



Via ODiSy

7 May 2013

PHILIPPINE STOCK EXCHANGE, INC.
Tower One and Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City

Attention: **Ms. Janet A. Encarnacion**
Head

Ms. Christina Marie C. Fortes
Assistant Manager
Disclosure Department

Re: **BDO Unibank, Inc. SEC 17Q report**
=====

Ladies:

We submit with this letter BDO Unibank, Inc.'s SEC 17Q report as of 31 March 2013.

We trust you will find the attached document in order.

Thank you.

Very truly yours,

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

ELMER B. SERRANO
Corporate Information Officer

COVER SHEET

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

B D O U N I B A N K , I N C .

(COMPANY'S FULL NAME)
B D O C O R P O R A T E C E N T E R , 7 8 9 9

M A K A T I A V E N U E , M A K A T I C I T Y
(BUSINESS ADDRESS: NO. STREET CITY/TOWN/PROVINCE)

RUBY A. CRUZ
Contact Person

856-7434/840-7000 loc 4575
Company Telephone Number

0 3 3 1
Month Day

S E C 1 7 - Q
Form Type

Every last Friday of the month of May
Annual Meeting

Secondary License type, if applicable

C F D
Dept. Requiring this Doc.

Amended Articles Number/Section

13,143
Total No.of Stockholders

Total Amount of Borrowings
Domestic Foreign

To be Accomplished by SEC Personnel concerned

File Number LCU

Document I.D. Cashier

Stamps

Remarks: Pls. Use black ink of scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarter ended March 31, 2013.
2. Commission identification number 34001 3. BIR Tax Identification No. 000-708-174-000

BDO UNIBANK, INC.

4. Exact name of issuer as specified in its charter

Makati City, Philippines

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

6. Industry Classification Code (For SEC Use Only)

BDO Corporate Center, 7899 Makati Avenue, Makati City

7. Address of issuer's principal office Postal Code

856-7434/840-7000 LOC 4575

8. Issuer's Telephone number, including area code

NA

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

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

Title of each class	Number of shares of common stock outstanding	Amount of Debt Outstanding
Common stock	3,580,875,328	

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

Yes ☒ No. ☐

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

12. Indicate by check mark whether the registrant:

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

Yes ☒ No. ☐

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

Yes ☒ No. ☐

SEC FORM 17-Q

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


LUCY CO DY (EVP Comptroller)
Authorized Signatory
(PRINTED NAME & DESIGNATION) *an* *rec*

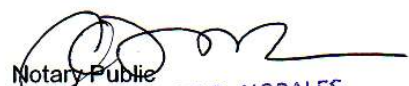
REPUBLIC OF THE PHILIPPINES }
CITY OF MAKATI } S.S.

SUBSCRIBED AND SWORN TO before me this 07 MAY 2013 day of May,

2013, the above affiant exhibiting to me his/her described Competent Evidence of Identity ("CEI"):

Name	CEI	Date & Place Issued
Lucy Co Dy	Passport - EB1933736 CTC - 10717401	02.17.2011/Manila 02.28.2013/Makati City

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Book No. 1
Series of 2013


Notary Public
Atty. CLAUDE ALBERT D. MORALES
Notary Public for Makati City, Philippines
until 31 December 2013
Appointment No. M-392
14/F BDO North Tower BDO Corporate Center
7899 P.O. Box 1000, Makati City
Tel. No. 81001
IBP No. 877315, 1/4/2012, Quezon City
PTR No. 316171, 1/5/2012, Makati City
MCLE Compliance No. 111-0012193, 4/14/2010


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

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

SIGNATURES

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

Issuer..... BDO UNIBANK, INC.

Signature and Title..... 
LUCY CO DY
EVP/COMPTROLLER *for me*

Date..... May 6, 2013

Principal Financial /Accounting
Officer/Comptroller..... LUCY CO DY

Signature and Title..... 
EVP/COMPTROLLER

Date..... May 6, 2013



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

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

	As of March 31, 2013	Audited As of December 31, 2012
<u>RESOURCES</u>		
CASH AND OTHER CASH ITEMS	P 17,040	P 21,539
DUE FROM BANGKO SENTRAL NG PILIPINAS	144,998	156,591
DUE FROM OTHER BANKS	17,073	12,645
INVESTMENT SECURITIES		
At Fair Value Through Profit or Loss	7,385	9,177
Available-for-Sale – net	224,327	131,154
Held-to-Maturity – net	0	96,963
LOANS AND OTHER RECEIVABLES—net	773,563	760,500
BANK PREMISES, FURNITURE, FIXTURES AND EQUIPMENT – net	16,691	16,390
INVESTMENT PROPERTIES	8,492	9,089
EQUITY INVESTMENTS – net	4,528	4,448
DEFERRED TAX ASSETS	5,048	5,115
OTHER RESOURCES - net	21,287	20,797
TOTAL RESOURCES	P <u>1,240,432</u>	P <u>1,244,408</u>
<u>LIABILITIES AND CAPITAL FUNDS</u>		
DEPOSIT LIABILITIES	P	P
Demand	54,394	48,936
Savings	551,491	543,366
Time	314,336	339,339
Total Deposit Liabilities	920,221	931,641
BILLS PAYABLE	63,358	72,179
SUBORDINATED NOTES PAYABLE	28,180	28,180
OTHER LIABILITIES	52,639	55,156
Total Liabilities	1,064,398	1,087,156
<u>EQUITY</u>		
Attributable to Shareholders of the Parent Company	175,361	156,595
Minority Interest	673	657
Total Equity	176,034	157,252
TOTAL LIABILITIES AND EQUITY	P <u>1,240,432</u>	P <u>1,244,408</u>
<u>CONTINGENT</u>		
Trust department accounts	P 871,723	P 816,964
Unused commercial letters of credit	32,481	28,528
Outstanding guarantees issued	549	670
Export L/Cs Confirmed	119	121
Bills for collection	7,393	5,378
Late deposits/payment received	2,495	2,451
Spot Exchange Bought	6,072	3,514
Spot Exchange Sold	9,356	4,618
Forward Exchange Bought	159,627	144,125
Forward Exchange Sold	180,415	154,859
Interest Rate Swap Receivable	6,823	8,394
Interest Rate Swap Payable	6,823	8,394
Other Contingent Accounts	119,708	117,478
TOTAL CONTINGENT ACCOUNTS	P <u>1,403,584</u>	P <u>1,295,494</u>

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

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

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

	For the three-month Period ended March 31, 2013	For the three-month Period ended March 31, 2012
INTEREST INCOME ON		
Loans and Receivables	P 10,767	P 10,085
Investment Securities	2,500	2,593
Due from Other Banks	117	246
Others	79	69
	<u>13,463</u>	<u>12,993</u>
Total Interest Income	<u>13,463</u>	<u>12,993</u>
INTEREST EXPENSE ON		
Deposit liabilities	2,948	3,441
Bills Payable and Others	953	1,153
	<u>3,901</u>	<u>4,594</u>
Total Interest Expense	<u>3,901</u>	<u>4,594</u>
NET INTEREST INCOME	9,562	8,399
IMPAIRMENT LOSSES	<u>1,876</u>	<u>1,297</u>
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES	<u>7,686</u>	<u>7,102</u>
OTHER OPERATING INCOME		
Service Charges, Fees and Commissions	2,821	2,755
Trading Gain – net	9,203	2,356
Trust Fees	557	477
Foreign Exchange Gain/(Loss) – net	-7	-285
Miscellaneous – net	720	489
	<u>13,294</u>	<u>5,792</u>
Total Other Operating Income	<u>13,294</u>	<u>5,792</u>
OTHER OPERATING EXPENSES		
Employee Benefits	3,149	2,979
Occupancy	1,196	1,100
Taxes and licenses	1,260	1,067
Security, Clerical, Messengerial and Janitorial	554	508
Insurance	480	450
Advertising	630	541
Litigation/Assets Acquired	180	182
Miscellaneous	3,063	2,820
	<u>10,512</u>	<u>9,647</u>
Total Other Operating Expenses	<u>10,512</u>	<u>9,647</u>
INCOME BEFORE TAX	10,468	3,247
TAX EXPENSE (INCOME)	418	423
NET INCOME AFTER TAX	P <u>10,050</u>	P <u>2,824</u>
ATTRIBUTABLE TO:		
Equity holders of the parent	P 10,035	P 2,810
Minority Interest	<u>15</u>	<u>14</u>
	P <u>10,050</u>	P <u>2,824</u>
AVERAGE COMMON STOCK	3,581	2,686
INCOME PER SHARE (See annex A)		
Basic	2.71	0.92
Diluted	2.71	0.92

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

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

STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions of Pesos)

	For the three-month period ending March 31, 2013	For the three-month period ending March 31, 2012
NET PROFIT	<u>10,050</u>	<u>2,824</u>
OTHER COMPREHENSIVE INCOME(LOSS)		
Net unrealized fair value gains(losses) on available-for-sale securities	9,007	726
Translation adjustment related to foreign operations	<u>68</u>	<u>(17)</u>
Other Comprehensive Income, net of tax	<u>9,075</u>	<u>709</u>
TOTAL COMPREHENSIVE INCOME(LOSS)	<u><u>19,125</u></u>	<u><u>3,533</u></u>
Attributable To:		
Shareholders of the Parent Bank	19,109	3,519
Non-controlling Interest	<u>16</u>	<u>14</u>
	<u><u>19,125</u></u>	<u><u>3,533</u></u>

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

BDO UNIBANK, INC. & SUBSIDIARIES
CASH FLOW STATEMENTS
FOR THE PERIODS ENDED MARCH 31, 2013 AND 2012
(Amounts in Millions of Pesos)

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,468	3,247
Adjustments for:		
Interest income	(13,463)	(12,993)
Interest received	15,061	14,214
Interest expense	3,901	4,594
Interest paid	(4,552)	(4,962)
Impairment losses	1,876	1,297
Depreciation and amortization	664	630
Share in (profit)loss of associates	(183)	(58)
Fair value loss (gain)	<u>1</u>	<u>(664)</u>
Operating loss before changes in operating resources and liabilities	13,773	5,305
Decrease (increase) in financial assets at fair value through profit or loss	1,505	(1,371)
Decrease (increase) in loans and other receivables	(11,440)	3,466
Decrease (increase) in investment properties	608	520
Decrease (increase) in other resources	(608)	1,215
Increase (decrease) in deposit liabilities	(10,808)	(10,568)
Increase (decrease) in other liabilities	<u>(2,541)</u>	<u>1,109</u>
Cash generated from (used in) operations	(9,511)	(324)
Cash paid for income tax	<u>(131)</u>	<u>(219)</u>
Net Cash From (Used in) Operating Activities	<u>(9,642)</u>	<u>(543)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net acquisitions of bank premises, furniture, fixtures and equipment	(951)	(522)
Net decrease (increase) in held-to-maturity investments	129,364	(1,167)
Net decrease (increase) in available-for-sale financial assets	<u>(117,297)</u>	<u>(21,196)</u>
Net Cash From (Used in) Investing Activities	<u>11,116</u>	<u>(22,885)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) bills payable	(8,634)	(7,163)
Net proceeds from(payment of) issuance of senior notes	(147)	12,531
Dividends paid	<u>(340)</u>	<u>(330)</u>
Net Cash From (Used in) Financing Activities	<u>(9,121)</u>	<u>5,038</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(7,647)</u>	<u>(18,390)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		
Cash and other cash items	21,539	33,129
Due from Bangko Sentral ng Pilipinas	156,591	124,894
Due from other banks	12,645	24,719
SPURRA	<u>941</u>	<u>4,989</u>
	<u>191,716</u>	<u>187,731</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and other cash items	17,040	21,648
Due from Bangko Sentral ng Pilipinas	144,998	122,505
Due from other banks	17,073	21,167
Interbank Call Loans	0	400
SPURRA	<u>4,958</u>	<u>3,621</u>
	<u>184,069</u>	<u>169,341</u>

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

STATEMENT OF CHANGES IN EQUITY
COMPARATIVE PERIODS ENDED MARCH 31, 2013 AND 2012
(Amounts in Millions of Pesos)

	Common Stock	Preferred Stock	Common Stock Options	Treasury Shares at Cost	Additional Paid-in Capital	Surplus Reserves	Surplus Free	Net Unrealized Fair Value Gain(Losses) on Available-for- sale Securities	Revaluation Increment	Accumulated Translation Adjustment	Total Atributable to Shareholders of the Parent Bank	Non- Controlling Interest	Total Equity
Balance at January, 2013	P35,808	P5,150	P-	P-	P63,908	P2,254	P41,145	P7,641	P1,116	(P427)	P156,595	P657	P157,252
Transactions with owners													
Cash Dividends							(340)				(340)		(340)
Audit Adjustments							(3)				(3)		(3)
Total transactions with owners	0	0	0	0	0	0	(343)	0	0	0	(343)	0	(343)
Total comprehensive income							10,035	9,006		68	19,109	16	19,125
Transfer to/(from) Surplus Free													
Additional appropriation						29	(29)				0		0
	0	0	0	0	0	29	(29)	0	0	0	0	0	0
Balance at March 31, 2013	P35,808	P5,150	P-	P-	P63,908	P2,283	P50,808	P16,647	P1,116	(P359)	P175,361	P673	P176,034
Balance at January, 2012	P26,074	P5,000	P-	P-	P25,175	P1,696	P33,271	P4,360	P1,118	(P365)	P96,329	P633	P96,962
Transactions with owners													
Cash Dividends							(330)				(330)		(330)
Total transactions with owners	0	0	0	0	0	0	(330)	0	0	0	(330)	0	(330)
Total comprehensive income							2,810	726		(17)	3,519	14	3,533
Transfer to/(from) Surplus Free													
Additional appropriation						24	(24)				0		0
	0	0	0	0	0	24	(24)	0	0	0	0	0	0
Balance at March 31, 2012	P26,074	P5,000	P-	P-	P25,175	P1,720	P35,727	P5,086	P1,118	(P382)	P99,518	P647	P100,165

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

AGING OF LOANS AND ACCOUNTS RECEIVABLE
As of March 31, 2013
(Amounts in Millions of Pesos)

TYPE OF ACCOUNTS	CURRENT	61 – 180 DAYS	181 - 360 DAYS	OVER 360 DAYS	ITEMS IN LITIGATION	TOTAL
A. INTERBANK TERM LOANS RECEIVABLES	P 4,500	P 0	P 0	P 0	P 0	4,500
B. LOANS AND RECEIVABLES	P 771,881	P 4,259	P 2,375	P 12,027	P 3,122	793,664
Loans & Discounts	662,970	2,262	1,118	3,933	2,595	672,878
Agra-Agri Loans	25,650	15	15	0	0	25,680
Bills Purchases	13,946	0	0	25	2	13,973
Customers Liability on draft under LC/TR	27,409	17	19	1,576	229	29,250
Customers Liability for this bank's acceptances	1,254	0	0	0	0	1,254
Credit Card Receivables	26,740	1,756	1,033	2,845	151	32,525
Restructured Loans	29	2	34	2,390	120	2,575
Other Loan & Receivables	5,229	207	156	1,088	25	6,705
Reverse Repurchase Agreement	4,958	0	0	0	0	4,958
Unquoted Debt Securities Classified as Loans	3,696	0	0	170	0	3,866
C. ACCOUNTS RECEIVABLE	P 5,446	P 354	P 168	P 2,381	P 4	8,353
TOTAL	P 781,827	P 4,613	P 2,543	P 14,408	P 3,126	806,517

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

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

NO. OF SHARES – COMMON As of March	2013		2012	
	Outstanding Balance of Common Shares	Average Number of Common Shares	Outstanding Balance of Common Shares	Average Number of Common Shares
January	3,581		2,686	
February	3,581		2,686	
March	3,581	3,581	2,686	2,686
Weighted Average		<u>3,581</u>		<u>2,686</u>
Basic Earnings per share				
Net profit attributable to shareholders of the Parent Bank		10,035		2,810
Less: Dividends on preferred shares		<u>340</u>		<u>330</u>
Net profit available to common shares		<u>9,695</u>		<u>2,480</u>
Divided by the weighted average number of outstanding common shares		<u>3,581</u>		<u>2,686</u>
Basic Earnings per share		<u>2.71</u>		<u>0.92</u>
Diluted Earnings Per Share				
Net profit attributable to shareholders of the Parent Bank		9,695		2,480
Divided by the weighted average number of outstanding common shares:				
Weighted Average number of common shares		3,581		2,686
Potential common shares from assumed conversion of preferred shares		0		0
Potential common shares from assumed conversion of stock option plan		<u>0</u>		<u>0</u>
Total weighted average number of common shares after assumed conversion of convertible preferred shares		<u>3,581</u>		<u>2,686</u>
Diluted Earnings Per Share		<u>2.71</u>		<u>0.92</u>

Note:

**Net profit attributable to shareholders of the Parent Bank is reduced by dividends on preferred shares as these were not assumed to be covered. Potential common shares from assumed conversion of these preferred shares are anti-dilutive in 2013 and 2012.*

CHECKLIST OF REQUIRED DISCLOSURES
BANCO DE ORO UNIBANK, INC.
For the three months ended: March 31, 2013

FINANCIAL INFORMATION

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

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

The Bank has also opted not to implement early adoption of PFRS 9 for its 2011 and 2012 financial reporting. An impact evaluation was conducted on the second quarter of 2012 using the audited financial data as of December 31, 2011. The next impact evaluation study will be done this second quarter of 2013 using audited financial data as of December 31, 2012.

The new and amended Philippine Financial Reporting Standards enumerated under SEC Memorandum Circular No. 6 issued on April 23, 2013, except for Amendments to PFRS 1, Government Loans, are applicable to the Bank. The Bank is currently evaluating the impact based on its audited financial figures as of December 31, 2012.

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

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

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

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

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

The Bank reclassified its HTM portfolio to Available-for-Sale (AFS) Securities, a portion of which was subsequently sold. Gains from these contributed to the extra-ordinary trading gains of P 9.2 B for the quarter.

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

Remarks: NONE



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

The Bank issued P5.0 billion of Long-Term Negotiable Certificates of Deposit (LTNCDs) on March 25, 2013 to lengthen the maturity profile of its funding sources and support business expansion plans.

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

On January 26, 2013, the Board of Directors of BDO approved the declaration of annual dividends on preferred shares at the rate of 6.5% per annum for a total dividend amount of P340 million. BSP approval was obtained on February 20, 2013 and the dividends were paid on April 24, 2013.

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

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

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

The Bank announced the exercise of its early redemption option on P10.0 billion Series 2 unsecured subordinated notes qualifying as Tier 2 capital on May 31, 2013.

On April 19, 2013, the Board of Directors approved the declaration of cash dividends in the amount of P1.20 per common share in respect of the 2012 earnings and a quarterly cash dividend of P0.30 per common share beginning the second quarter of 2013. The record and payment dates will be set after the approval by the BSP.

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

Remarks: NONE

7.j Changes in contingent liabilities or contingent assets from December 31, 2012.

- Total Contingent Accounts rose 8% to P1.4 trillion on account of the following:
 - Trust Department Accounts went up 7% to P871.7 billion owing to a bigger portfolio of managed funds.
 - Unused L/Cs grew 14% to P32.5 billion due to higher volume of trade transactions.
 - Bills for Collection increased 37% to P7.4 billion on a larger number of bills, drafts and checks outstanding as of the cut-off date.
 - Increased treasury activities resulted in the following:
 - Spot Exchange Bought increased 73% to P6.1 billion
 - Spot Exchange Sold soared by 103% to P9.4 billion
 - Forward Exchange Bought hiked 11% to P159.6 billion
 - Forward Exchange Sold rose by 17% to P180.4 billion

- Outstanding Guarantees Issued as well as Interest Rate Swap Receivables and Payables declined by 18%, 19% and 19%, respectively, owing to lower outstanding transactions as of March 31, 2013.

MANAGEMENT'S DISCUSSION & ANALYSIS

I. Balance Sheet – March 2013 vs. December 2012

- Cash and Other Cash Items slid 21% to P17.0 billion as the year-end 2012 level was particularly high owing to deposits generated during the Christmas season.
- Due from BSP declined by 7% to P145.0 billion as the Bank reinvested excess funds in higher yielding assets.
- Due from Other Banks expanded 35% to P17.1 billion due to higher levels of deposits and working balances with correspondent banks.
- Investment Properties went down by 7% to P8.5 billion owing to continued ROPA disposal.
- Bills Payable dropped 12% to P63.4 billion on lower levels of interbank borrowings and deposit substitutes.
- Other Liabilities slid 5% to P52.6 billion mainly due to lower levels of bills purchased contra-account.
- Total Equity increased 12% to P176.0 billion resulting from the Bank's profitable operations as well as from higher unrealized gains on AFS Securities owing to the reclassification of HTM securities.

II. Balance Sheet – March 2013 vs. March 2012

- Total Resources grew 13% to P1.2 trillion on account of strong customer loan growth funded by low cost deposits.
- Cash and Other Cash Items dropped 21% while Due from BSP grew 18% on account of the new reserve requirement rules implemented by BSP starting April 2012.
- Due from Other Banks declined by 19%, on account of lower levels of placements and deposits with correspondent banks year-on-year.
- Investment Securities went up by 9% to P231.7 billion due to a 13% increase in Financial Assets at Fair Value Through Profit and Loss. AFS Securities grew 100% primarily from the reclassification of HTM Securities.
- Net Loans and Other Receivables expanded 16% to P773.6 billion mainly owing to a 16% hike in gross customer receivables. Securities Purchased Under Reverse Repurchase Agreements as well as other receivables likewise rose by 37% and 47%, respectively. The expansion was tempered by reductions in Interbank Loans and Unquoted Debt Securities Classified as Loans.
- Bank Premises went up 6% to P16.7 billion due to expansion and upgrades in the Bank's distribution network.
- Equity Investments increased 9% to P4.5 billion owing to earnings from investments in associates engaged in real estate and insurance.
- Investment Properties dropped 12% on sustained ROPA disposal.
- Other Resources climbed 39% to P21.3 billion owing to a larger retirement asset account and higher levels of miscellaneous assets.

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- Deposit Liabilities hiked 9% to P920.2 billion from continued deposit marketing efforts. Demand and Savings deposits expanded by 23% and 12%, respectively while Time Deposits inched up 1%.
- Subordinated Notes Payable slid 27% to P28.2 billion on account of the early redemption of P10B Series 1 Tier 2 Notes in November 2012.
- Other Liabilities increased 16% primarily from higher levels of accounts payable, accrued expenses and bills purchased contra-account.
- Total Equity surged 76% owing to bottomline profits, a P43.5B Stock Rights offering in July 2012 and an increase in unrealized gains on AFS Securities owing to the reclassification of HTM securities.

III. Income Statement – March 2013 vs. March 2012

- Net Income attributable to Equity holders of the Parent Company more than tripled to P10.0 billion for the first quarter of 2013, from P2.8 billion for the same period last year.
- Net Interest Income improved by 14% owing to an expansion in earning assets and a reduction in funding costs.
- The Bank's conservative provisioning was sustained with Provision for Impairment Losses for loans, securities, ROPA and other assets at P1.9 billion.
- Other income more than doubled to P13.3 billion owing to the following:
 - Trading Gain grew 291% to P9.2 billion as the Bank capitalized on market opportunities and recognized extraordinary trading gains.
 - Trust Fees increased 17% to P557 million from a larger portfolio of managed funds.
 - Miscellaneous Income went up 47% on higher ROPA gains as well as dividend and rental income.
 - Foreign Exchange (FX) Loss was limited to P7 million from P285 million for the same period last year.
- Operating Expenses went up 9% to P10.5 billion from the following:
 - Employee Benefits rose 6% from a higher manpower count owing to business volume expansion.
 - Occupancy expenses increased 9% primarily due to higher depreciation and rent expense from expansion and upgrades in the Bank's distribution network.
 - Taxes and Licenses climbed 18% on gross receipts taxes on higher interest and fee-based income.
 - Insurance expenses rose by 7% owing to higher deposit levels.
 - Advertising expenses grew 16% from marketing, promotional and advertising campaigns.
 - Security, Clerical, Messengerial & Janitorial as well as Other Expenses went up by 9% each, consistent with higher business volumes.

IV. Comprehensive Income – March 2013 vs. March 2012

- Total Comprehensive Income for the first quarter of 2013 registered at P19.1 billion resulting from a P10.0 billion Net Income, a P9.0 billion increase in unrealized gain on AFS Securities and a P68 million translation adjustment related to foreign operations.
- The Total Comprehensive Income soared 441% from P3.5 billion for the first quarter last year, which consisted of a Net Income of P2.8 billion, a P726 million increase in unrealized gain on AFS Securities and a negative P17 million translation adjustment related to foreign operations.

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1. Key Performance Indicators

Indicator	3M 2013	3M 2012	Inc/(Dec)
Return on Average Common Equity (%)	24.75%	11.74%	13.01%
Return on Average Assets(%)	3.24%	1.03%	2.21%
Net Interest Margin	3.33%	3.34%	-0.01%
Liquidity Ratio	34.18%	36.12%	-1.94%
Debt to Equity	604.65%	994.31%	-389.66%
Asset to Equity	704.65%	1094.31%	-389.66%
Interest Rate Coverage	368.34%	170.68%	197.66%
Profit Margin	37.56%	15.03%	22.53%
Capital Adequacy Ratio	19.86%	15.37%	4.49%
Basic Earnings per Share	2.71	0.92	1.79

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

- Return on Average Common Equity and Return on Average Assets climbed to 24.75% and 3.24%, respectively, owing to the improvement in Net Income.
- Net Interest Margin slightly went down by 0.01% to 3.33% from the continued low interest rate environment, competitive pricing pressures and BSP's new policy of not paying interest on banks' reserve accounts starting April 2012.
- Liquidity Ratio declined to 34.18% as loan growth outpaced the increase in liquid assets.
- Debt to Equity and Assets to Equity dropped to 604.65% and 704.65%, respectively, after the considerable increase in Total Equity coming from bottomline profits and an increase in unrealized gain on AFS Securities.
- Interest Rate Coverage and Profit Margin improved to 368.34% and 37.56%, respectively, owing to higher revenues for the first quarter of this year.
- Capital Adequacy Ratio, covering credit, market and operations risk, climbed to 19.86% from profitable operations as well as a Stock Rights issuance in July 2012.
- Basic earnings per share surged to P2.71 from P0.92 for the same period last year, on account of higher bottomline profits.

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

The Bank announced the exercise of its early redemption option on P10.0 billion Series 2 unsecured subordinated notes qualifying as Tier 2 capital on May 31, 2013.

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

Remarks: NONE

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

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Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

Remarks: NONE

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

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

Vertical Analysis-Material Changes

I. Balance Sheet – March 2013 vs. December 2012

- AFS Securities now represents 18.1% of Total Assets from 10.5% in December 2012, owing to the reclassification of HTM Securities, which previously accounted for 7.8% of Total Assets.

II. Balance Sheet – March 2013 vs. March 2012

- AFS Securities as a percentage of Total Assets increased by 7.9% due to the reclassification of HTM Securities, which represented 8.6% of Total Assets in March 2012.

III. Income Statement – March 2013 vs. March 2012

- Trading Gain as a percentage of Other Income soared to 69.2%, as the Bank capitalized on market opportunities.
- Service Charges and Fees conversely dropped to 21.2% of Other Income.

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

Remarks: NONE



4. The details of reclassification of financial assets adopted in accordance with the guidelines set in Bangko Sentral ng Pilipinas (BSP) Circular No. 626, Series of 2008, are stated below:

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

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

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

in US\$ mil	Carrying Amount	Fair Value
HTM	142.4	159.7
UDSC	40.0	40.6
Total	182.4	200.3

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

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

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

in US\$ mil	Impact
HTM	(90.1)
UDSC	(0.5)
Total	(90.6)

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

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

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BDO Unibank, Inc. & Subsidiaries
Balances by Segment
As of March 31, 2013
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Leasing & Finance	Others	Total	Eliminations	Group
Statement of Income								
Total Interest Income								
External	12,885	19	216	335	8	13,463	0	13,463
Inter-Segment	67	1	1	0	3	72	(72)	0
	<u>12,952</u>	<u>20</u>	<u>217</u>	<u>335</u>	<u>11</u>	<u>13,535</u>	<u>(72)</u>	<u>13,463</u>
Total Interest Expense								
External	3,812	0	29	60	0	3,901	0	3,901
Inter-Segment	4	12	0	55	1	72	(72)	0
	<u>3,816</u>	<u>12</u>	<u>29</u>	<u>115</u>	<u>1</u>	<u>3,973</u>	<u>(72)</u>	<u>3,901</u>
Net Interest Income	<u>9,136</u>	<u>8</u>	<u>188</u>	<u>220</u>	<u>10</u>	<u>9,562</u>	<u>0</u>	<u>9,562</u>
Other Operating Income								
Investment Banking Fees	0	155	0	0	0	155	0	155
Others	11,865	73	664	136	534	13,272	(133)	13,139
	<u>11,865</u>	<u>228</u>	<u>664</u>	<u>136</u>	<u>534</u>	<u>13,427</u>	<u>(133)</u>	<u>13,294</u>
Other Operating Expenses								
Depreciation and Amortization	582	1	11	65	5	664	0	664
Impairment Losses	1,851	0	0	25	0	1,876	0	1,876
Others	9,274	78	220	118	188	9,878	(30)	9,848
	<u>11,707</u>	<u>79</u>	<u>231</u>	<u>208</u>	<u>193</u>	<u>12,418</u>	<u>(30)</u>	<u>12,388</u>
Profit before Tax	<u>9,294</u>	<u>157</u>	<u>621</u>	<u>148</u>	<u>351</u>	<u>10,571</u>	<u>(103)</u>	<u>10,468</u>
Tax Expense	<u>278</u>	<u>41</u>	<u>25</u>	<u>33</u>	<u>41</u>	<u>418</u>	<u>0</u>	<u>418</u>
Net Profit	<u>9,016</u>	<u>116</u>	<u>596</u>	<u>115</u>	<u>310</u>	<u>10,153</u>	<u>(103)</u>	<u>10,050</u>
Statements of Financial Position								
Total Resources								
Segment Assets	1,198,766	4,055	23,094	20,502	8,601	1,255,018	(20,557)	1,234,461
Intangible Assets	911	10	1	0	1	923	0	923
Deferred Tax Assets	5,136	(63)	43	(19)	(49)	5,048	0	5,048
	<u>1,204,813</u>	<u>4,002</u>	<u>23,138</u>	<u>20,483</u>	<u>8,553</u>	<u>1,260,989</u>	<u>(20,557)</u>	<u>1,240,432</u>
Total Liabilities	<u>1,037,382</u>	<u>1,685</u>	<u>17,086</u>	<u>15,740</u>	<u>1,139</u>	<u>1,073,032</u>	<u>(8,634)</u>	<u>1,064,398</u>
Other Segment Information								
Capital expenditures	689	1	6	278	2	976	0	976
Investment in associate under equity method	5,060	27	0	0	0	5,087	0	5,087
Share in the Profit of associates	178	5	0	0	0	183	0	183

BDO Unibank, Inc. & Subsidiaries
Balances by Segment
As of March 31, 2012
(Amounts in Millions of Pesos)

	Commercial Banking	Investment Banking	Private Banking	Leasing & Finance	Others	Total	Eliminations	Group
Statement of Income								
Total Interest Income								
External	12,410	20	251	304	7	12,992	0	12,992
Inter-Segment	29	1	1	0	4	35	(35)	0
	<u>12,439</u>	<u>21</u>	<u>252</u>	<u>304</u>	<u>11</u>	<u>13,027</u>	<u>(35)</u>	<u>12,992</u>
Total Interest Expense								
External	4,422	0	84	88	0	4,594	0	4,594
Inter-Segment	5	10	0	19	0	34	(34)	0
	<u>4,427</u>	<u>10</u>	<u>84</u>	<u>107</u>	<u>0</u>	<u>4,628</u>	<u>(34)</u>	<u>4,594</u>
Net Interest Income	<u>8,012</u>	<u>11</u>	<u>168</u>	<u>197</u>	<u>11</u>	<u>8,399</u>	<u>(1)</u>	<u>8,398</u>
Other Operating Income								
Investment Banking Fees	0	128	0	0	0	128	0	128
Others	5,107	28	137	111	403	5,786	(122)	5,664
	<u>5,107</u>	<u>156</u>	<u>137</u>	<u>111</u>	<u>403</u>	<u>5,914</u>	<u>(122)</u>	<u>5,792</u>
Other Operating Expenses								
Depreciation and Amortization	566	1	7	52	4	630	0	630
Impairment Losses	1,272	0	0	25	0	1,297	0	1,297
Others	8,497	74	169	112	188	9,040	(23)	9,017
	<u>10,335</u>	<u>75</u>	<u>176</u>	<u>189</u>	<u>192</u>	<u>10,967</u>	<u>(23)</u>	<u>10,944</u>
Profit before Tax	<u>2,784</u>	<u>92</u>	<u>129</u>	<u>119</u>	<u>222</u>	<u>3,346</u>	<u>(100)</u>	<u>3,246</u>
Tax Expense	<u>314</u>	<u>25</u>	<u>19</u>	<u>24</u>	<u>41</u>	<u>423</u>	<u>0</u>	<u>423</u>
Net Profit	<u>2,470</u>	<u>67</u>	<u>110</u>	<u>95</u>	<u>181</u>	<u>2,923</u>	<u>(100)</u>	<u>2,823</u>
Statements of Financial Position								
Total Resources								
Segment Assets	1,054,124	2,806	22,879	18,903	7,623	1,106,335	(16,101)	1,090,234
Intangible Assets	454	10	1	0	0	465	0	465
Deferred Tax Assets	5,567	(41)	4	(81)	(35)	5,414	0	5,414
	<u>1,060,145</u>	<u>2,775</u>	<u>22,884</u>	<u>18,822</u>	<u>7,588</u>	<u>1,112,214</u>	<u>(16,101)</u>	<u>1,096,113</u>
Total Liabilities	<u>966,209</u>	<u>1,055</u>	<u>17,722</u>	<u>14,403</u>	<u>949</u>	<u>1,000,338</u>	<u>(4,390)</u>	<u>995,948</u>
Other Segment Information								
Capital expenditures	456	3	17	61	8	545	0	545
Investment in associate under equity method	4,704	0	0	0	0	4,704	0	4,704
Share in the Profit of associates	58	0	0	0	0	58	0	58