u>-</u>
Contingent assets		188,824	40,110	872	4,806	234,612
Contingent liabilities		<u>212,380</u>	<u>40,341</u>	<u>872</u>	<u>4,800</u>	<u>258,393</u>
Off-book gap	(	<u>23,556)</u>	( <u>231</u> )	<u>-</u>	<u>6</u>	( <u>23,781</u> )
Net Periodic Gap		<u>161,173</u>	<u>46,315</u>	<u>125,510</u>	<u>( 356,779)</u>	<u>-</u>
Cumulative Total Gap	<b>P</b>	<b><u>161,173</u></b>	<b>P <u>207,488</u></b>	<b>P <u>332,998</u></b>	<b>(P <u>23,781</u>)</b>	<b>P <u>-</u></b>

**Parent Bank**

		2011				
		One to three months	More than three months to one year	More than one year to three years	More than three years	Total
<b>Resources:</b>						
Cash and other cash items	P	33,102	P -	P -	P -	P 33,102
Due from BSP/ other banks		138,769	-	-	-	138,769
Loans and other receivables		186,687	78,505	106,294	282,371	653,857
Trading and investment securities		4,079	5,984	18,766	142,252	171,081
Other resources		<u>8</u>	<u>6,832</u>	<u>368</u>	<u>51,241</u>	<u>58,449</u>
Total Resources		<u>362,645</u>	<u>91,321</u>	<u>125,428</u>	<u>475,864</u>	<u>1,055,258</u>
<b>Liabilities and Equity:</b>						
Deposit liabilities		239,038	6,518	3,970	589,222	838,748
Bills and subordinated notes payable		31,274	16,200	13,335	28,824	89,633
Other liabilities		<u>6,470</u>	<u>29,505</u>	<u>1,153</u>	<u>166</u>	<u>37,294</u>
Total Liabilities		276,782	52,223	18,458	618,212	965,675
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>89,583</u>	<u>89,583</u>
Total Liabilities and Equity		<u>276,782</u>	<u>52,223</u>	<u>18,458</u>	<u>707,795</u>	<u>1,055,258</u>
On-book gap		<u>85,863</u>	<u>39,098</u>	<u>106,970</u>	<u>( 231,931)</u>	<u>-</u>
Cumulative on-book gap		<u>85,863</u>	<u>124,961</u>	<u>231,931</u>	<u>-</u>	<u>-</u>
Contingent assets		231,635	37,542	7,562	5,248	281,987
Contingent liabilities		<u>246,799</u>	<u>37,561</u>	<u>7,672</u>	<u>5,242</u>	<u>297,274</u>
Off-book gap	(	<u>15,164)</u>	( <u>19</u> )	( <u>110</u> )	<u>6</u>	( <u>15,287)</u>
Net Periodic Gap		<u>70,699</u>	<u>39,079</u>	<u>106,860</u>	<u>( 231,925)</u>	<u>( 15,287)</u>
Cumulative Total Gap	<b>P</b>	<b><u>70,699</u></b>	<b>P <u>109,778</u></b>	<b>P <u>216,638</u></b>	<b>(P <u>15,287)</u></b>	<b>P <u>-</u></b>

***4.2 Market Risk***

BDO Unibank Group's exposure to market risk, the risk of future loss from changes in the price of a financial instrument, relates primarily to its holdings in foreign exchange instruments, debt securities, equity securities and derivatives. BDO Unibank Group manages its risk by identifying, analyzing and measuring relevant or likely market risks. Market Risk Management recommends market risk limits based on relevant activity indicators for approval by BDO Unibank Group's RMC and BOD.



#### 4.2.1 Foreign Exchange Risk

BDO Unibank Group manages its exposure to effects of fluctuations in the foreign currency exchange rates by maintaining foreign currency exposure within the existing regulatory guidelines and at a level that it believes to be relatively conservative for a financial institution engaged in that type of business.

BDO Unibank Group's net foreign exchange exposure is computed as its foreign currency assets less foreign currency liabilities. BSP regulations impose a cap of 20% of unimpaired capital or US\$50 million, whichever is lower, on the group excess foreign exchange holding of banks in the Philippines. BDO Unibank Group's foreign exchange exposure is primarily limited to the day-to-day, over-the-counter buying and selling of foreign exchange in BDO Unibank Group's branches as well as foreign exchange trading with corporate accounts and other financial institutions. BDO Unibank Group, being a major market participant in the Philippine Dealing System, may engage in proprietary trading to take advantage of foreign exchange fluctuations.

BDO Unibank Group's foreign exchange exposure during the day is guided by the limits set forth in BDO Unibank Group's Risk Management Manual. These limits are within the prescribed ceilings mandated by the BSP. At the end of each day, BDO Unibank Group reports to the BSP on its compliance with the mandated foreign currency exposure limits. In addition, it also reports to the BSP on the respective foreign currency positions of its subsidiaries.

The breakdown of the financial assets and liabilities as to foreign and peso-denominated balances as of December 31, 2012 and 2011 follows:

##### **BDO Unibank Group**

	2012			2011		
	Foreign Currencies	Philippine Peso	Total	Foreign Currencies	Philippine Peso	Total
<b>Resources:</b>						
Cash and other cash items						
and due from BSP	P 7	P 178,123	P 178,130	P 24	P 157,999	P 158,023
Due from other banks	12,562	83	12,645	24,137	582	24,719
Trading and investment securities:						
At FVTPL	3,095	6,082	9,177	2,071	2,752	4,823
AFS securities	92,648	38,506	131,154	66,152	23,773	89,925
HTM investments	84,536	12,427	96,963	77,940	15,730	93,670
Loans and other receivables	107,125	653,375	760,500	124,178	549,749	673,927
Other resources	1,907	219	2,126	2,002	425	2,427
	<u>P 301,880</u>	<u>P 888,815</u>	<u>P 1,190,695</u>	<u>P 296,504</u>	<u>P 751,010</u>	<u>P 1,047,514</u>
<b>Liabilities:</b>						
Deposit liabilities	P 212,340	P 719,301	P 931,641	P 206,618	P 651,951	P 858,569
Bills payable	64,728	7,451	72,179	44,565	14,909	59,474
Subordinated notes payable	-	28,180	28,180	-	38,255	38,255
Other liabilities	2,615	49,690	52,305	2,455	39,039	41,494
	<u>P 279,683</u>	<u>P 804,622</u>	<u>P 1,084,305</u>	<u>P 253,638</u>	<u>P 744,154</u>	<u>P 997,792</u>

**Parent Bank**

	2012			2011		
	Foreign Currency	Peso	Total	Foreign Currency	Peso	Total
Resources:						
Cash and other cash items						
and due from BSP	P -	P 172,815	P 172,815	P -	P 149,094	P 149,094
Due from other banks	11,429	59	11,488	22,741	36	22,777
Trading and investment securities:						
At FVTPL	3,047	2,036	5,083	1,864	544	2,408
AFS securities	89,459	34,174	123,633	63,023	19,908	82,931
HTM investments	80,067	9,539	89,606	73,092	12,650	85,742
Loans and other receivables	106,294	640,005	746,299	123,685	530,172	653,857
Other resources	1,907	207	2,114	2,002	316	2,318
	<u>P 292,203</u>	<u>P 858,835</u>	<u>P 1,151,038</u>	<u>P 286,407</u>	<u>P 712,720</u>	<u>P 999,127</u>
Liabilities:						
Deposit liabilities	P 205,603	P 714,191	P 919,794	P 200,000	P 638,748	P 838,748
Bills payable	63,700	1,477	65,177	44,565	6,813	51,378
Subordinated notes payable	-	28,180	28,180	-	38,255	38,255
Other liabilities	2,223	44,330	46,553	2,017	32,913	34,930
	<u>P 271,526</u>	<u>P 788,178</u>	<u>P 1,059,704</u>	<u>P 246,582</u>	<u>P 716,729</u>	<u>P 963,311</u>

**4.2.2 Interest Rate Risk**

BDO Unibank Group prepares gap analysis to measure the sensitivity of its resources, liabilities and off-book items to interest rate fluctuations. The focus of analysis is the impact of changes in interest rates on accrual or reported earnings. This analysis would give management a glimpse of maturity and re-pricing profile of its interest sensitive resources and liabilities. An interest rate gap report is prepared by classifying all assets and liabilities into various time buckets according to contracted maturities if fixed or anticipated repricing dates if floating, or based on behavioral assumptions if more applicable. In the interest rate gap presented, loans and investments are profiled based on next repricing if floating or contracted maturity if fixed rate while non-maturity deposit liabilities are considered non-rate sensitive. The difference in the amount of resources and liabilities maturing or being repriced in any time period category would then give BDO Unibank Group an indication of the extent to which it is exposed to the risk of potential changes in net interest income.

The analyses of the groupings of resources, liabilities and off-book items as of December 31, 2012 and 2011 based on the expected interest realization or recognition are presented in the succeeding pages.

**BDO Unibank Group**

		2012					
		One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Resources:							
Cash and other cash items	P	-	P	-	P	-	P 21,539
Due from BSP/ other banks		27,905	-	-	-	141,331	169,236
Loans and other receivables		483,332	66,027	140,350	70,791	-	760,500
Trading and investment securities		14,490	6,718	67,888	139,021	9,177	237,294
Other resources		-	-	-	-	55,839	55,839
Total Resources		<u>525,727</u>	<u>72,745</u>	<u>208,238</u>	<u>209,812</u>	<u>227,886</u>	<u>1,244,408</u>
Liabilities and Equity:							
Deposit liabilities		260,582	42,981	55,817	5,000	567,261	931,641
Bills and subordinated notes payable		39,368	13,942	6,893	40,156	-	100,359
Other liabilities		<u>594</u>	<u>535</u>	<u>2,089</u>	<u>-</u>	<u>51,938</u>	<u>55,156</u>
Total Liabilities		300,544	57,458	64,799	45,156	619,199	1,087,156
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>157,252</u>	<u>157,252</u>
Total Liabilities and Equity		<u>300,544</u>	<u>57,458</u>	<u>64,799</u>	<u>45,416</u>	<u>776,451</u>	<u>1,244,408</u>
On-book gap		<u>225,183</u>	<u>15,287</u>	<u>143,439</u>	<u>164,656</u>	<u>( 548,565 )</u>	<u>-</u>
Cumulative on-book gap		<u>225,183</u>	<u>240,470</u>	<u>383,909</u>	<u>548,565</u>	<u>-</u>	<u>-</u>
Contingent assets		9,984	10,077	5,679	-	-	25,740
Contingent liabilities		<u>10,572</u>	<u>9,855</u>	<u>5,673</u>	<u>-</u>	<u>-</u>	<u>26,100</u>
Off-book gap	(	<u>588</u> )	<u>222</u>	<u>6</u>	<u>-</u>	<u>-</u>	<u>( 360 )</u>
Net Periodic Gap		<u>224,595</u>	<u>15,509</u>	<u>143,445</u>	<u>164,656</u>	<u>( 548,565 )</u>	<u>-</u>
Cumulative Total Gap	<b>P</b>	<b><u>224,595</u></b>	<b>P <u>240,104</u></b>	<b>P <u>383,549</u></b>	<b>P <u>548,205</u></b>	<b>(P <u>360</u> )</b>	<b>P <u>-</u></b>

**BDO Unibank Group**

		2011					
		One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Resources:							
Cash and other cash items	P	-	P	-	P	-	P 33,129
Due from BSP/ other banks		33,313	-	-	-	116,300	149,613
Loans and other receivables		422,094	55,037	66,314	130,482	-	673,927
Trading and investment securities		3,979	6,947	21,593	151,071	4,828	188,418
Other resources		<u>3</u>	<u>1</u>	<u>9</u>	<u>38</u>	<u>52,211</u>	<u>52,262</u>
Total Resources		<u>459,389</u>	<u>61,985</u>	<u>87,916</u>	<u>281,591</u>	<u>206,468</u>	<u>1,097,349</u>
Liabilities and Equity:							
Deposit liabilities		276,466	25,253	22,025	34,437	500,388	858,569
Bills and subordinated notes payable		37,822	16,996	14,086	28,825	-	97,729
Other liabilities		<u>674</u>	<u>1,347</u>	<u>701</u>	<u>99</u>	<u>41,268</u>	<u>44,089</u>
Total Liabilities		314,962	43,596	36,812	63,361	541,656	1,000,387
Equity		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>96,962</u>	<u>96,962</u>
Total Liabilities and Equity		<u>314,962</u>	<u>43,596</u>	<u>36,812</u>	<u>63,361</u>	<u>638,618</u>	<u>1,097,349</u>
On-book gap		<u>144,427</u>	<u>18,389</u>	<u>51,104</u>	<u>218,230</u>	<u>( 432,150)</u>	<u>-</u>
Cumulative on-book gap		<u>144,427</u>	<u>162,816</u>	<u>213,920</u>	<u>432,150</u>	<u>-</u>	<u>-</u>
Contingent assets		36,142	1,843	23,273	15,322	-	76,580
Contingent liabilities		<u>4,791</u>	<u>1,094</u>	<u>15,955</u>	<u>12,601</u>	<u>-</u>	<u>34,441</u>
Off-book gap		<u>31,351</u>	<u>749</u>	<u>7,318</u>	<u>2,720</u>	<u>-</u>	<u>42,139</u>
Net Periodic Gap		<u>175,778</u>	<u>19,138</u>	<u>58,422</u>	<u>220,951</u>	<u>( 432,150)</u>	<u>42,139</u>
Cumulative Total Gap	P	<u>175,778</u>	P <u>194,916</u>	P <u>253,338</u>	P <u>474,289</u>	P <u>42,139</u>	P <u>-</u>

**Parent Bank**

		2012					
		One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Resources:							
Cash and other cash items	P	-	P	-	P	-	P 21,512
Due from BSP/ other banks		22,900	-	-	-	139,891	162,791
Loans and other receivables		480,078	61,790	129,267	75,164	-	746,299
Trading and investment securities		10,806	6,172	62,946	133,315	5,083	218,322
Other resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,760</u>	<u>61,760</u>
Total Resources		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,760</u>	<u>61,760</u>
(balance carried forward)	P	<u>513,784</u>	P <u>67,962</u>	P <u>192,213</u>	P <u>208,479</u>	P <u>228,246</u>	P <u>1,210,684</u>

**Parent Bank**

2012						
	One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Total Resources ( <i>balance brought forward</i> )	P 513,784	P 67,962	P 192,213	P 208,479	P 228,246	P 1,210,684
Liabilities and Equity:						
Deposit liabilities	253,501	42,189	53,938	5,000	565,166	919,794
Bills and subordinated notes payable	35,315	11,321	6,564	40,157	-	93,357
Other liabilities	-	-	-	-	49,120	49,120
Total Liabilities	288,816	53,510	60,502	45,157	614,286	1,062,271
Equity	-	-	-	-	148,413	148,413
Total Liabilities and Equity	288,816	53,510	60,502	45,157	762,699	1,210,684
On-book gap	224,968	14,452	131,711	163,322	( 534,453)	-
Cumulative on-book gap	224,968	239,420	371,131	534,453	-	-
Contingent assets	8,641	10,077	5,679	-	-	24,397
Contingent liabilities	9,233	9,855	5,673	-	-	24,761
Off-book gap	( 592)	222	6	-	-	( 364)
Net Periodic Gap	224,376	14,674	131,717	163,322	( 534,453)	( 364)
Cumulative Total Gap	P 224,376	P 239,050	P 370,767	P 534,089	(P 364)	P -
2011						
	One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Resources:						
Cash and other cash items	P -	P -	P -	P -	P 33,102	P 33,102
Due from BSP/ other banks	25,431	-	-	-	113,338	138,769
Loans and other receivables	418,656	51,715	58,681	124,805	-	653,857
Trading and investment securities	3,565	5,984	18,766	140,452	2,314	171,081
Other resources	-	-	-	-	58,449	58,449
Total Resources ( <i>balance carried forward</i> )	P 447,652	P 57,699	P 77,447	P 265,257	P 207,203	P 1,055,258

**Parent Bank**

	2011					
	One to three months	More than three months to one year	More than one year to five years	More than five years	Non-rate sensitive	Total
Total Resources (balance brought forward)	P 447,652	P 57,699	P 77,447	P 265,257	P 207,203	P 1,055,258
Liabilities and Equity:						
Deposit liabilities	267,086	21,648	19,321	34,437	496,256	838,748
Bills and subordinated notes payable	31,625	15,849	13,335	28,824	-	89,633
Other liabilities	351	685	-	-	36,258	37,294
Total Liabilities	299,062	38,182	32,656	63,261	532,514	965,675
Equity	-	-	-	-	89,583	89,583
Total Liabilities and Equity	299,062	38,182	32,656	63,261	622,097	1,055,258
On-book gap	148,590	19,517	44,791	201,996	( 414,894)	-
Cumulative on-book gap	148,590	168,107	212,898	414,894	-	-
Contingent assets	31,451	841	7,119	5,248	-	44,659
Contingent liabilities	175	160	-	2,612	-	2,947
Off-book gap	31,276	681	7,119	2,636	-	41,712
Net Periodic Gap	179,866	20,198	51,910	204,632	( 414,894)	41,712
Cumulative Total Gap	P 179,866	P 200,064	P 251,974	P 456,606	P 41,712	P -

BDO Unibank Group's market risk management limits are generally categorized as limits on:

- Value-at-risk (VaR) – The RMG computes the VaR benchmarked at a level which is a percentage of projected earnings. BDO Unibank Group uses the VaR model to estimate the daily potential loss that BDO Unibank Group can incur from its trading book, based on a number of assumptions with a confidence level of 99%. The measurement is designed such that exceptions over dealing limits should only arise in very exceptional circumstances.
- Stop loss – The RMG sets the amount of each risk-bearing activity at a percentage of the budgeted annual income for such activity.
- Nominal position – The RMG sets the nominal amount to prevent over-trading, excessive concentration, and to limit financial loss supplementing other established limits.
- Trading volume – The RMG sets the volume of transactions that any employee may execute at various levels based on the rank of the personnel making the risk-bearing decision.
- Earnings-at-risk – The RMG computes the earnings-at-risk based on a percentage of projected annual net interest income.

VaR is one of the key measures in BDO Unibank Group's management of market risk. VaR is defined as a statistical estimate of the maximum possible loss on a given position during a time horizon within a given confidence interval. BDO Unibank Group uses a 99% confidence level and a 260-day observation period in VaR calculation. BDO Unibank Group's VaR limit is established as a percentage of projected earnings and is used to alert senior management whenever the potential losses in BDO Unibank Group's portfolios exceed tolerable levels. Because the VaR measure is tied to market volatility, it therefore allows management to react quickly and adjust its portfolio strategies in different market conditions in accordance with its risk philosophy and appetite. The VaR model is validated through back-testing.

Although VaR is an important tool for measuring market risk, the assumptions on which the model is based do give rise to some limitations, including the following:

- A one-day holding period assumes that it is possible to hedge or dispose of positions within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period;
- A 99% confidence level does not reflect losses that may occur beyond this level. Even within the model used, there is a one percent probability that losses could exceed the VaR;
- VaR is calculated on an end-of-day basis and does not reflect exposures that may arise on positions during the trading day;
- The use of historical data as a basis for determining the possible range of future outcomes may not always cover all possible scenarios, especially those of an exceptional nature; and,
- The VaR measure is dependent upon BDO Unibank Group's position and the volatility of market prices. The VaR of an unchanged position reduces if the market price volatility declines and vice-versa.

The limitations of the VaR methodology are recognized by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio. In addition, the Parent Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Parent Bank's overall position. Stress VaR is also performed on all portfolios as a complementary measure of risk. While VaR deals with risk during times of normality, stress testing is used to measure the potential effect of a crisis or low probability event.

A summary of the VaR position of the trading portfolios at December 31 follows:

**BDO Unibank Group**

	<u>2012</u>		<u>2011</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 6)	(P 66)	(P 8)	(P 80)
Interest rate risk – Peso	( 26)	( 454)	( 17)	( 73)
Interest rate risk – USD	( 4)	( 88)	( 6)	( 132)
	<u>(P 36)</u>	<u>(P 608)</u>	<u>(P 31)</u>	<u>(P 285)</u>

**Parent Bank**

	<u>2012</u>		<u>2011</u>	
	<u>VaR</u>	<u>Stress VaR</u>	<u>VaR</u>	<u>Stress VaR</u>
Foreign currency risk	(P 6)	(P 63)	(P 8)	(P 80)
Interest rate risk – Peso	( 24)	( 413)	( 8)	( 17)
Interest rate risk – USD	( 4)	( 81)	( 2)	( 34)
	<u>(P 34)</u>	<u>(P 557)</u>	<u>(P 18)</u>	<u>(P 131)</u>

The earnings-at-risk before tax in a rising and declining interest rate scenario for financial assets and liabilities repriced during 2012 and 2011 is shown below.

**BDO Unibank Group**

	<u>2012</u>			
	<u>Change in interest rates (in basis points)</u>			
	<u>-100</u>	<u>+100</u>	<u>-50</u>	<u>+50</u>
Change on annualized net interest income	<u>(P 1,978)</u>	<u>P 1,978</u>	<u>(P 989)</u>	<u>P 989</u>
As a percentage of the BDO Unibank Group's net interest income for 2012	<u>( 5.5%)</u>	<u>5.5%</u>	<u>( 2.7%)</u>	<u>2.7%</u>
Earnings-at-risk	<u>P 872</u>			
	<u>2011</u>			
	<u>Change in interest rates (in basis points)</u>			
	<u>-100</u>	<u>+100</u>	<u>-50</u>	<u>+50</u>
Change on annualized net interest income	<u>(P 1,515)</u>	<u>P 1,515</u>	<u>(P 758)</u>	<u>P 758</u>
As a percentage of the BDO Unibank Group's net interest income for 2011	<u>( 4.5%)</u>	<u>4.5%</u>	<u>( 2.2%)</u>	<u>2.2%</u>
Earnings-at-risk	<u>P 1,918</u>			



**Parent Bank**

	2012			
	Change in interest rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 2,065)	P 2,065	(P 1,033)	P 1,033
As a percentage of the Parent Bank's net interest income for 2012	( 6.0%)	6.0%	( 3.0%)	3.0%
Earnings-at-risk	P 897			
	2011			
	Change in interest rates (in basis points)			
	-100	+100	-50	+50
Change on annualized net interest income	(P 1,633)	P 1,633	(P 816)	P 816
As a percentage of the Parent Bank's net interest income for 2011	( 5.1%)	5.1%	( 2.6%)	2.6%
Earnings-at-risk	P 1,918			

**4.2.3 Price Risk**

BDO Unibank Group is exposed to equity securities price risk because of investments held by BDO Unibank Group and classified on the statement of financial position either as AFS or at FVTPL. BDO Unibank Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, BDO Unibank Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by BDO Unibank Group.

The table below summarizes the impact of increases of the financial assets at FVTPL and AFS securities on BDO Unibank Group's net profit after tax and equity as of December 31. The results are based on the volatility assumption of the benchmark equity index which was 2.74% in 2012 and 3.04% in 2011 for securities classified as FVTPL and AFS securities, with all other variables held constant and all BDO Unibank Group's equity instruments moved according to the historical correlation with the index.

**BDO Unibank Group**

	Impact on net profit after tax		Impact on other comprehensive income	
	increase (decrease)		increase (decrease)	
	2012	2011	2012	2011
Financial assets at FVTPL	P 3	P 2	P -	P -
AFS securities	-	-	132	115
	P 3	P 2	P 132	P 115

**Parent Bank**

	Impact on net profit after tax <u>increase (decrease)</u>		Impact on other comprehensive income <u>increase (decrease)</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
AFS securities	<u>P -</u>	<u>P -</u>	<u>P 96</u>	<u>P 38</u>

***4.2.4 Credit Risk***

Credit risk is the risk that the counterparty in a transaction may default and arises from lending, trade finance, treasury, derivatives and other activities undertaken by the BDO Unibank Group. It manages its credit risk and loan portfolio through the RMG, which undertakes several functions with respect to credit risk management.

The RMG undertakes credit analysis and review to ensure consistency in BDO Unibank Group's risk assessment process. The RMG performs risk ratings for corporate accounts and handles the development and monitoring of credit rating and scoring models for both corporate and consumer loans. It also ensures that BDO Unibank Group's credit policies and procedures are adequate to meet the demands of the business. The RMG is also responsible for developing procedures to streamline and expedite the processing of credit applications.

The RMG also undertakes portfolio management by reviewing BDO Unibank Group's loan portfolio, including the portfolio risks associated with particular industry sectors, loan size and maturity, and development of a strategy for BDO Unibank Group to achieve its desired portfolio mix and risk profile.

BDO Unibank Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits when appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

***4.2.4.1 Exposure to Credit Risk***

Loan classification and credit risk rating are an integral part of BDO Unibank Group's management of credit risk. On an annual basis, loans are reviewed, classified and rated based on internal and external factors that affect its performance. On a quarterly basis, loan classifications of impaired accounts are assessed and the results are used as basis for the review of loan loss provisions.

BDO Unibank Group's definition of its loan classification and corresponding credit risk ratings are as follows:

- |                              |   |                 |
|------------------------------|---|-----------------|
| • Current/Unclassified       | : | Grades AAA to B |
| • Watchlisted                | : | Grade B         |
| • Loans Especially Mentioned | : | Grade C         |
| • Substandard                | : | Grade D         |
| • Doubtful                   | : | Grade E         |
| • Loss                       | : | Grade F         |

Once an account is Watchlisted or Adversely Classified, the resulting risk rating grade is aligned based on the above classification.

(i) *Unclassified*

These are individual credits that do not have a greater-than-normal risk and do not possess the characteristics of adversely classified loans as to be defined below. These are credits that have the apparent ability to satisfy their obligations in full and therefore, no loss in ultimate collection is anticipated. These are adequately secured by readily marketable collateral or other forms of support security or are supported by sufficient credit and financial information of favorable nature to assure repayment as agreed.

(ii) *Watchlisted*

Since early identification of troublesome or potential accounts is vital in portfolio management, a "Watchlisted" classification of credit accounts is maintained. These accounts are not adversely classified but they require more than normal attention to prevent these accounts from deteriorating to said category.

Past due or individually impaired financial assets comprise accounts under the following risk ratings:

(iii) *Adversely Classified*

a. *Loans Especially Mentioned (LEM)*

Accounts classified as LEM are individual credits that have potential weaknesses particularly on documentation or credit administration that deserve management's close attention. These potential weaknesses, if left uncorrected, may affect the repayment prospects of the loan and thus heighten the credit risk to BDO Unibank Group.

A credit may also be classified as "Loans Especially Mentioned" if there is evidence of weakness in the borrower's financial condition or credit worthiness, or the credit is subject to an unrealistic repayment program or inadequate source of funds.

*b. Substandard*

Accounts classified as “Substandard” are individual credits or portions thereof, which appear to involve a substantial and unreasonable degree of risk to BDO Unibank Group because of unfavorable record or unsatisfactory characteristics. There exists in such accounts the possibility of future loss to BDO Unibank Group unless given closer supervision. Those classified as “Substandard” must have a well-defined weakness or weaknesses that jeopardize their liquidation. Such well-defined weaknesses may include adverse trends or development of financial, managerial, economic or political nature, or a significant weakness in collateral.

*c. Doubtful*

Accounts classified as “Doubtful” are individual credits or portions thereof which have the weaknesses inherent in those classified as “Substandard”, with the added characteristics that existing facts, conditions and values make collection or liquidation in full highly improbable and in which substantial loss is probable. Positive and vigorous action is required to avert or minimize losses.

*d. Loss*

Accounts classified as “Loss” are individual credits or portions thereof which are considered uncollectible or worthless and of such little value that their continuance as bankable assets is not warranted although the loans may have some recovery or salvage value. The amount of loss is difficult to measure and it is not practical or desirable to defer writing off these basically worthless assets even though partial recovery may be obtained in the future.

In addition to the above, credit portfolio review is another integral part of BDO Unibank Group’s management of credit risk. This exercise involves the conduct of periodic post approval review of individual credits whose main objective is to help monitor and maintain sound and healthy risk asset portfolio. Parameters of the credit portfolio review are structured so as to reflect both sides of the risk management equation such as credit quality and process. This function actuates the philosophy that credit quality is derived from sound risk management process. The credit quality of financial assets is managed by BDO Unibank Group using internal credit ratings.

The following table shows the exposure to credit risk as of December 31, 2012 and 2011 for each internal risk grade and the related allowance for impairment:

**BDO Unibank Group**

	2012		
	<u>Loans and Other Receivables</u>	<u>Due from Other Banks</u>	<u>Trading and Investment Securities</u>
<b>Carrying Amount</b>	<b><u>P 760,500</u></b>	<b><u>P 12,645</u></b>	<b><u>P 227,999</u></b>
<b>Individually Impaired</b>			
Grade C: LEM	P 5,640	P -	P -
Grade D: Substandard	1,803	-	-
Grade E: Doubtful	5,567	-	942
Grade F: Loss	<u>6,790</u>	<u>-</u>	<u>702</u>
Gross amount	19,800		1,644
Allowance for impairment	<u>( 12,698)</u>	<u>-</u>	<u>( 1,644)</u>
Carrying amount	<u>7,102</u>	<u>-</u>	<u>-</u>
<b>Collectively Impaired</b>			
Unclassified	116	-	10,481
Grade C: LEM	3,168	-	-
Grade D: Substandard	2,645	-	-
Grade E: Doubtful	526	-	-
Grade F: Loss	<u>6,072</u>	<u>-</u>	<u>-</u>
Gross amount	12,527	-	10,481
Allowance for impairment	<u>( 7,236)</u>	<u>-</u>	<u>( 111)</u>
Carrying amount	<u>5,291</u>	<u>-</u>	<u>10,370</u>
<b>Past Due But Not Impaired</b>			
Unclassified	<u>7,311</u>	<u>-</u>	<u>-</u>
<b>Neither Past Due Nor Impaired</b>			
Unclassified	<u>740,796</u>	<u>12,645</u>	<u>217,629</u>
<b>Accounts with Negotiated Terms</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Carrying Amount</b>	<b><u>P 760,500</u></b>	<b><u>P 12,645</u></b>	<b><u>P 227,999</u></b>

**BDO Unibank Group**

	2011		
	Loans and Other Receivables	Due from Other Banks	Trading and Investment Securities
<b>Carrying Amount</b>	P 673,927	P 24,719	P 181,815
<b>Individually Impaired</b>			
Grade C: LEM	P 10,715	P -	P -
Grade D: Substandard	3,538	-	-
Grade E: Doubtful	5,168	-	1,006
Grade F: Loss	<u>6,390</u>	<u>-</u>	<u>888</u>
Gross amount	25,811		1,894
Allowance for impairment	( <u>12,385</u> )	<u>-</u>	( <u>1,894</u> )
Carrying amount	<u>13,426</u>	<u>-</u>	<u>-</u>
<b>Collectively Impaired</b>			
Unclassified	28	-	11,104
Grade C: LEM	3,622	-	-
Grade D: Substandard	2,333	-	-
Grade E: Doubtful	535	-	-
Grade F: Loss	<u>6,174</u>	<u>-</u>	<u>-</u>
Gross amount	12,692	-	11,104
Allowance for impairment	( <u>7,268</u> )	<u>-</u>	( <u>147</u> )
Carrying amount	<u>5,424</u>	<u>-</u>	<u>10,957</u>
<b>Past Due But Not Impaired</b>			
Unclassified	<u>6,187</u>	<u>-</u>	<u>-</u>
<b>Neither Past Due Nor Impaired</b>			
Unclassified	<u>648,890</u>	<u>24,719</u>	<u>170,858</u>
<b>Accounts with Negotiated Terms</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Carrying Amount</b>	P 673,927	P 24,719	P 181,815

An aging of past due but not impaired accounts of BDO Unibank Group follows:

	Loans and Other Receivables	
	2012	2011
Below 30 days	P 6,548	P 6,107
30 to 60 days	325	17
61 to 90 days	418	3
91 to 180 days	12	29
More than 180 days	<u>8</u>	<u>31</u>
	P 7,311	P 6,187

**Parent Bank**

	2012		
	<u>Loans and Other Receivables</u>	<u>Due from Other Banks</u>	<u>Trading and Investment Securities</u>
<b>Carrying Amount</b>	<b><u>P 746,299</u></b>	<b><u>P 11,488</u></b>	<b><u>P 212,709</u></b>
<b>Individually Impaired</b>			
Grade C: LEM	P 5,624	P -	P -
Grade D: Substandard	1,466	-	-
Grade E: Doubtful	5,393	-	942
Grade F: Loss	<u>6,674</u>	<u>-</u>	<u>702</u>
Gross amount	19,157	-	1,644
Allowance for impairment	<u>( 12,355)</u>	<u>-</u>	<u>( 1,644)</u>
Carrying amount	<u>6,802</u>	<u>-</u>	<u>-</u>
<b>Collectively Impaired</b>			
Grade C: LEM	3,168	-	-
Grade D: Substandard	2,645	-	-
Grade E: Doubtful	526	-	-
Grade F: Loss	<u>6,072</u>	<u>-</u>	<u>-</u>
Gross amount	12,411	-	-
Allowance for impairment	<u>( 7,235)</u>	<u>-</u>	<u>-</u>
Carrying amount	<u>5,176</u>	<u>-</u>	<u>-</u>
<b>Past Due But Not Impaired</b>			
Unclassified	<u>7,310</u>	<u>-</u>	<u>-</u>
<b>Neither Past Due Nor Impaired</b>			
Unclassified	<u>727,011</u>	<u>11,488</u>	<u>212,709</u>
<b>Total Carrying Amount</b>	<b><u>P 746,299</u></b>	<b><u>P 11,488</u></b>	<b><u>P 212,709</u></b>

**Parent Bank**

	2011		
	Loans and Other Receivables	Due from Other Banks	Trading and Investment Securities
<b>Carrying Amount</b>	P 653,857	P 22,777	P 168,455
<b>Individually Impaired</b>			
Grade C: LEM	P 10,676	P -	P -
Grade D: Substandard	3,433	-	-
Grade E: Doubtful	4,936	-	1,006
Grade F: Loss	6,330	-	888
Gross amount	25,375	-	1,894
Allowance for impairment	( 12,079)	-	( 1,894)
Carrying amount	13,296	-	-
<b>Collectively Impaired</b>			
Grade C: LEM	3,622	-	-
Grade D: Substandard	2,333	-	-
Grade E: Doubtful	535	-	-
Grade F: Loss	6,174	-	-
Gross amount	12,664	-	-
Allowance for impairment	( 7,264)	-	-
Carrying amount	5,400	-	-
<b>Past Due But Not Impaired</b>			
Unclassified	6,176	-	-
<b>Neither Past Due Nor Impaired</b>			
Unclassified	628,985	22,777	168,455
<b>Total Carrying Amount</b>	P 653,857	P 22,777	P 168,455

An aging of past due but not impaired accounts of the Parent Bank follows:

	Loans and Other Receivables	
	2012	2011
Below 30 days	P 6,548	P 6,107
30 to 60 days	325	17
61 to 90 days	418	3
91 to 180 days	12	18
More than 180 days	7	31
	P 7,310	P 6,176



Exposure to credit risk also includes unused commercial letters of credits and committed credit lines amounting to P28,528 and P101,209, respectively, for 2012 and P33,391 and P111,469, respectively, for 2011 in BDO Unibank Group financial statements and P28,528 and P101,209, respectively, for 2012 and P33,391 and P110,148, respectively, for 2011 in the Parent Bank financial statements (see Note 31.3).

#### 4.2.4.2 Collateral Held as Security and Other Credit Enhancements

BDO Unibank Group holds collateral against loans and receivables from customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated periodically, e.g., annually for real estate properties, as provided in the Parent Bank's Credit Policy Manual. Collateral generally is not held over due from other banks, interbank loans and investment securities, except when securities are held as part of reverse repurchase and securities borrowing activity. BDO Unibank Group holds collateral against loans and other receivables in the form of property, debt securities, equities and others.

Estimate of the fair value of collateral and other security enhancements held against the following loans and other receivables risk groupings as of December 31 follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Individually impaired				
Property	P 15,461	P 16,358	P 15,461	P 16,290
Equity	2,610	709	2,610	398
Others	<u>7,892</u>	<u>19,968</u>	<u>7,892</u>	<u>19,894</u>
	<u>25,963</u>	<u>37,035</u>	<u>25,963</u>	<u>36,582</u>
Collectively impaired				
Property	6,751	5,069	6,468	5,069
Others	<u>1,355</u>	<u>1,262</u>	<u>1,355</u>	<u>1,262</u>
	<u>8,106</u>	<u>6,331</u>	<u>7,823</u>	<u>6,331</u>
Past due but not impaired				
Property	19,865	5,300	7,016	5,299
Debt Security	111	-	-	-
Equity	467	1	-	-
Others	<u>2,878</u>	<u>2,755</u>	<u>2,811</u>	<u>2,746</u>
	<u>23,321</u>	<u>8,056</u>	<u>9,827</u>	<u>8,045</u>
Neither past due nor impaired				
Property	272,496	264,652	272,496	264,161
Debt security	1,653	1,314	1,653	1,203
Equity	95,373	96,380	95,373	87,458
Others	<u>408,880</u>	<u>397,615</u>	<u>408,880</u>	<u>391,625</u>
	<u>778,402</u>	<u>759,961</u>	<u>778,402</u>	<u>744,447</u>
	<u>P 835,792</u>	<u>P 811,383</u>	<u>P 822,015</u>	<u>P 795,405</u>

As of December 31, 2012 and 2011, no collateral is held for due from other banks and trading and investment securities.

BDO Unibank Group's manner of disposing the collateral for impaired loans and receivables is normally through sale of these assets after foreclosure proceedings have taken place.

#### 4.2.4.3 Concentrations of Credit Risk

BDO Unibank Group monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk (gross of allowance) at the reporting date is shown below.

## BDO Unibank Group

	2012			2011		
	Cash and Cash Equivalents	Receivables from Customers	Investment Securities	Cash and Cash Equivalents	Receivables from Customers	Investment Securities
Concentration by sector:						
Financial intermediaries	P 190,775	P 107,723	P 154,651	P 182,742	P 84,668	P 124,158
Wholesale and retail trade	-	119,494	475	-	105,905	1
Manufacturing	-	103,068	19,513	-	101,468	15,753
Real estate, renting and other related activities	-	110,477	7,373	-	77,624	5,388
Other community, social and personal activities	-	70,051	51	-	58,315	-
Transportation and communication	-	56,592	6,706	-	51,378	7,671
Agriculture, fishing and forestry	-	8,434	-	-	8,037	-
Others	-	193,117	40,985	-	182,751	30,885
	<u>P 190,775</u>	<u>P 768,956</u>	<u>P 229,754</u>	<u>P 182,742</u>	<u>P 670,146</u>	<u>P 183,856</u>
Concentration by location:						
Philippines	P 178,680	P 757,900	P 185,759	P 159,982	P 650,516	P 150,939
Others	<u>12,095</u>	<u>11,056</u>	<u>43,995</u>	<u>22,760</u>	<u>19,630</u>	<u>32,917</u>
	<u>P 190,775</u>	<u>P 768,956</u>	<u>P 229,754</u>	<u>P 182,742</u>	<u>P 670,146</u>	<u>P 183,856</u>

**Parent Bank**

	2012			2011		
	Cash and Cash Equivalents	Receivables from Customers	Investment Securities	Cash and Cash Equivalents	Receivables from Customers	Investment Securities
Concentration by sector:						
Financial intermediaries	P 184,303	P 112,694	P 144,166	P 171,871	P 86,169	P 110,700
Wholesale and retail trade	-	116,839	475	-	104,115	1
Manufacturing	-	99,293	18,771	-	97,730	15,746
Real estate, renting and other related activities	-	105,616	5,562	-	75,364	5,370
Other community, social and personal activities	-	69,769	51	-	55,560	-
Transportation and communication	-	54,155	6,706	-	48,203	7,671
Agriculture, fishing and forestry	-	8,168	-	-	7,536	-
Others	-	189,404	38,622	-	181,690	30,861
	<u>P 184,303</u>	<u>P 755,938</u>	<u>P 214,353</u>	<u>P 171,871</u>	<u>P 656,367</u>	<u>P 170,349</u>
Concentration by location:						
Philippines	P 173,348	P 745,666	P 172,033	P 150,543	P 636,737	P 138,891
Others	<u>10,955</u>	<u>10,272</u>	<u>42,320</u>	<u>21,328</u>	<u>19,630</u>	<u>31,458</u>
	<u>P 184,303</u>	<u>P 755,938</u>	<u>P 214,353</u>	<u>P 171,871</u>	<u>P 656,367</u>	<u>P 170,349</u>

### ***4.3 Operational Risk***

Operational risk is the risk of loss due to BDO Unibank Group's:

- failure to comply with defined operational procedures;
- inability to address fraud committed internally or externally;
- inability to handle system failures; and,
- inability to cope with the impact of external events.

BDO Unibank Group manages its operational risks by instituting policies to minimize its expected losses, allocating capital for the unexpected losses, and having insurance and/or a business continuity plan to prepare for catastrophic losses.

#### ***Framework***

True to its commitment to sound management and corporate governance, BDO Unibank Group considers operational risk management as a critical element in the conduct of its business. Under BDO Unibank Group's Operational Risk Management (ORM) framework, the BOD has the ultimate responsibility for providing leadership in the management of risk in BDO Unibank Group. In 2012, the Group continued mapping of operational risks for its critical/key business processes--an exercise that started in the latter part of 2011 when the process-driven ORM approach was adopted. The business process owners, as risk owners, are responsible for identifying, assessing and limiting the impact of risk in their businesses/operations. The RMG provides the common risk language and management tools across BDO Unibank Group as well as monitors the implementation of the ORM framework and policies.

Alongside the shift to the process-driven ORM approach, the Group also adopted the periodic Risk and Control Self-Assessment (RCSA) process so that business process owners could document both their operational risks and control mechanisms they have put in place to manage those risks. This ORM tool allows the Group to identify risks the business/operation faces, assess the severity of those risks, evaluate the adequacy of key controls associated to the identified risks, and take proactive action to address any deficiencies identified. RCSAs completed in 2011 were subjected to an annual review in 2012.

BDO Unibank Group also continues to use Key Risk Indicators (KRI) as alerts for operational risk vulnerabilities. Reporting of Top KRIs to the BOD through the Risk Management Committee is done quarterly.

BDO Unibank Group continues to expand its operational loss database to cover more loss event categories as defined by Basel II.

Operational risks arising from health, safety and environmental issues are appropriately managed through policies and measures that are integrated into BDO Unibank Group's day-to-day operations. These include Environmental Consciousness, Occupational Health and Safety, and Community Health and Safety.

BDO Unibank Group continues to review its preparedness for major disaster scenarios and implements required changes in its Business Continuity Plan.

Beginning 2013, operational risks arising from IT security concerns will be captured and analyzed using the following tools: User-Managed Data Inventory where business process owners are responsible for identifying if sensitive data stored in the user personal computers are protected; and IT Asset Risk Profiling where risks on IT assets supporting critical/key business processes are identified and assessed.

## 5. SEGMENT REPORTING

BDO Unibank Group's main operating businesses are organized and managed separately according to the nature of services provided and the different markets served, with each segment representing a strategic business unit. These are also the basis of BDO Unibank Group in reporting to its chief operating decision-maker for its strategic decision-making activities.

Management currently identifies BDO Unibank Group's three service lines as primary operating segments. In addition, minor operating segments, for which quantitative thresholds have not been met, as described in PFRS 8 are combined below as Others.

- (a) **Commercial banking** – handles the entire lending (corporate and consumer), trade financing and cash management services for corporate and retail customers;
- (b) **Investment banking** – provides services to corporate clients outside the traditional loan and deposit products. These services include loan syndications, underwriting and placing of debt and equity securities, and financial advisory services;
- (c) **Private banking** – provides traditional and non-traditional investment and structured products to high net worth individuals and institutional accounts; and,
- (d) **Others** – includes asset management, insurance brokerage, realty management, leasing, financing, remittance, accounting service, credit card service and computer service, none of which individually constitutes a separate reportable segment.

These segments are the basis on which BDO Unibank Group reports its segment information. Transactions between the segments are on normal commercial terms and conditions. Inter-segment transactions are eliminated in consolidation.

Funds are ordinarily allocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on BDO Unibank Group's cost of capital. There are no other material items of income or expense between the segments.

Segment assets and liabilities comprise operating assets and liabilities including items such as taxation and borrowings.

Segment revenues and expenses that are directly attributable to primary operating segment and the relevant portions of BDO Unibank Group's revenues and expenses that can be allocated to that operating segment are accordingly reflected as revenues and expenses of that operating segment. Revenue sharing agreements are used to allocate external customer revenues to a segment on a reasonable basis.

Segment information (by service lines) as of and for the years ended December 31, 2012 and 2011 follows:

	Commercial Banking	Investment Banking	Private Banking	Others	Eliminations	Group
<b>December 31, 2012</b>						
<b>Statements of Income</b>						
Interest income						
External	P 51,576	P 88	P 1,046	P 1,304	P -	P 54,014
Inter-segment	<u>142</u>	<u>6</u>	<u>2</u>	<u>14</u>	<u>(164)</u>	<u>-</u>
	<u>51,718</u>	<u>94</u>	<u>1,048</u>	<u>1,318</u>	<u>(164)</u>	<u>54,014</u>
Interest expense						
External	17,155	3	299	359	-	17,816
Inter-segment	<u>20</u>	<u>43</u>	<u>1</u>	<u>99</u>	<u>(163)</u>	<u>-</u>
	<u>17,175</u>	<u>46</u>	<u>300</u>	<u>458</u>	<u>(163)</u>	<u>17,816</u>
Net interest income	<u>34,543</u>	<u>48</u>	<u>748</u>	<u>860</u>	<u>(1)</u>	<u>36,198</u>
Other operating income						
Investment banking fees	-	700	-	-	-	700
Others	<u>21,703</u>	<u>195</u>	<u>545</u>	<u>2,260</u>	<u>(976)</u>	<u>23,727</u>
	<u>21,703</u>	<u>895</u>	<u>545</u>	<u>2,260</u>	<u>(976)</u>	<u>24,427</u>
Other operating expenses						
Depreciation and amortization	2,800	5	39	216	-	3,060
Impairment losses	4,850	1	(27)	117	-	4,941
Others	<u>34,652</u>	<u>306</u>	<u>719</u>	<u>1,244</u>	<u>(124)</u>	<u>36,797</u>
	<u>42,302</u>	<u>312</u>	<u>731</u>	<u>1,577</u>	<u>(124)</u>	<u>44,798</u>
Profit before tax	13,944	631	562	1,543	(853)	15,827
Tax expense	<u>1,047</u>	<u>153</u>	<u>82</u>	<u>203</u>	<u>-</u>	<u>1,485</u>
Net profit	<u>P 12,897</u>	<u>P 478</u>	<u>P 480</u>	<u>P 1,340</u>	<u>(P 853)</u>	<u>P 14,342</u>
<b>Statements of Financial Position</b>						
Total resources						
Segment assets	P 1,206,195	P 3,341	P 21,263	P 28,950	(P 21,349)	P 1,238,400
Intangible assets	879	10	3	1	-	893
Deferred tax assets (liabilities)	<u>5,176</u>	<u>(52)</u>	<u>43</u>	<u>(52)</u>	<u>-</u>	<u>5,115</u>
	<u>P 1,212,250</u>	<u>P 3,299</u>	<u>P 21,309</u>	<u>P 28,899</u>	<u>(P 21,349)</u>	<u>P 1,244,408</u>
Total liabilities	<u>P 1,062,274</u>	<u>P 1,167</u>	<u>P 16,073</u>	<u>P 17,170</u>	<u>(P 9,528)</u>	<u>P 1,087,156</u>
<b>Other segment information</b>						
Capital expenditures	P 2,890	P 4	P 47	P 388	P -	P 3,329
Investment in associates under equity method	4,985	22	-	-	-	5,007
Share in the profit of associates	448	22	-	-	-	470

	Commercial Banking		Investment Banking		Private Banking		Others	Eliminations	Group	
December 31, 2011										
Statements of Income										
Interest income										
External	P	47,972	P	56	P	1,006	P	1,433	P	50,467
Inter-segment		<u>115</u>		<u>9</u>		<u>51</u>		<u>18</u>	(	<u>193</u> )
		<u>48,087</u>		<u>65</u>		<u>1,057</u>		<u>1,451</u>	(	<u>193</u> )
										<u>50,467</u>
Interest expense										
External		16,013		-		385		290	-	16,688
Inter-segment		<u>26</u>		<u>29</u>		<u>1</u>		<u>87</u>	(	<u>143</u> )
		<u>16,039</u>		<u>29</u>		<u>386</u>		<u>377</u>	(	<u>143</u> )
										<u>16,688</u>
Net interest income		<u>32,048</u>		<u>36</u>		<u>671</u>		<u>1,074</u>	(	<u>50</u> )
										<u>33,779</u>
Other operating income										
Investment banking fees	-			730	-		-		-	730
Others		<u>17,976</u>		<u>172</u>		<u>650</u>		<u>2,034</u>	(	<u>663</u> )
		<u>17,976</u>		<u>902</u>		<u>650</u>		<u>2,034</u>	(	<u>663</u> )
										<u>20,899</u>
Other operating expenses										
Depreciation and amortization		2,502		4		22		322	-	2,850
Impairment losses		5,945		-		30		169	-	6,144
Others		<u>31,375</u>		<u>320</u>		<u>650</u>		<u>1,197</u>	(	<u>76</u> )
		<u>39,822</u>		<u>324</u>		<u>702</u>		<u>1,688</u>	(	<u>76</u> )
										<u>42,460</u>
Profit before tax		10,202		614		619		1,420	(	637)
										<u>12,218</u>
Tax expense		<u>1,212</u>		<u>176</u>		<u>73</u>		<u>169</u>	-	<u>1,630</u>
Net profit	<u>P</u>	<u>8,990</u>	<u>P</u>	<u>438</u>	<u>P</u>	<u>546</u>	<u>P</u>	<u>1,251</u>	( <u>P</u>	<u>637</u> )
									<u>P</u>	<u>10,588</u>
Statements of Financial Position										
Total resources										
Segment assets	P	1,050,750	P	4,091	P	28,160	P	25,377	(P	16,958)
Intangible assets		433		10		-		1	-	444
Deferred tax assets (liabilities)		<u>5,586</u>	(	<u>30</u> )		<u>37</u>	(	<u>108</u> )	-	<u>5,485</u>
	<u>P</u>	<u>1,056,769</u>	<u>P</u>	<u>4,071</u>	<u>P</u>	<u>28,197</u>	<u>P</u>	<u>25,270</u>	( <u>P</u>	<u>16,958</u> )
									<u>P</u>	<u>1,097,349</u>
Total liabilities	<u>P</u>	<u>965,678</u>	<u>P</u>	<u>2,462</u>	<u>P</u>	<u>23,153</u>	<u>P</u>	<u>14,440</u>	( <u>P</u>	<u>5,346</u> )
									<u>P</u>	<u>1,000,387</u>
Other segment information										
Capital expenditures	P	2,915	P	1	P	53	P	409	P	-
Investment in associates under equity method		4,678		68		-		-		-
Share in the profit of associates		681		-		-		-		-
										681

	Commercial Banking		Investment Banking		Private Banking		Others	Eliminations	Group	
December 31, 2010										
Statements of Income										
Interest income										
External	P	46,764	P	22	P	1,267	P	1,877	P	49,930
Inter-segment		<u>1</u>		<u>13</u>		<u>-</u>		<u>20</u>	(	<u>34</u> )
		<u>46,765</u>		<u>35</u>		<u>1,267</u>		<u>1,897</u>	(	<u>34</u> )
Interest expense										
External		14,998		-		480		294		-
Inter-segment		<u>32</u>		<u>1</u>		<u>1</u>		<u>-</u>	(	<u>34</u> )
		<u>15,030</u>		<u>1</u>		<u>481</u>		<u>294</u>	(	<u>34</u> )
Net interest income		<u>31,735</u>		<u>34</u>		<u>786</u>		<u>1,603</u>		<u>-</u>
Other operating income										
Investment banking fees		-		392		-		-		392
Others		<u>16,429</u>		<u>188</u>		<u>681</u>		<u>1,130</u>	(	<u>979</u> )
		<u>16,429</u>		<u>580</u>		<u>681</u>		<u>1,130</u>	(	<u>979</u> )
Other operating expenses										
Depreciation and amortization		2,004		4		24		848		-
Impairment losses		<u>6,376</u>		-		<u>58</u>		<u>316</u>	(	<u>52</u> )
Others		<u>30,036</u>		<u>237</u>		<u>653</u>		<u>1,066</u>	(	<u>83</u> )
		<u>38,416</u>		<u>241</u>		<u>735</u>		<u>2,230</u>	(	<u>135</u> )
Profit before tax		9,748		373		732		503	(	844)
Tax expense		<u>1,310</u>		<u>82</u>		<u>84</u>		<u>162</u>	(	<u>7</u> )
Net profit	<u>P</u>	<u>8,438</u>	<u>P</u>	<u>291</u>	<u>P</u>	<u>648</u>	<u>P</u>	<u>341</u>	( <u>P</u>	<u>837</u> )
Statements of Financial Position										
Total resources										
Segment assets	P	954,185	P	2,148	P	30,590	P	22,701	(P	15,155)
Intangible assets		805		10		1		-		-
Deferred tax assets (liabilities)		<u>5,687</u>		<u>(32)</u>		<u>29</u>		<u>(100)</u>		<u>-</u>
	<u>P</u>	<u>960,677</u>	<u>P</u>	<u>2,126</u>	<u>P</u>	<u>30,620</u>	<u>P</u>	<u>22,601</u>	( <u>P</u>	<u>15,155</u> )
Total liabilities	<u>P</u>	<u>876,657</u>	<u>P</u>	<u>934</u>	<u>P</u>	<u>26,149</u>	<u>P</u>	<u>15,973</u>	( <u>P</u>	<u>7,576</u> )
Other segment information										
Capital expenditures	P	2,493	P	2	P	8	P	285	P	-
Investment in associates under equity method		3,858		68		-		-		-
Share in the profit of associates		16		-		-		-		-

## 6. FINANCIAL ASSETS AND LIABILITIES

These consist of the following:

### **BDO Unibank Group**

		2012			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial Assets:					
Cash and other cash items	P	-	P 21,539	P 21,539	P 21,539
Due from BSP		156,591	-	156,591	156,591
Due from other banks		12,645	-	12,645	12,645
Financial assets at FVTPL		-	9,177	9,177	9,177
AFS securities		-	131,154	131,154	131,154
HTM investments		96,963	-	96,963	114,165
Loans and other receivables		760,500	-	760,500	768,445
Other resources		<u>2,126</u>	<u>-</u>	<u>2,126</u>	<u>2,126</u>
		<b><u>P 1,028,825</u></b>	<b><u>P 161,870</u></b>	<b><u>P 1,190,695</u></b>	<b><u>P 1,215,842</u></b>
			At Amortized	Carrying	Fair
			Cost	Amount	Value
Financial Liabilities:					
Deposit liabilities			P 931,641	P 931,641	P 932,370
Bills payable			72,179	72,179	72,997
Subordinated notes payable			28,180	28,180	31,359
Other liabilities			<u>52,305</u>	<u>52,305</u>	<u>52,305</u>
			<b><u>P 1,084,305</u></b>	<b><u>P 1,084,305</u></b>	<b><u>P 1,089,031</u></b>
		2011			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial Assets:					
Cash and other cash items	P	-	P 33,129	P 33,129	P 33,129
Due from BSP		124,894	-	124,894	124,936
Due from other banks		24,719	-	24,719	24,719
Financial assets at FVTPL		-	4,823	4,823	4,823
AFS securities		-	89,925	89,925	89,925
HTM investments		93,670	-	93,670	106,032
Loans and other receivables		673,927	-	673,927	680,546
Other resources		<u>2,427</u>	<u>-</u>	<u>2,427</u>	<u>2,427</u>
		<b><u>P 919,637</u></b>	<b><u>P 127,877</u></b>	<b><u>P 1,047,514</u></b>	<b><u>P 1,066,537</u></b>



		2011		
		At Amortized	Carrying	Fair
		Cost	Amount	Value
Financial Liabilities:				
Deposit liabilities	P	858,569	P 858,569	P 861,289
Bills payable		59,474	59,474	59,495
Subordinated notes payable		38,255	38,255	41,549
Other liabilities		<u>41,494</u>	<u>41,494</u>	<u>41,494</u>
	P	<u>997,792</u>	P <u>997,792</u>	P <u>1,003,827</u>

**Parent Bank**

		2012			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial Assets:					
Cash and other cash items	P	-	P 21,512	P 21,512	P 21,512
Due from BSP		151,303	-	151,303	151,304
Due from other banks		11,488	-	11,488	11,488
Financial assets at FVTPL		-	5,083	5,083	5,083
AFS securities		-	123,633	123,633	123,633
HTM investments		89,606	-	89,606	106,357
Loans and other receivables		746,299	-	746,299	757,513
Other resources		<u>2,114</u>	<u>-</u>	<u>2,114</u>	<u>2,114</u>
		<b><u>P 1,000,810</u></b>	<b><u>P 150,228</u></b>	<b><u>P 1,151,038</u></b>	<b><u>P 1,179,004</u></b>
		At Amortized		Carrying	Fair
		Cost		Amount	Value
Financial Liabilities:					
Deposit liabilities	P	919,794	P 919,794	P 920,522	
Bills payable		65,177	65,177	66,043	
Subordinated notes payable		28,180	28,180	31,359	
Other liabilities		<u>46,553</u>	<u>46,553</u>	<u>46,553</u>	
		<b><u>P 1,059,704</u></b>	<b><u>P 1,059,704</u></b>	<b><u>P 1,064,477</u></b>	

		2011			
		Classes			
		At Amortized	At Fair	Carrying	Fair
		Cost	Value	Amount	Value
Financial Assets:					
Cash and other cash items	P	-	P 33,102	P 33,102	P 33,102
Due from BSP		115,992	-	115,992	116,034
Due from other banks		22,777	-	22,777	22,777
Financial assets at FVTPL		-	2,408	2,408	2,408
AFS securities		-	82,931	82,931	82,931
HTM investments		85,742	-	85,742	97,761
Loans and other receivables		653,857	-	653,857	663,057
Other resources		<u>2,318</u>	<u>-</u>	<u>2,318</u>	<u>2,318</u>
	<u>P</u>	<u>880,686</u>	<u>P 118,441</u>	<u>P 999,127</u>	<u>P 1,020,388</u>
			At Amortized	Carrying	Fair
			Cost	Amount	Value
Financial Liabilities:					
Deposit liabilities			P 838,748	P 838,748	P 841,447
Bills payable			51,378	51,378	51,460
Subordinated notes payable			38,255	38,255	41,549
Other liabilities			<u>34,930</u>	<u>34,930</u>	<u>34,930</u>
	<u>P</u>		<u>963,311</u>	<u>P 963,311</u>	<u>P 969,386</u>

## 7. CASH AND BALANCES WITH THE BSP

These accounts are composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Cash and other cash items	<u>P 21,539</u>	<u>P 33,129</u>	<u>P 21,512</u>	<u>P 33,102</u>
Due from BSP:				
Mandatory reserves	<u>124,542</u>	<u>30,566</u>	<u>123,300</u>	<u>28,006</u>
Other than mandatory reserves	<u>32,049</u>	<u>94,328</u>	<u>28,003</u>	<u>87,986</u>
	<u>156,591</u>	<u>124,894</u>	<u>151,303</u>	<u>115,992</u>
	<u>P 178,130</u>	<u>P 158,023</u>	<u>P 172,815</u>	<u>P 149,094</u>

Mandatory reserves represent the balance of the deposit account maintained with the BSP to meet reserve requirements and to serve as clearing account for interbank claims. Due from BSP bears annual interest rates of 0.0% to 4.1% in 2012 and 0.1% to 4.8% in 2011, except for the amounts within the required reserve as determined by the BSP. Total interest income earned amounted to P567, P2,025 and P2,714 in 2012, 2011 and 2010, respectively, in BDO Unibank Group's financial statements and P432, P1,866 and P2,631 in 2012, 2011 and 2010, respectively, in the Parent Bank's financial statements (see Note 20).

Cash and other cash items and balances with the BSP are included in cash and cash equivalents for statements of cash flows purposes.

## 8. DUE FROM OTHER BANKS

The balance of this account represents deposits with the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Foreign banks	P 12,078	P 22,601	P 10,945	P 21,311
Local banks	<u>567</u>	<u>2,118</u>	<u>543</u>	<u>1,466</u>
	<u>P 12,645</u>	<u>P 24,719</u>	<u>P 11,488</u>	<u>P 22,777</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
U.S. Dollar	P 9,437	P 20,875	P 8,571	P 19,775
Other currencies	3,125	3,262	2,858	2,966
Philippine Peso	<u>83</u>	<u>582</u>	<u>59</u>	<u>36</u>
	<u>P 12,645</u>	<u>P 24,719</u>	<u>P 11,488</u>	<u>P 22,777</u>

Annual interest rates on these deposits range from 0% to 3.3% in 2012, 0% to 4.6% in 2011, and 0% to 4.1% in 2010 in BDO Unibank Group's financial statements and 0% to 0.5% in 2012, 0% to 2.6% in 2011, and 0% to 2.6% in 2010 in the Parent Bank's financial statements.

Due from other banks are included in cash and cash equivalents for statements of cash flows purposes.

## 9. TRADING AND INVESTMENT SECURITIES

The components of this account are shown below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Financial assets at FVTPL	P 9,177	P 4,823	P 5,083	P 2,408
AFS securities	131,154	89,925	123,633	82,931
HTM investments	<u>96,963</u>	<u>93,670</u>	<u>89,606</u>	<u>85,742</u>
	<u>P 237,294</u>	<u>P 188,418</u>	<u>P 218,322</u>	<u>P 171,081</u>

### 9.1 Financial Assets at FVTPL

This account is composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Derivative financial assets	<b>P 4,804</b>	P 3,739	<b>P 2,889</b>	P 1,890
Government bonds	<b>2,239</b>	949	<b>2,194</b>	518
Other debt securities	<u><b>1,986</b></u>	<u>58</u>	<u>-</u>	<u>-</u>
	<b>9,029</b>	4,746	<b>5,083</b>	2,408
Equity securities – quoted	<u><b>148</b></u>	<u>77</u>	<u>-</u>	<u>-</u>
	<b><u>P 9,177</u></b>	<b><u>P 4,823</u></b>	<b><u>P 5,083</u></b>	<b><u>P 2,408</u></b>

All financial assets at FVTPL are held for trading. For government bonds and other debt securities, the amounts presented have been determined directly by reference to published prices quoted in an active market. On the other hand, the fair value of certain derivative financial assets is determined through valuation technique using net present value of future cash flows method. BDO Unibank Group recognized total fair value gain (loss) on financial assets at FVTPL amounting to P178, (P587) and (P131) in 2012, 2011 and 2010, respectively, in BDO Unibank Group's financial statements and P269, (P392) and (P270) in 2012, 2011 and 2010, respectively, in the Parent Bank's financial statements. These are included as part of Trading gain – net under Other Operating Income in the statements of income (see Note 22).

Foreign currency-denominated securities amounted to P3,095 and P2,071 as of December 31, 2012 and 2011, respectively, in BDO Unibank Group's financial statements and P3,047 and P1,864 as of December 31, 2012 and 2011, respectively, in the Parent Bank's financial statements.

Derivative instruments used by BDO Unibank Group include foreign currency and interest rate forwards/futures, foreign currency and interest rate swaps. Foreign currency and interest rate forwards/futures represent commitments to purchase/sell or contractual obligations to receive or pay a new amount based on changes in currency rates or interest rates on a future date at a specified price. Foreign currency and interest rate swaps are commitments to exchange one set of cash flows for another. The credit default swaps represent commitment of the counterparty to swap the note and deposit with high yielding securities upon the occurrence of the reference event by the reference entity.

The aggregate contractual or notional amount of derivative financial instruments and the total fair values of derivative financial assets and liabilities are shown below.

**BDO Unibank Group**

	2012			2011		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 225,933	P 1,425	P 1,510	P 262,018	P 1,617	P 1,765
Cross currency swaps	73,051	3,176	2,415	78,474	1,899	1,320
Interest rate swaps	16,788	191	211	17,414	183	229
ROP warrants	15,021	-	32	-	-	-
Bond linked notes	3,044	12	-	-	-	-
Options	2,545	-	77	-	-	-
Credit default swaps	-	-	-	2,195	14	5
Others	-	-	-	-	26	1
	<u>P 336,382</u>	<u>P 4,804</u>	<u>P 4,245</u>	<u>P 360,101</u>	<u>P 3,739</u>	<u>P 3,320</u>

**Parent Bank**

	2012			2011		
	Notional Amount	Fair Values		Notional Amount	Fair Values	
		Assets	Liabilities		Assets	Liabilities
Currency forwards/futures	P 225,603	P 1,424	P 1,499	P 261,585	P 1,020	P 1,165
Cross currency swaps	19,586	1,262	845	26,417	649	496
Interest rate swaps	16,388	191	202	16,088	181	210
ROP warrants	15,021	-	32	-	-	-
Bond linked notes	3,044	12	-	-	-	-
Options	2,545	-	77	-	-	-
Credit default swaps	-	-	-	2,195	14	5
Others	-	-	-	-	26	1
	<u>P 282,187</u>	<u>P 2,889</u>	<u>P 2,655</u>	<u>P 306,285</u>	<u>P 1,890</u>	<u>P 1,877</u>

In 2008, BDO Unibank Group reclassified certain equity securities from FVTPL to AFS, and debt securities and embedded derivatives of CLNs from FVTPL to HTM and Loans and Other Receivables, respectively. Derivatives (credit default swaps) embedded in CLNs and credit-linked deposits (CLDs) amounting to P183 and P70 in BDO Unibank Group and Parent Bank financial statements, respectively, as of reclassification date, were reclassified to Loans and Other Receivables together with their related host contracts (see Note 9.4).

A CLN is an instrument under which the issuer issues a note to the investor whereby both parties agree that upon the occurrence of a credit event in relation to the reference entity, the CLN accelerates and the investor is delivered the defaulted asset of the reference entity, or paid a net settlement amount equal to the market price of the defaulted asset or reference obligation adjusted for any transaction unwind costs.

## 9.2 AFS Securities

AFS securities consist of the following:

	Note	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Government debt securities		<b>P 78,219</b>	P 55,267	<b>P 76,039</b>	P 52,583
Other debt securities:					
Quoted		<b>44,628</b>	29,508	<b>43,132</b>	28,951
Not quoted		<b>653</b>	253	<b>253</b>	253
Equity securities:					
Quoted		<b>8,298</b>	5,555	<b>4,838</b>	1,877
Not quoted		<b>2,269</b>	2,292	<b>1,048</b>	925
		<b>134,067</b>	92,875	<b>125,310</b>	84,589
Allowance for impairment	14	<b>( 2,913)</b>	( 2,950)	<b>( 1,677)</b>	( 1,658)
		<b>P 131,154</b>	P 89,925	<b>P 123,633</b>	P 82,931

As to currency, this account is composed of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Foreign currencies	<b>P 92,648</b>	P 66,152	<b>P 89,459</b>	P 63,023
Philippine peso	<b>38,506</b>	23,773	<b>34,174</b>	19,908
	<b>P 131,154</b>	P 89,925	<b>P 123,633</b>	P 82,931

Government debt securities issued by the ROP and foreign sovereigns and other debt securities issued by resident and non-resident corporations earn interest at annual rates ranging from 0.0% to 13.0% both in 2012 and 2011 and 0.0% to 12.0% in 2010 for both BDO Unibank Group and Parent Bank financial statements.

As of December 31, 2012 and 2011, other debt securities also include investments in foreign financial institutions under bankruptcy amounting to P1,150 and P1,229, respectively, in the Parent Bank financial statements (see Note 10 for the related interbank loan receivables from these financial institutions). These investments are fully provided will allowance as of December 31, 2012 and 2011. In 2011, the Parent Bank disposed fully impaired debt securities issued by a foreign financial institution under bankruptcy amounting to P2,295. The sale resulted in a gain of P640 and is presented as part of 2011 Trading gain – net under Other Operating Income (see Note 22). Also, in 2011, collateralized debt obligations amounting to P477, with full allowance for impairment losses, in the Parent Bank's financial statements were redeemed at zero.

Unquoted equity securities consist of preferred shares and common shares of various unlisted local companies.

The fair values of government debt and quoted AFS securities (other debt securities and equity shares) have been determined directly by reference to published prices generated in an active market. For unquoted AFS securities, the fair value is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows. Accordingly, unquoted AFS securities are carried at cost.

Changes in AFS securities are presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year	<b>P 89,925</b>	P 85,674	<b>P 82,931</b>	P 77,725
Additions	<b>428,794</b>	400,320	<b>424,254</b>	397,304
Disposals	<b>( 385,127)</b>	( 399,954)	<b>( 381,181)</b>	( 396,247)
Foreign currency revaluation	<b>( 5,288)</b>	178	<b>( 5,126)</b>	185
Unrealized fair value gains	<b>2,813</b>	846	<b>2,774</b>	1,096
Impairment recovery (loss) - net	<b>37</b>	2,861	<b>( 19)</b>	2,868
Balance at end of year	<b><u>P 131,154</u></b>	<u>P 89,925</u>	<b><u>P 123,633</u></b>	<u>P 82,931</u>

### 9.3 HTM Investments

The balance of this account is composed of the following:

	<b>Note</b>	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Government debt securities		<b>P 87,563</b>	P 83,240	<b>P 80,185</b>	P 75,312
Other debt securities:					
Listed		<b>9,372</b>	9,625	<b>9,371</b>	9,625
Not quoted		<b><u>290</u></b>	<u>1,217</u>	<b><u>290</u></b>	<u>1,217</u>
		<b>97,225</b>	94,082	<b>89,846</b>	86,154
Allowance for impairment	14	<b>( <u>262</u>)</b>	( <u>412</u> )	<b>( <u>240</u>)</b>	( <u>412</u> )
		<b><u>P 96,963</u></b>	<u>P 93,670</u>	<b><u>P 89,606</u></b>	<u>P 85,742</u>

On October 6, 2010, BDO Unibank Group participated in the Global Bond Exchange offered by the ROP wherein certain U.S. dollar denominated government bonds due between 2011 to 2016 were exchanged by the Parent Bank for newly issued U.S. dollar denominated global bonds due in 2021. BDO Unibank Group and Parent Bank exchanged ROP bonds with face value of US\$111.5 million and US\$75.4 million, respectively. The fair value of the Benchmark bonds received by BDO Unibank Group and Parent Bank amounted to US\$134.6 million and US\$94.1 million, respectively, resulting in a gain of US\$18.8 million or P824 and US\$16.6 million or P728, respectively, to be deferred and amortized over the remaining life of the Benchmark bonds. The total amount of gain amortized by BDO Unibank Group and Parent Bank amounted to US\$1.7 million or P77 and US\$1.5 million or P63 in 2012, respectively, and US\$1.73 million or P73 and US\$1.47 million or P64 in 2011, respectively, shown as part of Trading gain – net presented under Other Operating Income in the statements of income (see Note 22).

Unamortized deferred gain from the transaction, which is included as part of Unearned Income under Other Liabilities account, amounted to P615 and P733 as of December 31, 2012 and 2011, respectively, in BDO Unibank Group financial statements and P545 and P648 as of December 31, 2012 and 2011, respectively, in the Parent Bank statements of financial position (see Note 18). As of December 31, 2012 and 2011, outstanding balance of the Benchmark bonds of BDO Unibank Group amounted to P5,494 and P5,863, respectively, and of the Parent Bank amounted to P3,868 and P4,128, respectively.

Government securities with an aggregate amount of P12,100 and P17,336 as of December 31, 2012 and 2011 were pledged as collaterals for bills payable under repurchase agreements (see Notes 16 and 29).

As mentioned in Note 25, certain government debt securities are deposited with the BSP.

As to currency, HTM investments consist of the following:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Foreign currencies	<b>P 84,536</b>	P 77,940	<b>P 80,067</b>	P 73,092
Philippine peso	<u>12,427</u>	<u>15,730</u>	<u>9,539</u>	<u>12,650</u>
	<b><u>P 96,963</u></b>	<b><u>P 93,670</u></b>	<b><u>P 89,606</u></b>	<b><u>P 85,742</u></b>

The maturity profile of HTM investments is presented below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Less than one year	<b>P 11,850</b>	P 10,946	<b>P 9,342</b>	P 9,809
One to five years	<b>31,069</b>	32,080	<b>27,889</b>	27,075
Beyond five years	<u>54,044</u>	<u>50,644</u>	<u>52,375</u>	<u>48,858</u>
	<b><u>P 96,963</u></b>	<b><u>P 93,670</u></b>	<b><u>P 89,606</u></b>	<b><u>P 85,742</u></b>

Changes in the HTM account are summarized below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Balance at beginning of year	<b>P 93,670</b>	P 104,241	<b>P 85,742</b>	P 95,569
Additions	<b>24,411</b>	12,205	<b>24,410</b>	10,589
Maturities	<b>( 16,009)</b>	( 22,746)	<b>( 15,655)</b>	( 20,344)
Foreign currency revaluation	<b>( 5,259)</b>	( 72)	<b>( 5,063)</b>	( 72)
Impairment recovery – net	<u>150</u>	<u>42</u>	<u>172</u>	-
Balance at end of year	<b><u>P 96,963</u></b>	<b><u>P 93,670</u></b>	<b><u>P 89,606</u></b>	<b><u>P 85,742</u></b>



The fair values of the HTM investments follow:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Government debt securities	<b>P 103,745</b>	P 94,799	<b>P 95,938</b>	P 86,528
Other debt securities	<b>10,420</b>	11,233	<b>10,419</b>	11,233
	<b>P 114,165</b>	P 106,032	<b>P 106,357</b>	P 97,761

The fair values are determined through valuation techniques by determining the net present value of estimated future cash flows. Annual interest rates on these investments range from 0% to 11% in 2012, 0% to 14% in 2011 and 0% to 14% in 2010 both in BDO Unibank Group and the Parent Bank financial statements.

#### **9.4 Reclassification of Investment Securities**

BDO Unibank Group recognized the deterioration of the world's financial markets that occurred in the third quarter of 2008. The enormity and extent of the global credit crisis was crystallized by the substantial government programs instituted by major economies in response to the crisis, including temporary liquidity facilities, outright purchase of commercial papers and mortgaged-backed securities, guarantee of new unsecured debt issued by banks and purchase of equity stakes in financial institutions.

In 2008, BDO Unibank Group chose to avail of the regulatory relief on specific financial assets granted by the BSP under the governing provisions of Circular No. 628, which permitted the reclassification of certain financial assets to help banks cope with the adverse impact of the global financial crisis.

Presented below are the details of the reclassifications made by BDO Unibank Group in 2008 and the related details at the end of 2012 and 2011.

##### **BDO Unibank Group**

	At Reclassification Date	
	Carrying Value	Fair Value
Reclassification from FVTPL to HTM	P 6,297	P 6,297
Reclassification of debt securities from AFS to HTM	25,540	25,540
Reclassification of embedded derivatives of CLNs from FVTPL to Loans and Other Receivables	( 183)	( 183)
Reclassification of CLNs from AFS to Loans and Other Receivables	18,520	18,520

	Balances at			
	December 31, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Reclassification from FVTPL to HTM	<b>P 1,444</b>	<b>P 2,000</b>	P 1,547	P 1,960
Reclassification of debt securities from AFS to HTM	<b>15,489</b>	<b>20,241</b>	17,960	20,768
Reclassification of CLNs from AFS to Loans and Other Receivables	<b>1,750</b>	<b>1,804</b>	7,287	7,959

**Parent Bank**

	At		Reclassification Date	
	Carrying		Fair	
	Value		Value	
Reclassification from FVTPL to HTM	P 6,297	P	6,297	
Reclassification of debt securities from AFS to HTM	22,474		22,474	
Reclassification of embedded derivatives of CLNs from FVTPL to Loans and Other Receivables	( 70)	(	70)	
Reclassification of CLNs from AFS to Loans and Other Receivables	14,096		14,096	

	Balances at			
	December 31, 2012		December 31, 2011	
	Carrying	Fair	Carrying	Fair
	Value	Value	Value	Value
Reclassification from FVTPL to HTM	P 1,444	P 2,000	P 1,547	P 1,960
Reclassification of debt securities from AFS to HTM	13,740	18,351	16,107	18,743
Reclassification of CLNs from AFS to Loans and Other Receivables	1,750	1,804	7,287	7,959

Estimated cash flows on instruments reclassified from FVTPL to HTM at the date of reclassification amounted to P9,174 both for BDO Unibank Group and Parent Bank. On the other hand, estimated cash flows on CLNs reclassified from AFS to Loans and Other Receivables at the date of reclassification amounted to P22,591 and P18,728 for BDO Unibank Group and Parent Bank, respectively.

***9.4.1 Reclassification from FVTPL to HTM***

Total trading losses on FVTPL reclassified to HTM both in BDO Unibank Group and Parent Bank financial statements which were recognized in profit or loss in 2008 amounted to P199. On the other hand, the net trading gain (loss) that would have been recognized in the period following the reclassification during 2012, 2011 and 2010 if the reclassifications had not been made would have amounted to P173, P151 and P84, respectively, for both BDO Unibank Group and Parent Bank. Effective interest rates of FVTPL reclassified to HTM range from 7.0% to 8.6% in 2012, 2011 and 2010 in BDO Unibank Group and Parent Bank financial statements. Amortization of premium due to change in effective interest rates recognized as part of interest income in profit or loss on reclassified securities amounted to (P4) in both BDO Unibank Group and Parent Bank financial statements in 2012 and 2011. No impairment recovery or loss was booked on reclassified instruments in both BDO Unibank Group and Parent Bank financial statements in 2012 and 2011.

#### ***9.4.2 Reclassification of Debt Securities from AFS to HTM***

Unrealized fair value losses in equity of debt securities reclassified from AFS to HTM at reclassification dates amounted to P102 and P46 in BDO Unibank Group and Parent Bank financial statements, respectively, in 2008. The net trading gain (loss) that would have been recognized in other comprehensive income during the period following the reclassification if the reclassifications had not been made would have amounted to P1,271, P635, and P1,395 in 2012, 2011 and 2010, respectively, in BDO Unibank Group financial statements and P1,131, P463 and P1,175 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements. Trading gain (loss) booked on the redemption or disposal of the reclassified securities both in BDO Unibank Group and Parent Bank financial statements are P203 in 2012 and (P5) in 2011. On the other hand, amortization of fair value loss previously recognized in other comprehensive income to profit or loss due to reclassification amounted to (P19) and P71 in BDO Unibank Group financial statement and (P28) and P62 in the Parent Bank financial statements in 2012 and 2011, respectively.

#### ***9.4.3 Reclassification of CLNs from AFS to Loans and Other Receivables***

Unrealized fair value losses in equity of CLNs linked to ROP bonds reclassified from AFS to Loans and Other Receivables at reclassification dates amounted to P627 and P624 in BDO Unibank Group and Parent Bank financial statements, respectively, in 2008. The effective interest rates on reclassified investments range from 5.27% to 9.63%, 5.44% to 12.54% and 1.64% to 12.55% in BDO Unibank Group financial statements, in 2012, 2011 and 2010, respectively, and 5.27% to 9.63% in 2012, 5.44% to 12.54% in 2011 and 2.78% to 12.55% in 2010 in the Parent Bank financial statements, respectively. Interest income recognized in profit or loss on reclassified securities amounted to P161 and P178 in 2012 and 2011, respectively, in BDO Unibank Group financial statements and P161 and P167 in 2012 and 2011, respectively, in the Parent Bank financial statements.

Additional unrealized fair value gain (losses) recognized in other comprehensive income in the period following the reclassification had the CLNs not been reclassified to Loans and Other Receivables would have amounted to (P482), (P371) and P444 in 2012, 2011 and 2010, respectively, in BDO Unibank Group financial statements and (P482), (P371) and P469 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements. Additional trading gain (loss) to be recognized in profit or loss had the embedded derivatives not been reclassified totaled to (P59), (P208) and P152 in 2012, 2011 and 2010, respectively, in BDO Unibank Group financial statements and (P59), (P202) and P148 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements.

In 2012, BDO Unibank Group and Parent Bank unwound the outstanding CLNs with certain financial institutions amounting to P3,782. BDO Unibank Group and Parent Bank both recognized gain amounting to P464 in the unwinding of CLNs and is presented as part of the Trading gain – net under Other Operating Income in the 2012 statement of income (see Note 22). Also, the unwinding of CLN by the Parent Bank resulted in the reversal of net unrealized loss amounting to P133 and is presented as part of Trading gain – net under Other Operating Income in the 2012 statement of income.

In 2011, BDO Unibank Group unwound the outstanding CLDs and CLNs with certain financial institutions amounting to P437 and P5,454, respectively. On the other hand, the Parent Bank unwound the outstanding CLNs with certain financial institutions amounting to P5,009. BDO Unibank Group and Parent Bank recognized loss amounting to P13 and P7, respectively, in the unwinding of CLNs and is presented as part of the Trading gain – net under Other Operating Income in the 2011 statement of income. Also, the unwinding of CLN by the Parent Bank resulted in the reversal of net unrealized loss amounting to P25 and is presented as part of Trading gain – net under Other Operating Income in the 2011 statement of income. After the reclassification, amortization of unrealized fair value gain (loss) on outstanding CLNs previously recognized directly in the statements of comprehensive income amounted to (P152) and P157 in 2012 and 2011, respectively, both for BDO Unibank Group and the Parent Bank.

## 10. LOANS AND OTHER RECEIVABLES

This account consists of the following:

Notes	BDO Unibank Group		Parent Bank	
	2012	2011	2012	2011
Receivables from customers:				
Loans and discounts	24 P 687,212	P 591,323	P 674,194	P 577,544
Customers' liabilities under letters of credit and trust receipts	31,720	38,085	31,720	38,085
Bills purchased	16,151	10,697	16,151	10,697
Others	33,873	30,041	33,873	30,041
	768,956	670,146	755,938	656,367
Allowance for impairment	14 ( 26,729)	( 24,358)	( 26,420)	( 24,077)
	742,227	645,788	729,518	632,290
Other receivables:				
Accounts receivable	13, 24, 31 7,233	7,628	7,084	6,171
UDSCL	9.4 5,734	8,452	5,734	8,452
Interbank loans receivables	3,969	7,325	3,969	7,325
Sales contract receivables	2,715	2,347	2,372	2,259
SPURRA	941	4,989	-	-
Others	94	67	-	-
	20,686	30,808	19,159	24,207
Allowance for impairment	14 ( 2,413)	( 2,669)	( 2,378)	( 2,640)
	18,273	28,139	16,781	21,567
	P 760,500	P 673,927	P 746,299	P 653,857

Included in the total loan portfolio are non-performing loans, net of accounts in the loss category and fully provided with allowance (excluded under BSP Circular 351), as follows:

	BDO Unibank Group		Parent Bank	
	2012	2011	2012	2011
Non-performing loans	P 21,272	P 25,332	P 20,976	P 24,909
Loss category loans, fully provided with allowance*	( 8,846)	( 11,919)	( 8,768)	( 11,839)
	P 12,426	P 13,413	P 12,208	P 13,070

\* Loans classified as loss and fully provided with allowance as per latest applicable BSP Results on Examination as of December 31, 2012 and 2011. These loans classified as loss are inclusive of the Receivable from SPV presented under Other Resources in the statements of financial position.

Per MORB, non-performing loans shall, as a general rule, refer to loan accounts whose principal and/or interest is unpaid for 30 days or more after due date or after they have become past due in accordance with existing rules and regulations. This shall apply to loans payable in lump sum and loans payable in quarterly, semi-annual or annual installments, in which case, the total outstanding balance thereof shall be considered non-performing. In the case of loans payable in monthly installments, the total outstanding balance thereof shall be considered nonperforming when three or more installments are in arrears. In the case of loans payable in daily, weekly or semi-monthly installments, the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches 10% of the total loan/receivable balance. Restructured loans shall be considered non-performing except when as of restructuring date, it has an updated principal and interest payments and it is fully secured by real estate with loan value of up to 60% of the appraised value of real estate security and the insured improvements and such other first class collaterals.

In 2011, the Parent Bank disposed of interbank loans receivables to a foreign financial institution under bankruptcy amounting to P19 with related allowance for impairment of P19 at a gain of P0.2 and is presented as part of Trading gain – net under Other Operating Income in the 2011 statement of income (see Note 9.2 for the investment in other debt securities in that foreign financial institution).

The concentration credit of the total loan portfolio as to industry follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Wholesale and retail trade	<b>P 119,494</b>	<b>P 105,905</b>	<b>P 116,839</b>	<b>P 104,115</b>
Real estate, renting and other related activities	<b>110,477</b>	<b>77,624</b>	<b>105,616</b>	<b>75,364</b>
Financial intermediaries	<b>107,723</b>	<b>84,668</b>	<b>112,694</b>	<b>86,169</b>
Manufacturing (various industries)	<b>103,068</b>	<b>101,468</b>	<b>99,293</b>	<b>97,730</b>
Other community, social and personal activities	<b>70,051</b>	<b>58,315</b>	<b>69,769</b>	<b>55,560</b>
Transportation and communication	<b>56,592</b>	<b>51,378</b>	<b>54,156</b>	<b>48,203</b>
Agriculture, fishing and forestry	<b>8,434</b>	<b>8,037</b>	<b>8,168</b>	<b>7,536</b>
Others	<b>193,117</b>	<b>182,751</b>	<b>189,403</b>	<b>181,690</b>
	<b><u>P 768,956</u></b>	<b><u>P 670,146</u></b>	<b><u>P 755,938</u></b>	<b><u>P 656,367</u></b>

The breakdown of total loan portfolio as to secured and unsecured follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Secured:				
Real estate mortgage	<b>P 136,399</b>	<b>P 115,833</b>	<b>P 135,035</b>	<b>P 115,296</b>
Chattel mortgage	<b>64,440</b>	<b>61,452</b>	<b>53,866</b>	<b>53,100</b>
Other securities	<b>151,824</b>	<b>137,259</b>	<b>147,953</b>	<b>131,166</b>
	<b>352,663</b>	<b>314,544</b>	<b>336,854</b>	<b>299,562</b>
Unsecured	<b>416,293</b>	<b>355,602</b>	<b>419,084</b>	<b>356,805</b>
	<b><u>P 768,956</u></b>	<b><u>P 670,146</u></b>	<b><u>P 755,938</u></b>	<b><u>P 656,367</u></b>

The breakdown of total loans as to type of interest rate follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Variable interest rates	<b>P 576,857</b>	P 483,438	<b>P 565,717</b>	P 469,209
Fixed interest rates	<b><u>192,099</u></b>	<u>186,708</u>	<b><u>190,221</u></b>	<u>187,158</u>
	<b><u>P 768,956</u></b>	<u>P 670,146</u>	<b><u>P 755,938</u></b>	<u>P 656,367</u>

Loans and other receivables bear interest rates ranging from 0.0% (e.g., non-performing loans and zero percent credit card installment program) to 3.6% per month in 2012, 2011 and 2010 in both BDO Unibank Group and Parent Bank financial statements.

BDO Unibank Group's receivables from customers amounting to P1,246 and P960 as of December 31, 2012 and 2011, respectively, are pledged as collaterals with the BSP to secure borrowings under rediscounting privileges (see Note 16).

# 11. PREMISES, FURNITURE, FIXTURES AND EQUIPMENT

The gross carrying amounts and accumulated depreciation and amortization of premises, furniture, fixtures and equipment at the beginning and end of 2012 and 2011 are shown below.

	<b>Land</b>	<b>Buildings</b>	<b>Leasehold Rights and Improvements</b>	<b>Furniture, Fixtures and Equipment</b>	<b>Total</b>
<b>BDO Unibank Group</b>					
December 31, 2012					
Cost	P 5,132	P 8,906	P 3,060	P 13,844	P 30,942
Accumulated depreciation and amortization	<u>-</u>	<u>(2,819)</u>	<u>(1,960)</u>	<u>(9,773)</u>	<u>(14,552)</u>
Net carrying amount	<b><u>P 5,132</u></b>	<b><u>P 6,087</u></b>	<b><u>P 1,100</u></b>	<b><u>P 4,071</u></b>	<b><u>P 16,390</u></b>
December 31, 2011					
Cost	P 5,130	P 7,701	P 2,858	P 12,750	P 28,439
Accumulated depreciation and amortization	<u>-</u>	<u>(2,498)</u>	<u>(1,635)</u>	<u>(8,616)</u>	<u>(12,749)</u>
Net carrying amount	<b><u>P 5,130</u></b>	<b><u>P 5,203</u></b>	<b><u>P 1,223</u></b>	<b><u>P 4,134</u></b>	<b><u>P 15,690</u></b>

		<u>Land</u>		<u>Buildings</u>		<u>Leasehold Rights and Improvements</u>		<u>Furniture, Fixtures and Equipment</u>		<u>Total</u>
<b><u>BDO Unibank Group</u></b>										
January 1, 2011										
Cost	P	5,079	P	6,620	P	2,673	P	15,185	P	29,557
Accumulated depreciation and amortization		<u>-</u>		<u>( 2,167)</u>		<u>( 1,268)</u>		<u>( 11,065)</u>		<u>( 14,500)</u>
Net carrying amount		<u>P 5,079</u>		<u>P 4,453</u>		<u>P 1,405</u>		<u>P 4,120</u>		<u>P 15,057</u>
<b><u>Parent Bank</u></b>										
December 31, 2012										
Cost	P	5,132	P	8,848	P	2,898	P	12,492	P	29,370
Accumulated depreciation and amortization		<u>-</u>		<u>( 2,778)</u>		<u>( 1,860)</u>		<u>( 9,116)</u>		<u>( 13,754)</u>
Net carrying amount		<u>P 5,132</u>		<u>P 6,070</u>		<u>P 1,038</u>		<u>P 3,376</u>		<u>P 15,616</u>
December 31, 2011										
Cost	P	5,130	P	7,642	P	2,715	P	11,713	P	27,200
Accumulated depreciation and amortization		<u>-</u>		<u>( 2,459)</u>		<u>( 1,558)</u>		<u>( 8,109)</u>		<u>( 12,126)</u>
Net carrying amount		<u>P 5,130</u>		<u>P 5,183</u>		<u>P 1,157</u>		<u>P 3,604</u>		<u>P 15,074</u>
January 1, 2011										
Cost	P	5,079	P	6,561	P	2,611	P	12,170	P	26,421
Accumulated depreciation and amortization		<u>-</u>		<u>( 2,131)</u>		<u>( 1,255)</u>		<u>( 8,920)</u>		<u>( 12,306)</u>
Net carrying amount		<u>P 5,079</u>		<u>P 4,430</u>		<u>P 1,356</u>		<u>P 3,250</u>		<u>P 14,115</u>

A reconciliation of the carrying amounts, at the beginning and end of 2012 and 2011, of premises, furniture, fixtures and equipment is shown below.

		<u>Land</u>		<u>Buildings</u>		<u>Leasehold Rights and Improvements</u>		<u>Furniture, Fixtures and Equipment</u>		<u>Total</u>
<b><u>BDO Unibank Group</u></b>										
Balance at January 1, 2012, net of accumulated depreciation and amortization	P	5,130	P	5,203	P	1,223	P	4,134	P	15,690
Additions		51		1,215		299		1,410		2,975
Disposals	(	4)		-	(	9)	(	19)	(	32)
Reclassifications	(	45)	(	9)	(	16)	(	1)	(	71)
Depreciation and amortization charges for the year		<u>-</u>		<u>( 322)</u>		<u>( 397)</u>		<u>( 1,453)</u>		<u>( 2,172)</u>
Balance at December 31, 2012, net of accumulated depreciation and amortization		<u>P 5,132</u>		<u>P 6,087</u>		<u>P 1,100</u>		<u>P 4,071</u>		<u>P 16,390</u>

	<u>Land</u>	<u>Buildings</u>	<u>Leasehold Rights and Improvements</u>	<u>Furniture, Fixtures and Equipment</u>	<u>Total</u>
<b>BDO Unibank Group</b>					
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 5,079	P 4,453	P 1,405	P 4,120	P 15,057
Additions	76	994	247	1,772	3,089
Disposals	( 79)	( 3)	-	( 449)	( 531)
Reclassifications	54	67	( 1)	-	120
Depreciation and amortization charges for the year	-	( 308)	( 428)	( 1,309)	( 2,045)
Balance at December 31, 2011, net of accumulated depreciation and amortization	<u>P 5,130</u>	<u>P 5,203</u>	<u>P 1,223</u>	<u>P 4,134</u>	<u>P 15,690</u>
<b>Parent Bank</b>					
Balance at January 1, 2012, net of accumulated depreciation and amortization	P 5,130	P 5,183	P 1,157	P 3,604	P 15,074
Additions	51	1,215	274	1,031	2,571
Disposals	( 4)	-	( 9)	( 9)	( 22)
Reclassifications	( 45)	( 9)	( 16)	( 1)	( 71)
Depreciation and amortization charges for the year	-	( 319)	( 368)	( 1,249)	( 1,936)
Balance at December 31, 2012, net of accumulated depreciation and amortization	<u>P 5,132</u>	<u>P 6,070</u>	<u>P 1,038</u>	<u>P 3,376</u>	<u>P 15,616</u>
Balance at January 1, 2011, net of accumulated depreciation and amortization	P 5,079	P 4,430	P 1,356	P 3,250	P 14,115
Additions	76	994	205	1,474	2,749
Disposals	( 79)	( 3)	-	( 69)	( 151)
Reclassifications	54	67	( 1)	-	120
Depreciation and amortization charges for the year	-	( 305)	( 403)	( 1,051)	( 1,759)
Balance at December 31, 2011, net of accumulated depreciation and amortization	<u>P 5,130</u>	<u>P 5,183</u>	<u>P 1,157</u>	<u>P 3,604</u>	<u>P 15,074</u>

Under BSP rules, investments in premises, furniture, fixtures and equipment should not exceed 50% of a bank's unimpaired capital. As of December 31, 2012 and 2011, BDO Unibank Group has complied with this requirement.

Certain fully depreciated premises, furniture, fixtures and equipment as of December 31, 2012 and 2011 of BDO Unibank Group and the Parent Bank are still being used in operations.



## 12. INVESTMENT PROPERTIES

Investment properties include land and buildings held for capital appreciation and for rental. Income earned from investment properties under rental arrangements amounted to P73 and P67 in 2012 and P65 and P62 in 2011 and are presented as part of Income from assets sold or exchanged under Other Operating Income in BDO Unibank Group and Parent Bank financial statements, respectively (see Note 22). Direct expenses incurred from these properties amounted to P6 and P5 in 2012 and P19 and P17 in 2011 in BDO Unibank Group and Parent Bank financial statements, respectively.

The gross carrying amounts and accumulated depreciation and impairment at the beginning and end of 2012 and 2011 are shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b><u>BDO Unibank Group</u></b>			
December 31, 2012			
Cost	P 9,694	P 4,040	P 13,734
Accumulated depreciation	-	( 2,017)	( 2,017)
Allowance for impairment (see Note 14)	( 2,542)	( 86)	( 2,628)
Net carrying amount	<u><b>P 7,152</b></u>	<u><b>P 1,937</b></u>	<u><b>P 9,089</b></u>
December 31, 2011			
Cost	P 10,231	P 3,839	P 14,070
Accumulated depreciation	-	( 1,658)	( 1,658)
Allowance for impairment (see Note 14)	( 2,206)	( 69)	( 2,275)
Net carrying amount	<u><b>P 8,025</b></u>	<u><b>P 2,112</b></u>	<u><b>P 10,137</b></u>
January 1, 2011			
Cost	P 11,342	P 4,077	P 15,419
Accumulated depreciation	-	( 1,500)	( 1,500)
Allowance for impairment (see Note 14)	( 1,765)	( 175)	( 1,940)
Net carrying amount	<u><b>P 9,577</b></u>	<u><b>P 2,402</b></u>	<u><b>P 11,979</b></u>
<b><u>Parent Bank</u></b>			
<b><u>December 31, 2012</u></b>			
Cost	P 9,229	P 3,817	P 13,046
Accumulated depreciation	-	( 1,914)	( 1,914)
Allowance for impairment (see Note 14)	( 2,498)	( 25)	( 2,523)
Net carrying amount	<u><b>P 6,731</b></u>	<u><b>P 1,878</b></u>	<u><b>P 8,609</b></u>

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b><u>Parent Bank</u></b>			
<b><u>December 31, 2011</u></b>			
Cost	P 9,694	P 3,611	P 13,305
Accumulated depreciation	-	( 1,566)	( 1,566)
Allowance for impairment (see Note 14)	( 2,143)	( 25)	( 2,168)
Net carrying amount	<u>P 7,551</u>	<u>P 2,020</u>	<u>P 9,571</u>
<b><u>January 1, 2011</u></b>			
Cost	P 10,566	P 3,840	P 14,406
Accumulated depreciation	-	( 1,417)	( 1,417)
Allowance for impairment (see Note 14)	( 1,719)	( 118)	( 1,837)
Net carrying amount	<u>P 8,847</u>	<u>P 2,305</u>	<u>P 11,152</u>

A reconciliation of the carrying amounts, at the beginning and end of 2012 and 2011, of investment properties is shown below.

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
<b><u>BDO Unibank Group</u></b>			
Balance at January 1, 2012, net of accumulated depreciation and impairment	P 8,025	P 2,112	P 10,137
Additions	295	59	354
Disposals	( 1,345)	( 197)	( 1,542)
Reclassifications	207	453	660
Depreciation for the year	-	( 490)	( 490)
Impairment	( 30)	-	( 30)
Balance at December 31, 2012, net of accumulated depreciation and impairment	<u>P 7,152</u>	<u>P 1,937</u>	<u>P 9,089</u>
Balance at January 1, 2011, net of accumulated depreciation and impairment	P 9,577	P 2,402	P 11,979
Additions	209	80	289
Disposals	( 1,531)	( 256)	( 1,787)
Reclassifications	( 73)	320	247
Depreciation for the year	-	( 397)	( 397)
Impairment	( 157)	( 37)	( 194)
Balance at December 31, 2011, net of accumulated depreciation and impairment	<u>P 8,025</u>	<u>P 2,112</u>	<u>P 10,137</u>

		<u>Land</u>		<u>Buildings</u>		<u>Total</u>
<b><u>Parent Bank</u></b>						
Balance at January 1, 2012, net of accumulated depreciation and impairment	P	7,551	P	2,020	P	9,571
Additions		266		53		319
Disposals	(	1,276)	(	173)	(	1,449)
Reclassification		220		452		672
Impairment	(	30)		-	(	30)
Depreciation for the year		<u>-</u>		<u>(474)</u>		<u>(474)</u>
Balance at December 31, 2012, net of accumulated depreciation and impairment	<b><u>P</u></b>	<b><u>6,731</u></b>	<b><u>P</u></b>	<b><u>1,878</u></b>	<b><u>P</u></b>	<b><u>8,609</u></b>
Balance at January 1, 2011, net of accumulated depreciation and impairment	P	8,847	P	2,305	P	11,152
Additions		104		62		166
Disposals	(	1,208)	(	224)	(	1,432)
Reclassification	(	35)		250		215
Impairment	(	157)		-	(	157)
Depreciation for the year		<u>-</u>		<u>(373)</u>		<u>(373)</u>
Balance at December 31, 2011, net of accumulated depreciation and impairment	<b><u>P</u></b>	<b><u>7,551</u></b>	<b><u>P</u></b>	<b><u>2,020</u></b>	<b><u>P</u></b>	<b><u>9,571</u></b>

The fair value of investment properties as of December 31, 2012 and 2011, determined based on the present value of the estimated future cash flows discounted at the current market rate, amounted to P16,290 and P16,414, respectively, for BDO Unibank Group accounts and P14,160 and P15,494, respectively, for the Parent Bank accounts.

BDO Unibank Group has no contractual obligations to purchase, construct or develop investment properties, or to repair, maintain or enhance the same nor are there any restrictions on the future use or realizability of the investment properties.

Real and other properties acquired (ROPA) in settlement of loans through foreclosure or dacion in payment are significantly accounted for as either: investment properties, non-current assets held for sale, or AFS securities. As of December 31, 2012 and 2011, ROPA, gross of allowance, comprise of the following:

	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Investment properties	<b>P 11,085</b>	P 11,421	<b>P 10,657</b>	P 10,918
Non-current assets held for sale	<b>2,064</b>	2,612	<b>1,913</b>	2,612
AFS securities	<b>1,668</b>	1,584	<b>1,552</b>	1,468
Other resources – others	<b><u>77</u></b>	<u>122</u>	<b><u>20</u></b>	<u>-</u>
	<b><u>P 14,894</u></b>	<b><u>P 15,739</u></b>	<b><u>P 14,142</u></b>	<b><u>P 14,998</u></b>

### 13. OTHER RESOURCES

The components of this account are shown below.

	Notes	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Deferred tax assets – net	27.1	<b>P 5,115</b>	P 5,485	<b>P 5,176</b>	P 5,586
Equity investments	13.1	<b>5,007</b>	4,746	<b>19,277</b>	19,277
Retirement asset	23.2	<b>4,430</b>	1,492	<b>4,170</b>	1,519
Receivables from special purpose vehicles (SPVs)	13.2	<b>3,440</b>	3,440	<b>3,440</b>	3,440
Deposits under escrow	13.3	<b>2,931</b>	2,931	<b>2,931</b>	2,931
Real properties for development and sale		<b>2,748</b>	3,384	-	-
Non-current assets held for sale	13.4	<b>2,064</b>	2,612	<b>1,913</b>	2,612
Foreign currency notes and coins on hand		<b>1,907</b>	1,989	<b>1,907</b>	1,989
Interoffice float items – net		<b>1,559</b>	1,617	<b>1,558</b>	1,517
Goodwill	13.5, 26	<b>1,391</b>	1,247	<b>1,391</b>	1,247
Branch licenses	13.5	<b>481</b>	-	<b>481</b>	
Prepaid documentary stamps		<b>268</b>	314	<b>247</b>	295
Dividend receivable		<b>219</b>	168	<b>207</b>	316
Computer software – net	13.6	<b>100</b>	144	<b>97</b>	144
Returned checks and other cash items		<b>20</b>	348	<b>20</b>	348
Others	13.6	<b>6,756</b>	5,489	<b>6,063</b>	4,502
		<b>38,436</b>	35,406	<b>48,878</b>	45,723
Allowance for impairment	14	<b>( 8,076)</b>	( 8,971)	<b>( 11,343)</b>	( 11,919)
		<b>P 30,360</b>	P 26,435	<b>P 37,535</b>	P 33,804

### 13.1 Equity Investments

Equity investments consist of the following:

		<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>% Interest Held</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<b><u>Philippine Subsidiaries</u></b>					
BDO Private Bank, Inc. (BDO Private)	100%	P -	P -	P 2,579	P 2,579
BDO Strategic Holdings, Inc. (BDOSHI)	100%	-	-	8,184	8,184
BDO Leasing	87%	-	-	1,878	1,878
BDO Elite					
(formerly GE Money Bank, Inc. or GEMB)	99%	-	-	1,500	1,500
BDO Capital & Investment Corporation					
(BDO Capital)	100%	-	-	300	300
Equimark	60%	-	-	45	45
PCIB Securities, Inc.	100%	-	-	39	39
PCI Realty Corporation	100%	-	-	34	34
BDO Insurance Brokers, Inc. (BDOI)	100%	-	-	11	11
PCI Insurance Brokers, Inc. (PCI Insurance)	100%	-	-	8	8
MDB Land	100%	-	-	-	-
		-	-	14,578	14,578
<b><u>Foreign Subsidiaries</u></b>					
Express Padala HK Ltd.	100%	-	-	28	28
BDO Remittance (USA), Inc.	100%	-	-	26	26
PCIB Europe S.P.A.	100%	-	-	1	1
Express Padala Frankfurt GmbH	100%	-	-	1	1
BDORO Europe Ltd.	100%	-	-	-	-
		-	-	56	56
<b><u>Associates</u></b>					
SM Keppel Land, Inc. (SM Keppel)	50%	1,658	1,658	1,658	1,658
Manila North Tollways Corporation (MNTC)	12%	1,405	1,405	1,405	1,405
Generali Pilipinas Holdings, Inc. (Generali)	40%	1,235	1,235	1,168	1,168
Northpine Land Incorporated	20%	232	232	232	232
Taal Land	33%	170	170	170	170
Others	*	10	10	10	10
		4,710	4,710	4,643	4,643
Accumulated equity in net profit (losses):					
Balance at beginning of year		36	( 420)	-	-
Equity in net profit during the year		470	681	-	-
Dividends		( 209)	( 225)	-	-
Balance at end of year		297	36	-	-
Net investments in associates		5,007	4,746	4,643	4,643
		5,007	4,746	19,277	19,277
Allowance for impairment					
		( 559)	( 559)	( 4,375)	( 4,375)
		P 4,448	P 4,187	P 14,902	P 14,902

\* This consists of various insignificant investments in associates, thus, percentage held is no longer disclosed.

BDO Unibank Group's percentage of interest held in each subsidiary and associate is the same as that of the Parent Bank, except for Generali which is at 40% in both 2012 and 2011 at BDO Unibank Group and 38.5% and 37.5% in 2012 and 2011, respectively, at the Parent Bank.

The fair value of BDO Leasing amounts to P3,680 and P2,963 in 2012 and 2011, respectively, which have been determined directly by reference to published prices quoted in an active market. The fair value of the remaining equity investments is not reliably determinable either by reference to similar financial instruments or through valuation technique using the net present value of the future cash flows.

BDO Unibank Group's subsidiaries and associates are all incorporated in the Philippines, except for the following:

<u>Subsidiaries</u>	<u>Country of Incorporation</u>
Express Padala HK Ltd.	Hong Kong
BDO Remittance (USA), Inc.	United States of America
Express Padala Frankfurt GmbH	Germany
PCIB Europe S.P.A	Italy
BDORO Europe Ltd.	United Kingdom

On May 30, 2012, BDORO Europe Ltd. (BDORO) was registered with the Registrar of Companies for England and Wales UK as a private limited company with registered office at the 5<sup>th</sup> floor, 6 St. Andrew Street, London. BDORO will provide commercial banking services in United Kingdom (UK) and Europe, and subject to certain conditions, was approved by the BSP on October 13, 2011. As of December 31, 2012, BDORO is in the process of completing the documents to support its application for a banking license in the UK.

As of December 31, 2012, the Parent Bank has an outstanding investment in BDORO amounting to P133 (absolute amount) representing the minimal capitalization of 2 Sterling Pounds (GBP) as an initial contribution to incorporate BDORO.

The following table presents the aggregated unaudited financial information of BDO Unibank Group's associates as of and for the years ended December 31, 2012, 2011 and 2010:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Assets	<b>P 36,718</b>	P 23,932	P 22,819
Liabilities	<b>23,585</b>	12,313	11,890
Equity	<b>13,133</b>	11,619	10,929
Revenues	<b>8,294</b>	7,138	8,101
Net profit	<b>2,587</b>	2,329	1,750

### ***13.1.1 Dividend Declarations***

In 2012 and 2011, the Parent Bank's share in the cash dividends declared by BDO Unibank Group's subsidiaries amounted to P646 and P411, respectively. These are presented as part of Dividend under Other Operating Income in the Parent Bank statements of income (see Note 22). Out of the total dividends declared, the Parent Bank received P536 and P95 in 2012 and 2011, respectively.

### ***13.1.2 Acquisitions***

In 2011, to execute the deed of assignment made on January 13, 2008, the Parent Bank agreed to transfer, cede and convey absolutely to SM Keppel the outstanding advances totaling P364 recognized as part of Others under Loans and Other Receivables (2010 statement of financial position) in exchange for 36,401,500 preferred shares of SM Keppel for a subscription price of P364. As a result, the investment in SM Keppel as of December 31, 2011 increased to P1,658.

On February 11, 2010, BSP approved the acquisition by BDO of the 12.4% equity interest in MNTC equivalent to 2,197,800 common shares held by Global Fund Holdings, Inc. (Global Fund) in MNTC for a purchase price of P1,405. The purchase of 12.4% was previously approved by the BOD on July 25, 2009. The Parent Bank is properly represented in the BOD of MNTC.

In response to the capital infusion call of Generali to cover its 2007 and 2008 capital deficiency, BDO Unibank Group's BOD separately approved on January 9, 2010 and July 31, 2010 additional investments of P114 and P156, respectively. The approval of the BSP was granted on March 5, 2010 and September 21, 2010, respectively.

Investment in Generali by BDO Unibank Group and the Parent Bank has a carrying value of P1,235 and P1,168, respectively, for both December 31, 2012 and 2011. Allowance for impairment loss on this investment amounted to P520 for both years.

### ***13.1.3 Dissolution of Subsidiaries***

On September 30, 2011, the Parent Bank approved the dissolution of PCI Express Padala (Hong Kong) Limited effective September 20, 2011. Capital amounting to P248 was fully returned to the Parent Bank on December 5, 2011.

On April 30, 2010, by virtue of a proxy letter, the Parent Bank approved the liquidation of PCIB Europe S.P.A with cut-off financial statement date of December 31, 2009. PCIB Europe S.P.A made partial returns of capital amounting to P23 and P1 on July 16, 2010 and October 6, 2010, respectively. As of December 31, 2012, total equity of PCIB Europe S.P.A. amounted to P0.5.

### ***13.2 Receivables from SPVs***

Receivables from SPVs represent the amount due from sale of certain non-performing assets to SPVs. In 2005, the former EPCIB (now part of BDO Unibank Group) sold certain non-performing assets with book value of P15,069 to Philippine Investment One, Philippine Investment Two and Cameron Granville Asset Management, Inc. (CGAM) for a consideration of P4,134. Cash received from the SPVs amounted to P798 in 2005 and the balance of P3,336, through issuance of SPV Notes, shall be paid based on a cash flow waterfall arrangement and interest rate of 20% and 50% per annum amounting to P2,776 and P560, respectively. Also, in 2005, the former Equitable Savings Bank, Inc. (ESB) entered into sale and purchase agreements with CGAM and LNC (SPV-AMC) Corporation (LNC) for the sale of the former ESB's loans to CGAM for P621 and for the sale of its investment properties to LNC for P98. The former ESB received SPV Notes amounting to P60 for loans from CGAM and P39 for investment properties from LNC, in addition to cash received amounting to P23 from CGAM and P4 from LNC.

Full allowance for impairment on the receivables from SPVs amounted to P3,440 as of December 31, 2012 and 2011.

### ***13.3 Deposits Under Escrow***

Deposits under escrow pertain to the portion of the cash received by BDO Unibank Group in consideration for its assumption of First e-Bank Corporation's deposits and other liabilities in October 2002. This amount is held in escrow pending compliance by BDO Unibank Group with certain terms and conditions, particularly the transfer of titles, as stipulated in the Memorandum of Agreement (MOA). Deposits under escrow earn an annual effective interest of 3.0% and 5.8% in 2012 and 2011, respectively.

### ***13.4 Non-current Assets Held for sale***

Non-current assets held for sale consist of real and other properties acquired through repossession or foreclosure that BDO Unibank Group intends to sell within one year from the date of classification as held for sale. Impairment loss recognized amounted to P155, P131 and P128 in 2012, 2011 and 2010 in BDO Unibank Group, respectively, and P130, P131 and P128 in 2012, 2011 and 2010 in the Parent Bank, respectively (see Note 14).

### ***13.5 Goodwill and Branch Licenses***

Goodwill represents the excess of the cost of acquisition of the Parent Bank over the fair value of the net assets acquired at the date of acquisition and branch licenses and relates mainly to business synergy for economics of scale and scope. This is significantly from the acquisition of BDO Card Corporation, United Overseas Bank Philippines (UOBP), American Express Bank, Ltd., GE Money Bank and Rural Bank of San Juan, Inc. (RBSJI) (see Note 26), which were acquired in 2005, 2006, 2007, 2009 and 2012, respectively.

On July 24, 2012, the Parent Bank and RBSJI executed a Deed of Assignment to transfer the latter's assets and liabilities amounting to P695 and P1,320, respectively. The acquisition resulted in the recognition of branch licenses and goodwill of P481 and P144, respectively.

BDO Unibank Group and the Parent Bank recognized impairment loss of P131, P150 and P271 in 2012, 2011 and 2010, respectively (see Note 14).

### ***13.6 Others***

Amortization expense on computer software licenses amounted to P376, P373 and P170 in 2012, 2011 and 2010, respectively, in BDO Unibank Group financial statements and P368, P371 and P173 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements. These are reported as Amortization of computer software under Other Operating Expenses account in the statements of income (see Note 22).

Depreciation expense on certain assets amounting to P21, P35 and P11 in 2012, 2011 and 2010, respectively, in BDO Unibank Group financial statements and P20 in 2012 (nil in 2011 and 2010), in the Parent Bank financial statements, and are presented as part of Occupancy under Other Operating Expenses account in the statements of income (see Note 22).



#### 14. ALLOWANCE FOR IMPAIRMENT

Changes in the allowance for impairment are summarized below.

	Notes	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year:					
AFS securities	9.2	<b>P 2,950</b>	P 5,811	<b>P 1,658</b>	P 4,526
HTM investments	9.3	<b>412</b>	453	<b>412</b>	412
Loans and other receivables	10	<b>27,027</b>	26,144	<b>26,717</b>	25,806
Investment properties	12	<b>2,275</b>	1,940	<b>2,168</b>	1,837
Other resources	13	<b>8,971</b>	8,540	<b>11,919</b>	11,512
		<b>41,635</b>	42,888	<b>42,874</b>	44,093
Impairment losses - net		<b>4,941</b>	6,144	<b>4,850</b>	5,945
Reversals and write-off		<b>( 3,303 )</b>	( 7,400 )	<b>( 2,899 )</b>	( 7,148 )
Foreign currency revaluation		<b>( 252 )</b>	3	<b>( 244 )</b>	( 16 )
Balance at end of year:					
AFS securities	9.2	<b>2,913</b>	2,950	<b>1,677</b>	1,658
HTM investments	9.3	<b>262</b>	412	<b>240</b>	412
Loans and other receivables	10	<b>29,142</b>	27,027	<b>28,798</b>	26,717
Investment properties	12	<b>2,628</b>	2,275	<b>2,523</b>	2,168
Other resources	13	<b>8,076</b>	8,971	<b>11,343</b>	11,919
		<b>P 43,021</b>	P 41,635	<b>P 44,581</b>	P 42,874

Total impairment losses on financial assets amounted to P4,619, P5,372 and P6,141 in 2012, 2011 and 2010, respectively, in BDO Unibank Group's financial statements and P4,557, P5,225 and P5,777 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements.

Total impairment losses on non-financial assets amounted to P322, P772 and P557 in 2012, 2011 and 2010, respectively, in BDO Unibank Group's financial statements and P293, P720 and P597 in 2012, 2011 and 2010, respectively, in the Parent Bank financial statements.

#### 15. DEPOSIT LIABILITIES

The breakdown of this account follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Demand	<b>P 48,936</b>	P 48,499	<b>P 41,591</b>	P 36,059
Savings	<b>543,366</b>	482,517	<b>544,248</b>	483,147
Time	<b>339,339</b>	327,553	<b>333,955</b>	319,542
	<b>P 931,641</b>	P 858,569	<b>P 919,794</b>	P 838,748

This account is composed of the following (by counterparties):

	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Due to other banks				
Demand	<b>P 876</b>	P 841	<b>P 875</b>	P 788
Savings	<b>1,908</b>	1,959	<b>1,908</b>	1,959
Time	<b><u>195</u></b>	<u>1,796</u>	<b><u>195</u></b>	<u>1,796</u>
	<b><u>2,979</u></b>	<u>4,596</u>	<b><u>2,978</u></b>	<u>4,543</u>
Due to customers				
Demand	<b>48,060</b>	47,658	<b>40,716</b>	35,271
Savings	<b>541,458</b>	480,558	<b>542,340</b>	481,188
Time	<b><u>339,144</u></b>	<u>325,757</u>	<b><u>333,760</u></b>	<u>317,746</u>
	<b><u>928,662</u></b>	<u>853,973</u>	<b><u>916,816</u></b>	<u>834,205</u>
	<b><u>P 931,641</u></b>	<u>P 858,569</u>	<b><u>P 919,794</u></b>	<u>P 838,748</u>

The breakdown of deposit liabilities as to currency is as follows:

	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Foreign currencies	<b>P 212,340</b>	P 206,618	<b>P 205,603</b>	P 200,000
Philippine pesos	<b><u>719,301</u></b>	<u>651,951</u>	<b><u>714,191</u></b>	<u>638,748</u>
	<b><u>P 931,641</u></b>	<u>P 858,569</u>	<b><u>P 919,794</u></b>	<u>P 838,748</u>

The maturity profile of this account is presented below.

	<b><u>BDO Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
Less than one year	<b>P 848,813</b>	P 792,225	<b>P 839,195</b>	P 774,462
One to five years	<b>73,912</b>	55,100	<b>72,033</b>	53,042
Beyond five years	<b><u>8,916</u></b>	<u>11,244</u>	<b><u>8,566</u></b>	<u>11,244</u>
	<b><u>P 931,641</u></b>	<u>P 858,569</u>	<b><u>P 919,794</u></b>	<u>P 838,748</u>

BDO Unibank Group's and Parent Bank's deposit liabilities are in the form of demand, savings and time deposit accounts bearing annual interest rates of 0.0% to 6.5% in 2012 and 0.0% to 8.3% in 2011. Demand and savings deposits usually have both fixed and variable interest rates while time deposits have fixed interest rates except for one tranche of the peso-denominated long-term negotiable certificates of deposits (LTNCDs) which are repriced every quarter.

On April 26, 2007, the Monetary Board (MB) of the BSP authorized BDO Private to issue up to P5,000 worth of fixed rate or zero coupon LTNCDs in one or more tranches. The first tranche, consisting of P2,191 in zero coupon LTNCDs, was issued on June 18, 2007 and matured on December 18, 2012. These LTNCDs are presented, net of discount and included P17 in capitalized transaction costs, as part of the Time Deposit Liabilities account in the 2011 statement of financial position.

On May 3, 2012, the BSP approved the Parent Bank's issuance of an initial tranche of P5,000 LTNCDs. The LTNCDs, which will mature on October 15, 2019, were issued on October 15, 2012 at an effective rate of 5.25% per annum, and will be payable quarterly in arrears every January 15, April 15, July 15 and October 15. The net proceeds from the issuance are intended to support the Parent Bank's business expansion plans.

Effective April 6, 2012, Peso deposit liabilities of BDO Unibank Group are subject to a reserve requirement of 18%, in compliance with the BSP Circular No. 753 – *Unification of the Statutory/Legal and Liquidity Reserve Requirement, Non-Remuneration of the Unified Reserve Requirement, Exclusion of Vault Cash and Demand Deposits as Eligible Forms of Reserve Requirement Compliance, and Reduction in the Unified Reserve Requirement Ratios.*

Previously, BSP's reserve requirement is composed of statutory reserve equivalent to 8.0% to 10.0% and 8.0% in 2011 and 2010, and liquidity reserve requirement equivalent to 11.0% both in 2011 and 2010.

## 16. BILLS PAYABLE

This account is composed of the following:

	Note	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
		<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Senior notes	16.1	<b>P 24,843</b>	P 13,210	<b>P 24,843</b>	P 13,210
Foreign banks		<b>22,070</b>	13,694	<b>21,043</b>	13,694
Deposit substitutes		<b>13,925</b>	17,152	<b>13,925</b>	17,149
Local banks		<b>3,657</b>	132	-	132
BSP		<b>1,245</b>	968	<b>1,245</b>	968
PDIC	16.2	-	4,472	-	4,472
Others		<b>6,439</b>	9,846	<b>4,121</b>	1,753
		<b><u>P 72,179</u></b>	<u>P 59,474</u>	<b><u>P 65,177</u></b>	<u>P 51,378</u>

The breakdown of this account as to currency follows:

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Foreign currencies	<b>P 64,728</b>	P 44,565	<b>P 63,700</b>	P 44,565
Philippine pesos	<b>7,451</b>	14,909	<b>1,477</b>	6,813
	<b><u>P 72,179</u></b>	<u>P 59,474</u>	<b><u>P 65,177</u></b>	<u>P 51,378</u>

The maturity profile of this account is presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Less than one year	<b>P 42,651</b>	P 42,767	<b>P 35,987</b>	P 35,430
One to five years	<b>13,980</b>	15,718	<b>13,642</b>	14,959
Beyond five years	<b>15,548</b>	989	<b>15,548</b>	989
	<b><u>P 72,179</u></b>	<u>P 59,474</u>	<b><u>P 65,177</u></b>	<u>P 51,378</u>

Bills payable bear annual interest rates of 0.2% to 12.0% in 2012 and 2011. Certain bills payable to local banks and the BSP are collateralized by certain receivables from customers and investment securities (see Notes 9 and 10).

The following comprise the interest expense included as part of Interest Expense on bills payable and other liabilities in the statements of income (see Note 21):

	<b>BDO Unibank Group</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Senior notes	<b>P 1,008</b>	P 511	P 98
PDIC	<b>169</b>	175	175
Deposit substitutes	<b>153</b>	277	312
Foreign banks	<b>142</b>	182	69
Local banks	<b>39</b>	29	1
BSP	<b>25</b>	27	121
Others	<b>473</b>	322	575
	<b><u>P 2,009</u></b>	<u>P 1,523</u>	<u>P 1,351</u>

	<b>Parent Bank</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Senior notes	<b>P 1,008</b>	P 511	P 98
PDIC	<b>169</b>	175	175
Deposit substitutes	<b>149</b>	172	285
Foreign banks	<b>142</b>	182	69
BSP	<b>25</b>	27	121
Others	<b>150</b>	158	243
	<b><u>P 1,643</u></b>	<u>P 1,225</u>	<u>P 991</u>

### 16.1 Senior Notes

On February 16, 2012, the Parent Bank issued unsecured Senior Notes with a face value of US\$300 million at a price of 99.448 or a total price of US\$298 million. The Senior Notes, which will mature on February 16, 2017, bear a coupon rate of 4.5% per annum, with effective yield of 4.625% per annum, and will be payable semi-annually every February 16 and August 16 starting on August 16, 2012. The net proceeds from the issuance of Senior Notes are intended for general funding and relending purposes. As at December 31, 2012, the related Senior Notes has a carrying amount of P12,465.

On October 22, 2010, the Parent Bank issued unsecured Senior Notes with a face value of US\$300 million at a price of 99.632 or a total price of US\$299 million. The Senior Notes, which will mature on April 22, 2016, bear a fixed interest rate of 3.875% per annum, with an effective rate of 3.95% per annum, and will be payable semi-annually every April 22 and October 22 starting in 2011. The net proceeds from the issuance are intended to support business expansion plans, and general banking and relending activities. As of December 31, 2012 and 2011, the Senior Notes have a carrying amount of P12,378 and P13,210, respectively. Interest on Senior Notes incurred amounted to P1,008 in 2012 and P511 in 2011 recognized in profit or loss and included as part of Interest expense on bills payable and other liabilities under Interest Expense account is on an amortized cost basis using the effective interest method (see Note 21).

#### **16.2 PDIC**

This represents the financial assistance to United Overseas Bank Philippines (UOBP) from PDIC amounting to P4,420 which was transferred by UOBP to the Parent Bank. The transfer was covered by the MOA relative to the Parent Bank's acquisition of UOBP branches in 2005. The financial assistance, which is recorded as part of Bills Payable in the statements of financial position matured on December 19, 2012 and bear annual interest rate of 3.90%. The proceeds of the financial assistance from PDIC are invested in government securities as provided for in the MOA. As of December 31, 2012, there are no outstanding financial assistance from PDIC.

### **17. SUBORDINATED NOTES PAYABLE**

On November 21, 2007, the Parent Bank issued P10,000 unsecured subordinated notes eligible as Lower Tier 2 Capital due on November 21, 2017 bearing an interest of 7.0% per annum, callable with step-up in 2012 (the Series 1 Notes) pursuant to the authority granted by the BSP to the Parent Bank on October 8, 2007 and BSP Circular No. 280 Series of 2001, as amended. The issuance was approved by the BOD, in its special meeting held on June 1, 2007. On November 21, 2012, the Parent Bank exercised its option to redeem the P10,000 Series 1 Notes. The said redemption was approved by the BSP on September 27, 2012 and was paid on November 21, 2012.

On May 30, 2008, the Parent Bank issued the second tranche of P10,000 unsecured subordinated notes eligible as Lower Tier 2 Capital due on May 30, 2018 bearing an interest of 8.5% per annum, callable with step-up in 2013 (the Series 2 Notes) pursuant to the authority granted by the BSP to the Parent Bank on April 3, 2008 and BSP Circular No. 280 Series of 2001, as amended. This issuance was approved by the BOD, in its regular meeting held on February 23, 2008.

On March 20, 2009, the Parent Bank issued the third tranche of unsecured subordinated debt qualifying as Lower Tier 2 Capital of the Parent Bank with face of P3,000 due March 20, 2019 with coupon interest of 7.5% per annum callable with step-up in 2014 (the Series 3 Notes). This issuance was approved by the BOD on January 31, 2009.

On June 27, 2011, the Parent Bank issued P8,500 unsecured subordinated notes eligible as Lower Tier 2 Capital due on September 27, 2021, callable on 2016 (the Series 4 Notes) bearing an interest rate of 6.50% per annum, pursuant to the authority granted by the BSP to BDO Unibank on April 7, 2011 and BSP Circular No. 280 Series of 2001, as amended, and BSP Circular No. 709 Series of 2011. The issuance was approved by the BOD on August 28, 2010.

On October 7, 2011, the Parent Bank issued another P6,500 unsecured subordinated notes eligible as Lower Tier 2 Capital due on January 7, 2022, callable on 2016 (the Series 5 Notes) bearing an interest rate of 6.375% per annum, pursuant to the authority granted by the BSP to BDO Unibank on April 7, 2011 and BSP Circular No. 280 Series of 2001, as amended, and BSP Circular No. 709 Series of 2011. The issuance was approved by the BOD on August 28, 2010.

The Notes represent direct, unconditional unsecured and subordinated peso-denominated obligations of the Parent Bank, issued in accordance with the Terms and Conditions under the Master Note. The Notes, like other subordinated indebtedness of the Parent Bank, are subordinated to the claims of depositors and ordinary creditors, are not a deposit, and are not guaranteed nor insured by the Parent Bank or any party related to the Parent Bank, such as its subsidiaries and affiliates, or the PDIC, or any other person. The Notes shall not be used as collateral for any loan made by the Parent Bank or any of its subsidiaries or affiliates. The Notes carry interest rates based on prevailing market rates, with a step-up provision if not called on the fifth year from issue date. The Parent Bank has the option to call the Notes on the fifth year, subject to prior notice to Noteholders. The Notes were used further to expand the Parent Bank's consumer loan portfolio and to refinance an existing issue of Lower Tier 2 debt. The Notes also increased and strengthened the Parent Bank's capital base, in anticipation of continued growth in the coming years. The total outstanding balance of the Notes amounted to P28,180 and P38,255 as of December 31, 2012 and 2011, respectively.

Total interest expense on subordinated notes payable included as part of Interest expense on bills payable and other liabilities under the Interest Expense account in the statements of income amounted to P2,667, P2,154 and P1,775 in 2012, 2011 and 2010, respectively, both in BDO Unibank Group and Parent Bank statements of income (see Note 21).

## 18. OTHER LIABILITIES

Other liabilities consist of the following:

Note	BDO Unibank Group		Parent Bank	
	2012	2011	2012	2011
Bills purchased-contra	P 15,953	P 10,287	P 15,953	P 10,287
Accounts payable	7,994	7,436	7,641	5,504
Accrued expenses	6,870	5,088	6,519	4,790
Manager's checks	6,664	6,558	6,626	6,473
Derivatives with negative fair values	9.1 4,245	3,320	2,655	1,877
Lease deposits	3,222	2,477	48	48
Outstanding acceptances payable	1,834	1,569	1,834	1,569
Withholding taxes payable	990	899	942	859
Capitalized interest and other charges	865	602	854	602
Unearned income	9.3 836	989	757	893
Payment order payable	277	252	277	252
Due to principal	221	230	-	-
Due to BSP and Treasurer of the Philippines	80	166	78	163
Others	5,105	4,216	4,936	3,977
	<u>P 55,156</u>	<u>P 44,089</u>	<u>P 49,120</u>	<u>P 37,294</u>

The liability for unredeemed reward points amounting to P1,918 and P1,394 as of December 31, 2012 and 2011, respectively, presented as part of Accrued expenses above represents the fair value of points earned which are redeemable significantly for goods or services provided by third parties identified by the Parent Bank as partners in the rewards program (see Note 2.21).

Others include margin deposits, cash letters of credit and other miscellaneous liabilities.

## 19. EQUITY

### 19.1 Capital Management and Regulatory Capital

On January 15, 2009, the BSP issued Circular No. 639 articulating the need for banks to adopt and document an Internal Capital Adequacy Assessment Process (ICAAP). All universal and commercial banks are expected to perform a thorough assessment of all their material risks and maintain adequate capital to support these risks. This is intended to complement the current regulatory capital requirement of at least 10% of risk assets, which covered only credit, market and operational risks. On December 29, 2009, BSP issued Circular No. 677 effectively extending the implementation of ICAAP from January 2010 to January 2011.

In October 2009, BDO Unibank Group presented its ICAAP and submitted the initial draft of its ICAAP document to the BSP. Based on comments from the BSP, BDO Unibank Group subsequently revised its ICAAP document and secured approval from its BOD on January 8, 2011. Annually as required, BDO Unibank Group submits its updated ICAAP to the BSP.

The ICAAP document articulates BDO Unibank Group's capital planning strategy and discusses governance, risk assessment, capital assessment and planning, capital adequacy monitoring and reporting, as well as internal control reviews.

The lead regulator of the banking industry, the BSP, sets and monitors capital requirements for BDO Unibank Group. In implementing current capital requirements, the BSP requires BDO Unibank Group to maintain a prescribed ratio of qualifying capital to risk-weighted assets.

Under current banking regulations, the combined capital accounts of a bank should not be less than an amount equal to 10% of its risk assets. The qualifying capital of BDO Unibank Group for purposes of determining the capital-to-risk assets ratio is total equity excluding:

- (a) unbooked valuation reserves and other capital adjustments as may be required by the BSP;
- (b) total outstanding unsecured credit accommodations to directors, officers, stockholders and related interests (DOSRI);
- (c) deferred tax asset or liability;
- (d) goodwill;
- (e) sinking fund for redemption of redeemable preferred shares; and,
- (f) other regulatory deductions.

Risk assets consist of total assets after exclusion of cash on hand, due from BSP, loans covered by hold-out on or assignment of deposits, loans or acceptances under letters of credit to the extent covered by margin deposits, and other non-risk items as determined by the MB of the BSP.

The amount of surplus funds available for dividend declaration is determined also on the basis of regulatory net worth after considering certain adjustments.

BDO Unibank Group's policy is to maintain a strong capital base to promote investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognized and BDO Unibank Group recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The regulatory capital is analyzed into two tiers, which are Tier 1 Capital plus Tier 2 Capital less deductions from the total of Tier 1 and Tier 2 capital for the following:

- (a) investments in equity of unconsolidated subsidiary banks and other financial allied undertakings, but excluding insurance companies;
- (b) investments in debt capital instruments of unconsolidated subsidiary banks;
- (c) investments in equity of subsidiary insurance companies and non-financial allied undertakings;
- (d) reciprocal investments in equity of other banks/enterprises; and,
- (e) reciprocal investments in unsecured subordinated term debt instruments of other banks/quasi-banks qualifying as Hybrid Tier 1, Upper Tier 2 and Lower Tier 2, in excess of the lower of: (i) an aggregate ceiling of 5% of total Tier 1 capital of BDO Unibank Group excluding Hybrid Tier 1; or, (ii) 10% of the total outstanding unsecured subordinated term debt issuance of the other bank/quasi-banks.



Provided that any asset deducted from the qualifying capital in computing the numerator of the risk-based capital ratio shall not be included in the risk-weighted assets in computing the denominator of the ratio.

At the end of each reporting period, BDO Unibank Group has complied with the prescribed ratio of qualifying capital to risk-weighted assets.

Under an existing BSP circular, expanded commercial banks are required to comply with the minimum capital requirement of P4,950. As of December 31, 2012 and 2011, the Parent Bank has complied with the above capitalization requirement.

There have been no material changes in BDO Unibank Group's management of capital during the period.

BDO Unibank Group's and Parent Bank's regulatory capital position (computed using balances prepared under FRSP for banks) as of December 31, 2012 and 2011 follows:

	<u><b>BDO Unibank Group</b></u>		<u><b>Parent Bank</b></u>	
	<u><b>2012</b></u>	<u><b>2011</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>
Tier 1 Capital	<b>P 147,472</b>	P 90,612	<b>P 139,895</b>	P 84,303
Tier 2 Capital	<u><b>37,272</b></u>	<u>46,004</u>	<u><b>36,885</b></u>	<u>43,929</u>
Total Regulatory Capital	<b>184,744</b>	136,616	<b>176,780</b>	128,232
Deductions	<u><b>( 7,405)</b></u>	<u>( 10,405)</u>	<u><b>( 25,701)</b></u>	<u>( 25,238)</u>
Total Qualifying Capital	<u><b>P 177,339</b></u>	<u>P 126,211</u>	<u><b>P 151,079</b></u>	<u>P 102,994</u>
Total Risk Weighted Assets	<u><b>P 921,497</b></u>	<u>P 798,936</u>	<u><b>P 875,221</b></u>	<u>P 756,567</u>
Capital ratios				
Total regulatory capital expressed as percentage of total risk weighted assets	<b>19.2%</b>	15.8%	<b>17.3%</b>	13.6%
Total Tier 1 expressed as percentage of total risk weighted assets	<b>15.3%</b>	10.2%	<b>13.8%</b>	8.7%
Tier 1 Capital	<b>P 147,472</b>	P 90,612	<b>P 139,895</b>	P 84,303
Tier 1 Capital Deductions	<u><b>( 6,411)</b></u>	<u>( 9,411)</u>	<u><b>( 19,162)</b></u>	<u>( 18,615)</u>
Net Tier 1 Capital	<u><b>P 141,061</b></u>	<u>P 81,201</u>	<u><b>P 120,733</b></u>	<u>P 65,688</u>

## 19.2 Capital Allocation

The allocation of capital between specific operations and activities is, to a large extent, driven by optimization of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible of the operation and is subject to review by the ALCO.

Although maximization of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within BDO Unibank Group to particular operations or activities, it is not the sole basis used for decision making. Synergies with other operations and activities, the availability of management and other resources and the fit of the activity with the longer term strategic objectives are also considered in the capital allocation process. The policies in respect of capital management and allocation are reviewed regularly by the BOD.

## 19.3 Capital Stock

Capital stock consists of the following:

	Number of Shares	
	2012	2011
Common shares – P10 par value		
Authorized – 4,500,000,000 shares		
Issued, fully paid and outstanding		
Balance at beginning of year	2,607,437,907	2,607,437,907
Issued during the year	973,437,421	-
Balance at end of year	3,580,875,328	2,607,437,907
Preferred shares – P10 par value		
Authorized – 2,000,000,000 shares		
Balance at beginning of year	500,000,000	500,000,000
Issued during the year	15,000,000	-
Balance at end of year	515,000,000	500,000,000
	Amount	
	2012	2011
Common shares		
Balance at beginning of year	P 26,074	P 26,074
Issued during the year	9,734	-
Balance at end of year	P 35,808	P 26,074
Preferred shares		
Balance at beginning of year	P 5,000	P 5,000
Issued during the year	150	-
Balance at end of year	P 5,150	P 5,000

The Parent Bank's application for listing of its common stock was approved by the PSE on April 24, 2002. The application is for the initial listing of up to 952,708,650 common shares, with par value of P10 per share, at an offer price range of P17.80 to P23.80 per share. The proceeds from the sale of BDO Unibank's listed shares amounted to about P2,200.

The history of shares issuances from the initial public offering (IPO) and subsequently, private placements exempt from registration pursuant to Section 10.1 of the Securities Regulation Code, is as follows:

Transaction	Subscriber	Issue Date	Number of Shares Issued
IPO	Various	May 21, 2002	908,189,550
Private placement	International Finance Corporation (IFC)	June 21, 2005	31,403,592
Private placement	UOBP	February 8, 2006	22,429,906
BDO-EPCIB Merger	BDO-EPCIB Merger	May 31, 2007	1,308,606,021
Private placement	IFC	August 23, 2007	31,403,592
Private placement	GE Capital International Holdings Corporation (GE Capital)	August 20, 2009	37,735,849
Private placement	Multi Realty Development Corporation	April 23, 2010	107,320,482
Private placement	IFC	April 26, 2010	24,033,253
Private placement	IFC Capitalization (Equity) Fund, L.P. (IFC Equity Fund)	April 26, 2010	136,315,662
Stock dividends	Various	June 8, 2012	78,218,589
Stock rights	Various	July 4, 2012	895,218,832
			<u>3,580,875,328</u>

As of December 31, 2012, there are 13,224 holders of the listed shares equivalent to 100% of the Parent Bank's total outstanding shares. Such listed shares closed at P72.80 per share as of December 28, 2012 (the last trading day in 2012).

On August 30, 2008, the BOD approved the issuance of up to 500,000,000 perpetual, voting, non-cumulative, convertible, non-participating, peso-denominated Series A preferred shares qualifying as Tier 1 capital of BDO Unibank Group. The conversion right is at the option of the holder after three years from the issue date or at the option of BDO Unibank Group at any time after issue date upon the occurrence of certain trigger events such as: (i) a change in tax status of the preferred shares; or, (ii) the preferred shares do not qualify as Tier 1 capital of BDO Unibank Group as determined by the BSP or other applicable laws and regulations. Dividend rate is at 6.5% per annum of the par value. Subsequently, on September 30, 2008, the Parent Bank issued 500,000,000 preferred shares at P10 per share or a total value of P5,000.

In 2009, the Parent Bank issued to GE Capital 37,735,849 common shares worth P377 in line with the latter's strategic investment in the Parent Bank (see Note 26.2).

On March 19, 2010, the BOD approved a capital raising program that would allow the Parent Bank to raise between US\$250 million to US\$300 million worth of common shares, with the IFC and the IFC Equity Fund as anchor investors. Subsequently, on April 26, 2010, the Parent Bank issued 24,033,253 shares to the IFC and 136,315,662 shares to the IFC Equity Fund at P41.50 per share for a total subscription price of P997 and P5,657, respectively. Foreign institutional investors participated in this capital raising through a top-up offering, resulting in the issuance of an additional 107,320,482 common shares at the same offer price. The Parent Bank was able to raise a total of P10,994 from this capital raising exercise.

On March 31, 2012, the BOD authorized to offer the Parent Bank's common shares to its registered stockholders at an entitlement ratio of one common share for every three common shares held as of June 14, 2012. The stock rights offering was approved by the BSP on May 15, 2012 and the application for additional listing of up to 896,000,000 common shares, with a par value of P10 per share was approved by the PSE on May 23, 2012. The stock rights offer commenced on June 18, 2012 until June 27, 2012 wherein 895,218,832 common shares were subscribed and fully paid at an offer price of P48.60. The rights offering resulted in the recognition of additional paid in capital (APIC) of P34,147, net of issue cost. The listing of the additional common shares to the PSE was made on July 4, 2012.

#### ***19.4 Issuance of Global Depositary Receipts by Primebridge***

On various dates in 2006, Primebridge Holdings, Inc. (Primebridge), a stockholder owning 22.1% of the Parent Bank's total outstanding shares as of December 31, 2005, offered and sold in aggregate 9,399,700 global depositary receipts (GDRs) with each GDR representing 20 shares of the Parent Bank's common shares.

The GDRs constitute an offering in the United States only to qualified institutional buyers in reliance on Rule 144A under the US Securities Act of 1993 (the Securities Act) and an offering outside the United States in reliance on Regulation under the Securities Act. The offer price for each GDR was US\$12.70 on January 25, 2006 and February 14, 2006; and US\$14.55 on May 15, 2006. The GDRs are listed and are traded at the London Stock Exchange.

As part of the offering, Primebridge, while remaining as the registered holder of the Parent Bank's shares underlying the GDRs, transferred all rights and interests in the Parent Bank's shares underlying the GDRs to the depository on behalf of the holders of the GDRs and the latter are entitled to receive dividends paid on the shares. However, GDR holders have no voting rights or other direct rights of a shareholder with respect to the Parent Bank's shares.

As of December 31, 2006, 4,724,214 GDRs issued, covering shares originally held by Primebridge, were converted into 94,484,280 shares of the Parent Bank. As of December 31, 2012 and 2011, 9,600 GDRs equivalent to 192,000 shares of the Parent Bank remained unconverted.

### ***19.5 Surplus Free***

On December 12, 2012, the BOD of Equimark, a subsidiary of the Parent Bank, approved the declaration of cash dividends at P80.00 per share on the 750,000 shares outstanding at the date of declaration or for P60. The dividends were declared to stockholders on record as of September 30, 2012 and paid on December 26, 2012. Total dividends paid to stockholders not within BDO Unibank Group amounted to P24.

On April 18, 2012, the BOD of BDO Leasing, a subsidiary of the Parent Bank, approved the declaration of cash dividends at P0.05 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P108. The dividends were declared to stockholders on record as of May 31, 2012 and payable on June 27, 2012, of which, total dividends paid to non-controlling interest amounted to P14.

On March 22, 2012, the BOD approved the declaration of 3% stock dividend on outstanding common and preferred shares, equivalent to 78,218,589 common shares at P68.70 per share and 15,000,000 preferred shares at par. The declaration resulted in the recognition of APIC of P4,586, net of issue costs. The stock dividend was approved by the BSP on May 8, 2012 and distributed to the stockholders on June 8, 2012.

On January 28, 2012, the Parent Bank's BOD approved the declaration of annual cash dividends on peso denominated preferred shares at the rate of 6.5% per annum for a total dividend of P330 which was approved by BSP on February 20, 2012 and was paid on March 9, 2012.

On December 7, 2011, the BOD of Equimark, approved the declaration of cash dividends at P160.00 per share on the 750,000 shares outstanding at the date of declaration or for P120. The dividends were declared to stockholders on record as of December 29, 2011 and payable on January 2, 2012. Total dividends paid to stockholders not within BDO Unibank Group amounted to P48.

On December 7, 2011, the BOD of BDO Leasing, approved the declaration of cash dividends at P0.10 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P216. The dividends were declared to stockholders on record as of December 26, 2011 and payable on January 18, 2012, of which, total dividends paid to non-controlling interests amounted to P26.

On May 30, 2011, the BOD of BDO Leasing approved the declaration of cash dividends at P0.05 per share on the 2,162,475,312 shares outstanding at the date of declaration or for a total of P108. The dividends were declared to stockholders on record as of July 14, 2011 and payable on July 29, 2011. Total dividends paid to non-controlling interests amounted to P14.

On May 27, 2011, the BOD of the Parent Bank approved the declaration of annual cash dividends amounting to P1.00 per common share or a total of P2,607 payable to stockholders of record as of August 16, 2011. The cash dividends were approved by the BSP on June 23, 2011 and were paid to the stockholders on August 26, 2011.

On January 29, 2011, the BOD of the Parent Bank approved the declaration of annual dividends on peso denominated preferred shares at the rate of 6.5% per annum for a total dividend of P330. The declaration was approved by BSP on March 3, 2011 and was paid on March 15, 2011.

On December 8, 2010, the BOD of BDO Leasing, approved the declaration of cash dividends at P0.10 per share on the 2,162,475,312 shares outstanding at the date of declaration or for P216. The dividends were declared to stockholders on record as of December 22, 2010 and payable on January 18, 2011. Total dividends paid to non-controlling interests amounted to P27.

On May 31, 2010, the BOD of BDO Leasing approved the declaration of cash dividends at P0.05 per share on the 2,162,475,312 shares outstanding at the date of declaration or for a total of P108. The dividends were declared to stockholders on record as of June 30, 2010 and payable on July 26, 2010. Total dividends paid to non-controlling interests amounted to P13.

On May 28, 2010, the BOD of the Parent Bank approved the declaration of annual of cash dividends amounting to P0.80 per common share or a total of P2,085 payable to stockholders on record as of August 17, 2010. The cash dividends were approved by BSP on July 1, 2010 and were paid to the stockholders on August 27, 2010.

On January 9, 2010, the BOD of the Parent Bank approved the declaration of annual cash dividends on peso denominated preferred shares at the rate of 6.5% per annum amounting to P330. The declaration was approved by BSP on February 19, 2010 and was paid on March 19, 2010.

#### ***19.6 Surplus Reserves***

On April 4, 2012, the BOD of BDO Capital, a subsidiary of the Parent Bank, approved the appropriation of its surplus free amounting to P250 as additional working capital for its underwriting activities and investments.

On March 30, 2012, the BOD of BDO Securities Corporation, a wholly owned subsidiary of BDO Capital, approved the appropriations of its surplus free amounting to P80 and P70 as an additional working capital and additional funds for its proprietary equity trading, respectively.

Also, included in the 2012 surplus reserve are the appropriations made by BDO Securities Corporation, PCIB Securities, Inc. and Armstrong Securities, Inc. (a subsidiary of BDOSHI), totaling P15 as part of the reserve fund requirement of SEC Memorandum Circular No. 16, *Adoption of the Risk Based Capital Adequacy Requirement/ Ratio for Broker Dealers*.

## 20. INTEREST INCOME

Interest income consists of the following:

		<b>BDO Unibank Group</b>		
	<u>Notes</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Loans and other receivables	10	<b>P 42,288</b>	P 37,456	P 36,012
Trading and investment securities	9	<b>10,819</b>	10,486	10,114
Due from other banks	7, 8	<b>597</b>	2,049	2,739
Others		<b>310</b>	476	1,065
		<b><u>P 54,014</u></b>	<u>P 50,467</u>	<u>P 49,930</u>
		<b>Parent Bank</b>		
	<u>Notes</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Loans and other receivables	10	<b>P 40,830</b>	P 36,128	P 34,389
Trading and investment securities	9	<b>10,233</b>	9,848	9,379
Due from other banks	7, 8	<b>448</b>	1,884	2,646
Others		<b>146</b>	164	130
		<b><u>P 51,657</u></b>	<u>P 48,024</u>	<u>P 46,544</u>

## 21. INTEREST EXPENSE

Interest expense is composed of the following:

		<b>BDO Unibank Group</b>		
	<u>Notes</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Deposit liabilities	15	<b>P 13,122</b>	P 13,006	P 12,645
Bills payable and other liabilities	16, 17, 18	<b>4,694</b>	3,682	3,127
		<b><u>P 17,816</u></b>	<u>P 16,688</u>	<u>P 15,772</u>
		<b>Parent Bank</b>		
	<u>Notes</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Deposit liabilities	15	<b>P 12,852</b>	P 12,659	P 12,224
Bills payable and other liabilities	16, 17, 18	<b>4,323</b>	3,380	2,766
		<b><u>P 17,175</u></b>	<u>P 16,039</u>	<u>P 14,990</u>

## 22. OTHER OPERATING INCOME AND EXPENSES

Other operating income is composed of the following:

	Notes	<b>BDO Unibank Group</b>		
		<b>2012</b>	2011	2010
Service charges, fees and commissions	24	<b>P 11,446</b>	P 10,528	P 8,930
Trading gain – net	9	<b>8,445</b>	3,907	5,585
Trust fees	25	<b>1,986</b>	1,727	1,474
Income from assets sold or exchanged	12	<b>671</b>	947	140
Dividends income	13.1.1	<b>422</b>	256	239
Foreign exchange gains (loss)		<b>( 212)</b>	1,714	261
Miscellaneous – net		<b>1,669</b>	<b>1,820</b>	<b>1,212</b>
		<b>P 24,427</b>	<b>P 20,899</b>	<b>P 17,841</b>
	Notes	<b>Parent Bank</b>		
		<b>2012</b>	2011	2010
Service charges, fees and commissions	24	<b>P 9,945</b>	P 9,063	P 7,952
Trading gain – net	9	<b>8,082</b>	3,400	5,185
Trust fees	25	<b>1,696</b>	1,489	1,273
Dividends income	13.1.1	<b>994</b>	653	820
Income from assets sold or exchanged	12	<b>389</b>	879	118
Foreign exchange gains (loss)		<b>( 333)</b>	1,572	31
Miscellaneous – net		<b>930</b>	<b>920</b>	<b>1,025</b>
		<b>P 21,703</b>	<b>P 17,976</b>	<b>P 16,404</b>



Other operating expenses consist of the following:

	Notes	<b>BDO Unibank Group</b>		
		<b>2012</b>	<b>2011</b>	<b>2010</b>
Compensation and benefits	23	<b>P 16,087</b>	P 14,002	P 13,619
Occupancy	31	<b>4,707</b>	4,365	4,467
Taxes and licenses		<b>4,042</b>	3,662	3,510
Advertising		<b>2,361</b>	2,172	2,022
Security, clerical, messengerial and janitorial		<b>2,120</b>	1,952	1,894
Insurance		<b>1,864</b>	1,694	1,515
Fees and commissions		<b>1,649</b>	1,537	1,335
Representation and entertainment		<b>953</b>	872	859
Power, light and water		<b>895</b>	803	740
Litigation/assets acquired		<b>719</b>	754	607
Travelling		<b>687</b>	602	537
Repairs and maintenance		<b>654</b>	737	671
Supplies		<b>389</b>	442	413
Amortization of computer software	13.6	<b>376</b>	373	170
Information technology		<b>247</b>	460	621
Miscellaneous		<b>2,107</b>	1,889	1,809
		<b>P 39,857</b>	P 36,316	P 34,789

	Notes	<b>Parent Bank</b>		
		<b>2012</b>	<b>2011</b>	<b>2010</b>
Compensation and benefits	23	<b>P 15,145</b>	P 13,107	P 12,776
Occupancy	31	<b>4,405</b>	3,944	3,473
Taxes and licenses		<b>3,750</b>	3,399	3,243
Advertising		<b>2,246</b>	2,082	1,954
Security, clerical, messengerial and janitorial		<b>2,071</b>	1,909	1,845
Insurance		<b>1,821</b>	1,647	1,467
Fees and commissions		<b>1,514</b>	1,321	1,172
Power, light and water		<b>853</b>	766	702
Representation and entertainment		<b>840</b>	763	755
Litigation/assets acquired		<b>671</b>	729	577
Repairs and maintenance		<b>643</b>	721	644
Travelling		<b>618</b>	545	492
Amortization of computer software	13.6	<b>368</b>	371	173
Supplies		<b>366</b>	414	38
Information technology		<b>234</b>	439	610
Miscellaneous		<b>1,898</b>	1,706	1,586
		<b>P 37,443</b>	P 33,863	P 31,854

## 23. COMPENSATION AND BENEFITS

### 23.1 Compensation and Benefits Expense

Expenses recognized for compensation and benefits are presented below.

<b>BDO Unibank Group</b>					
	<b>2012</b>		<b>2011</b>		<b>2010</b>
Salaries and wages	<b>P 8,906</b>	P	8,154	P	7,415
Bonuses	<b>2,895</b>		2,734		2,367
Retirement – defined benefit plan	<b>1,296</b>		1,319		1,336
Social security costs	<b>364</b>		357		325
Other benefits	<b>2,626</b>		1,438		2,176
	<b>P 16,087</b>	P	14,002	P	13,619

<b>Parent Bank</b>					
	<b>2012</b>		<b>2011</b>		<b>2010</b>
Salaries and wages	<b>P 8,326</b>	P	7,616	P	6,895
Bonuses	<b>2,704</b>		2,557		2,201
Retirement – defined benefit plan	<b>1,203</b>		1,237		1,264
Social security costs	<b>346</b>		340		307
Other benefits	<b>2,566</b>		1,357		2,109
	<b>P 15,145</b>	P	13,107	P	12,776

### 23.2 Post-employment Benefits

BDO Unibank Group maintains a partially funded, tax-qualified noncontributory retirement plan that is being administered by the Parent Bank's trust and investment group covering all regular full-time employees. Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions.

The amounts of retirement benefit asset recognized as part of Retirement asset under Other Resources (see Note 13) are determined as follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Present value of the DBO	(P 13,729)	(P 12,070)	(P 12,976)	(P 11,422)
Fair value of plan assets	<b>14,060</b>	9,044	<b>13,289</b>	8,689
Excess (deficiency) of plan assets	<b>331</b>	(3,026)	<b>313</b>	(2,733)
Unrecognized actuarial losses	<b>4,116</b>	4,518	<b>3,874</b>	4,252
Effect of asset ceiling	(17)	-	(17)	-
	<b>P 4,430</b>	P 1,492	<b>P 4,170</b>	P 1,519

The movements in the present value of the DBO are as follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year	<b>P 12,070</b>	P 10,130	<b>P 11,422</b>	P 9,658
Current service and interest costs	<b>1,697</b>	1,609	<b>1,587</b>	1,524
Actuarial losses	<b>572</b>	959	<b>567</b>	838
Transfer to plan assets	-	5	-	5
Benefits paid by the plan	<b>( 610)</b>	( 633)	<b>( 600)</b>	( 603)
Balance at end of year	<b>P 13,729</b>	P 12,070	<b>P 12,976</b>	P 11,422

The movements in the fair value of plan assets are presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year	<b>P 9,044</b>	P 7,381	<b>P 8,689</b>	P 7,106
Contributions paid into the plan	<b>4,234</b>	1,815	<b>3,854</b>	1,730
Actuarial gains	<b>849</b>	78	<b>830</b>	67
Benefits paid by the plan	<b>( 610)</b>	( 633)	<b>( 600)</b>	( 603)
Expected return on plan assets	<b>543</b>	398	<b>516</b>	384
Transfer to plan assets	-	5	-	5
Balance at end of year	<b>P 14,060</b>	P 9,044	<b>P 13,289</b>	P 8,689

As at December 31, the composition (in percentages) of plan assets is presented below.

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Placements in debt instruments	<b>44.9%</b>	64.1%	<b>45.3%</b>	64.3%
Deposits in other banks	<b>31.9%</b>	5.8%	<b>31.2%</b>	5.6%
Unit investment trust funds	<b>15.1%</b>	16.4%	<b>15.3%</b>	16.4%
Loans and other receivables	<b>5.6%</b>	7.6%	<b>5.7%</b>	7.6%
Other properties	<b>2.5%</b>	6.1%	<b>2.5%</b>	6.1%
	<b>100.0%</b>	100.0%	<b>100.0%</b>	100.0%

Actual returns on plan assets were P1,392 and P1,346 in 2012 and P477 and P451 in 2011 in BDO Unibank Group and the Parent Bank financial statements, respectively.

The amounts of retirement benefits recognized in profit or loss are as follows:

	<b>BDO Unibank Group</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current service costs	<b>P 934</b>	P 774	P 725
Interest costs	<b>763</b>	835	771
Expected return on plan assets	<b>( 543)</b>	( 399)	( 264)
Net actuarial losses recognized	<b>124</b>	109	112
Effect of asset limit	<b>18</b>	-	-
Net transition asset recognized	-	-	( 8)
	<b>P 1,296</b>	P 1,319	P 1,336

	<b>Parent Bank</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Current service costs	<b>P 864</b>	P 727	P 679
Interest costs	<b>723</b>	797	734
Expected return on plan assets	<b>( 516)</b>	( 384)	( 254)
Net actuarial losses recognized	<b>115</b>	97	105
Effect of asset limit	<b>17</b>	-	-
	<b><u>P 1,203</u></b>	<b><u>P 1,237</u></b>	<b><u>P 1,264</u></b>

The movements in the retirement benefit asset recognized in the books follows:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Balance at beginning of year	<b>P 1,492</b>	P 996	<b>P 1,519</b>	P 1,026
Expense recognized	<b>( 1,296)</b>	( 1,319)	<b>( 1,203)</b>	( 1,237)
Contributions paid	<b>4,234</b>	1,815	<b>3,854</b>	1,730
Balance at end of year	<b><u>P 4,430</u></b>	<b><u>P 1,492</u></b>	<b><u>P 4,170</u></b>	<b><u>P 1,519</u></b>

Presented below are the historical information related to the present value of the retirement benefit obligation, fair value of plan assets and deficit (excess) in the plan as well as experienced adjustments arising on plan assets and liabilities.

#### **BDO Unibank Group**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Present value of the obligation	P 13,729	P 12,070	P 10,130	P 8,459	P 7,086
Fair value of the plan assets	<u>14,060</u>	<u>9,044</u>	<u>7,390</u>	<u>4,357</u>	<u>3,460</u>
Deficit (excess) in the plan	<u>(P 331)</u>	<u>P 3,026</u>	<u>P 3,026</u>	<u>P 2,740</u>	<u>P 3,626</u>
Experience adjustments arising on plan liabilities	<u>P 466</u>	<u>P 417</u>	<u>P 316</u>	<u>P 985</u>	<u>P 967</u>
Experience adjustments arising on plan assets	<u>P 849</u>	<u>P 78</u>	<u>P 845</u>	<u>P 148</u>	<u>(P 179)</u>

#### **Parent Bank**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
Present value of the obligation	P 12,976	P 11,422	P 9,658	P 7,913	P 6,684
Fair value of the plan assets	<u>13,289</u>	<u>8,689</u>	<u>7,106</u>	<u>4,114</u>	<u>3,277</u>
Deficit (excess) in the plan	<u>(P 313)</u>	<u>P 2,733</u>	<u>P 2,552</u>	<u>P 3,799</u>	<u>P 3,407</u>
Experience adjustments arising on plan liabilities	<u>P 467</u>	<u>P 337</u>	<u>P 351</u>	<u>P 930</u>	<u>P 919</u>
Experience adjustments arising on plan assets	<u>P 830</u>	<u>P 67</u>	<u>P 813</u>	<u>P 137</u>	<u>(P 170)</u>

BDO Unibank Group expects to pay P84 as contributions to retirement benefit plans in 2013.

In determining the amounts of retirement benefits, the following actuarial assumptions were used:

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Discount rates	5.62%	6.33%	5.62%	6.33%
Expected rate of return on plan assets	9.00%	5.00%	9.00%	5.00%
Expected rate of salary increases	9.45%	10.00%	9.45%	10.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 27.

The overall expected long-term rate of return on assets is 9%. The expected long-term rate of return is based on the portfolio as a whole and not on the sum of the returns on individual asset categories. The return is based exclusively on historical returns, without adjustments.

## 24. RELATED PARTY TRANSACTIONS

The summary of BDO Unibank Group's significant transactions with its related parties as of and for the years ended December 31, 2012 and 2011 are as follows:

<b>Related Party Category</b>	<b>Notes</b>	<b>2012</b>		<b>2011</b>	
		<b>Amount of Transaction</b>	<b>Outstanding Balance</b>	<b>Amount of Transaction</b>	<b>Outstanding Balance</b>
<b>DOSRI Loans</b>	24 (a)				
Stockholders		16,580	18,401	23,267	31,723
Related Parties Under Common Ownership		31,441	31,696	10,556	11,091
Officers and Employees		2	2	-	-
<b>Deposit Liabilities</b>	24 (b)				
Stockholders		443,046	656	389,384	2,942
Related Parties Under Common Ownership		430,093	652	415,744	5,034
<b>Other Transactions with: Subsidiaries</b>	24 (d)				
Loans and Advances		27,924	8,019	21,752	3,436
Derivative Assets		287	1	438	2
Derivative Liabilities		129	11	306	2
Dividend Income		646	110	411	316
Interest Income		142	19	115	10
Rent Income		51	-	33	-
Service Fees		26	-	16	-
Interest Expense		21	1	26	1
Rent Expense		6	-	-	-

Related Party Category	Note	2012		2011	
		Amount of Transaction	Outstanding Balance	Amount of Transaction	Outstanding Balance
<b>Associates</b>	24 (d)				
Loans and Advances		6	1,260	1,310	1,310
Dividend Income		209	-	225	-
Interest Income		92	4	64	4
Service Fees		28	8	24	-
<b>Related Parties Under Common Ownership</b>					
Rent Expense	24 (d)	452	-	393	-

In the ordinary course of business, BDO Unibank Group and the Parent Bank have loans, deposits and other transactions with its related parties and with certain DOSRI as described below.

(a) *Loans to Related Parties*

Under existing policies of BDO Unibank Group and the Parent Bank, these loans are made on substantially the same terms as loans granted to other individuals and businesses of comparable risks. The General Banking Act and BSP regulations limit the amount of the loans granted by a bank to a single borrower to 25% of equity. The amount of individual loans to DOSRI, of which 70% must be secured, should not exceed the amount of the unencumbered deposit and book value of the investment in BDO Unibank Group and the Parent Bank. In the aggregate, loans to DOSRI generally should not exceed the total equity or 15% of the total loan portfolio of BDO Unibank Group and the Parent Bank, whichever is lower. As of December 31, 2012 and 2011, BDO Unibank Group and the Parent Bank is in compliance with these regulatory requirements.

The following additional information relates to the DOSRI loans:

	BDO Unibank Group		Parent Bank	
	2012	2011	2012	2011
Total DOSRI loans	P 50,099	P 42,814	P 50,054	P 42,814
Unsecured DOSRI loans	23	2,601	-	2,601
% of DOSRI loans to total loan portfolio	6.6%	6.4%	6.6%	6.5%
% of unsecured DOSRI loans to total DOSRI loans	0.1%	6.0%	0.0%	6.1%
% of past due DOSRI loans to total DOSRI loans	0.0%	0.0%	0.0%	0.0%
% of non-performing DOSRI loans to total DOSRI loans	0.0%	0.0%	0.0%	0.0%

DOSRI loans bear annual interest rates of 0% (Standby Letters of Credits or LCs) to 15.5% in 2012, 0% (Standby LCs) to 9.1% in 2011 and 0% (Standby LCs) to 11.0% in 2010 for BDO Unibank Group and 0% (Standby LCs) to 9.1% both in 2012 and 2011 and 0% (Standby LCs) to 11.0% in 2010 for the Parent Bank financial statements. These loans are secured by publicly-listed shares and through deposit hold-out, and are payable within one month to 7 years.

Total loan releases and collections in 2012 amounted to P48,023 and P40,740 for BDO Unibank Group and P47,977 and P40,737 for the Parent Bank, respectively. Total loan releases and collections in 2011, on the other hand, amounted to P33,823 and P26,462 for BDO Unibank Group and P33,823 and P26,422 for the Parent Bank, respectively.

(b) *Deposits from Related Parties*

Total deposits made by the related parties to the Parent Bank amounted to P873,139 and P805,128 in 2012 and 2011, respectively. The related interest expense from deposits amounted to P155 and P42 in 2012 and 2011, respectively.

(c) *Transactions with Retirement Plan*

BDO Unibank Group's retirement fund has transactions directly and indirectly with BDO Unibank Group and Parent Bank as of December 31, 2012 as follows:

<u>Transactions</u>	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>	<u>Amount of Transaction</u>	<u>Outstanding Balance</u>
Loans to Employees				
BDO Unibank, Inc.	212	103	212	103
BDO Leasing	7	4	-	4
BDO Private	1	1	-	1
BDO Capital	1	1	-	1
PCIB Securities	1	-	-	-
Investment in shares of -				
BDO Unibank, Inc.	46	9	46	9
BDO Leasing	-	1	-	-
Trading Gain				
BDO Unibank, Inc.	46	3	46	3

Total deposits (including LTNCD) of the retirement fund to BDO Unibank Group and Parent Bank amounted to P4,019 as of December 31, 2012. The related interest expense recognized by both BDO Unibank Group and Parent Bank from these deposits amounted to P1 in 2012.

Details of the contributions of BDO Unibank Group and Parent Bank, and benefits paid out by the plan to the employees are presented in Note 23.

*(d) Other Transactions with Related Parties*

A summary of other transactions of the Parent Bank with subsidiaries and associates and other related parties is shown below.

- (i) Transactions with and between subsidiaries have been eliminated in the consolidated financial statements. Significant transactions with subsidiaries are as follows:

*(1) Loans and Advances to Subsidiaries*

The Parent Bank grants noninterest-bearing advances to subsidiaries for working capital requirements, which are unsecured and without fixed repayment terms. Outstanding advances to subsidiaries recognized as part of Accounts receivable under Loans and Other Receivables amounted to P250 and P198 as of December 31, 2012 and 2011, respectively.

The Parent Bank also grants interest-bearing loans to subsidiaries with outstanding balance of P7,769 and P3,238 as of December 31, 2012 and 2011, respectively, and are presented as part of Loans and discounts under Loans and Other Receivables account in the Parent Bank's statements of financial position. These loans are payable between one month to 2 years. Interest income recognized on these loans amounted to P142 in 2012, P115 in 2011 and P1 in 2010 and is presented as part of Interest Income in the Parent Bank's statements of income. Interest rate on these loans ranges from 3.0% to 5.5% per annum in 2012 and 3.5% to 5.5% per annum in 2011.

*(2) Income to the Parent Bank*

BDO subsidiaries engaged the Parent Bank, under service agreements to provide various support such as maintenance, administration of properties/assets management, supplies procurement, facilities management, accounting functions, loan documentation, safekeeping/custodianship of securities and collateral documents, credit card services, human resources management, information technology needs, internal audit, credit card services, corporate secretarial services, remittance transactions support, legal assistance on all loan and/or property/asset-related litigation, credit investigation services, security services and investigation requirements, and assistance on all tax-related issues. The service agreement shall continue to be in force unless terminated by either party through a written notice of either party at least 30 calendar days prior to the date intended for termination. The fees payable shall be exclusive of actual costs and expenditures of the Parent Bank in relation to the provision of the services, which shall be reimbursed by BDO subsidiaries to the Parent Bank. In 2012, 2011 and 2010, total service fees amounted to P26, P16 and P15, respectively, and is presented as part of Service charges, fees and commissions under Other Operating Income in the Parent Bank's statements of income (see Note 22). There are no outstanding balance arising from these transactions as of December 31, 2012 and 2011.



The subsidiaries lease office space from the Parent Bank. For the years ended December 31, 2012, 2011 and 2010, total rent collected from the subsidiaries amounted to P51, P33 and P20, respectively, and is included as part of Miscellaneous – net under Other Operating Income in the Parent Bank's statements of income (see Note 22). The term of the lease is five years.

BDO Capital, BDO Securities Corporation and BDOI, have reimbursed the Parent Bank on the actual costs and expenditures in relation to its services. Outstanding balances arising from these transactions as of December 31, 2012 and 2011 amounted to P7 and P6, respectively.

*(3) Expenses of the Parent Bank*

The Parent Bank leases space from subsidiaries for its branch operations. Total rent paid for the year ended December 31, 2012 amounted to P6 (nil in 2011 and 2010), and is included as part of Occupancy account under Other Operating Expenses (see Note 22). The lease term is between two to five years.

*(ii) Other transactions of the Parent Bank with associates are shown below:*

*(1) Loans and Advances to Associates*

As of December 31, 2012 and 2011, outstanding loans and advances to associates amounted to P1,260 and P1,310, respectively, in BDO Unibank Group financial statements and P6 and P44, respectively, in the Parent Bank financial statements, presented as part of Loans and discounts and Accounts receivable under Loans and Other Receivables account in the statements of financial position (see Note 10). These loans are payable between five to seven years. BDO Unibank Group recognized P92 and P64 interest income on these loans in 2012 and 2011, respectively (nil in 2010). Annual interest rate on these loans ranges from 6.9% to 7.7% in both 2012 and 2011.

*(2) Income to the Parent Bank*

Generali, an associate of BDO Unibank Group, has an existing Investment Management Agreement with the Parent Bank. For services rendered, Generali pays the Parent Bank management fees equivalent to 0.25% per annum of the managed funds and directed investments based on the average month end market value of the fund and are deducted quarterly from the fund. For the years ended December 31, 2012, 2011 and 2010, total services fees amounted to P28, P24 and P22, respectively.

Outstanding balances arising from this transaction amounted to P8 as of December 31, 2012 (nil as of December 31, 2011) and is included as part of Accounts receivable under Loans and Other Receivables.

(iii) Transaction of the Parent Bank with related parties under common ownership:

The Parent Bank leases space from related parties for its branch operations. For the years ended December 31, 2012, 2011 and 2010, total rent paid to related parties amounted to P452, P393 and P329, respectively, and is included as part of Occupancy account under Other Operating Expenses (see Note 22). The terms of the lease are from two to five years.

(iv) Key Management Personnel Compensation

The salaries and other compensation given to BDO Unibank Group and Parent Bank's key management are as follows:

	<b>BDO Unibank Group</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Salaries and wages	<b>P 619</b>	P 533	P 513
Bonuses	<b>305</b>	262	255
Social security costs and other benefits	<b>32</b>	28	33
	<b>P 956</b>	P 823	P 801
	<b>Parent Bank</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Salaries and wages	<b>P 438</b>	P 376	P 349
Bonuses	<b>219</b>	189	178
Social security costs and other benefits	<b>24</b>	20	25
	<b>P 681</b>	P 585	P 552

## 25. TRUST OPERATIONS

The following securities and other properties held by BDO Unibank Group in fiduciary or agency capacity (for a fee) for its customers are not included in BDO Unibank Group statements of financial position since these are not properties of the BDO Unibank Group (see Note 31.3).

	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Investments	<b>P 811,366</b>	P 692,480	<b>P 661,798</b>	P 584,740
Others	<b>5,598</b>	18,931	<b>4,047</b>	17,609
	<b>P 816,964</b>	P 711,411	<b>P 665,846</b>	P 602,349

In compliance with the requirements of the General Banking Act relative to the BDO Unibank Group's trust functions:

- (a) Investment in government securities (shown as part of HTM Investments) with a total face value of P8,008 and P7,043 as of December 31, 2012 and 2011, respectively, in BDO Unibank Group and P6,557 and P5,939 as of December 31, 2012 and 2011, respectively, in the Parent Bank are deposited with the BSP as security for BDO Unibank Group's faithful compliance with its fiduciary obligations; and,
- (b) A certain percentage of the trust income is transferred to surplus reserve. This yearly transfer is required until the surplus reserve for trust function is equivalent to 20% of BDO Unibank Group's authorized capital stock. As of December 31, 2012 and 2011, the additional reserve for trust functions amounted to P143 and P146 for BDO Unibank Group, respectively, and P119 and P106 for Parent Bank, respectively, and is included as part of Surplus reserves in BDO Unibank Group equity.

Income from trust operations, shown as Trust fees under Other Operating Income, amounted to P1,986, P1,727, and P1,474, for the years ended December 31, 2012, 2011 and 2010, respectively, in BDO Unibank Group statements of income and P1,696, P1,489 and P1,273 for the years ended December 31, 2012, 2011 and 2010, respectively, in the Parent Bank statements of income (see Note 22).

## **26. MERGERS AND ACQUISITIONS**

### ***26.1 Mergers Among Subsidiaries***

On April 30, 2011, the Parent Bank's BOD approved the five-way merger (the Merger) of wholly-owned subsidiaries: BDOSHI, Equitable Card Network, Inc. (ECNI), EBC Strategic Holdings Corporation (ESHC), BDO Technology Center, Inc. (BDOTCI) and Strategic Property Holdings, Inc. (SPHI), with BDOSHI as the surviving corporation. The Merger has been undertaken as part of the streamlining of BDO Unibank Group's organizational structure. The Merger was approved by the BSP and the SEC on November 29, 2011 and December 29, 2011, respectively. The Parent Bank's investment in its subsidiaries did not increase as a result of this exercise except for the following: (a) dacion en pago of 3,621,159 preferred shares and 2,000,001 common shares of BDOSHI held by ESHC for the P557 advances from the Parent Bank (presented as part of Advances to subsidiaries under Other Resources in the 2010 statement of financial position), (b) subscription of additional 40,231,915 preferred shares of BDOSHI through conversion of advances to BDOSHI and ESHC totaling P2,626 (recognized as part of Advances to subsidiaries under Other Resources in the 2010 statement of financial position) and advances to SPHI amounting to P1,397 (recognized as part of Accounts receivable under Loans and Other Receivables account in the 2010 statement of financial position) (see Note 10) and (c) all the issued and outstanding shares of stock of ECNI, ESHC, SPHI and BDOTCI (absorbed companies) as of the effective date of the Merger were cancelled. The Merger was accounted for using the pooling-of-interests method since the merging entities are under the common control of BDO Unibank Group.

## 26.2 Acquisition of GE Money Bank

In May 2009, the Parent Bank and GE Capital, a financial services unit of the General Electric Company, announced the signing of a definitive agreement to transfer GEMB in the Philippines into the Parent Bank. As part of the agreement, GE Capital will also make an investment in the Parent Bank by acquiring a stake of approximately 1.5%. The transaction consolidated GEMB's business into the Parent Bank, including 30,000 customers, 350 employees, a network of 31 branch licenses and 38 ATMs nationwide. On August 24, 2009, the Parent Bank completed the purchase of 98.81% of the issued and outstanding common stock and 100% of the preferred stock of GEMB for a consideration of P2,000.

The agreed price for the net assets of GEMB at the closing date amounted to P1,500. Hence, the Parent Bank recognized goodwill of P500 representing the excess of purchase price over the fair value of GEMB's net assets. The goodwill is included in the Other Resources account in the statements of financial position. The acquisition was approved by the BOD and by the BSP on May 27, 2009 and July 30, 2009, respectively. On August 12, 2010, GEMB amended its Articles of Incorporation and adopted the name BDO Elite Savings Bank, Inc.

## 27. TAXES

### 27.1 Current and Deferred Taxes

The components of tax expense for the years ended December 31 follow:

	<b>BDO Unibank Group</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<i>Reported in profit or loss</i>			
Current tax expense:			
Regular corporate income tax (RCIT) at 30%	P 1,371	P 337	P 203
Minimum corporate income tax (MCIT) at 2%	3	417	384
Final taxes at 20%, 15%, 10% and 7.5%	<u>663</u>	<u>759</u>	<u>965</u>
	<b>2,037</b>	<b>1,513</b>	<b>1,552</b>
Deferred tax expense relating to origination and reversal of temporary differences	<u>401</u>	<u>117</u>	<u>7</u>
	<b>2,438</b>	<b>1,630</b>	<b>1,631</b>
Application of previously unrecognized MCIT	<u>( 953 )</u>	<u>-</u>	<u>-</u>
Tax expense reported in the statements of income	<b><u>P 1,485</u></b>	<b><u>P 1,630</u></b>	<b><u>P 1,631</u></b>
<i>Reported in other comprehensive income</i>			
Movements in fair value of AFS securities	(P 32)	P 2	P 29
Movements in revaluation increment	<u>-</u>	<u>( 20 )</u>	<u>( 6 )</u>
	<b>(P 32)</b>	<b>(P 18)</b>	<b>(P 23)</b>

	<b>Parent Bank</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<i>Reported in profit or loss</i>			
Current tax expense:			
RCIT at 30%	<b>P 992</b>	P 57	P -
MCIT at 2%	-	369	359
Final taxes at 20%, 15%, 10% and 7.5%	<u><b>550</b></u>	<u>652</u>	<u>879</u>
	<b>1,542</b>	1,078	1,238
Deferred tax expense relating to origination and reversal of temporary differences	<u><b>430</b></u>	<u>121</u>	<u>59</u>
	<b>1,972</b>	1,199	1,297
Application of previously unrecognized MCIT	<u><b>( 936)</b></u>	<u>-</u>	<u>-</u>
Tax expense reported in the statements of income	<u><b>P 1,036</b></u>	<u>P 1,199</u>	<u>P 1,297</u>
<i>Reported in other comprehensive income</i>			
Movements in revaluation increment	<b>P -</b>	(P 20)	(P 6)
Movements in fair value of AFS securities	<u>-</u>	<u>-</u>	<u>-</u>
	<u><b>P -</b></u>	<u>(P 20)</u>	<u>(P 6)</u>

The reconciliation of the tax on pretax profit computed at the statutory tax rates to tax expense is shown below.

	<b>BDO Unibank Group</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Tax on pretax profit at 30%	<b>P 4,748</b>	P 3,665	P 3,154
Adjustment for income subjected to lower income tax rates	<b>( 24)</b>	( 191)	( 444)
Tax effects of:			
Income exempt from tax	<b>( 3,349)</b>	( 3,253)	( 3,037)
Non-deductible expenses	<b>1,924</b>	2,208	2,439
Application of previously unrecognized MCIT	<b>( 953)</b>	-	-
Deductible temporary differences not recognized	<b>( 810)</b>	( 1,043)	489
Net operating loss carryover (NOLCO) not recognized	-	( 114)	( 1,374)
Others	<u><b>( 51)</b></u>	<u>358</u>	<u>404</u>
Tax expense reported in profit or loss	<u><b>P 1,485</b></u>	<u>P 1,630</u>	<u>P 1,631</u>

	<b>Parent Bank</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Tax on pretax profit at 30%	<b>P 4,168</b>	P 3,046	P 2,919
Adjustment for income subjected to lower income tax rates	( 42)	( 133)	( 404)
Tax effects of:			
Income exempt from tax	( 3,268)	( 2,966)	( 2,960)
Non-deductible expenses	<b>1,844</b>	1,993	2,266
Application of previously unrecognized MCIT	( 936)	-	-
Deductible temporary differences not recognized	( 730)	( 995)	477
Utilization of previously unrecognized NOLCO	-	( 115)	( 1,360)
Others	-	369	359
<b>Tax expense reported in profit or loss</b>	<b><u>P 1,036</u></b>	<u>P 1,199</u>	<u>P 1,297</u>

The components of the net deferred tax assets (see Note 13) as of December 31 follow:

	<b>Statements of Financial Position</b>			
	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Deferred tax assets:				
Allowance for impairment	<b>P 5,697</b>	P 6,024	<b>P 5,568</b>	P 5,916
Unamortized past service cost	<b>1,360</b>	577	<b>1,304</b>	576
Lease income differential – PAS 17	<b>85</b>	82	<b>85</b>	82
NOLCO	<b>7</b>	43	-	-
Others	<b>54</b>	13	-	-
	<b><u>7,203</u></b>	<u>6,739</u>	<b><u>6,957</u></b>	<u>6,574</u>
Deferred tax liabilities:				
Revaluation increment	<b>478</b>	478	<b>477</b>	477
Lease income differential	<b>149</b>	189	-	-
Changes in fair values of AFS	<b>91</b>	59	-	-
Capitalized interest	<b>53</b>	56	<b>53</b>	56
Others	<b>1,317</b>	472	<b>1,251</b>	455
	<b><u>2,088</u></b>	<u>1,254</u>	<b><u>1,781</u></b>	<u>988</u>
<b>Net Deferred Tax Assets</b>	<b><u>P 5,115</u></b>	<u>P 5,485</u>	<b><u>P 5,176</u></b>	<u>P 5,586</u>

Deferred tax asset on allowance for impairment includes P20 from the Parent Bank's acquisition of RBSJI's assets.

Movements in net deferred tax assets for the year ended December 31 follow:

	<b>Statements of Income</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>BDO Unibank Group</b>			
Lease income differential	(P 43)	P 1	P 31
Allowance for impairment	<b>347</b>	( 12)	( 24)
Capitalized interest	( 3)	( 2)	( 2)
Unamortized past service costs	( 783)	( 13)	( 240)
NOLCO	<b>36</b>	( 34)	-
Others	<b>847</b>	177	314
<b>Deferred Tax Expense</b>	<b><u>P 401</u></b>	<u>P 117</u>	<u>P 79</u>

	<b>Statements of Income</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Parent Bank</b>			
Lease income differential	(P 2)	P -	P -
Unamortized past service costs	( 728)	( 16)	( 241)
Allowance for impairment	368	-	1
Capitalized interest	( 3)	( 2)	( 2)
Others	<u>795</u>	<u>139</u>	<u>301</u>
Deferred Tax Expense	<u>P 430</u>	<u>P 121</u>	<u>P 59</u>

	<b>Statements of Comprehensive Income</b>			
	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Movements in fair value of AFS securities	(P 32)	P 2	P -	P -
Movements in revaluation increment	<u>-</u>	<u>( 20)</u>	<u>-</u>	<u>( 20)</u>
Deferred Tax Expense (Income)	<u>(P 32)</u>	<u>(P 18)</u>	<u>P -</u>	<u>(P 20)</u>

BDO Unibank Group is subject to MCIT, which is computed at 2% of gross income, as defined under tax regulations or RCIT, whichever is higher.

The breakdown of NOLCO with the corresponding validity periods follows:

<b>Year</b>	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	<b>Valid Until</b>
2012	P	116	P -	2015
2011		37	-	2014
2010		<u>6</u>	<u>-</u>	2013
	<u>P</u>	<u>159</u>	<u>P -</u>	

In 2011, NOLCO amounting to P383 was applied by the Parent Bank (nil in 2012). The breakdown of MCIT with the corresponding validity periods follows:

<b>Year</b>	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	<b>Valid Until</b>
2012	P	1	P -	2015
2011		66	65	2014
2010		<u>-</u>	<u>-</u>	2013
	<u>P</u>	<u>67</u>	<u>P 65</u>	

In 2012, BDO Unibank Group and the Parent Bank applied MCIT amounting to P953 and P936, respectively.

The amounts of unrecognized deferred tax assets arising from NOLCO and other temporary differences as of December 31, 2012 and 2011 are as follows:

		<b>BDO Unibank Group</b>			
		<b>2012</b>		<b>2011</b>	
		<b>Tax Base</b>	<b>Tax Effect</b>	<b>Tax Base</b>	<b>Tax Effect</b>
Allowance for impairment	<b>P</b>	<b>27,587</b>	<b>P 8,276</b>	P 25,160	P 7,548
NOLCO		<b>133</b>	<b>40</b>	203	61
MCIT		<b>67</b>	<b>67</b>	1,019	1,019
Others		<b>957</b>	<b>287</b>	<u>3,782</u>	<u>1,134</u>
		<b><u>P 28,744</u></b>	<b><u>P 8,670</u></b>	<u>P 30,164</u>	<u>P 9,762</u>

		<b>Parent Bank</b>			
		<b>2012</b>		<b>2011</b>	
		<b>Tax Base</b>	<b>Tax Effect</b>	<b>Tax Base</b>	<b>Tax Effect</b>
Allowance for impairment	<b>P</b>	<b>25,913</b>	<b>P 7,774</b>	P 23,153	P 6,946
MCIT		<b>65</b>	<b>65</b>	1,001	1,001
Others		<b>957</b>	<b>287</b>	<u>3,781</u>	<u>1,134</u>
		<b><u>P 26,935</u></b>	<b><u>P 8,126</u></b>	<u>P 27,935</u>	<u>P 9,081</u>

BDO Unibank Group continues claiming itemized deduction for tax purposes.

## 27.2 Gross Receipts Tax

On January 29, 2004, RA No. 9238 reverted the imposition of gross receipts tax (GRT) on banks and financial institutions.

On May 24, 2005, the amendments on RA No. 9337 was approved amending, among others, the gross GRT on royalties, rentals of property, real or personal, profits from exchange and on net trading gains within the taxable year on foreign currency, debt securities, derivatives and other similar financial instruments from 5% to 7% effective November 1, 2005.

## 27.3 Documentary Stamp Tax

Documentary stamp taxes (DST) (at varying rates) are imposed on the following:

- (a) Bank checks, drafts, or certificate of deposit not bearing interest, and other instruments;
- (b) Bonds, loan agreements, promissory notes, bills of exchange, drafts, instruments and securities issued by the Government or any of its instrumentalities, deposit substitute debt instruments, certificates of deposits bearing interest and other not payable on sight or demand;
- (c) Acceptance of bills of exchange and letters of credit; and,
- (d) Bills of lading or receipt.



On February 7, 2004, RA No. 9243 was passed amending the rates of DST, the significant provisions of which are summarized below.

- (a) On every issue of debt instruments, there shall be collected a DST of one peso on each two hundred pesos or fractional part thereof of the issue price of any such debt instrument. Provided, that for such debt instruments with terms of less than one year, the DST to be collected shall be of a proportional amount in accordance with the ratio of its term in number of days to 365 days. Provided further that only one DST shall be imposed on either loan agreement or promissory notes to secure such loan.
- (b) On all sales or transfer of shares or certificates of stock in any corporation, there shall be collected a DST of 75 centavos on each two hundred pesos, or fractional part thereof, of the par value of such stock.
- (c) On all bills of exchange or drafts, there shall be collected a DST of 30 centavos on each two hundred pesos, or fractional part thereof, of the face value of any such bill of exchange or draft.
- (d) The following instruments, documents and papers shall be exempt from DST:
  - Borrowings and lending of securities executed under the Securities Borrowing and Lending Program of a registered exchange, or in accordance with regulations prescribed by the appropriate regulatory authority;
  - Loan agreements or promissory notes, the aggregate of which does not exceed P250 thousand or any such amount as may be determined by the Secretary of Finance, executed by an individual for his purchase on installment for his personal use;
  - Sale, barter or exchange of shares of stock listed and traded through the local stock exchange for a period of five years from the affectivity of RA No. 9243;
  - Fixed income and other securities traded in the secondary market or through an exchange;
  - Derivatives including repurchase agreements and reverse repurchase agreements;
  - Bank deposit accounts without a fixed term or maturity; and,
  - Interbank call loans with maturity of not more than seven days to cover deficiency in reserve against deposit liabilities.

#### **27.4 Supplementary Information Required by the Bureau of Internal Revenue**

On December 9, 2011, the Bureau of Internal Revenue (BIR) issued RR 19-2011 which prescribes the new form that will be used for income tax filing covering and starting with periods ending December 31, 2011 and onwards. This recent RR requires schedules of taxable revenues and other non-operating income, costs of sales and services, and itemized deductions, to be disclosed in the notes to financial statements.

On November 25, 2010, the BIR issued RR No. 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements.

The Parent Bank, however, presented these tax information required by the BIR as a supplementary schedule filed separately from the basic financial statements.

### **28. EARNINGS PER SHARE**

Basic earnings per share attributable to equity holders of the Parent Bank were computed as follows:

	<b>BDO Unibank Group</b>		
		2011	2010
	<b>2012</b>	<b>(As restated)</b>	<b>(As restated)</b>
Net profit attributable to shareholders of the Parent Bank	<b>P 14,283</b>	P 10,531	P 8,825
Dividends on preferred shares	<b>( 330)</b>	( 330)	( 330)
Net profit available to common shares	<b>13,953</b>	10,201	8,495
Divided by the weighted average number of outstanding common shares (in millions)	<b>3,129</b>	2,686	2,602
Basic earnings per share	<b>P 4.46</b>	P 3.80	P 3.26

Diluted earnings per share attributable to equity holders of the Parent Bank were computed as follows:

	<b>BDO Unibank Group</b>		
	<b>2012</b>	2011 (As restated)	2010 (As restated)
Net profit attributable to shareholders of the Parent Bank	<b>P 13,953*</b>	P 10,201*	P 8,495*
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	<b>3,129</b>	2,686	2,602
Potential common shares from assumed conversion of preferred shares	<b>*</b>	*	*
Potential common shares from assumed conversion of stock option plan	<b>**</b>	**	**
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<b>3,129</b>	2,686	2,602
Diluted earnings per share	<b>P 4.46</b>	P 3.80	P 3.26

\* Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be converted. Potential common shares from assumed conversion of these preferred shares are anti-dilutive in 2012, 2011 and 2010.

\*\* Potential common shares from assumed conversion of stock option plan are purchased in the secondary market and no additional issuance is expected to be made.

Basic earnings per share were computed as follows:

	<b>Parent Bank</b>		
	<b>2012</b>	2011 (As restated)	2010 (As restated)
Net profit	<b>P 12,856</b>	P 8,954	P 8,433
Dividends on preferred shares	<b>( 330)</b>	( 330)	( 330)
Net profit available to common shares	<b>12,526</b>	8,624	8,103
Divided by the weighted average number of outstanding common shares (in millions)	<b>3,129</b>	2,686	2,602
Basic earnings per share	<b>P 4.00</b>	P 3.21	P 3.11

Diluted earnings per share were computed as follows:

	<b>Parent Bank</b>		
	<b>2012</b>	2011 (As restated)	2010 (As restated)
Net profit	<b>P 12,526*</b>	P 8,624*	P 8,103*
Divided by the weighted average number of outstanding common shares (in millions):			
Outstanding common shares	<b>3,129</b>	2,686	2,602
Potential common shares from assumed conversion of convertible preferred shares	<b>*</b>	*	*
Potential common shares from assumed conversion of stock option plan	<b>**</b>	**	**
Total weighted average number of common shares after assumed conversion of convertible preferred shares	<b>3,129</b>	2,686	2,602
Diluted earnings per share	<b>P 4.00</b>	P 3.21	P 3.11

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

\*\* Potential common shares from assumed conversion of stock option plan are purchased in market and no additional issuance is expected to be made.

The 2011 and 2010 earnings per share of BDO Unibank Group and Parent Bank were restated to account for the stock dividends declared in 2012 which is considered as a bonus issue under PAS 33, *Earnings per Share*, which requires stock dividends issued to be recognized as if it occurred at the beginning of 2010, the earliest period presented for earnings per share computation.

## 29. SELECTED FINANCIAL PERFORMANCE INDICATORS

(a) The following are some measures of BDO Unibank Group and Parent Bank's financial performance:

	<b>2012</b>	2011	2010
<b><u>BDO Unibank Group</u></b>			
Return on average equity:			
<u>Net profit</u>	<b>11.3%</b>	11.4%	11.3%
Average total capital accounts			

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>BDO Unibank Group</u></b>			
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	<b>1.2%</b>	1.0%	1.0%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	<b>3.4%</b>	3.5%	4.1%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	<b>11.5%</b>	11.7%	11.7%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	<b>35.3%</b>	35.7%	42.6%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>691.3%</b>	1,031.7%	1,028.0%
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	<b>791.3%</b>	1,131.7%	1,128.0%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	<b>188.8%</b>	173.2%	166.7%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	<b>18.3%</b>	14.8%	13.1%
Capital to risk resources ratio*:			
Combined credit, market and operational risks	<b>19.2%</b>	15.8%	13.8%

\* Computed using balances prepared under FRSP for banks

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>Parent Bank</u></b>			
Return on average equity:			
$\frac{\text{Net profit}}{\text{Average total capital accounts}}$	<b>10.8%</b>	10.4%	11.6%
Return on average resources:			
$\frac{\text{Net profit}}{\text{Average total resources}}$	<b>1.1%</b>	0.9%	1.0%
Net interest margin:			
$\frac{\text{Net interest income}}{\text{Average interest earning resources}}$	<b>3.3%</b>	3.5%	4.0%
Return on common equity:			
$\frac{\text{Net profit}}{\text{Average common equity}}$	<b>11.0%</b>	10.6%	12.0%
Liquidity ratio:			
$\frac{\text{Total liquid resources}}{\text{Total resources}}$	<b>34.1%</b>	34.0%	39.3%
Debt to equity:			
$\frac{\text{Total liabilities}}{\text{Total equity}}$	<b>715.8%</b>	1,078.0%	1,062.0%
Resources to equity:			
$\frac{\text{Total resources}}{\text{Total equity}}$	<b>815.8%</b>	1,178.0%	1,212.5%
Interest rate coverage:			
$\frac{\text{Earnings before interest and taxes}}{\text{Interest expense}}$	<b>180.9%</b>	163.3%	164.9%
Profit margin:			
$\frac{\text{Net profit}}{\text{Revenues}}$	<b>17.5%</b>	18.6%	18.1%

	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b><u>Parent Bank</u></b>			
Capital to risk resources ratio*:			
Combined credit, market and operational risk	<b>17.3%</b>	13.6%	12.1%

\* *Computed using balances prepared under FRSP for banks*

(b) Secured liabilities and resources pledged as security are shown below.

	<u>BDO Unibank Group</u>		<u>Parent Bank</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Aggregate amount of secured liabilities	<b><u>P 13,236</u></b>	<u>P 17,451</u>	<b><u>P 12,906</u></b>	<u>P 17,451</u>
Aggregate amount of resources pledged as security	<b><u>P 14,682</u></b>	<u>P 20,046</u>	<b><u>P 14,320</u></b>	<u>P 20,046</u>

### 30. EVENT AFTER THE END OF THE REPORTING PERIOD

On January 26, 2013, the Parent Bank's BOD approved the declaration of annual cash dividends on peso denominated Series A preferred shares at the rate of 6.5% per annum for a total dividend of P340, subject to approval by the BSP.

### 31. COMMITMENTS AND CONTINGENCIES

#### ***31.1 Litigations***

BDO Unibank Group has pending claims and/or is a defendant in various legal actions arising from the ordinary course of business operations. As of December 31, 2012, management believes that no such legal proceedings are expected to have material adverse effect on BDO Unibank Group's financial position.

The Parent Bank is a respondent in two arbitration proceedings under the International Chamber of Commerce (ICC) arising from isolated transactions, i.e., the sale of its equity investments.

### ***31.1.1 Sale of Bankard***

BDO (as successor in interest of EPCIB), as respondent, and RCBC Capital Corporation (“RCBC Capital”), as claimant, were involved in international arbitration proceedings.

The arbitration proceedings arose from the Sale and Purchase Agreement (“SPA”) executed between RCBC Capital and EPCIB in May 2000, whereby EPCIB sold to RCBC Capital its 67% stake in the outstanding capital stock of Bankard, Inc. (“Bankard”). RCBC Capital claims an alleged breach of BDO Unibank’s warranty on Bankard’s financial statements and asked for rescission of its purchase and restitution of all amounts paid to EPCIB with damages or, if rescission cannot be granted, damages of at least P586. EPCIB was of the position that RCBC Capital’s claim is one for overpayment or price reduction that is time-barred since the SPA requires that demand for price reduction be presented in writing on or before December 31, 2000. Despite actual due diligence, no such demand had been submitted.

With one of the three arbitrators dissenting, the Arbitral Tribunal issued two partial awards (dated September 27, 2007 and May 28, 2008) and a Final Award dated June 16, 2010 awarding to RCBC P349 and reimbursement of arbitration costs.

In December 2010, the Court of Appeals (CA) reversed and set aside the confirmation of the Second Partial Award, which ordered BDO Unibank to reimburse the costs advanced by RCBC Capital and deemed BDO Unibank’s counterclaim waived due to alleged non-payment of costs. RCBC Capital has appealed this reversal to the Supreme Court where the matter remains pending as of December 31, 2012.

On July 1, 2010, BDO Unibank filed a petition to vacate the Final Award in accordance with law and the rules of court applicable to arbitration. The Final Award was vacated or set aside by the Regional Trial Court of Makati (RTC Makati) in February 2011. RCBC Capital has appealed this to the Court of Appeals where the case remains pending.

RCBC Capital sought to confirm the same Final Award in a separate proceeding in RTC Makati on July 28, 2010. Despite questions on jurisdiction, RTC Makati (Branch 148) confirmed the final award last November 10, 2010. It also denied BDO Unibank’s motion for reconsideration in August 2011 and added interest charges not awarded by the Arbitration Tribunal. Execution pending appeal was also swiftly awarded and implemented last September 2011 in highly questionable and irregular procedure. BDO Unibank appealed the confirmation and questioned the execution of the Final Award before the CA. In order to stop the implementation of the said writ of execution, BDO Unibank opted to tender on September 13, 2011 the amount of P638, presented as part of Accounts receivable under Loans and Other Receivables (see Note 10), without prejudice to the outcome of the pending appeals and cases.

Management believes that RCBC Capital’s claim is baseless and without merit and that BDO Unibank’s position will be sustained in the final resolution of the cases pending with the CA and the SC. In any case, the resulting liability, if any, from such a claim, will not have a material adverse effect on the financial position and performance of BDO Unibank.



### ***31.1.2 Sale of Maxicare***

BDO Unibank was a defendant/respondent in legal proceedings arising from the sale of its 60% stake in Maxicare in 2007. Arbitration proceedings were initiated in 2008 against BDO Unibank and in 2011 against BDO Unibank and several parties including the buyer of its 120,000 shares in Maxicare.

Last December 2012, the parties settled these cases amicably and joint motions to dismiss have been filed in the relevant proceedings. BDO Unibank is awaiting the termination of all cases.

### ***31.1.3 PEACe bonds***

On October 18, 2001, the Bureau of Treasury (BTr), through an auction, offered ten-year zero coupon treasury bonds, called the PEACe Bonds, to Government Securities Eligible Dealers.

Rizal Commercial Banking Corporation (RCBC) won the bid in the same year and was awarded approximately P35,000 worth of government bonds. The PEACe Bonds were subsequently purchased by investors, including BDO Unibank, who relied in good faith on representations that the same are not subject to 20% Final Withholding Tax (20% FWT).

On July 16, 2004, the Commissioner of Internal Revenue (the Commissioner) ruled that the mere issuance of government debt instruments and securities is deemed as falling within the coverage of deposit substitute irrespective of the number of lenders at the time of origination. Accordingly, government debt instruments and securities are not exempt from taxes.

On October 7, 2011, or nearly ten years after the auction, the Commissioner upon the request of the Secretary of Finance, issued a ruling stating that the PEACe Bonds are not exempt from the 20% FWT.

October 16, 2011, eight banks that purchased the PEACe Bonds filed a case in the Supreme Court to enjoin the BTr and BIR from withholding or collecting the 20% FWT, upon payment at maturity, as well as from enforcing the 2011 ruling.

On October 17, 2011, the BIR issued a second ruling stating that the 20% FWT should be imposed upon all subsequent holders of the PEACe Bonds.

On October 18, 2011, the Supreme Court unanimously resolved, and issued a TRO which enjoined the government from implementing 2011 rulings that the PEACe Bonds were subject to 20% FWT. The Supreme Court instructed that the disputed amount should be placed in escrow by the petitioning banks.

On October 27, 2011, RCBC and RCBC Capital, and the Caucus of Development NGO Networks (Code NGO) as the original purchasers of the PEACe Bonds filed a Motion for Leave of Court to Intervene, which was granted by the Supreme Court on November 15, 2011.

On November 15, 2011, the Supreme Court required the Government to show cause why they failed to comply with the October 18, 2011 TRO and, required them to comply with said TRO within 10 days from notice, which would cause the return of the funds to the petitioning banks, for the latter to place in escrow.

While the Motion for Leave of Court to Intervene was granted by the Supreme Court as early as November 22, 2011, the Government filed its Comment on the Petitions-in-Intervention only on February 14, 2012, while the Petitioners-in-Intervention filed their respective Replies only on May 16, 2012 and June 6, 2012. The Supreme Court then issued a resolution dated June 19, 2012 noting the filing of pleadings and granting the Petitioners-in-Intervention's motions for extension.

Management believes that the petitioning banks have a strong case, and that the probability of recovery is high.

#### ***31.1.4 Others***

BDO Unibank Group is also a defendant in various cases pending in courts for alleged claims against BDO Unibank Group, the outcomes of which are not fully determinable at present. As of December 31, 2012, management believes that, liabilities or losses, if any, arising from these claims would not have a material effect on the financial position and results of operations of BDO Unibank Group and will be recognized if and when a final resolution by the courts is made on each claim.

#### ***31.2 Leases***

BDO Unibank Group leases the premises of its head office and most of its branch offices for periods ranging from one to 15 years from the date of the contracts; terms are renewable upon the mutual agreement of the parties. Rent expense, reported as part of Occupancy under Other Operating Expenses account in the statements of income, amounted to P2,024 in 2012, P1,889 in 2011 and P1,759 in 2010 in BDO Unibank Group's financial statements and P1,972 in 2012, P1,812 in 2011 and P1,659 in 2010 in the Parent Bank's financial statements (see Note 22).

The estimated minimum future annual rentals for the next five years follow:

<b>BDO</b>					
<b><u>Year</u></b>		<b><u>Unibank Group</u></b>		<b><u>Parent Bank</u></b>	
2013	P	1,748	P	1,663	
2014		1,992		1,905	
2015		2,275		2,186	
2016		2,607		2,515	
2017		<u>2,966</u>		<u>2,871</u>	
		P <u>11,588</u>		P <u>11,140</u>	

### 31.3 Others

In the normal course of BDO Unibank Group's operations, there are various outstanding commitments and contingent liabilities such as guarantees, commitments to extend credit, etc., which are not reflected in BDO Unibank Group financial statements. BDO Unibank Group recognizes in its books any losses and liabilities incurred in the course of its operations as soon as these become determinable and quantifiable. Management believes that, as of December 31, 2012 and 2011, no additional material losses or liabilities are required to be recognized in the financial statements of BDO Unibank Group as a result of the above commitments and contingencies.

Following is a summary of BDO Unibank Group's commitments and contingent accounts:

	Note	<b>BDO Unibank Group</b>		<b>Parent Bank</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Trust department accounts	25	<b>P 816,964</b>	P 711,411	<b>P 665,846</b>	P 602,349
Forward exchange sold		<b>154,859</b>	188,610	<b>127,962</b>	162,359
Forward exchange bought		<b>144,125</b>	151,892	<b>117,227</b>	125,643
Committed credit lines		<b>101,322</b>	111,469	<b>101,209</b>	110,148
Unused commercial letters of credit		<b>28,528</b>	33,391	<b>28,528</b>	33,391
ROP warrants		<b>15,021</b>	15,021	<b>15,021</b>	15,021
Interest rate swap receivable		<b>8,394</b>	8,832	<b>8,194</b>	8,044
Interest rate swap payable		<b>8,394</b>	8,582	<b>8,194</b>	8,044
Bills for collection		<b>5,378</b>	6,029	<b>5,378</b>	6,029
Spot exchange sold		<b>4,618</b>	4,457	<b>4,598</b>	4,418
Spot exchange bought		<b>3,514</b>	7,828	<b>3,494</b>	7,828
Late deposits/payments received		<b>2,451</b>	2,208	<b>2,451</b>	2,208
Outstanding guarantees issued		<b>670</b>	1,220	<b>670</b>	1,220
Export letters of credit confirmed		<b>121</b>	97	<b>121</b>	97
Credit default swap		<b>-</b>	2,195	<b>-</b>	2,195
Other contingent accounts		<b>1,135</b>	5,775	<b>1,135</b>	5,773



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## Report of Independent Auditors To Accompany SEC Schedules Filed Separately from the Basic Financial Statements

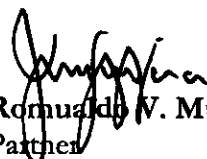
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**The Board of Directors**  
**BDO Unibank, Inc.**  
BDO Corporate Center  
7899 Makati Avenue, Makati City

We have audited the financial statements of BDO Unibank, Inc. and subsidiaries (together hereinafter referred to as the BDO Unibank Group) and BDO Unibank, Inc. (the Parent Bank) for the year ended December 31, 2012, on which we have rendered the attached report dated February 23, 2013. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The applicable supplementary schedules (see table of contents) of BDO Unibank Group and of the Parent Bank as of December 31, 2012 and for the year then ended, required by the Securities and Exchange Commission, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information in such supplementary schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PUNONGBAYAN & ARAULLO**

By:   
**Romualdo V. Murcia III**  
Partner

CPA Reg. No. 0095626  
TIN 906-174-059  
PTR No. 3671457, January 2, 2013, Makati City  
SEC Group A Accreditation  
Partner - No. 0628-AR-1 (until Aug. 25, 2013)  
Firm - No. 0002-FR-3 (until Jan. 18, 2015)  
BIR AN 08-002511-22-2011 (until Feb. 3, 2014)  
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2015)

February 23, 2013

**BDO Unibank, Inc. and Subsidiaries**

**Schedule of Philippine Financial Reporting Standards and Interpretations  
Adopted by the Securities and Exchange Commission and the  
Financial Reporting Standards Council as of December 31, 2012**

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b>		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b>		☑		
Conceptual Framework Phase A: Objectives and Qualitative Characteristics		☑		
<b>Practice Statement Management Commentary</b>			☑	
<b><i>Philippine Financial Reporting Standards (PFRS)</i></b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards	☑		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters	☑		
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	☑		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters	☑		
	Amendments to PFRS 1: Government Loans* ( <i>effective January 1, 2013</i> )			☑
<b>PFRS 2</b>	Share-based Payment	☑		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	☑		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	☑		
<b>PFRS 3 (Revised)</b>	Business Combinations	☑		
<b>PFRS 4</b>	Insurance Contracts			☑
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			☑
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	☑		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			☑
<b>PFRS 7</b>	Financial Instruments: Disclosures	☑		
	Amendments to PFRS 7: Transition	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	☑		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	☑		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	☑		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures* ( <i>effective January 1, 2015</i> )			☑
<b>PFRS 8</b>	Operating Segments	☑		
<b>PFRS 9</b>	Financial Instruments ( <i>effective January 1, 2015</i> )			☑
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures* ( <i>effective January 1, 2015</i> )			☑
<b>PFRS 10</b>	Consolidated Financial Statements* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 10: Transition Guidance* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 10: Investment Entities* ( <i>effective January 1, 2013</i> )			☑
<b>PFRS 11</b>	Joint Arrangements* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 11: Transition Guidance* ( <i>effective January 1, 2013</i> )			☑
<b>PFRS 12</b>	Disclosure of Interests in Other Entities* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 12: Transition Guidance* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PFRS 12: Investment Entities* ( <i>effective January 1, 2013</i> )			☑
<b>PFRS 13</b>	Fair Value Measurement* ( <i>effective January 1, 2013</i> )			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Accounting Standards (PAS)</i>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	☑		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☑		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	☑		
<b>PAS 2</b>	Inventories			☑
<b>PAS 7</b>	Statement of Cash Flows	☑		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	☑		
<b>PAS 10</b>	Events after the Reporting Period	☑		
<b>PAS 11</b>	Construction Contracts			☑
<b>PAS 12</b>	Income Taxes	☑		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	☑		
<b>PAS 16</b>	Property, Plant and Equipment	☑		
<b>PAS 17</b>	Leases	☑		
<b>PAS 18</b>	Revenue	☑		
<b>PAS 19</b>	Employee Benefits	☑		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	☑		
<b>PAS 19 (Revised)</b>	Employee Benefits* ( <i>effective January 1, 2013</i> )			☑
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance	☑		
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	☑		
	Amendment to PAS 21: Net Investment in a Foreign Operation	☑		
<b>PAS 23 (Revised)</b>	Borrowing Costs			☑
<b>PAS 24 (Revised)</b>	Related Party Disclosures	☑		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			☑
<b>PAS 27</b>	Consolidated and Separate Financial Statements	☑		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in Subsidiary, Jointly Controlled Entity or Associate	☑		
<b>PAS 27 (Amended)</b>	Separate Financial Statements* ( <i>effective January 1, 2013</i> )			☑
	Amendments to PAS 27 (Amended): Investment Entities* ( <i>effective January 1, 2013</i> )			☑
<b>PAS 28</b>	Investments in Associates	☑		
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures* ( <i>effective January 1, 2013</i> )			☑
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			☑
<b>PAS 31</b>	Interests in Joint Ventures	☑		
<b>PAS 32</b>	Financial Instruments: Presentation	☑		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	☑		
	Amendment to PAS 32: Classification of Rights Issues	☑		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities* ( <i>effective January 1, 2014</i> )			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
PAS 33	Earnings per Share	☑		
PAS 34	Interim Financial Reporting	☑		
PAS 36	Impairment of Assets	☑		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	☑		
PAS 38	Intangible Assets	☑		
PAS 39	Financial Instruments: Recognition and Measurement	☑		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	☑		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	☑		
	Amendments to PAS 39: The Fair Value Option	☑		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	☑		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	☑		
	Amendments to Philippine Interpretation IFRIC 9 and PAS 39: Embedded Derivatives	☑		
	Amendment to PAS 39: Eligible Hedged Items	☑		
PAS 40	Investment Property	☑		
PAS 41	Agriculture			☑
<b>Philippine Interpretations - International Financial Reporting Interpretations Committee (IFRIC)</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities**			☑
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			☑
IFRIC 4	Determining Whether an Arrangement Contains a Lease	☑		
IFRIC 5	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds**			☑
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			☑
IFRIC 7	Applying the Restatement Approach under PAS 29, Financial Reporting in Hyperinflationary Economies			☑
IFRIC 9	Reassessment of Embedded Derivatives**	☑		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives**	☑		
IFRIC 10	Interim Financial Reporting and Impairment	☑		
IFRIC 12	Service Concession Arrangements			☑
IFRIC 13	Customer Loyalty Programmes	☑		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	☑		
	Amendments to Philippine Interpretations IFRIC - 14, Prepayments of a Minimum Funding Requirement and their Interaction	☑		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation **	☑		
IFRIC 17	Distributions of Non-cash Assets to Owners**	☑		
IFRIC 18	Transfers of Assets from Customers**	☑		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments**	☑		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine* (effective January 1, 2013)			☑

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS		Adopted	Not Adopted	Not Applicable
<i>Philippine Interpretations - Standing Interpretations Committee (SIC)</i>				
<b>SIC-7</b>	Introduction of the Euro			☐
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities	☐		
<b>SIC-12</b>	Consolidation - Special Purpose Entities			☐
	Amendment to SIC - 12: Scope of SIC 12			☐
<b>SIC-13</b>	Jointly Controlled Entities - Non-Monetary Contributions by Venturers**	☐		
<b>SIC-15</b>	Operating Leases - Incentives	☐		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders**	☐		
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	☐		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures			☐
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services**			☐
<b>SIC-32</b>	Intangible Assets - Web Site Costs**			☐

\* These standards will be effective for periods subsequent to 2012 and are not early adopted by the Company.

\*\* These standards have been adopted in the preparation of financial statements but the Company has no significant transactions covered in both years presented.



**BDO Unibank, Inc.**  
**List of Supplementary Information**  
**December 31, 2012**

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**BDO Unibank, Inc. and Subsidiaries**  
**Schedule A - Financial Assets**  
**December 31, 2012**

<i>Name of issuing entity and association of each issue</i>	<i>Number of shares or principal amount of bonds or notes</i>	<i>Amount shown on the balance sheet (ii)</i>	<i>Valued based on the market quotation at balance sheet date (iii)</i>	<i>Income received and accrued</i>
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**Financial assets at fair value through profit or loss**

Derivatives	156,916,260,101	P	4,803,059,960	P	4,803,059,960	P	247,595,025
Government securities	16,658,273,161		1,991,912,390		1,991,912,390		46,270,043
Unit investment trust fund	1,752,000,000		1,761,718,250		1,761,718,250		0
Sovereign bonds	287,350,000		291,976,937		291,976,937		997,476
Private debt securities	41,050,000		176,606,703		176,606,703		5,179,140
Private equity securities	116,906,548		148,263,231		148,263,231		0
Government owned and controlled corporations (GOCC) securities	3,700,000		3,828,599		3,828,599		39,004
		P	9,177,366,070	P	9,177,366,070	P	300,080,688

**Available-for-sale securities**

Government securities	36,558,989,964	P	62,634,725,505	P	62,634,725,505	P	1,013,997,298
Private debt securities	39,369,579,906		44,914,336,174		44,914,336,174		595,138,039
Sovereign bonds	7,601,844,250		8,352,943,538		8,352,943,538		55,612,062
Private equity securities	1,022,785,536		8,018,197,758		8,018,197,758		103,193,723
GOCC securities	5,634,566,359		7,233,544,275		7,233,544,275		122,422,337
		P	131,153,747,250	P	131,153,747,250	P	1,890,363,459

**Held-to-maturity investments**

Government securities	50,578,124,392	P	56,396,703,079	P	65,953,409,102	P	1,481,803,830
GOCC securities	24,853,403,454		26,014,747,219		31,643,556,681		297,585,147
Private securities	6,832,980,922		10,059,310,232		11,054,823,464		162,187,945
Sovereign bonds	4,388,323,159		4,492,186,807		5,513,106,933		103,566,432
		P	96,962,947,337	P	114,164,896,180	P	2,045,143,354
		<b>P</b>	<b>237,294,060,657</b>	<b>P</b>	<b>254,496,009,500</b>	<b>P</b>	<b>4,235,587,501</b>

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2012**

			Deductions				
Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Current*	Not current**	Balance at end of period
Amounts Due from Related Parties:							
Allfirst Equity Holdings Inc	P -	P 5,576,796,945	P 1,207,104	P -	P 5,575,589,841	P -	P 5,575,589,841
Asia Pacific Technology Educational Foundation Inc	-	8,076,389	1,845,611	-	6,230,778	-	6,230,778
Belle Corporation	1,356,131,134	4,166,435,264	466,034,387	-	1,672,630,025	3,383,901,986	5,056,532,011
Best Rubber Corporation	10,034,722	370,777	10,405,499	-	-	-	-
Costa Del Hamilo Inc.	694,571,354	856,111,319	719,670,173	-	831,012,500	-	831,012,500
Highlands Prime Inc.	612,967,744	511,527,773	623,683,224	-	500,812,292	-	500,812,293
Kultura Store Inc.	-	20,093,333	51,667	-	20,041,667	-	20,041,666
Madison Shopping Plaza Inc.	100,122,222	103,325,694	103,166,666	-	100,281,250	-	100,281,250
Mainstream Business Inc.	150,183,333	154,988,542	154,750,000	-	150,421,875	-	150,421,875
Mandurriao Star Inc.	200,088,889	308,279,166	208,201,389	-	300,166,667	-	300,166,666
Manila Southern Associates Inc.	100,044,445	308,674,653	108,469,097	-	300,250,000	-	300,250,001
Market Strategic Firm Inc.	100,044,445	103,156,944	103,149,305	-	100,052,083	-	100,052,084
Mercantile Stores Group Inc.	150,183,333	256,953,819	156,652,778	-	250,484,375	-	250,484,374
Meridien Business Leader Inc.	150,066,667	205,718,055	155,675,347	-	200,109,375	-	200,109,375
Mindanao Shoppers Daily Destination Corp.	-	270,909,375	740,625	-	270,168,750	-	270,168,750
Mindanao Shopping Destination Corp.	-	103,198,264	3,062,847	-	100,135,417	-	100,135,417
Miriam College Foundation Inc.	14,185,453	957,630	5,010,617	-	-	10,132,466	10,132,466
Multi Realty Development Corporation	-	66,615,086	-	-	66,615,086	-	66,615,086
My Shoppinglane Cebu Corp.	-	150,505,208	411,458	-	150,093,750	-	150,093,750
National Grid Corporation of the Philippines	3,463,360,000	-	3,463,360,000	-	-	-	-
OAC Realty and Development Corporation	-	15,181	15,181	-	-	-	-
Romer Mercantile Inc.	-	13,707,295,118	416,301,986	-	13,290,993,133	-	13,290,993,132
Sanford Marketing Corporation	1,910,879,723	2,279,652,916	1,987,115,972	-	2,203,416,667	-	2,203,416,667
SM Autoservice And Car Accessories	2,260,000	-	2,260,000	-	-	-	-
Sports Central (Manila) Inc.	30,083,333	103,265,972	33,042,361	-	100,306,944	-	100,306,944
Summerhills Home Development Corporation	-	43,287,253	-	-	-	43,287,253	43,287,253
Super Manufacturing Inc	6,839,040	-	6,839,040	-	-	-	-
Super Shopping Market Inc.	1,356,152,777	1,393,912,222	1,397,690,000	-	1,352,375,000	-	1,352,374,999
Supplies Station Inc.	20,008,890	15,445,469	20,434,045	-	15,020,312	-	15,020,314
Surplus Marketing Corporation	40,048,889	41,364,167	41,358,889	-	40,054,167	-	40,054,167
Sy, Henry Sr.	150,183,333	157,987,500	157,853,646	-	150,317,187	-	150,317,187
Sysmart Corporation	469,827,800	481,239,850	482,775,150	-	468,292,500	-	468,292,500
Tqm Construction Corp.	2,596,559	-	2,596,559	-	-	-	-
L.V. Locsin Condominium Corporation	-	22,208,460	3,313,487	-	-	18,894,973	18,894,973
Marby Food Ventures Corporation	-	11,299,678	-	-	11,299,678	-	11,299,678
Bannuar Security Agency Inc.	-	4,623,951	-	-	4,623,951	-	4,623,951
Triple A General Services, Inc.	-	2,845,736	-	-	2,845,736	-	2,845,736

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current*	Not current**	Balance at end of period
			Amounts collected	Amounts written off			
Triple A Security Agency, Inc.	-	4,051,614	-		4,051,614	-	4,051,614
Alberto G Torres Or Rebecca - Corporate Secretary	-	2,000,000	-	-	2,000,000	-	2,000,000
	P 11,090,864,085	P 31,443,189,323	P 10,837,144,110	P -	P 28,240,692,620	P 3,456,216,678	P 31,696,909,298
<b>Loans to Officers and Employees:</b>							
Lapid, Roberto Estrera	P -	P 1,774,860	P 147,905		P -	P 1,626,955	P 1,626,955
	P -	P 1,774,860	P 147,905	P -	P -	P 1,626,955	P 1,626,955
<b>Loans to Stockholders:</b>							
SM Investments Corporation	P 22,374,250,736	P 8,201,568,255	P 20,321,238,952	P -	P 7,069,050,000	P 3,185,530,039	P 10,254,580,039
SM Land (Formerly Shoemart Inc.)	276,592,877	15,922,500	66,215,719	-	-	226,299,658	226,299,658
SM Development Corporation	37,750,000	-	37,750,000	-	-	-	-
SM Prime Holdings, Inc	-	-	-	-	-	-	-
Sybase Equity Investments Corporation	9,034,678,783	8,362,887,806	9,477,703,240	-	7,919,863,350	-	7,919,863,349
	P 31,723,272,396	P 16,580,378,561	P 29,902,907,911	P -	P 14,988,913,350	P 3,411,829,697	P 18,400,743,046
	P 42,814,136,481	P 48,025,342,744	P 40,740,199,926	P -	P 43,229,605,970	P 6,869,673,330	P 50,099,279,299

\*Due within one year

\*\*Due beyond one year

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule C - Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**  
**December 31, 2012**

Name and Designation of debtor		Balance at beginning of period		Additions		Amounts collected		Amounts written off		Current*		Non-current**		Balance at end of period
BDO Capital & Investment Corporation	P	751,695,205	P	1,686,831,337	P	1,399,816,892	P	-	P	1,038,709,650	P	-	P	1,038,709,650
BDO Insurance Brokers, Inc.		55,000,000		110,000,000		55,000,000		-		110,000,000		-		110,000,000
BDO Leasing & Finance, Inc.		2,684,731,440		16,215,651,299		12,152,031,440		-		6,748,351,299		-		6,748,351,299
BDO Remit Limited		8,346,692		1,968,712,811		1,951,133,046		-		25,926,458		-		25,926,458
BDO Remittance ( USA), Inc.		128,500,868		1,780,607,891		1,760,671,616		-		148,437,142		-		148,437,142
BDO Strategic Holdings, Inc.		51,338,759		3,900,352,253		3,893,322,625		-		58,368,387		-		58,368,387
Equimark-NFC Development Corp.		72,000,000		-		72,000,000		-		-		-		-
Express Padala (Hongkong) Ltd.		3,456,069		2,298,373,646		2,297,920,603		-		3,909,112		-		3,909,112
Express Padala Frankfurt GmbH		6,639,313		127,051,543		119,911,932		-		13,778,925		-		13,778,925
	P	3,761,708,346	P	28,087,580,780	P	23,701,808,154	P	-	P	8,147,480,973	P	-	P	8,147,480,973

*\*Due within one year*

*\*\*Due beyond one year*

BDO Unibank, Inc. and Subsidiaries  
Schedule D - Intangible Assets - Other Assets  
December 31, 2012

<i>Description <sup>(i)</sup></i>	<i>Beginning balance</i>		<i>Additions at Cost <sup>(ii)</sup></i>		<i>Charged to cost and expenses</i>		<i>Charged to other accounts</i>		<i>Other changes additions (deductions) <sup>(iii)</sup></i>		<i>Ending balance</i>	
Goodwill - net	P	288,851,987	P	143,619,084	P	131,068,257	P	-	P	-	P	301,402,814
Branch and computer software licenses		144,281,492		801,874,131		364,946,289		-		-		581,209,334
Trading Rights		10,475,000		-		-		-		-		10,475,000
Deferred Charges		7,039,494		-		7,039,494		-		-		-
	P	450,647,973	P	945,493,215	P	503,054,040	P	-	P	-	P	893,087,148

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule E - Long-Term Debt**  
**December 31, 2012**

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
Unsecured Subordinated Debt (Tier 2)					
Series 2	P 10,071,259,183	P 71,259,183	P 10,000,000,000	8.500%	May 30, 2018
Series 3	3,006,753,313	6,753,313	3,000,000,000	7.500%	March 20, 2019
Series 4	8,506,111,690	6,111,690	8,500,000,000	6.500%	September 27, 2021
Series 5	6,596,372,150	96,372,150	6,500,000,000	6.375%	January 7, 2022
	28,180,496,336	180,496,336	28,000,000,000		
Senior Notes					
Senior Notes 1	12,377,494,284	91,464,531	12,286,029,753	3.875%	April 22, 2016
Senior Notes 2	12,465,044,726	207,815,625	12,257,229,101	4.500%	February 16, 2017
	24,842,539,010	299,280,156	24,543,258,854		
Deutsche Bank	493,840,394	1,240,394	492,600,000	1.850%	January 18, 2017
LBP	2,000,000	402,416	133,334	6.890%	April 14, 2014
DBP	439,000,000	221,171,401	109,750,000	4.250%	May 18, 2014
Bills Payable - Others					
Bangko Sentral ng Pilipinas (BSP)		11,673,904	20,571,329	4.000%	April 20, 2016
Development Bank of the Philippines (DBP)		87,684,590	9,916,667	4.000%	November 29, 2016
			26,250,000	6.950%	July 2, 2015
			466,253,000	7.050%	October 13, 2018
	-	87,684,590	502,419,667		

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
Landbank of the Philippines (LBP)		15,484,170	15,445,833	4.410%	August 26, 2016
			1,180,000	5.020%	December 4, 2014
			6,944,445	5.020%	August 28, 2015
	-	15,484,170	23,570,278		
Small Business Guarranty & Finance Corp. (SBGFC)		15,728,862	2,250,000	5.800%	July 20, 2014
	-	15,728,862	2,250,000		
Social Security System (SSS)		7,427,887	63,719	5.000%	March 5, 2021
			64,324	5.000%	April 10, 2021
			65,531	5.000%	June 26, 2021
			66,129	5.000%	July 24, 2021
			67,316	5.000%	September 9, 2021
			136,972	5.000%	November 7, 2021
			70,817	5.000%	March 3, 2022
			71,965	5.000%	May 14, 2022
			143,930	5.000%	May 28, 2022
			72,536	5.000%	June 18, 2022
			74,222	5.000%	September 5, 2022
			110,191	8.000%	September 27, 2015
			39,734	8.000%	October 30, 2015
			43,040	8.000%	December 29, 2015
			178,474	8.000%	January 29, 2016
			49,399	8.000%	May 7, 2016
			49,415	8.000%	May 13, 2016



<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
			50,944	8.000%	June 14, 2016
			52,478	8.000%	July 8, 2016
			52,476	8.000%	July 24, 2016
			53,986	8.000%	August 8, 2016
			55,497	8.000%	September 6, 2016
			55,499	8.000%	September 9, 2016
			54,063	8.000%	November 21, 2016
			59,957	8.000%	December 12, 2016
			65,837	8.000%	March 13, 2017
			65,759	8.000%	April 11, 2017
			74,189	8.000%	October 3, 2017
			75,560	8.000%	November 18, 2017
			75,559	8.000%	November 27, 2017
			79,626	8.000%	January 12, 2018
			75,330	8.000%	April 24, 2018
			103,969	8.000%	May 26, 2020
			214,063	8.000%	August 8, 2020
			111,988	8.000%	January 31, 2021
			81,775	8.000%	March 5, 2021
			229,837	8.000%	April 24, 2021
			116,789	8.000%	June 14, 2021
			116,788	8.000%	June 26, 2021
			117,729	8.000%	July 24, 2021
			355,977	8.000%	August 8, 2021
			118,662	8.000%	August 23, 2021
			358,770	8.000%	September 26, 2021
			120,508	8.000%	October 18, 2021
			120,512	8.000%	October 22, 2021
			242,859	8.000%	November 7, 2021
			118,728	8.000%	November 21, 2021
			121,424	8.000%	November 28, 2021
			364,287	8.000%	December 12, 2021
			355,254	8.000%	December 27, 2021
			232,778	8.000%	January 9, 2022

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
			123,239	8.000%	January 22, 2022
			250,054	8.000%	March 3, 2022
			125,024	8.000%	March 18, 2022
			125,027	8.000%	March 25, 2022
			125,909	8.000%	April 1, 2022
			253,578	8.000%	May 28, 2022
			123,970	8.000%	May 29, 2022
			253,587	8.000%	May 30, 2022
			255,324	8.000%	June 4, 2022
			128,530	8.000%	July 11, 2022
			504,141	8.000%	July 29, 2022
			129,393	8.000%	August 15, 2022
			107,083	8.000%	September 5, 2022
			131,884	8.000%	October 29, 2022
			253,913	8.000%	November 7, 2022
			128,634	8.000%	December 5, 2022
			257,531	8.000%	February 19, 2023
			134,442	8.000%	February 20, 2023
			403,327	8.000%	February 23, 2023
			405,795	8.000%	March 11, 2023
			135,261	8.000%	March 12, 2023
			136,892	8.000%	May 19, 2023
			1,535,080	9.000%	August 9, 2025
			615,529	9.000%	August 16, 2025
			431,135	10.000%	October 7, 2025
			70,071	12.000%	December 6, 2015
			91,728	12.000%	October 18, 2016
			105,465	12.000%	February 21, 2017
			202,258	12.000%	March 13, 2017
			108,892	12.000%	April 3, 2017
			111,591	12.000%	April 29, 2017
			114,377	12.000%	June 4, 2017
			133,072	12.000%	June 10, 2017
			143,326	12.000%	July 8, 2017

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
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119,741	12.000%	July 11, 2017
264,692	12.000%	August 15, 2017
141,112	12.000%	October 9, 2017
285,870	12.000%	January 27, 2018
166,525	12.000%	May 7, 2018
535,411	12.000%	May 13, 2021
323,594	12.000%	May 16, 2021
452,343	12.000%	June 5, 2021
232,370	12.000%	June 14, 2021
235,514	12.000%	August 21, 2021
233,892	12.000%	September 2, 2021
233,893	12.000%	September 26, 2021
175,716	12.000%	October 2, 2021
189,534	12.000%	October 8, 2021
220,926	12.000%	October 16, 2021
205,625	12.000%	October 28, 2021
186,128	12.000%	November 7, 2021
241,605	12.000%	December 12, 2021
383,853	12.000%	December 19, 2021
773,572	12.000%	December 27, 2021
431,652	12.000%	January 7, 2022
176,991	12.000%	February 14, 2022
408,498	12.000%	February 21, 2022
673,326	12.000%	March 18, 2022
242,821	12.000%	April 1, 2022
444,014	12.000%	April 3, 2022
228,396	12.000%	April 29, 2022
466,350	12.000%	May 28, 2022
185,825	12.000%	May 30, 2022
654,338	12.000%	June 18, 2022
248,320	12.000%	July 1, 2022
191,275	12.000%	July 25, 2022
477,525	12.000%	September 5, 2022
255,780	12.000%	October 9, 2022

<i>Title of issue and type of obligation</i>	<i>Amount authorized by indenture</i>	<i>Amount shown under caption "Current portion of long-term debt" in related balance sheet</i>	<i>Amount shown under caption "Long-Term Debt" in related balance sheet</i>	<i>Interest Rate</i>	<i>Maturity Date</i>
			180,255	12.000%	October 29, 2022
			231,686	12.000%	November 18, 2022
			251,906	12.000%	December 18, 2022
			758,519	12.000%	January 14, 2023
			260,368	12.000%	February 3, 2023
			430,937	12.000%	February 20, 2023
			192,394	12.000%	March 11, 2023
			748,698	12.000%	April 6, 2023
			232,701	12.000%	April 14, 2023
			16,235,294	6.250%	October 14, 2017
	-	7,427,887	44,282,018		
The Export-Import Bank of Korea "KEXIM"		441,380,634	2,981,256,250	2.520%	April 20, 2017
P	53,957,875,740	P 1,281,970,750	P 56,720,091,730		

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule F - Indebtedness to Related Parties**  
**December 31, 2012**

<i>Name of related party</i>	<i>Balance at beginning of period</i>	<i>Balance at end of period</i>
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**Unconsolidated Subsidiary :**

**NOT APPLICABLE**

**Other Related Parties:**

**NOT APPLICABLE**

BDO Unibank, Inc. and Subsidiaries  
Schedule G - Guarantees of Securities of Other Issuers  
December 31, 2012

<i>Name of issuing entity of securities guaranteed by the company for which this statement is filed</i>	<i>Title of issue of each class of securities guaranteed</i>	<i>Total amount guaranteed and outstanding</i>	<i>Amount owned by person for which statement is filed</i>	<i>Nature of guarantee</i>
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NOT APPLICABLE

**BDO Unibank, Inc. and Subsidiaries**  
**Schedule H - Capital Stock**  
**December 31, 2012**

				<i>Number of shares held by</i>		
<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related balance sheet caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Common shares - P10 par value						
Authorized	4,500,000,000					
Issued and outstanding		3,580,875,328		2,044,722,906	4,215,645	1,531,936,777
Preferred Shares - P10 par value						
Authorized	2,000,000,000					
Issued and outstanding		515,000,000		515,000,000	-	-

**BDO Unibank, Inc.**  
**7899 Makati Avenue, Makati City**

**Reconciliation of Retained Earnings Available for Dividend Declaration**  
**For the Year Ended December 31, 2012**  
*(Amounts in Millions)*

<b>Unappropriated Retained Earnings at Beginning of Year</b>	P	27,095	
<b>Prior Years' Outstanding Reconciling Items, net of tax</b>			
Deferred tax income	(	<u>18</u> )	
<b>Unappropriated Retained Earnings Available for</b>			
<b>Dividend Declaration at Beginning of Year, as Adjusted</b>		<u>27,077</u>	
<b>Net Profit Realized during the Year</b>			
Net profit per audited financial statements		12,856	
Non-actual/unrealized income, net of tax			
Deferred tax income		733	
Fair value gain of financial assets at fair value through profit or loss		<u>188</u>	( <u>921</u> )
			<u>11,935</u>
<b>Other Transactions During the Year</b>			
Dividends declared		5,854	
Appropriation of retained earnings		<u>119</u>	( <u>5,973</u> )
<b>Unappropriated Retained Earnings Available for</b>			
<b>Dividend Declaration at End of Year</b>	<b>P</b>	<b><u>33,039</u></b>	



**BDO UNIBANK GROUP**  
**ORGANIZATIONAL CHART**  
Subsidiaries/Affiliates  
As of 31 December 2012

**BDO UNIBANK, INC.**  
**PHILIPPINE PARENT BANK**

